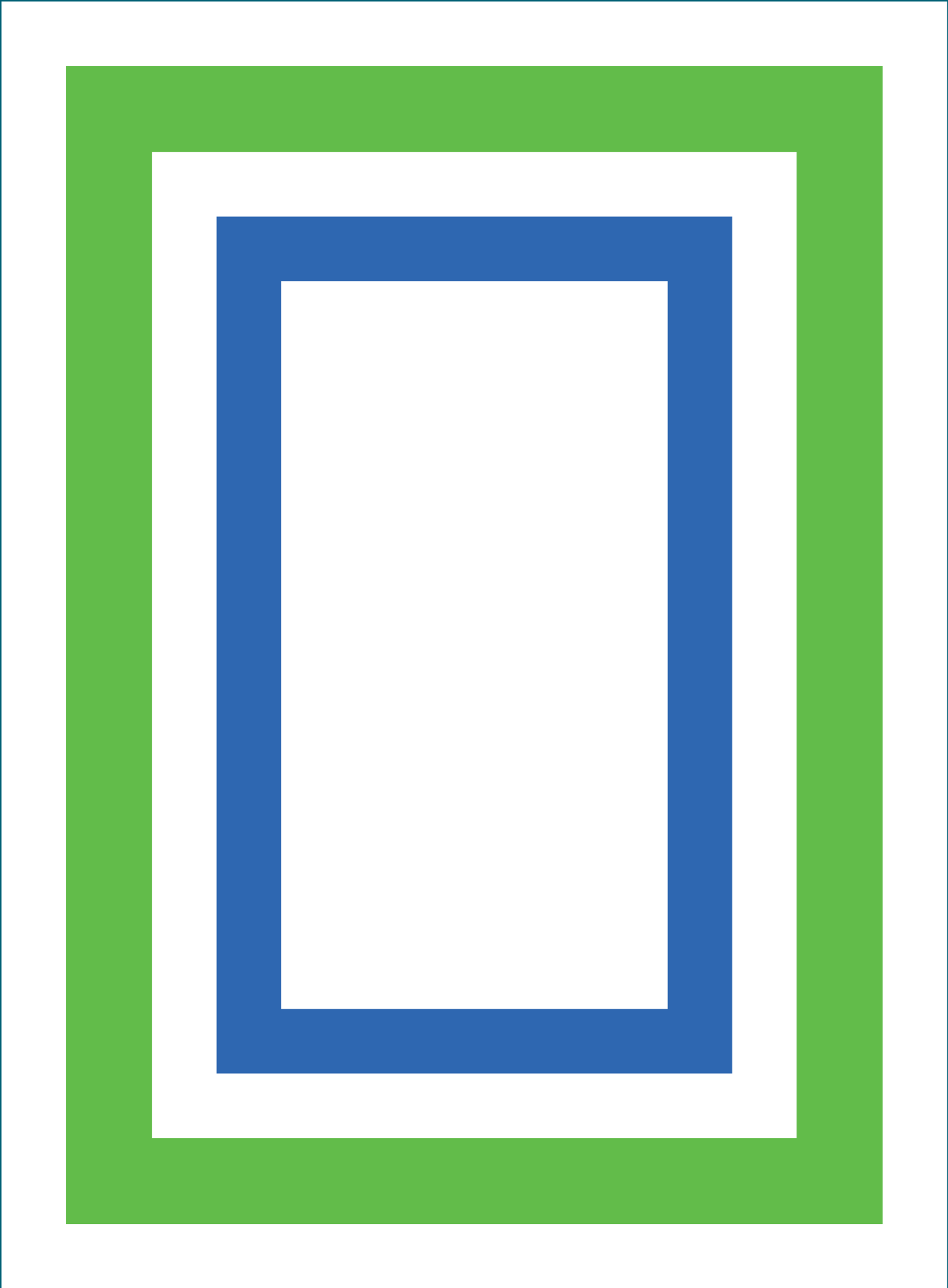


POWER TO GROW



Alumex PLC
Annual Report 2016-17



POWER TO GROW




Alumex PLC
Annual Report 2016-17

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***"As with the products we manufacture,
we demonstrate strength, resilience,
and adaptability in all we do. Today, we know
we have the power to grow..."***

Alumex PLC has never been afraid to seize our opportunities, boldly going forward to maximise our potential, to add value, to change and grow. The year under review has been an exciting one and we have achieved a commendable financial performance, details of which are given in the pages that follow.

Your company is now expanding its footprint with construction already underway for a new factory that will manufacture mill finish aluminum extrusions and powder coated products, with further plans to increase capacity in the years ahead.

As with the products we manufacture, we demonstrate strength, resilience and adaptability in all we do. Today, we know we have the power to grow and deliver sustainable value creation to all our stakeholders, both now and into the years that lie ahead.



