CHAIRMAN'S *message*

Dear Shareholder,

I am delivering this message with appreciation for the confidence placed by the shareholders in the Board of Directors and myself for navigating the company through turbulent times and positioning for its launch into the next phase of growth with resilience. The company has been investing in technological platforms to accelerate its programmes to diversify and position the company on a new pedestal.

Diversification

Our venturing into agriculture helped us to manage our portfolio risk. The events unfolded in the recent past in the external environment affecting many traditional businesses, particularly in mobility, bears testimony to this. As evident from the financial statements, the agriculture segment which we entered into six years ago, has become a major contributor to our financial performance.

Our entry into pharmaceuticals was marked by the acquisition of two subsidiaries with a distinct product portfolio. We consider this an excellent launching pad to increase our footprint in this domain. The existing portfolio in healthcare will be further enriched by adding specialised medical supplies.

Our aggressive efforts in diversification created another landmark in the story of DIMO, with the commencement of our business in Bangladesh through a fully owned subsidiary.

The focus this year will be to consolidate the acquired businesses during past few years, whilst seeking further acquisitions for growth.

Overseas Operations

The newly incorporated subsidiary in Bangladesh commenced its operations towards the latter part of the year. Currently, our aim is to expand the Construction Machinery Business, with the help of our principals.

Export Revenues

Seeking foreign currency earnings through exports is part of our corporate plan to mitigate risks. Following up on this strategy we acquired two subsidiaries involved in the export of processed fruits and coconut-based products. Further investments in terms of property, plant & equipment is necessary in these companies, which is currently receiving attention. We are also currently working on the possibility of exporting locally manufactured products in the domain of light engineering for which the group holds a sizeable skill inventory.

Future Ready

We have identified the need for better use of technology and visibility to take the group to its next level. The installing of SAP, which is currently ongoing, together with deployment of technology in the periphery, will largely fulfil this need. The group will be installing many modules of SAP covering different businesses and value chains, and once completed will be ready to support our businesses in many ways to unleash their full potential.

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Certainty of Uncertainty

The year started with a rapid depreciation of the Sri Lankan Rupee creating a lot of uncertainty. Assumptions had to be made for planning, pricing and many other decisions. Unprecedently, high rates of inflation and high rates of interest made rational decision making for the future, extremely difficult. In such levels of uncertainty, we were compelled to take decisions relating to cost recovery, pricing and demand forecasting. Some assumptions worked in our favour and some did not. Whilst I certainly do not rule out further hardships in the path of economic recovery, I fervently hope that policies and actions of the government in the future will help us to navigate our future operations.

Patience needed with Investments in Mobility

The vacuum created by the ban on the import of motor vehicles has impacted on the performance of the group, though not to the extent we would have experienced had we not commenced diversifying a few years ago. Given that our largest investments have been in mobility, we are now faced with a situation where these assets are not generating the desired returns. Whilst we have curtailed our branch network to some extent, we will preserve our investments in this domain to capitalise when permission is granted to import vehicles. It is our belief that these investments will continue to provide returns once the ban on vehicle imports is lifted.

ESG Risks and Opportunities

The recent past has brought forth the need for businesses to effectively manage risks relating to environmental factors and their governance. As an organisation, we are convinced of the need to do so given the magnitude of the changes taking place in the external environment, relating to social factors and the way in which businesses respond to them. Whilst DIMO recognises the importance in managing the risks that are posed from ESG factors external to the organisation, we are also equally concerned about our own ESG performance that has an impact on our stakeholders and the environment. In this Annual Report, the Sustainability Agenda 2030 covers this aspect of ESG performance where the environmental, social and economic impacts by business operations of DIMO. The ESG risks and opportunities arising from our own operations and external events are covered in the Risk Management, Business and Capital Reports.

Harvesting time in Agri Business

It is satisfying to note that the decision we made a few years ago to venture into the agriculture domain is now bearing fruit. In fact, the agriculture segment became the largest contributor to the profitability of the Group. Plans are afoot to expand the footprint in the domain of agriculture.

A Strong Base

There are two aspects that I need to single out that will fuel our growth. Firstly, our new investments in the form of acquisitions and business expansions that will improve our revenue streams. These include agriculture, pharmaceuticals, medical accessories, Agro-based exports and overseas ventures. The other aspect is the investment being made in a tier 1 ERP with a comprehensive range of modules and supplementary software, providing DIMO with the scalability to reach the next level. These two aspects will form a formidable base for future growth.

Adding Value through Transparency

Over the years the company has made endeavours to improve corporate governance, which we firmly believe adds value to the company and its stakeholders. In pursuance of this belief, the company has strived to adopt best practices in corporate governance to which the Corporate Governance section will bear testimony. At the same time, we have also strived to improve transparency of our corporate reporting through our integrated annual report. In compiling the report, the integrated reporting guidelines originally published by the International Integrated Reporting Council and now recommended by the International Sustainability Standards Board have been adopted.

