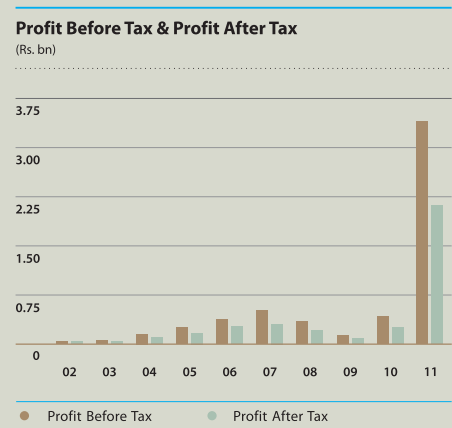




Lower and stable interest rates, duty reductions, a strong GDP growth, and sector growth in commerce, industry and construction, provided Dimo the foundation for a new phase of growth during the past year. A continuation of this regime will ensure good prospects for the Company in the ensuing years.

An examination of our results over the past ten years would demonstrate protracted challenge punctuated with years of severe strife. Through all these years we systematically built on our intellectual capital, in the belief that the tide would turn



*Dear Friends in and of Dimo,*

I make no bones about the focal point of what we are reporting, because it is not common for a business to increase profits tenfold in a single year. And that is precisely what Dimo has achieved. The Company posted a profit before tax of Rs. 3,369 mn as against last year's figure of Rs. 306 mn. Similarly, the Company's after tax profit stood at Rs. 2,104 mn, up from Rs. 189 mn last year. Group profit before and after tax were Rs. 3,396 mn and Rs. 2,122 mn respectively.

To say that I am delighted with these results is to make a gross understatement. I am truly ecstatic and so is everyone at Dimo. Nevertheless, it is not about basking in this glory. On the contrary, the key factors that contributed to this success have also brought about so much opportunity, that every corner of Dimo is a fresh hive of activity.

**There were Two Main Factors that Led to this Phenomenal Growth**

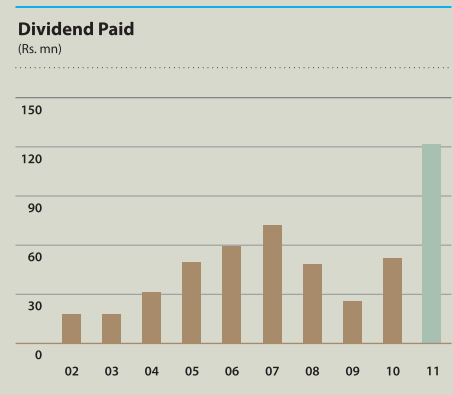
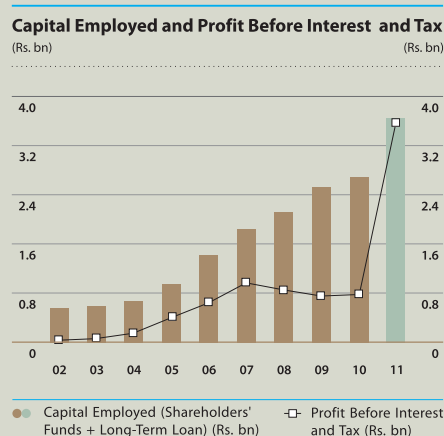
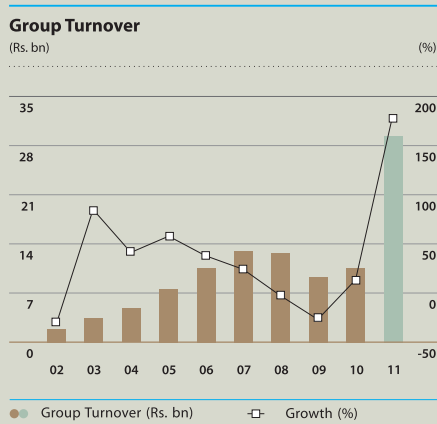
The first was the reduction in interest rates. This made it easier for customers to finance their purchases. The reduced interest rates also gave an additional impetus to the steadily increasing economic activity in all the sectors that we serve. This was on top of the already buoyant economic environment owing to the opening up of markets in the North and East of the Country and other infrastructural development projects that were underway.

The second was the Government's decision to rationalise tariffs on imports, particularly, those of passenger motor vehicles. Motor car registrations which had shrunk by 75% in 2009 bounced back dramatically. Likewise, new registrations of all other segments of motor vehicles followed suit.

**We were Fortunately Prepared to Benefit from this New Scenario**

This is the central lesson we would like to carry into the future; because the economic cycle will always remain. Let me explain.

An examination of our results over the past ten years would demonstrate protracted challenge punctuated with years of severe strife. Through all these years we systematically built on our intellectual capital, in the belief that the tide would turn. I would like to draw your attention to the diagram in the inner front cover which depicts our view on financial value creation, through the dynamic interaction of our various forms of intellectual capital. It was as well a period where profits were reinvested to develop and maintain all our physical facilities in peak performing condition.



