CAPITAL *reports*

Segregation of Monetised Capital

Under the diversification strategy, DIMO has invested in manufacturing and value adding plants and other facilities during the year, which led us to believe, that it is important to segregate Financial Capital and Manufactured Capital.

Table 17: Statement of capital performance

Capitals	Unit	2022/23	2021/22	2020/21	2019/20	2018/19
Financial Capital						
Equity	Rs. million	15,353	15,466	14,961	12,349	12,080
Borrowings	Rs. million	13,730	8,951	4,551	11,287	10,134
Earnings per share	Rs.	62.73	76.06	52.72	21.12	5.78
Gross margin	%	38.38	26.30	24.23	21.21	19.03
Debt to equity ratio	%	47.21	36.66	23.33	47.75	45.62
Manufactured Capital						
Freehold building	Sq. ft.	823,359	823,359	823,359	775,321	748,891
Inventory	Rs. million	9,978	9,800	6,198	8,007	8,360
Human Capital						
Employee engagement score	Index	4.20	4.20	4.06	4.11	3.89
Average training hours per employee	Hours	11	23	19	13	19
Female employees in decision-making roles	Number	54	50	43	42	45
Social and Relationship Capital						
Customer satisfaction index	%	89	90	89	92	87
Number of strategic relationships with foreign principals	Number	116	94	86	88	85
Investment in social progress	Rs. million	17	24	22	75	89
Intellectual Capital						
Being recognised as a Great Place to Work	Status	Yes	Yes	Yes	Yes	Yes
Recognition for corporate reporting by external bodies	Status	Yes	Yes	Yes	Yes	Yes
Obtaining ISO accreditation for QMS and EMS	Status	Yes	Yes	Yes	Yes	Yes
Natural Capital						
Total water consumption to generate Rs. 1 million revenue	m^3	1.44	2.62	3.13	2.67	3.08
Total energy consumption to generate Rs. 1 million revenue	GJ	1.21	1.52	1.47	1.90	2.00
Renewable energy generation	GJ	11,415	11,739	10,734	N/A	N/A

MANAGEMENT APPROACH – ALIGNMENT TO STRATEGY

Table 18: Capital report - management approach

Capital	Diversification	Differentiation	Collaboration
Financial	Financial capital is critically important to implementing our diversification strategy. This strategy also places demand on long-term financial capital and is expected to create financial value in the medium to long-term.	Differentiation strategy is mainly executed via marketing strategy, and therefore, the requirement of financial capital is known once the marketing strategy is finalized. Expected to create value in the short term.	Collaboration strategy is mainly dependent upon relationship capital and intellectual capital. The requirement of financial capital will depend on the type of collaboration. Financial value creation is likely to happen in the short, medium and long-term.
Manufactured	Manufactured capital is a necessity when diversification happens. For related or unrelated investments and acquisitions, financial capital support is needed to enhance manufactured capital.	Not Material	Not Material
Human	The increase in human capital is a positive consequence of diversification. There may be a need to trade-off financial capital to attract expert talent in the new ventures. Increased Human Capital can bring value to DIMO in the short, medium and long-term.	Differentiation strategy requires fresh as well as mature human capital in order to invent new marketing strategies, processes and procedures to create financial value in the short and medium term.	Collaboration strategy requires Human Capital as the benefits of collaboration are brought about by the actors behind collaboration - Human Capital.
Social & Relationship	Diversification requires relationship capital to be used to create partnerships for the new business. This capital helps to yield value in short term whilst strong relationships can bring value over a longer period.	N/A	Increased social and relationship capital is mandatory for collaboration, considering that it is the most essential ingredient for collaboration to succeed.
Intellectual	The strategy demands increased intellectual capital to perform better with synergies via diversification. This will result in increased economies of scale to deliver better financial results.	Strategy is backed by the intellectual capital of the business. The tacit knowledge of employees makes the differentiation strategy a reality, which creates human capital as well as financial capital in the short and medium term.	Intellectual capital plays a pivotal role in the collaboration strategy as it becomes a key value creator when two parties collaborate. Financial capital, social and relationship capital as well as human capital are the capital enablers for this strategy to create value in the short, medium and long-term.
Natural Capital	Natural Capital may not be the key capital to initiate a diversification. However, depending on the area of diversification, the need for natural capital may arise. A case in point is the diversification into Agriculture which required a significant amount of natural capital in terms of land and water.	Natural Capital in the form of water and land is required mostly for the agriculture and vehicle aftersales businesses. This is in moderate amounts. Although, these capitals are used in Agriculture, these are generally not used to differentiate.	Sometimes it is possible that DIMO comes up with a natural capital such as land, in order to develop novel partnership under collaboration strategy. However, there are no such plans at the moment.

CAPITAL REPORTS

FINANCIAL CAPITAL

Our financial capital consists of monetary resources which are deployed with a view to creating value through our business activities. Effective and efficient financial capital management is a fundamental part of our ability to create sustained value for our stakeholders.

During the year, we focused on protecting our financial resilience by securing financial resources to continue the business uninterrupted and by ensuring that we maintain healthy levels of liquidity.

The main indicators of financial capital together with their quality and quantity are discussed in this section.