Riding the Rough Terrain Ahead

Subdued demand for goods of a capital nature forms a substantial portion of our portfolio and the continued ban on the import of vehicles impose revenue pressures on the group. On the other hand, inflation induced increases in overheads and relatively high interest rates require higher gross profit margins, which is seemingly outside the bounds of reality. However, fast improving performances by the recently acquired businesses and favourable performance forecasts of the agriculture segment are comforting factors in encountering possible adversity and delivering higher revenues and profits for the succeeding financial year.

Acknowledgements

It may sound customary for a Chairman's Message to thank the employees for their contribution. I need to go far beyond custom to appreciate the commitment shown and sacrifices made by my tribe members, and I am sincerely thankful to them for rallying together to go through tough times and open new vistas for DIMO to accelerate into the future.

I am thankful to the Executive Directors for helping the organisation and motivate the DIMO tribe to face challenging times through the Covid outbreak and economic turmoil that the country faced. I am also thankful to the Non- Executive Directors on our Board, who have provided valuable counsel through their committed support for DIMO.

Our foreign principals have always been supportive of our efforts to delivering more value to our customers and enhance their experience. We have also received their fullest support in bringing state of the art technology to the country. I am thankful to them for the role they have played towards the progress of DIMO and the country.

Ranjith Pandithage
Chairman/Managing Director

05th June 2023
Colombo

GROUP CEO'S *message*

It is my great pleasure to address our shareholders upon the completion of yet another financial year. In summary, the year was one of both adversity and gain. With many factors working against business sentiment, profitability was under pressure, although on the other hand we were able to continue with our diversification plan in terms of portfolio and geography.

Endured tough times

On the economic front, the Group faced many challenges. The continued restriction on vehicle imports and temporary suspension of imports of specific items and subdued demand exerted pressure on revenues. High interest rates too curtailed demand for capital goods and disproportionately increased the interest burden of the company. Inflation substantially increased the overhead expense and would also eventually increase employee cost to compensate for the sharp increase in the cost of living. Operationally too many hardships were encountered through fuel rationing and its knock-on effects. Having endured a tough environment amid chaos, the Group was able to record a net profit after tax of Rs. 698 million (2021/22: Rs. 854 million) and continue with our growth plans, laying the foundation to accelerate into the future.

Agriculture

The Agriculture solutions business, though young, performed extremely well compared to our more mature businesses. Fertiliser, seeds and agro-chemicals businesses performed well, increasing the segment revenue by 16% (2021/22: 30%). We welcome the abolition of the fertiliser import quota system and believe that this will create a level playing field for businesses in the fertiliser industry. Another consolation is the government's settlements of the outstanding fertiliser subsidy, reducing a financial burden to the business. The two export-based companies involved in coconut-based products and fruits-in-jars businesses are also expected increase their intensity and contribute to the performance in a more significant way.

The agricultural machinery business, however, did not enjoy a successful financial year, in contrast to the agricultural inputs business. Due to high interest rates and the down payment requirements for leases, the demand for agricultural machinery was significantly low. This business will receive stepped up attention during the ensuing financial year in order to revive its fortunes.

Automobile Business

The vehicle sales segment went through one of the worst years in its history with revenue streams being limited to the sale of pre-owned vehicles, prime movers and locally assembled TATA ACE vehicles, as a consequence of the no vehicle imports policy of the government. The turnover from vehicle sales reduced to Rs. 2,710 million from Rs. 5,484 million the previous year.

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The Aftersales services segment recorded a 4% decrease in revenue. The trends experienced towards the latter part of the financial year indicate that a recovery can be expected in this business domain.

Overall, the turnover of vehicles sales and aftersales businesses taken together as a proportion of Group turnover reduced to 25% (2021/22: 31%) from 81% five years ago (in 2018/19). This is an indication that the company is reducing its dependence on the automobile business and that the diversification strategy is yielding desired results.

However, we do firmly believe that the automobile business will hold significant potential once the import restrictions are eased and therefore, the strategic assets deployed in auto related segments will not be re-allocated. Resources dedicated to these segments are closely monitored to ensure that their full potential is realised.

Other Business Segments

The retail segment recorded a marginal increase in turnover. The tyre business made a noteworthy contribution whilst there is strong focus on the lighting and power tools businesses to improve their performance and outcomes.

The Material Handling and Construction Machinery segment is heavily involved in capital equipment and projects. This affected its business as most investments of capital nature in Sri Lanka were relatively inactive. As such, this segment was adversely affected by the external economic environment, during the financial year.

The Engineering Solutions segment delivered a noteworthy performance with a 22% increase in turnover.

Expanding the Group

The financial year saw some key additions to our business by way of the acquisition of Mansel Ceylon (Pvt) Ltd. and Associated Laboratories (Pvt) Ltd., both in the pharmaceuticals domain and the commencement of business of our Construction Machinery subsidiary in Bangladesh. Earlier in the year, two food related export companies - Tropical Health Foods (Pvt) Ltd. and Virgin Oil International (Pvt) Ltd. - were added to the DIMO Group. These businesses will make significant contributions to Group revenue. What is also noteworthy is that through these acquisitions, we have entered two new businesses namely pharmaceuticals and food export, although they both are linked to the existing Bio-Medical Engineering and Agriculture businesses respectively.