GERMANY

ORGADATA AG

A leading technology driven Company which develops analytical software systems.



ITALY

AluK

A leader in the design and manufacture of a range of sophisticated Aluminium building systems.



CORIAN® USA

DUPONT CORIAN
A manufacture of advanced composite product used as a decorative material.



Global brands and partnerships

Alumex is an ISO 9001:2008 certified Company and is recognised globally for consistent quality of production to international standards.



TURKEY

NISAN MAKINA

Nisan Makina makes Punching machineries used in Aluminium Fabrication.



UAE

JOTUN MENA

JOTUN is the premier brand in Europe and the Middle East manufacturing Powder and Thermal Polymer Alloy Coatings.

ALPOLIC™
MITSUBISHI PLASTICS

JAPAN

MITSUBISHI PLASTICS INC.

Manufacture and Supply Aluminium composite panels.



FLETCHER ALUMINIUM

One of the largest conglomerates in New Zealand which supply Aluminium proprietary systems.



NEW ZEALAND

DGL INTERNATIONAL

A leading manufacture of Powder and Thermal Polymer Alloy Coatings.



*"Today, we know
we have the
power to grow
and expand..."*







*"Growth and
expansion
are this year's
keywords..."*

About Us

VISION

To be the Premier Aluminium Extrusion Manufacturer in the South Asian Region.

MISSION

We will

- Create value through introducing innovative Aluminium products to our markets
- Adopt world class business practices and processes, to be competitive and ensure customer loyalty
- Optimise our range of products; strengthen our distribution network to expand in both local and overseas markets
- Develop the Alumex brand to be the household name for Aluminium in the region
- Surpass expectation of all our stakeholders by sustainable value creation
- Conduct our business in a socially responsible and ethical manner
- Develop, motivate and retain a diverse workforce within a supportive and safe work environment

VALUES

Integrity: Ethical and transparent in all our dealings

Enduring Customer Value: Enhancing experiences for every customer, from the rural farmer to the global consumer

A Will to Win: Exhibiting the will to win is important to Alumex and its shareholders

Respect for People: Treating everyone with respect and dignity, providing for the development of our people and rewarding them for good performance

Good Citizenship: Caring for the communities in which they work, actively supporting their growth and being environmentally responsible in all we do

Teamwork: Working with each other and with partners across boundaries to make things happen

Accountability: Holding ourselves responsible to deliver what we promise

Year at a Glance

Alumex surpasses a record Rs 1 billion PBT



Our financial performance improved by more than 100% compared to the Rs 464 million PBT recorded in March 2014, just after the IPO, to reach Rs 1,016 million in just 3 years.

Our first **International Award**

Alumex won a Merit Award in the Manufacturing Sector at the SAFA Best Presented Annual Report Awards 2015 ceremony organized by The South Asian Federation of Accountants.

Launch of Alumex Tested System

Alumex launched its Tested Systems, a series of window and door systems tested and certified by the United Kingdom Accreditation Services (UKAS) at a function held at the BMICH in early October this year. The launch targeted the commercial sector and was attended by the top level CEOs, Architects and Consultants.

Introduction of **AluSys**

Introduced a new software system named “AluSys” which was developed by a German company for Alumex, to enable fabricators to process accurate designs, select profiles and prepare BOQ's in a very short period of time.

Second Lumin Concept Center

We opened our second Lumin Concept Center in the Kandy City Center to introduce our household/residential range of products to the Central Region.

Dealerships and Distribution Hubs

We have widened the scope of our market with 11 new dealerships and a distribution hub in Kalmunai.

Commencement of our Capacity **expansion project**

We commenced our capacity enhancement project by acquiring a 6 Acre plot of land in Ja-Ela to build a new factory equipped with technologically advanced extrusion and powder coating equipment.

Anodizing Plant Capacity **expansion**

A new rectifier and a chiller were installed in our Anodizing plant to enhance its capacity by further 1600 MT per annum

Distribution of 2,850 White Canes

We continued to extend our helping hand to the blind community with a donation of further 2,850 white canes to various organizations across the country.

Environment friendly Chemical Process

An environment friendly chromium free chemical process was introduced to our new powder coating plant. This process also reduces water usage by over 40%.

About the Company

Alumex PLC, a subsidiary of Hayleys PLC, is a public limited liability company, listed on the Dirisavi Board of the Colombo Stock Exchange. Founded in 1986, Alumex commenced commercial operations in 1988. Alumex is the premier manufacturer of aluminium extrusions in Sri Lanka. It serves the domestic market with internally manufactured extruded Aluminium profiles in different finishes with its own brands of 'Alumex', 'Lumin' and 'Alumex TS'. Further, the domestic market for accessories and composite panels is served with imported material under agency in mainly two brands - Corian by DuPont and Alpolic by Mitsubishi Plastics.