Quantity & quality of capitals

Rs. **621** million
Stated Capital
(2021/22 – Rs. 621 million)

Rs. **8,744** million
General Reserves and Retained Earnings
(2021/22 – Rs. 8,238 million)

Rs. **11,757** million
Short-term borrowings
(2021/22 – Rs. 7,223 million)

Rs. **1,973** million
Long-term borrowings
(2021/22 – Rs. 1,729 million)

A resilient balance sheet with sustainable cash flows

14%
ROCE
(2021/22 – 8%)

Rs. **4,358** million
Earnings before interest, tax, depreciation and amortization
(2021/22 – Rs. 2,411 million)

Rs. **2,568** million
Net cash position
(2021/22 – Rs. 3,653 million)

Rs. **115** million
Paid as a cash dividend
(2021/22 – Rs. 111 million)

The financial ratios disclosed on page 205 provide more financial ratios.

Availability of Financial Capital

The Board of the Directors together with the Group Management Committee regularly monitors the Group's working capital to ensure that sufficient funds are available to meet future working capital requirements and planned investments.

Table 19: Risks & responses relating to Financial Capital

Risk	Mitigation Strategy
Unexpected increases in interest rates	• All clusters consistently follow up on debtors and inventory to minimise and reduce the requirement of working capital funding • Cash-based sales are encouraged at business units with credit sales opted for where necessary • Maintain an appropriate combination of fixed and floating rate borrowings.
Sustaining a surplus liquidity position	• Increased focus on cash collection efforts and inventory management. • Negotiate credit terms with suppliers.

Risk	Mitigation Strategy
Non-availability of funds for growth and expansion	• Credit lines are secured on a long-term basis to fund and match investments and their returns. • Burden of investments on DIMO cash flows is always evaluated prior to giving the 'go' decisions for new investments.
Changes in taxes and tariff	• Effective tax planning • Reduction of overheads in situations where increases in direct taxes or tariff cannot be fully passed on to the customer.

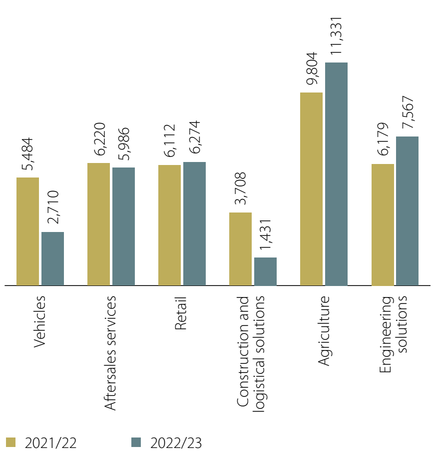
Group's Financial Results - Nurturing Financial Capital

The Group recorded a net profit before tax for the financial year under review through its diversified businesses and remained resilient throughout the year, despite many adverse events such as a rapid depreciation of the rupee, unusually high interest rates and fuel shortages.

Revenue

During the year, the Group recorded a revenue of Rs. 35,299 million (2021/22: Rs.37,507 million), generated through six business segments. Revenue generated by each business segment is shown below.

Graph 7:
Segment Revenue (Rs. million)



- The Agricultural and Engineering Solutions segments collectively contributed Rs. 18,608 million (2021/22: Rs. 15,983 million) representing more than 50% of the Group revenue.
- Revenue generated by the Retail segment increased by 3% during 2022/23 (2021/22: 33%).
- A turnover reduction of 61% in Construction and Logistical Solutions, 51% in Vehicle sales and a 4% in After Sales services segment contributed to an overall reduction of 6% (2021/22: increase 22%) in Group turnover for the year.

Strategies identified for Revenue Growth

The Group's strategies for medium to long-term growth in revenue and profits are presented in the Strategy and Resource Allocation section on pages 18 to 23.

Gross Profit

The Group Gross Profit margin increased from 26% to 38% during the year. One reason for this increase was the inclusion of the rupee depreciation effect in selling prices during the year, whereas the exchange loss due to such depreciation was recognized in the previous year. However, in an environment where business was adversely affected due to non-availability of foreign exchange and fuel shortages, the efforts were heavily focused on securing requisite gross profit margins.

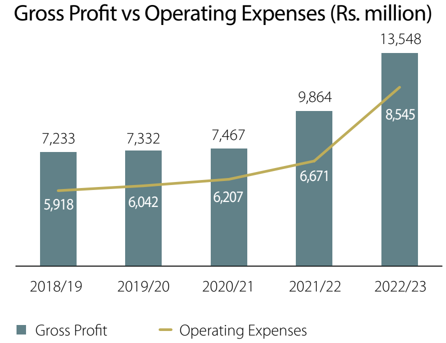
The total Gross Profit for the year increased by 37% (2021/22: 32%) to Rs. 13,548 million (2021/22: Rs. 9,864 million).

Operating Expenses

Group incurred Rs. 8,545 million as operating expenses (2021/22: Rs. 6,671 million) representing 63% of the total Gross Profit of the Group for the year under review.

Group's Gross Profit and Operating Expenses over last five years are shown below.

Graph 8:
Gross Profit vs Operating Expenses (Rs. million)



The Management continuously strives to identify ways of reducing operating expenses in order to lessen the pressure on the Gross Profit margins. Optimization of cost structures, improvement of productivity, and reduction of discretionary expenses are some measures taken in this direction. In order to manage cost escalations in the medium and long-term, the Company is on a path to introduce technology, which will also bring the additional benefit of improved customer experience.