During the past few years, we have added many businesses to the DIMO portfolio, which has yielded positive results. Whilst we continuously seek opportunities for DIMO to grow, it is our endeavour to realise the full potential of the new ventures. To do so, more investments in terms of Property, Plant and Equipment are inevitable.

Revamping IT Ecosystem

The journey to revamp the IT ecosystem is in progress. The launching of new IT infrastructure and upgrading the transaction and information management system to a fully-fledged ERP is currently taking place. The implementation of the core of the plan is expected to be completed during the current financial year. Once completed, it is expected to take the business capability of the organisation to the next pedestal.

Talent Retention

Whilst a lot of attention was being paid to overcoming the effects of economic adversity, the migration of talent has hampered progress considerably, although this is not a phenomenon applicable only to DIMO. The speed and the magnitude at which it took place meant that we lost some Human Capital, the replacement of which will take time. However, we are confident that we would be able to leverage on our employer brand to attract required talent of the right quality.

Risk Management

The strategic risks relating to our businesses are managed through the corporate planning function of the Group. One main area of focus is portfolio rationalisation. Management risks relating to other aspects such as finance, Human Resources and Information Management are managed by the respective divisions whilst we largely rely on the ISO accredited management systems to manage operational risks. Our occupational health and safety management system is the latest management system to receive ISO accreditation. The risk management report from page 81 provides a detailed account of how risks are managed and how the three lines of defence are deployed to manage risks.

Transparency

Over the years, DIMO has strived to adopt best practices in corporate reporting and to improve the credibility of the information published. In this integrated Annual Report, in addition to obtaining the independent auditors' report required by statute, the company has obtained assurances on compliance with GRI standards, SASB standards, integrated reporting guidelines and on the ESG performance statement.

Outlook

The positive changes in the economic landscape during the last quarter of the year make us believe that the worst is over. Further improvements in the interest rates and GDP growth are bound to fuel demand and reduce the interest cost burden. Our recent investments are expected to yield positive results to strengthen performance. Overall, a financial year with an improved performance is planned.

Gahanath Pandithage
Director/Group Chief Executive Officer

05th June 2023
Colombo

BOARD OF *directors*

EXECUTIVE DIRECTORS

A.R. Pandithage Chairman/Managing Director	A.G. Pandithage Group Chief Executive Officer	S.C. Algama	M.V. Bandara	B.C.S.A.P. Gooneratne Chief Financial Officer/ Company Secretary
Appointed in June 1977	Appointed in December 1995	Appointed in November 1984	Appointed in June 2016	Appointed in April 2006
Dip. Eng. - Germany. Member of the Institute of Engineers, Germany (VDI).	Fellow Member of CIMA (UK), Alumni of Harvard Business School Advance Management Programme (AMP).	Fellow of the Institute of Incorporated Engineers (SL).	Alumni of Harvard Business School Advance Management Programme (AMP).	FCA -ICASL, FCMA- CMA Sri Lanka, MBA (USJ).

NON-EXECUTIVE DIRECTOR

A.M. Pandithage
Appointed in September 1982
Fellow of the Chartered Institute of Logistics and Transport (UK).

INDEPENDENT NON-EXECUTIVE DIRECTORS

DR. H. Cabral	J.M. De Silva	A.D.B. Talwatte
Appointed in October 2006	Appointed in August 2020	Appointed in June 2016
President's Counsel in Sri Lanka, Doctorate in Corporate Law from University of Canberra, Australia	Fellow (FBCS) of the BCS, Fellow of the Chartered Institute for IT and a Chartered IT Professional (CITP).	FCA – ICASL, Fellow member of CIMA (UK), MBA (USJ).

EXECUTIVE DIRECTORS

D.N.K. Kurukulasuriya	C.R. Pandithage	P.K.W. Mahendra	S.R.W.M.C. Ranawana
Appointed in May 2022	Appointed in May 2022	Appointed in June 2016	Appointed in June 2016
Attorney at law, EMBA-The University of West London.	Bachelor of Business and Commerce - Monash University, MBA - RMIT University.	Bachelor's in Mechanical Engineering - University of Greenwich, UK.	MBA - Wanaborough University, UK

Scan this QR Code to view additional details of the Directors including

- Number of shares held and share percentage (%)
- Qualifications and titles
- Expertise
- Positions held in other companies
- Committee Memberships

GROUP MANAGEMENT committee

A.R. Pandithage
Chairman/Managing Director

A.G. Pandithage
Executive Director/Group Chief Executive Officer

S.C. Algama
Executive Director

M.V. Bandara
Executive Director

B.C.S.A.P. Gooneratne
Executive Director/Chief Financial Officer/Company Secretary

D.N.K. Kurukulasuriya
Executive Director/Chief Human Resources Officer

P.K.W. Mahendra
Executive Director

C.R. Pandithage
Executive Director

S.R.W.M.C. Ranawana
Executive Director

H.M.P.D.B. Dematawa
Chief Operating Officer - Agribusinesses

R.K.J. Gunasekera
Chief Operating Officer - Chemical Segment

G.P.M.S. Karunaratne
Chief Operating Officer - Aftersales Services

R.D.M.P. Wickramasinghe
Chief Information Officer