The Alumex head office and factory premises are located at Pattiwila Road, Sapugaskanda, Makola. The Company has 5 distribution centres, two concept centres and 73 dealerships spread throughout the island in all 9 provinces to serve a wide range of customers including fabricators, contractors and engineering industry buyers representing the residential, commercial and industrial segments. Its market is primarily confined to Sri Lanka and exports during the year record only 1% of the total revenue, mainly to the Maldives. Alumex has a total workforce comprises 527 employees of which 80 employees are executives and 447 employees are non-executives.

The company has the capability to manufacture over 850MT aluminium extrusions per month using facilities which include melting and casting, die manufacturing, extruding, and surface finishing of profiles, to produce mill finished, anodised, powder coated and wood effect Aluminium profiles for industrial and architectural use. During the year, Alumex recorded 4.6 Bn net sales with a capital base of Rs. 2.9 Bn of which 80% is equity capital.

The Alumex supply chain is mostly serviced by foreign suppliers and the main raw material - Aluminium logs - are imported from the Middle East. Further, other main items like powder, chemical and consumables are also imported from various countries.

During the year, Alumex commenced construction of a centralized warehouse in Makola and further acquired a property in Ekala to expand its manufacturing facility by further 1000 MT per month. In order to fund this expansion, a term loan was obtained during the year, increasing the debt capital to 20%. Further, Alumex launched its tested systems targeting the high-rise building market under the brand name of 'Alumex TS'.

Alumex is an ISO 9001:2008 certified company and is recognised globally for consistent production quality in compliance with international standards. As a result, Alumex has been selected by international brand names for outsourced manufacturing of Aluminium window and door system profiles, under license and was awarded contracts by AluK of Italy, Fletcher Aluminium of New Zealand and Reynaers Aluminium NV of Belgium. Alumex is the only approved applicator for the international powder brands of JOTUN, DGL and Akzo Nobel for their super durable powder range.

Achievements and Awards



Gold Award - Manufacturing Sector - Annual Report Award Ceremony 2016, awarded by
The Institute of Chartered Accountants of Sri Lanka



Winner - Manufacturing (Engineering)
Sector - National Business Excellence
Awards 2016, awarded by National
Chamber of Commerce