Finance Expenses (Net)

The Group's net finance expenses increased by 102% to Rs. 4,566 million (2021/22: Rs.2,263 million) during the year, compared to the previous financial year. The increase in net finance expense was primarily driven by a significant increase of 381% in the interest expenses on short-term borrowings to Rs. 2,917 million (2021/22: Rs. 606 million). The increase in short-term borrowing during the year amounted to Rs. 4,534 million (2021/22: 4,160 million) as it was the main source of funding for the Groups' net current assets which decreased from Rs. 4,619 million to Rs. 3,107 million. One of the reasons for the increase in short-term borrowings is the situation where payments had to be remitted in advance as opposed opening of letters of credit.

CAPITAL REPORTS

FINANCIAL CAPITAL

Further, the Monetary Policy of Central Bank of Sri Lanka caused the AWPLR to rise from 9.71% at the beginning of the year to 21.40% at the end of the year.

The interest cover of the Group, stood at 1.22 times in comparison to 2.37 times in 2021/22.

The Group also incurred a net foreign exchange loss of Rs. 1,322 million (2021/22: 1,470 million) due to the increase in the exchange rate during the first quarter of the year.

The selling rate of the USD published by the Central Bank of Sri Lanka as at the beginning of the year was 298.99 whilst it was 336.01 as at the end of the year.

Limitations in the availability of foreign currency for imports compelled the Group to establish letters of credit on a usance basis, thereby creating a forex exposure on account of trade payables. The higher exposure, together with rapid increases in the exchange rate, led to the substantial foreign exchange loss as noted above. In response, the Group reviewed pricing mechanisms more frequently to recover such forex losses either partially or fully. Price adjustments made to recover forex losses too contributed to the increase in gross profit margins.

Taxation

The tax we pay is important to the economic and social development of the country and therefore we have a responsibility to comply fully with relevant tax laws and regulations. The Group's income tax charge for the year was Rs. 39 million (2021/22: Rs. 311 million). The reason for the reduction in the tax charge was mainly due to decrease in taxable income by 112% to Rs.394 million during the year (2021/22: Rs. 3,146 million). The effective tax rate (including the effect of the deferred tax expense) also decreased to 5%, as against 27% recorded in 2021/22, for the same reasons.

The reconciliation between accounting profit and taxable income is available in Note 4.6.3 to the Financial Statements. A summarised computation of deferred tax is provided in Note 4.24 to the Financial Statements.

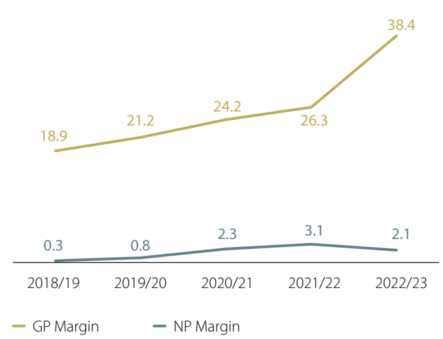
Profitability

The profit before tax stood at Rs.737 million (2021/22: Rs. 1,165 million) for the year under review, a decrease of 37%.

The profit after tax too decreased by 18% to Rs. 698 million from Rs. 854 million in the previous year.

Groups' Gross profit margin and Net profit (before tax) margin over the last five years are depicted below.

Graph 9:
Gross Profit vs Net Profit (%)

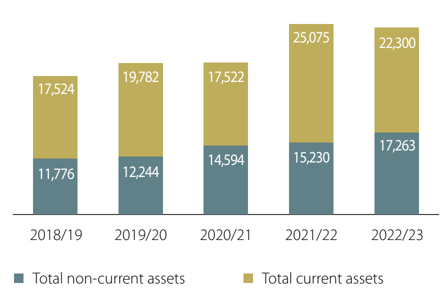


Group's Financial Position

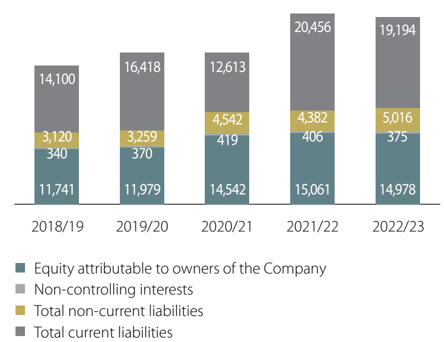
The Group was able to maintain a desirable financial position with a total asset base of Rs. 39,562 million and total liabilities amounting to Rs. 24,209 million as at 31st March 2023. (Rs. 40,305 million total assets and Rs.24,839 total liabilities as at 31st March 2022)

The summary of the Group's financial position is illustrated below.

Graph 10:
Total Assets (Rs. million)



Graph 11:
Total Liabilities and Equity (Rs. million)



Group Assets

The efficient and prudent management of monetised assets such as property, plant and equipment, inventory, receivables and cash and cash equivalent, is imperative to maximising profitability and liquidity.

As depicted in Graph 10, the Group's Non-Current Assets increased by 13% to Rs. 17,262 million (as at 31st March 2022: Rs.15,230 million) mainly due to the increase in intangible assets and goodwill and investments in property, plant and equipment. Group's intangible assets and goodwill represents Rs.798 million of goodwill arising from business acquisitions during the year (2021/22: Nil) and Rs. 286 million of intangible assets spent on the ERP system (2021/22: Rs. 175 million). During the year, the Group incurred Rs. 820 million for capital investments with the aim of generating long-term value to stakeholders (2021/22: Rs. 515 million).

