



OVERVIEW

CHAIRMAN & CEO'S REVIEW

Even in times of crisis there are opportunities to be seized. Smart entrepreneurship is not chasing what cannot be, but rather, making the most of what is. Faced with crises on two fronts, the global and local, DIMO is adapting and re-strategising to make the best of opportunities that are emerging. Although automobile sales were down last year because prospective buyers were reluctant to spend, the company's performance in other areas ensured it ended the year on a satisfactory note. [or 'was close to business as usual'] New projects will include the assembly of a 'People's Vehicle' and playing an active role in developing the social and economic infrastructure of the North East.

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The Opportunities of Hard Times

These hard times have not dampened the Dimo spirit. Having been in the business for 70 years, we know that real entrepreneurship means taking the hot and the cold, the rain and the sun, the doom and the bloom.

Instead, we have decided to focus on making the best use of the opportunities that these hard times throw up. We will rethink, re-strategise and revamp, and are confident that we can manoeuvre these rough times with our customary skill and our traditional zeal.

70 Years of Growth

This year DIMO marks 70 years of entrepreneurship. In these 70 years, we have created a unique Sri Lankan brand, a brand that is diverse, constantly evolving and always on the prowl for new opportunities.

We have grown from a small company with 29 employees and 02 principals to one of the country's leading corporates with 870 employees, over 50 of the world's leading brands and a large portfolio of customers.

DIMO's hallmark over these 70 years has been the relationships it has built with its many and varied customers. We have tried to sell relationships, and not market products and have succeeded all the way through.

These 70 years have also been replete with special employee relationships, and some of these stories are captured in another part of this Report.

Profits Plunge

Local and global conditions, combined to reduce DIMO's profits from the previous year. Sales of automobiles, which is a core area for the Company, took a sharp dip. According to the Registrar of Motor Vehicles, only 265,199 vehicles were registered last year, a drop of 11% from the previous year.

The leasing industry changed its requirements by asking customers to make large down payments and this also had a negative impact on the sales of cars, trucks and other vehicles.

Some of the Company's main customers who hail from the tea, rubber and apparel industries have been badly affected by the global meltdown and as a result, postponed many of their capital expenditure purchases. These decisions had a negative impact on DIMO's bottom line. Recovery of dues, especially from the public sector, was also a challenge, and this too had an impact on the Company's performance.

DIMO's Diversification Helps

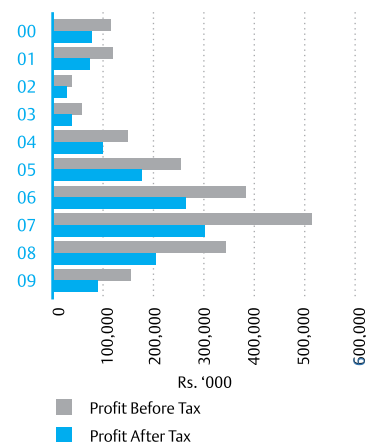
The Company's diversification into other areas such as power engineering, building technologies, power systems and agriculture and water management systems however, helped the Company to cope with the drop in automobile sales. The agricultural sector performed particularly well last year and the Company's 'Combined Harvester' made a positive contribution.

While our core business in the form of vehicle sales has taken a dip because of the global recession, the Company has been fortunate that the other sectors have done well and this enabled us to post a satisfactory year, despite the volatilities of local and global markets.

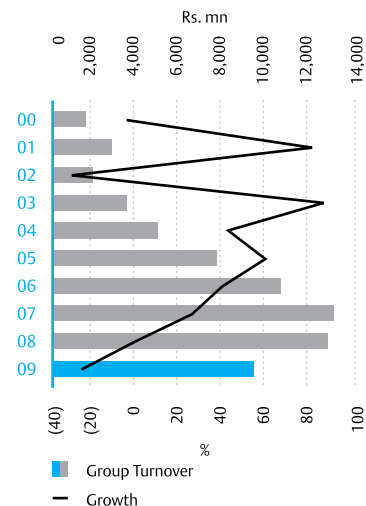
The Company is currently looking at setting up an automobile assembly facility to assemble low cost vehicles for the local market. We have developed a business model and are in the process of fine tuning the idea.

We are also optimistic about the opportunities that will unfold in the North and the East. We have already begun to develop business models to exploit these opportunities and are ready to respond to the needs of the people who are resident there. The Government has plans for the development of the social and economic infrastructure of those areas and DIMO hopes to be an active player in the implementation of those plans.

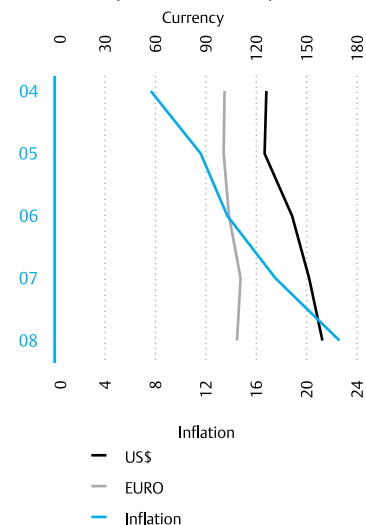
Profit Before Tax & Profit After Tax



Group Turnover



Currency Vs Inflation (31st December)



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One area in which we propose to bring in our expertise is the modern fluid management systems. Access to regular and clean water is going to be one of the many challenges that the newly developed North and East will face in the near future. DIMO, with its state-of-the-art water management solutions and specialised expertise, is well placed to provide tailor-made solutions for those areas as the State invests in their regeneration and redevelopment.