**We have Adopted a New Structure in Our Annual Report**

This structure brings to focus our different forms of intellectual capital and how we develop them. We have also reported on both sides of the coin concurrently.

**What is the Other Side of the Coin?**

The term capital, be it financial capital or intellectual capital implies ownership. Yes, this is true to a certain point; but not entirely so. Take financial capital for instance. Do we really own the financial resources at hand? As explained in the section titled financial value creation appearing on pages 18 to 32 we believe that we don't have the prerogative to sit on financial resources unless we create wealth in a sustainable manner. It is this conviction that prompted us ten years ago to adopt a management approach based on Economic Value Added (EVA).

**Is It the same for Intellectual Capacity?**

If the same yardstick was to be applied to intellectual capital, it would be seen that ownership plays little or no part at all. Instead trusteeship, stewardship and accountability come into play.

**This leads me to reiterate our eight strategic imperatives:**

- Creating financial value
- Refining the portfolio mix of our businesses continuously
- Earning the trust of customers so they keep coming back
- Nurturing people so they find it enjoyable and rewarding to work with us
- Having great relationships with best-of-breed business partners
- Playing by the rules
- Serving the community
- Being friendly towards the environment

We have in this Annual Report explained in detail how we live by these strategic imperatives. You will see that they form a holistic picture and are based on years of tacit insights passed down through generations. However, in the year under review we also commissioned an independent third party to engage with our various stakeholders and elicit additional insights. Thus, we are fine-tuning our act by understanding them even better and aligning our actions to serve them comprehensively.

**We have a Large Number of Customers and Consumers Spread Across Our Five Business Segments**

They comprise of individuals, businesses and the Government. However if one wonders who consumes our products, we are probably touching lives of the majority of the population in Sri Lanka. In service to them, in the ensuing months we will be opening a new Bosch Centre, which will be followed by a new Mercedes-Benz Centre, and an TATA passenger car sales and service facility. These projects represent a capital investment of over Rs. 1.0 bn. We will also be investing in a new facility for sale of TATA commercial vehicles and spare parts.

**Just Over a 1,000 People Work at Dimo Now**

Their knowledge and skills are constantly being honed with a comprehensive development programme. These efforts were recognised by the National Human Resource Management Awards in 2010. Dimo was one of the ten Gold Award Winners for best HR practices as well as the category winner in the 'Building HR Capacity' category.

A list of the prestigious principals that we represent appears on page 57 to 58 of this Annual Report. They represent the root of our value chain.

**Youth are the Focal Point of Our Community Development Initiatives**

Youth in different parts of the country, aspiring to make a career in one of the fields of engineering that we are engaged in has always been our focal point. Our Dimo Automobile Training School which has gained a world-class reputation, celebrated 21 years of service in the year under review. We recently opened the second Dimo Automobile Training School in Jaffna. We are also building a state-of-the-art technical training school at Sooriyawewa in Hambantota at a cost of Rs. 100 mn. This is scheduled to open in July 2011.

**We were One of the First Companies to Report on Our Carbon Footprint**

This exercise is now in its third consecutive year. Our long-term goal is to become carbon neutral. In the meantime, we are employing many measures to bring down our carbon footprint.

**There is much Potential; and the Outlook is Positive**

Lower and stable interest rates, duty reductions, a strong GDP growth, and sector growth in commerce, industry and construction during the past year provided Dimo the foundation for a new phase of growth. A continuation of this regime will ensure good prospects for the Company in the ensuing years.

Dimo will continue to develop its core business in automobiles and automobile parts and services. At the same time it will invest significantly in growing its businesses in lighting and power tools, construction, agricultural and material handling equipment and electro-mechanical and bio-medical equipment. The Company is on the verge of entering into leisure-related transport in view of the burgeoning tourism industry. The Company will continue to lay emphasis on innovation and quality in the products and services it offers and in the aftercare it provides.

**Solidarity with the People of Japan**

I would like to use this opportunity to express my solidarity with the people of Japan. The Company is an agent for several products from Japan and we have always had warm relationships with the Japanese people. To them I say, our thoughts are with you at this moment and we have no doubt that you will rise even stronger from one of nature's cruelest strokes.

**Acknowledgements**

To our customers, I say 'thank you' for your patronage and the relationships we have built. Earning your trust means everything to us.

My warm thanks to our employees who 'drive' the Company with their commitment, dynamism and flair. I am grateful to the vibrant Employees' Council for the close spirit of partnership that has evolved.

I thank our principals for the encouragement and advice they have provided and the alliances we have struck. We are touched by the faith you have placed in us and look forward to many more years of collaboration.

In keeping with the Company's performance, the Board has recommended a generous dividend of Rs. 61/- per share. This is unparalleled in the history of the Company. It is a way of saying thank you to our shareholders who continue to retain faith in our philosophy and business strategy.

I warmly thank my colleagues on the Board. We have established a solid and dynamic team at Dimo and look forward to consolidating the new phase of growth the Company has just entered.



**A. Ranjith Pandithage**  
*Chairman, Managing Director/Chief Executive Officer*

Colombo  
3rd June 2011