The decrease in the Group's Trade and other receivables, other current assets and cash and cash equivalents resulted in a decrease in Group's total currents assets by 11% to Rs. 22,300 million (2021/22: Rs.25,075 million) and a reduction in Group's total assets by 2% compared to previous financial year (2021/22: 25% increase). The Board together with the management closely monitors the Group's Cash and Cash equivalents to ensure availability of funds for the Group's operation. The Group has a dedicated treasury function to ensure securing and effective use of funds.

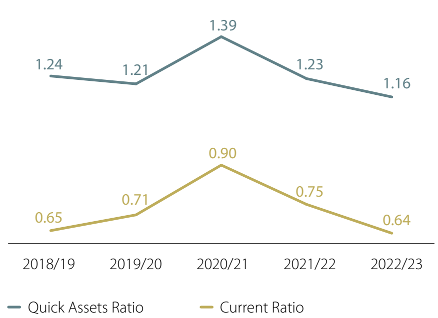
Liquidity Management and Working Capital

Liquidity management is vital to creating a strong financial foundation for the Group. We manage liquidity risk by proactively planning the maturities of debts, receivables, forecasts and cash flows. Acquisitions of Property, Plant and Equipment and new investment are usually funded through separate medium to long-term funding arrangements.

We broaden our funding sources and maintain a healthy level of undrawn committed bank facilities and cash in hand to meet immediate funding requirements and to cover short to medium-term liquidity needs.

Maintaining a healthy current ratio and a quick asset ratio is vital for managing liquidity. As depicted in Graph 12, the Group has maintained its current ratio at 1.16 times and quick ratio at 0.64 times at the end of the year 2022/23. However, reductions in total current assets and total current liabilities of the Group caused both ratios to decrease compared to previous financial year. The decrease is mainly due to a slight increase in inventory holding in the backdrop of reduced current assets.

Graph 12:
Liquidity Ratios



Group's net current assets decreased by 33% to Rs. 3,108 million as at 31st March 2023 from Rs. 4,619 million as at 31st March 2022. The decrease in net current assets is primarily due to a 63% increase in short-term borrowings, which accounts for 61% of the total current liabilities. The consolidated statement of cash flows on page 130 provides a total picture of the changes in liquidity.

The average cash conversion cycle for the Group stood at 165 days for the year 2022/23 (2021/22: 103 days). The increase in cash cycle is mainly due to settlement of trade payables during the year. The Group continues to closely monitor inventory management including slow moving inventory, debtors collection and to continuously negotiate payment terms with suppliers to improve its cash cycle. The cash conversion cycle is funded through short-term borrowings. The unutilised banking facilities as at 31st March 2023 amounted to Rs. 9,844 million. (As at 31st March 2022 : Rs. 6,190 million)

Cash Flow

The group treasury closely monitors and adopts prudent measures to manage its cash flows ensuring the effective use of available funds.

As at 31st March 2023, Group's cash and cash equivalents stood at Rs. 2,568 million (in 2021/22 – Rs. 3,653) which comprised of cash, bank balances and short-term investments with a maturity of 03 months or less, net of outstanding bank overdrafts.

Net cash flow from operating activities reflected an outflow of Rs.3,795 million, owing to decrease in trade and other payables during the year. (2021/22: Rs. 340 million)

Net cash flow from investing activities reflected an outflow of Rs. 1,756 million due to investments made in subsidiary acquisitions, capital investments and software developments. (2021/22: Rs. 1,237 million)

Net cash flow from financing activities reflected an inflow of Rs. 3,839 million mainly due to the increase in short term borrowing. (2021/22: Rs. 4,114 million)

Capital Structure and Leverage

The Group's capital structure comprises of equity of Rs. 15,353 million and a total debt of Rs. 13,730 million, leading to a increase in the gearing ratio from 58% to 89% as at 31st March 2023. (As at 31st March 2022: Rs. 15,466 million equity and Rs. 8,952 million debt) Every effort is made to ensure that the Group maintains a sound capital structure that enables cost-effective funding for new investments and acquisitions.

Shareholder value creation through financial capital is discussed on page 72 to 76 in the 'Investor Relation' section of the Annual Report.

Capitals impacted

CAPITAL REPORTS

MANUFACTURED CAPITAL

Inventory and the Property, Plant and Equipment including rented and leased premises across the island, excluding land.

Quantity & quality of capitals

31
Total number of DIMO owned buildings
(2021/22 – 31)

Rs. 349 million
Total investment on solar power generation internally

Rs. 70 million
Assets disposal during the year
(2021/22 – Rs. 114 million)

Rs. 280 million
Overseas Asset Base
(2021/22 – Rs. 124 million)

Rs. 820 million
Increase in Total Assets
(2021/22 – Rs. 515 million)

823,359 Sq.ft.
Total area of our own buildings
(2021/22 – 823,359 Sq.ft..)

Our presence in 39 locations

Scan this QR Code to view our network across Sri Lanka

Availability of capital in the short, medium, and long-term

Rationalization of manufactured assets deployed in vehicle sales business

DIMO customer touch points across the island are owned mainly by the vehicle sales and aftersales services segments. In light of the business and industry information given under Business Reports (page 30 - 41), it may be required to rationalize manufactured assets deployed in the vehicle sales business in the short term, until vehicle imports are permitted. However, the medium to long-term strategy governing asset deployment in vehicle sales will depend on Government policy with regard to the type of vehicles that will be allowed or encouraged.