Sharpening Our Technological Edge

The Company continues to maintain its technological edge in all its areas of operations. DIMO installed a linear accelerator for cancer patients at a private sector healthcare facility in Colombo. This state-of-the-art facility was the first of its kind in the country and helps treating patients with a high degree of accuracy and precision.

Last year, a modern Neuro-Trauma Unit was established at the National Hospital, and DIMO provided key equipment for this facility. Installation and commissioning was done with the expertise of the DIMO engineers.

The establishment of our after-care auto centres in strategic areas, across the island, have made our technology more easily available across the country. We will continue to market products that make the best use of modern technology and do our best to make these products accessible to people in all parts of the country.

The Company's agreement with the University of Peradeniya is one way in which we seek to enhance the technological capacity of this country. In terms of this agreement, DIMO has agreed to support the development of any commercially viable idea that academics and researchers at the University of Peradeniya may pioneer.

The objective is to unleash the research potential of our universities and to reward relevant and socially useful research. Many an idea languishes in a library for the lack of support from industry. Through this project we hope to foster a closer relationship between research institutions and the commercial sector with a view to making the innovative ideas more accessible to the broader public.

Sustainability is Fundamental

Sustainability is fundamental to all of DIMO's activities. The Company is a firm believer in preserving the environment and sustainable business activities. While we do our best for the present generation, we must ensure that the future generations will also benefit from our entrepreneurship. Sustainability and good governance are the key values that drive all our corporate activities and are very closely ingrained in our corporate culture.

While we ensure that all the products we sell are environmentally friendly, we also take care to see that the Company's after sales service does not result in a negative impact on the environment. We take special care with our vehicles to ensure that all emission systems are highly sophisticated and cause minimum impact on the environment. All vehicles we sell comply with Euro 2 and Euro 3 standards.

The ISO 14000 is an external recognition of the environmental management system we have adopted. DIMO has now emerged as a leader in its sector. Elsewhere in this Report, we report in detail, the processes and procedures we have adopted.

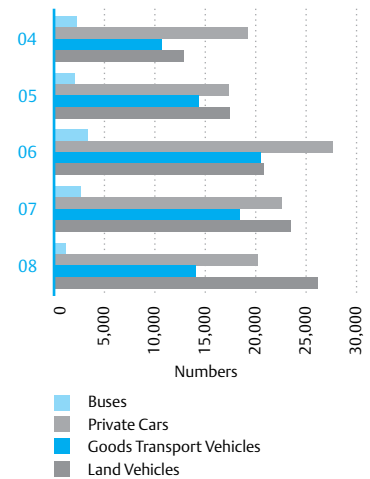
Providing a Meaningful Value Addition

The Company will continue with its central idea of creating added value to people's lives. For 70 years, we have been an important player in the corporate world, every year providing new opportunities for our multiple customers through 'Dimo Technology'.

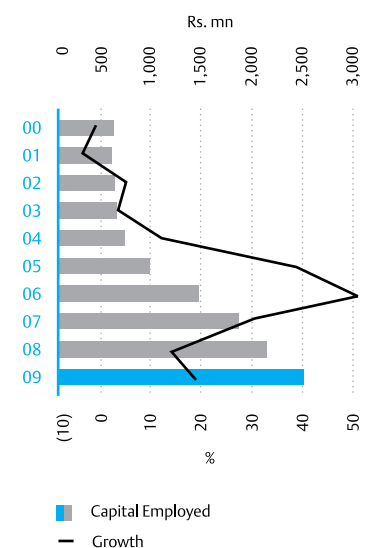
We are now exploring seriously the idea of a 'People's Vehicle' (Janarathaya). We want to develop a method of transportation that is environmentally friendly, highly functional and accessible to a broad range of social groups in this country. The Company believes that such a vehicle could make a significant difference in people's lives and open new opportunities for thousands of Sri Lankans.

We have a team working on this idea and they are on the verge of taking the idea from the drawing board to the production stage.

Registration of Motor Vehicles (31st Dec.)



Growth in Capital Employed



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70 and Growing

This year is a landmark year for DIMO. We complete 70 years of commercial activity and have established a strong presence in the Sri Lankan market. The Company has evolved and changed over these 70 years, adding new products to its repertoire, on its journey.

One thing that has not changed though, is the nature of the customer relationships we have forged. Our relationships with our customers have withstood the shocks that the world has thrown at us and like the best of friends, withstood the test of time.

We know the next year will be a challenging one. The world is being washed by a sea of pessimism and we will have to strain every sinew to stay afloat. We are confident that the foundation we have built, and the innovative capacities we have unearthed at DIMO, will help us through this crisis.

The Company was born at a time of crisis and we have been through many crises before. We know that we have the skills and resilience to handle this one as well. Many of our principals also face challenging times. However, we know that the strength of the partnerships we have forged with our principals over there years will help us through these hard times.

We have to face specific obstacles in the domestic market. These include the very high Government levies and tight-fisted leasing sector. We are working with the Trade Chambers and other relevant organisations to see if we can get these changed.

As discussed at the last Annual General Meeting, 28.3% of the shares formerly held by Hayleys PLC were bought back by the Company.

My thanks to all those who constitute the DIMO family. They continue to drive the Company with their commitment, dynamism and flair. My thanks to all our principals for the encouragement and advice they have provided, and the partnerships we have forged. We look forward to more years of fruitful collaboration. To all my colleagues on the Board, I would like to say a warm "thank you". We have established a solid and dynamic team at DIMO and I look forward to leading the Company into its next phase of growth.



A.R. Pandithage

*Chairman, Managing Director/
Chief Executive Officer*

22nd May 2009

Dividend Paid