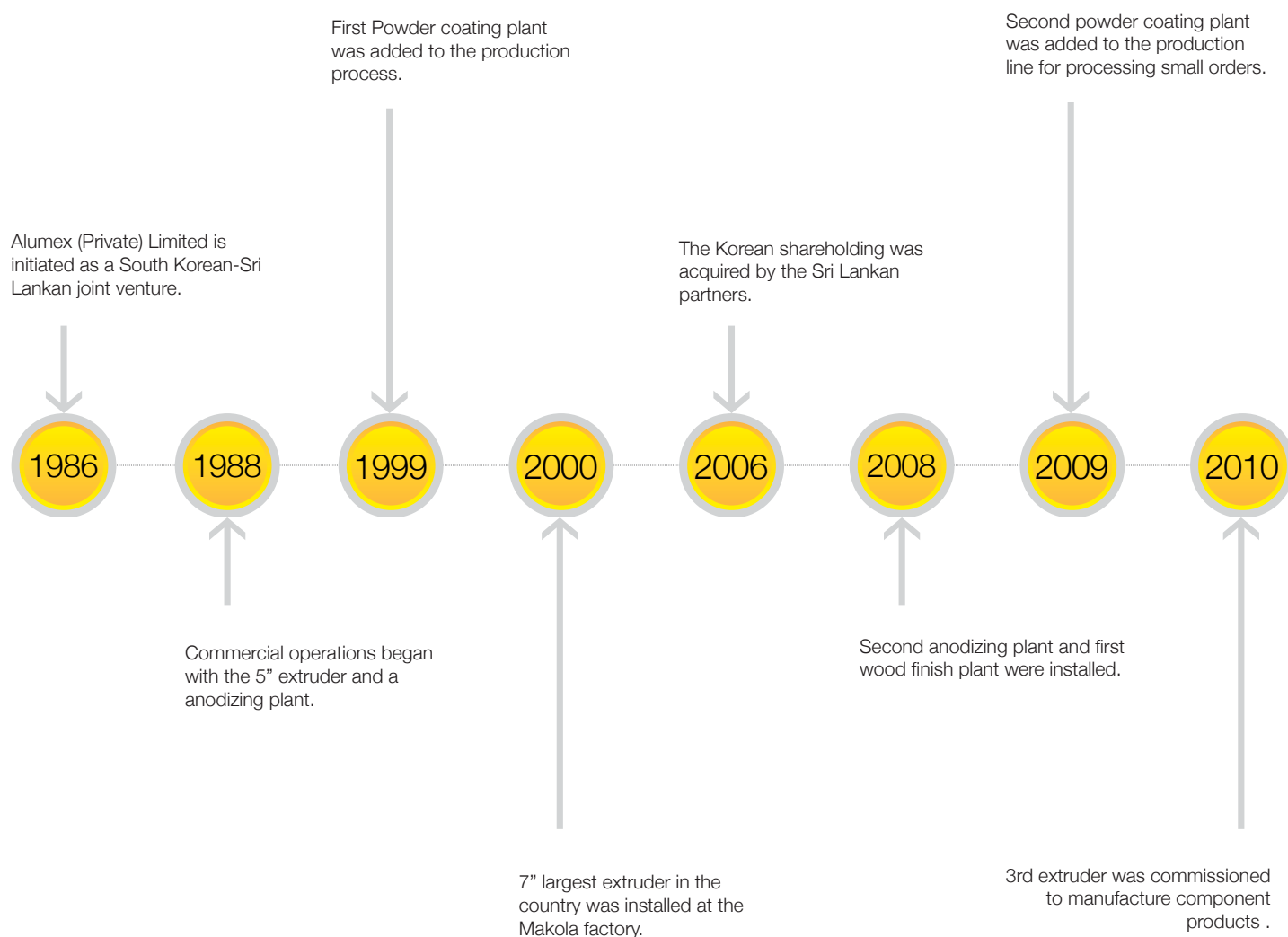


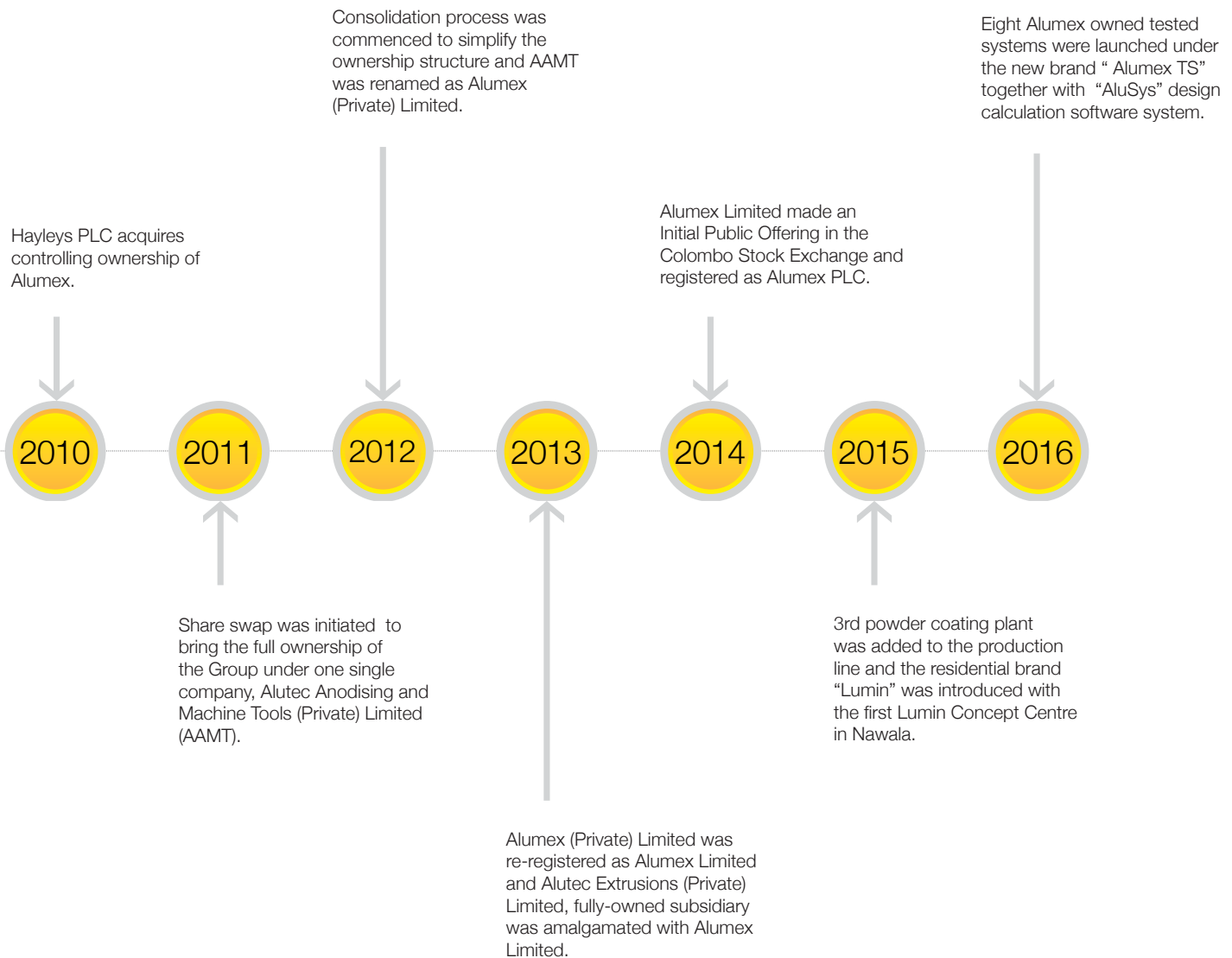
1ST RUNNER - UP - Large Business
Category - National Business
Excellence Awards 2016, awarded by
National Chamber of Commerce