Table 20: Risks & response relating to Manufactured Capital

Risks	Response
Risks of excess building space and other manufactured assets deployed in vehicle sales business.	Sharing of space to meet requirements arising from business and product diversification. i.e vehicles assembly, water pumps and healthcare solutions
Risk of theft and destruction via man-made or natural disasters such as burglary, fire or floods	Safeguarding through property insurance.

The Mercedes-Benz Centre of Excellence – DIMO 800

DIMO 800, our technologically advanced automobile workshop facility located at No: 800, Sirimavo Bandaranaike Mawatha, Colombo 14, was established in 2014. The facility operates a state-of-the-art Mercedes-Benz workshop with a 100 work-bay capacity including seven vehicle paint preparation booths. Adding value to the complex are a fully-fledged auditorium with acoustic walls, a car park with a capacity for 123 vehicles. The premises with an extent of 3 acres was dedicated to Mercedes-Benz vehicles and aftersales business at the inception. However, as economic conditions turned unfavourable, a strategic decision was made to share office space with other businesses.

Manufacturing & warehousing facilities

DIMO's diversified operations currently own manufacturing facilities for DIMO initium construction chemical manufacturing, an Agri fertiliser value adding plant in Sapugaskanda, a Coconut oil production plant in Minuwangoda and the Tropical Health Food manufacturing plant in Kurunegala.

The DIMO Weliweriya logistics centre houses a centralized warehouse and storage facility spanning 170,000 square feet and 20,000 square feet of office space . The centre also houses the assembly plants for TATA Ace vehicles, power panel building and water pumps. The DATS (DIMO Academy of Technical Skills) training school for automobile engineering as well as plant engineering for sanitary, heating and air conditioning also operate from these premises. This 15-acre property also houses a workshop for Agri machinery.

This premises was awarded the silver award at the Presidential Environment Award for 2022, which was the topmost award in the automobile sector in 2022.

R&D facilities

The company's largest research and development facilities are located in Lenadora, Lindula and Nikeweratiya. The premises are utilized as Techno Parks carrying out research and demonstrations. The three premises are maintained by the Agriculture Segment and collectively hold 54 acres of land.

Investments in solar power generation

The group invested Rs. 348 million on roof - top solar power with an installation capacity of 1,744kW. The individual roof top solar power installations at DIMO 800, Weliweriya Logistics Centre and Siyambalape Workshop have capacities of 700kW, 807kW and 237kW respectively. The solar power plant at the Weliweriya premises is the Group's largest renewable energy facility. DIMO800, the power generating rooftop solar plant and the photovoltaic diesel generator were critical to the continued operations of the Group during the interruptions to the Ceylon Electricity Board supply. The ground mounted solar power generation site at Embilipitiya has an installation capacity of 1000kW.

Capitals impacted

CAPITAL REPORTS

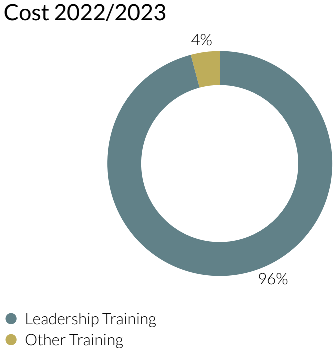
HUMAN CAPITAL

Our people, culture, values, and abilities form the foundation of who we are.

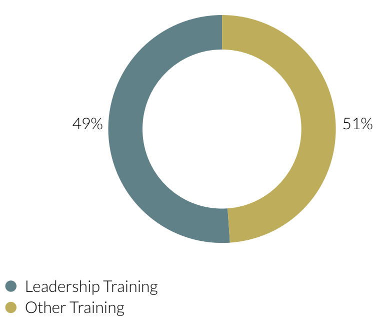
Please read more on HR strategy on page 21-22 and Stakeholder Engagement on page 77-80

Quantity & quality of capitals

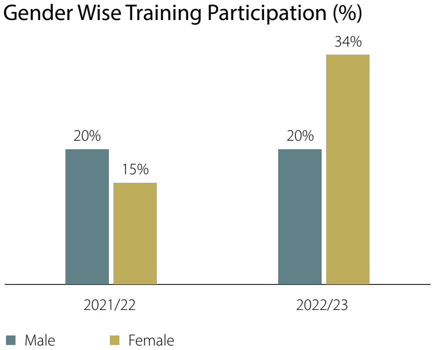
Graph 13:
Leadership Training vs Total Training Cost 2022/2023



Graph 14:
Leadership Training vs Total Training Cost 2021/2022



Graph 15:
Gender Wise Training Participation (%)



20
No of employees internally promoted to senior vacancies
(2021/22 – 7)

Rs. 19 million
Revenue per employee
(2021/22 – Rs. 20 million)

'Race for talent' - Availability of capital in the short, medium, and long-term

The 'Race for talent' was intensified with a sharp increase in migration of talent. The high skilled talent pool in the economy and critical talent within DIMO were and are at risk, making corporates to 'think out of the box' in each case as the decision power of candidates increased. It can be anticipated that DIMO is challenged by on-boarding right talent at the right time in the short term.

Table 21: Risks & response relating to Human Capital

Risks	Response
Operational risk due to health & safety matters	Establishment of Health and safety policy certification for occupational health and safety standards
Attrition of trained & skilled staff	Create a backup pool and identify high potential employees within the next layer with short term readiness plans Intensify 'future talent career development program' for the country's newly graduated community
Reputational risk due to employee harassment and gender inequality	Implementing an anti-harassment policy and promoting diversity and inclusion

Please read more on challenges faced and our approach in page 21 - 22 under HR strategy.

Nurturing human capital

The DIMO HR philosophy places a strong emphasis on continuously reinventing and re-engineering every facet of human resource management. We drive a three-pillar centric human resource management strategy – 'ACE'.

Alignment (part of onboarding) – A psychological phenomena. We align people and processes to function seamlessly within DIMO. Orientation programs and the HR Business partners appointed under selected businesses ensure fast-track integration between people and processes.

Capability building (Part of employee retention) – We strive towards filling 58% of the vacancies with internal candidates and filling 42% of vacancies from outside the organisation to build capability and specific demands for expertise. This requires proper employer brand building activities, including diversity and inclusion.

Engagement (Part of transformation and engagement) – Focuses on physical and mental well-being of employees via activities that encourage them to participate. Allowing flexitime also plays a major role by supporting the staff to strike a healthy balance between work and life. Such thinking on the part of the company makes employees believe and trust that DIMO is actively supports their personal lives. Group HR also facilitates an anti-harassment helpline which is managed by and independent consultant, who receives complaints and conduct inquiries.

Employee Boarding-in

We strive to ensure alignment between our culture and the mindsets of new recruit, from the point they accept the offer of recruitment. Group HR shares all newsletters, event updates and communications on knowledge sharing with new talent even ahead of their physical presence at DIMO. The comprehensive orientation program concludes with a memorable event that includes a warm welcome to the new recruits from the Chairman. All new employees are paired with a 'DIMO buddy' from their respective department to ensure support until they are physically and emotionally ready to start their journey at DIMO. Continuous coordination of facilitates by the Group HR team during the first month ensures smooth transition in order to create the right environment for the employee to create value to DIMO from the inception. This process was predominantly followed by all new subsidiaries incorporated to the organisation in 22/23 financial year.

Employee transformation & engagement

We invest in our employee base to upgrade their abilities and expertise while facilitating a better experience for our customer base. The 'Elevate' leadership upliftment programme, 'Powerfully you' women empowerment training programme, and 'unconscious bias' awareness and transformation programme were a few of the transformation highlights during the year. Please read more about the programs in the Sustainability Agenda 2030 from page 88-95.

Employee engagement activities organized by group HR keeps the 'DIMO Tribe' standing strong, together always. From religious activities to cultural events and celebrations, we engage with employees equally even at their critical personal milestones such as weddings and births of children as well as during unfortunate events such as losing loved ones.

Table 22: Highlights of the employee engagement survey 2022/23

	Score out of 100
I know what is expected of me at work and my work objectives	92
In the last seven days, I have received recognition/praise for doing good work	78
My Supervisor, or someone at work, seems to care about me as a person	82
My superior and others encourage me to give my opinion and it seems to count	84
There is someone at work who encourages my development	82
The mission or purpose of my company makes me feel my job is important & that I contribute to the big picture	90
During the last six months, someone at work has talked to me about my progress and my opportunities to grow in the company	76
My associates or fellow employees are committed to doing quality work	86

Financial support during tough times

The high level of inflation that prevailed and the recent increase in taxation placed a heavy burden on the employee by way of increased cost of living and reduced net income. This impaired the real disposable income of the employee in a significant way. As a responsible company that recognizes our tribe members as the value creators, the company responded by helping them financially to mitigate the impact. As a means of giving our employees financial security, we developed an immediate trade-off between our financial capital and human capital.

Diversity & Inclusion

We embrace diversity and inclusion as a strategy to uplift our performance through inspiring confidence among employees. Also, by letting prospective employees know that the company respects diversity and inclusion, DIMO enlarges the pool of prospective employees. Breaking unconscious bias is the key to adopting the concept while it is nurtured through actions such as increasing the number of female participants in senior management and encouraging female profiles for mechatronics services.

Mechatronics is an interdisciplinary branch of engineering that focuses on the integration of mechanical, electrical, and electronic engineering systems. This has been a typically male-dominated area of study. DIMO's automobile training students - both male and female - are given equal opportunity to excel and explore their talents without any discrimination. DIMO now employs females in many technical job roles, including at its Mercedes Benz workshop

"I am a skilled technician working in an industry that is stereotyped as a male-dominated one. DIMO has given me an inclusive and welcoming environment to make my dreams a reality."

Ms. Thilini Gunasekera
Technician - Mercedes-Benz Workshop

Scan this QR Code to view the employee's testimonial in the How We Create Value section

Capitals impacted

HC IC FC

CAPITAL REPORTS

INTELLECTUAL CAPITAL

Our intangible assets are one of our key invisible ingredients necessary to thrive in whatever we do.

Quantity & quality of capitals

Rs. 1,534 million
Total investment in our Tier 1 ERP

12th
LMD most awarded entities ranking
(2021/22 – 30th)

31
New principals boarded-in
(2021/22 – 12)

Rs. 447 million
Total investment in Agri R&D techno parks

Rs. 4 million
Total investment on new website launch

Awards from The Institute of Certified Management Accountants of Sri Lanka, The Institute of Charted Accountants of Sri Lanka, and The Association of Charted Certified Accountants in Integrated Reporting.

'Continuous elevation' - Availability of capital in the short, medium and long-term

We strive to keep our standards high in terms of performance as well as reputation. Everyday improvements in our processes, management systems, technology & innovation, and investment capacity enhance organisational strength and value creation ability, resulting in the improvement of DIMO brand equity. Management initiatives on tacit knowledge help to pass on knowledge to new employees.