Merit Award - Manufacturing Sector - SAFA
Best Presented Annual Report Awards 2015,
awarded by The South Asian Federation of
Accountants

Historical Milestones





About This Report

We are extremely delighted to present our Second Integrated Annual Report. Alumex is fully committed towards meeting a variety of our stakeholders' expectations by providing them with balanced and relevant information on our value creation process.

With this report, we aim to provide insights into Alumex's strategy, performance and governance, with the objective of demonstrating how we create value for our stakeholders with different forms of capitals inputs, outputs and outcomes. In preparing this report, we have adopted the Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC).

Scope and Boundary

This report covers the aspects that are deemed material to the Alumex. Alumex's economic, environmental and social impacts and stakeholders as determined by the process described in page 34 of this report. The report has been prepared in accordance with the Global Reporting Initiative G4 'In accordance' – Core criteria. The Report covers the performance of the businesses of Alumex PLC and 3 subsidiaries, as discussed in page 17 Alumex adopts an annual reporting cycle and this year's report covers the period from 1st of April 2016 to 31st of March 2017. Our last annual report was for the year ended 31 March 2016 and released on 30 May 2016.

Reporting Changes

There are no restatements of information included in previous reports except the Value Added per Employee (Page 65, Human Capital), Defined Contribution Plan Costs - EPF and ETF (Note No.08 to the Financial Statements), Energy Management (Page 90 Natural Capital) and Our Carbon Footprint (Page 93 Natural Capital), which were restated to provide more accurate information resulting from re-calculations. However, such restatements do not have any material impact on prior financial or non-financial performance.

Further, the coverage of material aspects of the Global Reporting Initiative (G4) has been improved during the year with disclosures relating to EC9, EN21, EN26, EN28, EN33, LA3, LA4, LA7, LA13, HR3, SO2, SO5 and PR1.

Guiding Principles

We subscribe to and report under several domestic and international regulations, standards and frameworks, the more significant of which are the following:

- Sri Lanka Accounting Standards
- Integrated Reporting Framework issued by the IIRC
- Global Reporting Initiative- G4 Standards 'In accordance' – Core
- Companies Act No 7 of 2007
- Listing Rules of the Colombo Stock Exchange

Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

External Assurance

We believe that third party assurance is vital in establishing credibility and transparency of our Report. External assurance on the financial statements and sustainability has been provided by Messrs Ernst & Young, Chartered Accountants, as referred in page 145 and page 199 of this report.