Table 23: Risks & response relating to Intellectual Capital

Risks	Response
Exposure to brand equity damage	Collaboration with a 3rd party to ascertain societal sentiments towards the DIMO brand and their views about DIMO
Risk of losing tacit knowledge	Frequent occurrence of knowledge sharing sessions at department level
Risk of cyber-attacks on websites and other digital platforms	Establishment of up-to-date cyber security system with stringent evaluation procedures and ongoing audits conducted by internal information & cyber security experts

Protection & Value Addition to Intellectual Capital

Reputation Management and Brand Governance

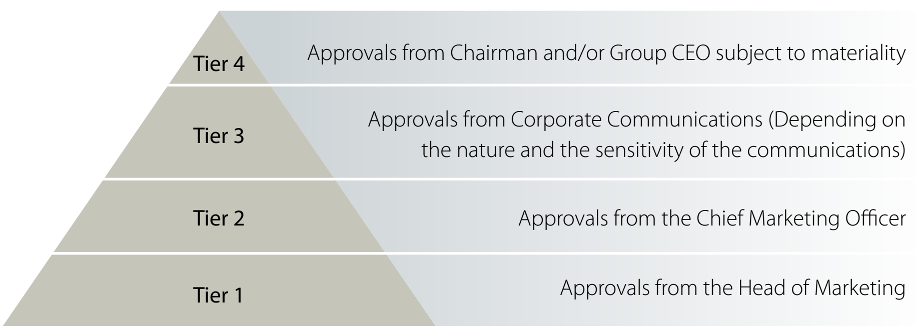
Corporate Brand Governance ensures that our branding is consistent and compliant, and that best practices are followed to build stakeholder trust and to enhance their overall experiences. The ability to respond immediately to client feedback adds a protective layer to the security of our brand.

Our Reputation Management framework involves 3 key steps:

Appointing the right people → **Establishing the systems and procedures** → **Education and empowerment**

At DIMO, we manage reputation and brand governance using a four-tiered architecture. Every communication, irrespective of type or medium, ultimately flows through the Corporate Communications Division, which is the single window for all group communications approvals.

Figure 12: Approvals matrix for Group communications



This process allows us a stringent screening process to ensure that communications that may indirectly harm our reputation do not take place. The systems are in place to ensure that all 4-tiers have a smooth functionality and compatibility so that even the highest-level communications are approved within six hours.

All communications meant for the public are checked against

- Compliance with legal directives & regulations
- Corporate Guidelines and Ethics
- Foreign Principal Guidelines if any

ICT transformation at DIMO – Project Genesis

To strengthen its competitiveness, DIMO is in the process of embarking on an essential digital transformation in line with its corporate strategy. This intends to increase DIMO's potential to create value by streamlining procedures, optimizing the utilization of resources, and leveraging synergies across different business verticals in the future.

The anticipated outcomes of the project

- Real time cash management, in-depth business planning, efficient and effective working capital management, tracking maintenance of manufactured assets
- Real time performance evaluations allowing efficient and effective resource allocation
- Customer 360 degree view, enhanced customer connectivity, data analytics leading to better customer insights and customisation, customer loyalty management
- Centralised shared services improving efficiency and effectiveness of processes, automation of processes, standardisation of processes, adopting world class best practices
- Real time data analytics
- Enhanced procurement and optimised inventory levels through demand planning, cost optimisation along the supply chain

Accredited Management Systems

Management systems provide the mechanism to implement processes, procedures and systems and run them in an effective manner. Such systems, when effectively run, provide the organisation with a knowledge base irrespective of turnover of employees. Management systems will enable the seamless transition of work from one employee to another. Therefore, our management systems, which have the following accreditations, are part of the intellectual capital of the DIMO group.

- ISO 9001:2015 Quality Management System valid till 25th Oct 2025
- ISO 14001:2015 Environment Management System valid till 25th Oct 2025
- ISO 45001:2018 Occupational Health and Safety System valid till 15th June 2025

Certifications

The following certifications obtained also strengthen our processes, as robust documented processes have to be placed in order to meet these standards.

Tropical Health Food (Private) Limited Certifications

- ISO 22000:2018 Food Safety Management System valid till 11th January 2026
- Sedex (Supplier ethical data exchange) certification
- Koshar certification
- Organic certification

Capitals impacted

CAPITAL REPORTS

SOCIAL & RELATIONSHIP CAPITAL

Customers, Suppliers and Community are the exclusive parties covered under this capital, who are also beneficiaries of our value creation process.

Quantity & quality of capitals

545,959
Our customer base
(2021/22 – 537,271)

116
Total no of principals we are engaged with
(2021/22 – 94)

24/7
Roadside assistance

Rs. **70** million
Total investment in Customer Experience – CX project

Rs. **17** million
Voluntary investments in social progress
(2021/22 – Rs. 24 million)

'The Perfect Partner' - Availability of capital in the short, medium and long-term

Relationship capital is one the key capitals that should be actively preserved and enhanced as its involves the human side of a business; its weakening will in turn weaken the prospects of DIMO. Managing relationships during ups and downs in a business is, therefore, important and any cost incurred for this is treated as an investment. A case in point is that we continued our relationship management more intensively than short term business needs dictate at a time when vehicle imports are not allowed, as DIMO understands the value of this capital. This thinking is applicable to relationships on both the supplier and customer sides. On the other hand, preserving this capital in the medium and long-term is part of the Collaboration strategy and DIMO is well on track to take this capital from strength to strength. Please read more on our interactions with our customers and suppliers in the Business Reports from page 30 – 41 and the Sustainability Agenda 2030 from page 88 to 95.

Table 24: Risks & response relating to Social & relationship Capital

Risks	Response
Risk of affecting the relationship with certain established suppliers	Relationship management with existing partners from strategic to operational levels, making sure that value is delivered to them. We will also seek to establish relationships with best in class business partners through our diversification strategy.
Risk of losing loyal customers	To further improve customer experience management and customer relationship management to a level that this risk will be further reduced. Improve customer value proposition through the differentiation strategy.
Risk of negative relationships with the community	Continuous engagement with the societal stakeholders to identify their issues and address them promptly. Include them in strategy and plans so that these concerns will not arise and perhaps make it an opportunity and increase the societal goodwill and reputation by providing them assurances regarding their concerns

Nurturing our Social & relationship capital

Customers

The DIMO value chain pivots on the ultimate delivery of value to our customers, and we recognize that the calibre and quality of our customer relationships will have a major impact on our capacity to continue generating financial value in the future. Our investments in forming lasting relationships that are enjoyable, transformative, and mutually beneficial are key to our attempts to increase customer value.

Customer Experience – CX project

Our biggest investment towards raising customer capital is the CX execution. The two main objectives of adopting the customer experience culture is inducing the customer to purchase (Buy) and instigating loyalty (Own). The infinity model depicted below is being designed for DIMO to enable blueprints on HR processes such as cultural change management and streamlining processes. The project is currently in the first phase and is expected to conclude with the completion of ERP revamp project.

Phases of the project are as follows;

1. CX journey optimization
2. Customization & personalization
3. Convenience
4. Predictive analysis and segmentation

Figure 13: Infinity model

Suppliers

Relationships of Lasting Value

For over 84 years, DIMO has built relationships with some of the world's best brands. In order to provide a distinctive value proposition to our customers, we look for solid and long-lasting connections with our business partners. Our relationships with our business partners have been shaped by three important aspects:

Trust → **Transparency** → **Longevity**

Supplier Evaluation

It is essential that we find the strategic fit when we commence a relationship with a supplier. In addition to a mutual financial benefit, it is necessary that there is congruence in our business philosophy. The relationship has to pass the test of responsible value creation. We seek partners who are leaders in their business domain; who are able to provide the ingredients that enable us to deliver value at least up to the expectations of our customers; and who share the same views as us when it comes to sustainable development.

Foreign Principal Expectations

The expectations of foreign principals are ascertained at the beginning of a relationship and then periodically reviewed as the relationship grows. Performance reviews take place regularly and the fit between expectations and performance are constantly assessed.

Local Suppliers

Local value addition is something that we uphold, as it makes a positive impact on the country's economy. Similar to our partnerships with foreign principals, we seek enduring long-term relationships with local business partners too. Here too we seek partners who share our commitment to doing business responsibly. We also endeavour to obtain their commitment to our Supplier Code.

Rs. **8,700** million

Payments to local suppliers

(2021/22 – Rs. 13,000 million)

Community

Investments in community capital in return enhance our brand equity, the quality of prospective employment candidates, the number of prospective customers and local business partners. Accordingly, nurturing community capital in the short-term will provide us with long-term benefits in the form of the above-mentioned other capitals. Under this concept, we do not draw any borders to define our community; rather, society at large is our community capital as we operate across the island. Please read more on what we give in return to the community in the Business Reports from page 30 - 41 and Sustainability Agenda 2030 from page 88 - 95.

Capitals impacted

CAPITAL REPORTS

NATURAL CAPITAL

Our direct use of and impact on natural resources, including energy, water, and climate, as well as our influence through our commercial endeavours.

Quantity & quality of capitals

85 Acres
Our owned land area

(2021/22 – 85 Acres)

50,964 m^3
Total water consumption

(2021/22 – 98,106 m^3)

42,883 GJ
Total non-renewable energy consumption

(2021/22 – 57,109 GJ)

Water and land, which are drawn directly from the environment, are natural capital inputs into our activities. Sources of inputs for electricity, diesel and petrol, however, are non-renewable natural resources. Due to the limited availability of these resources, we must be responsible in ensuring their effective and efficient use as well as their preservation for future use. DIMO's Environmental Management System ingrains the good management of natural capital in daily operations.

Water – Recycle & Reuse

As a measure of reducing ground water consumption, DIMO has invested in treating waste water, filter it through a carbon and sand process and make it available for reuse in operational activities.

Substitutes for electricity sourcing

With the intention of reducing the usage of coal and fuel in generating electricity, DIMO has invested in Solar power plants carrying a capacity of 2,744kW, which contribute to generating electricity.

Land restoration

DIMO mainly utilizes land for agricultural purposes. As a responsible corporate citizen, DIMO introduced limus treated urea to minimize the negative impact of fertiliser on soil. Further, we strive towards one-to-one land restoration through sustainability projects. Examples of our effort towards this are the participation in the reforestation of Kannelliya and the Mangrove project.

Since the environment is an important element of DIMO's sustainability strategy, more disclosures about this capital are provided under the section of 'Statement of ESG performance' presented from page 96.

Capitals impacted