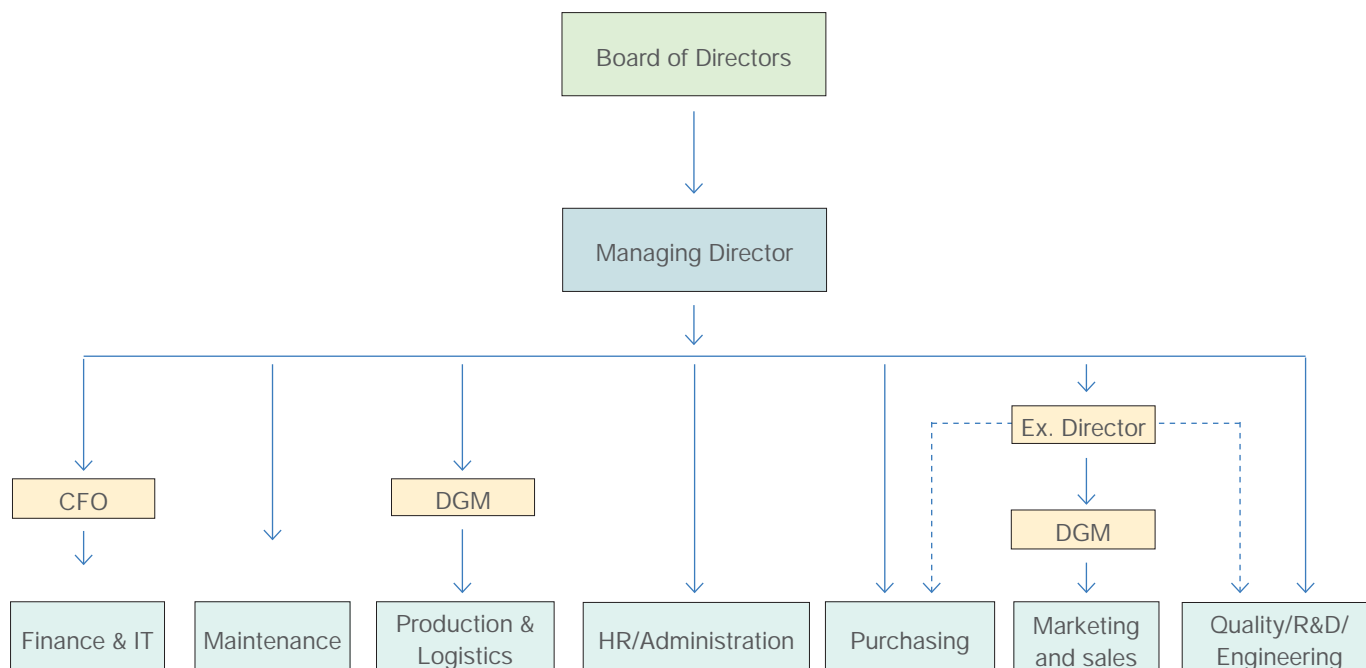
Feedback

We understand that Integrated Reporting is an evolving principle and we welcome your feedback, suggestions and other comments on our Annual Report. Please contact:

Finance Department, Alumex PLC
Email: info@alumexgroup.com

Group Structure

The Alumex Group consists of Alumex PLC and one fully-owned subsidiary. All operations of the group are managed by a centralized management team led by the Managing Director.



About the Alumex Group

Company	% of Ownership	Nature of Business
Alumex PLC	Parent	The premier manufacturer of Aluminium extrusions in Sri Lanka. The manufacturing operation comprises of facilities for melting and casting, die manufacturing, extruding and surface coating of the entire range of profiles for residential, commercial and industrial requirements. The finished products are marketed as mill finished, anodized, powder coated and wood effect profiles. In addition, it holds the agencies for Mitsubishi Alpolic composite panels and Dupont Corian solid surfaces.
Alco Industries (Pvt) Ltd	100%	A BOI-approved company incorporated in 2010. It has a modern manufacturing facility for the production of Aluminium components required by industries such as building construction, ladders, bus/lorry body building and rail coach building. It also manufactures components required by the Ceylon Electricity Board, fabrication industry and Solar Power industry.
Avro Enterprises (Pvt) Ltd	100%	Avro Enterprises (Pvt) Ltd was dormant during the period and amalgamated with Alumex PLC on 20 April 2016.
Alumex Systems (Pvt) Ltd	100%	Alumex Systems (Pvt) Ltd also was dormant during the financial year and amalgamated with Alumex PLC on 31 March 2017.

Key Performance Indicators

	2016/2017	2015/2016	Change	2014/2015	Change
	Rs. Mn	Rs. Mn	%	Rs. Mn	%
Operating Result					
Group profit before tax	1,016	801	27%	613	31%
Tax	263	212	24%	136	56%
Group profit after tax	753	589	28%	477	24%
Dividend	434	299	45%	299	0%
Retained profit	316	284	12%	182	56%
Financial Sectorial Analysis					
Turnover	4,728	3,995	18%	3,307	21%
Operating profit	1,050	813	29%	611	33%
Capital Structure					
Equity	2,316	1,898	22%	1,690	12%
Debt	512	3	>100%	18	-83%
Profitability Ratios					
Gross Profit Margin	31%	30%	4%	28%	8%
Operating Profit Margin	23%	21%	9%	19%	10%
Net profit Margin	16%	15%	8%	15%	0%
Return on Assets	21%	21%	0%	20%	7%
Return on Capital	44%	45%	-1%	38%	19%
Liquidity					
Working Capital	1,067	731	46%	566	29%
Current Ratio (Times)	1.86	1.90	-2%	1.72	10%
Quick Assets Ratios	0.93	0.84	11%	0.75	13%
Equity					
Net asset value per share (Rs.)	7.74	6.34	22%	5.65	12%
Earnings Per Share (Rs.)	2.52	1.97	28%	1.59	24%
Dividend Per Share (Rs.)	1.45	1.00	45%	1.00	0%
Effective Dividend Rate (Dividend Yield)	8%	6%	0%	0.06	0%
Dividend Cover (Times)	1.74	1.97	-12%	1.59	24%
Market Value Per Share (Rs.)	19.00	15.40	23%	15.80	-3%
Highest Market Price Per Share (Rs.)	22.00	19.70	12%	17.70	11%
Lowest Market Price Per Share (Rs.)	15.50	13.50	15%	13.90	-3%
Value at end of Financial Year	5,687	4,609	23%	4,729.00	-3%
Debt					
Debt to Equity	22%	0.16%	>100%	1%	-84%
Interest cover (Times)	166	948	-82%	220	>100%
Equity Assets Ratio	54%	66%	-18%	64%	3%
Interest rate of comparable government security					
Treasury bill (1 year)	10.98%	10.64%	3%	6.80%	56%
Treasury bond (2 year)	12.30%	11.75%	5%	8.14%	44%

Financial Highlights



Rs 4,728mn
Turnover

18% ↑
Turnover Growth



Rs 4,264mn
Total Assets

48% ↑
Total Assets Growth



Rs 1,067mn
Liquidity

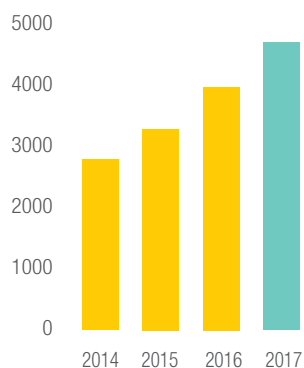
46% ↑
Liquidity Growth



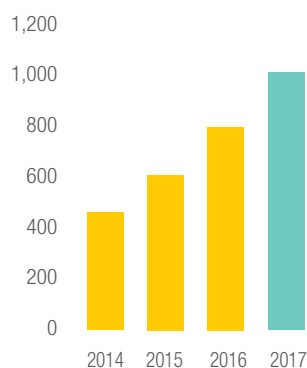
Rs 1,016mn
Profit Before Tax

27% ↑
Profit Before Tax Growth

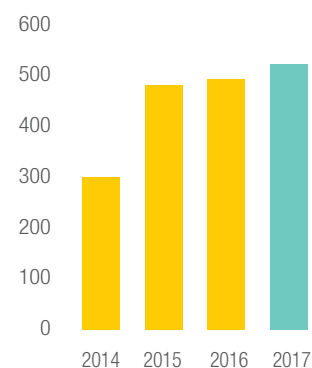
Revenue
(Rs. Mn)



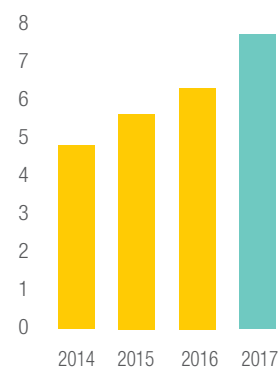
PBT
(Rs. Mn)



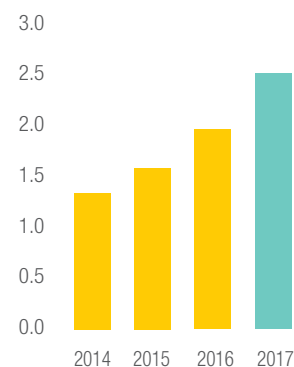
Operating Cash Flow
(Rs. Mn)



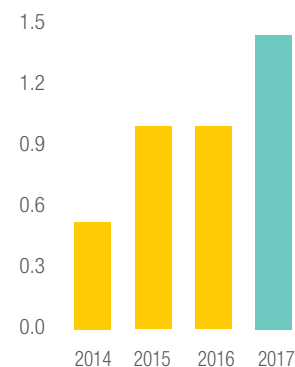
Net Assets Per Share
(Rs.)



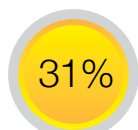
EPS
(Rs)



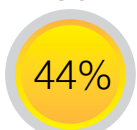
DPS
(Rs)



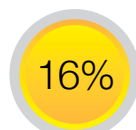
Gross Profit Margin



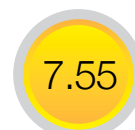
ROCE



Net Profit Margin



PE Ratio



Chairman's Statement

"The business delivered a record performance with strong growth in revenue and profits."

Rs.1,016 Mn
Profit Before Tax

28%
EPS Growth

Dear Shareholder,

I am pleased to present the Annual Report and Audited Financial Statements for the year ended 31st March 2017. The Company delivered excellent financial results, yielding its highest ever profit before tax levels surpassing Rs. 1 Billion for the year under review. The business delivered a record performance with strong growth in revenue and profits. This growth was achieved by delivering on four point strategy of introducing new high technology products, strengthening the senior leadership team, expanding our distribution network and expanding into the residential market. We also benefited from stable Aluminum raw material prices throughout the year. In addition, the disciplined approach to cost control and focus on working capital further supported this excellent performance.

The Group recorded a turnover of Rs. 4.6 billion, a growth of 18% compared to the previous year. Profit before tax was Rs.1,016 million an increase of 27% and profit after tax was Rs.753 million compared to Rs. 589 million in the previous year.

In the financial year, apart from ensuring delivery of a good financial performance, Alumex focused on refining the Group's strategy for future growth to take advantage of the continuing high demand for Aluminium products from the Construction industry. Accelerated growth in the next few years will include manufacturing capacity expansion in a new location, enhancing finishing process capacity in the existing location, completing a new central warehouse, enhancing the products range in the residential sector and developing new tested systems for the commercial sector.



A M Pandithage
Chairman



Growth was achieved by delivering on four point strategy of introducing new high technology products, strengthening the senior leadership team, expanding our distribution network and expanding into the residential market.

Chairman's Statement

“Alumex believes that our clear and focused strategy, together with a highly motivated and talented management team, premium branded products and strong financial discipline, means that the Alumex Group is well positioned to realize sustainable, long-term growth.”

Our growth strategy also covers backward and horizontal integration, mitigating risks, talent development and succession plans. And in all our plans, a high level of importance is given to the environmental and social sustainability aspects relevant to the organization and its locations. Alumex believes that our clear and focused strategy, together with a highly motivated and talented management team, premium branded products and strong financial discipline, means that the Alumex Group is well positioned to realize sustainable, long-term growth.

Dividends

The company declared interim dividends of Rs. 1.00 per share during the year and further cents 50 as the second interim dividend, subsequent to the financial year totalling to Rs. 1.50 per share as dividends from the profits of the financial year 2016/17.

Change of Directorate

Mr. Huzaifa Abdulhusein resigned from the Board on 6th June 2016. Mr Abdulhusein has been with the Group since November 2011, and I would like to thank Mr. Abdulhusein for his contribution to Alumex over the last five years and wish him well for the future.

I take this opportunity to thank the Board of Directors who have contributed to the deliberations at Board Meetings guiding Alumex to reach greater heights.

On behalf of the Board, I must express my appreciation to the management and the entire staff for their commitment, and selfless service, which has enabled us to deliver these results. To all our esteemed customers, we remain grateful for your loyalty. Together we will create a brighter and better future.



A M Pandithage
Chairman



PERFORMANCE HIGHLIGHTS 2016/17



Rs 4.7Bn
Revenue
18% growth



Rs 2.3Bn
Equity Capital
22% growth



Rs 1.05Bn
Operating Profit
29% growth

Managing Director's Review

"Alumex continues to lead the market with its range of products and services."



R. P. Peris
Managing Director

Rs.4,728 Mn

Turnover

45%

DPS Growth

The Alumex Group performance in the financial year under review was exemplary considering the several drawbacks in manufacturing that was experienced during this period, which were overcome to achieve a significantly higher profitability compared to previous years.

Alumex operates in the fast growing Construction Material market. Technology is driving fundamental changes to this market and Alumex Group's unique heritage, the credibility of our brands and our innovative culture enables us to capitalize on those changes.

Alumex continues to lead the market with its range of products and services. We have developed a higher technology business by expanding our capabilities in designing new products, developing new processes and in manufacturing. We have widened the scope of our market with new dealerships and distribution hubs and end user access with more Concept Centers and the use of social media apart from the traditional methods.

The Sri Lanka Construction Sector

Sri Lanka's GDP growth was recorded at 4.4% for the year 2016 in comparison with 4.89% in 2015. The contribution to the GDP from Construction which includes road construction etc. was only 7.59%. In 2016, the growth in Construction was 14.9% in comparison to 2015. But the demand for Aluminium experienced a growth in excess of 21%. This growth in the demand for Aluminium is expected to continue with the

A tall, modern building with a distinctive facade of blue and white rectangular panels. The building is identified as 'DPJ TOWER' at the top. A large green arrow points downwards from the top left towards the text box.

DPJ TOWER

Technology is driving fundamental changes to this market and Alumex Group's unique heritage, the credibility of our brands and our innovative culture enables us to capitalize on those changes.

Managing Director's Review

“Alumex has had to implement a medium term strategy to successfully transform and grow Alumex to be in a leadership position in the future.”

implementation of several government initiatives such as the Colombo Financial City project, the Megapolis project, Schools development, low income housing construction and the continuing private sector hotel and high rise apartment projects etc. Irrespective of this potential, we are also mindful of the Free Trade Agreement to be signed with the Chinese Government which we strongly believe should have all aluminium products on the negative list to protect the Sri Lankan manufacturers as well as the approximately 10,000 Aluminium fabricators in Sri Lanka.

Future Growth

To cope with the projected future demand for aluminium in Sri Lanka, during the year, Alumex has had to implement a medium term strategy to successfully transform and grow Alumex to be in a leadership position in the future. The implementation of our strategy is focused on five main strategic priorities:

1. Improving and strengthening our business model while continuing to innovate. Develop Brands to target specific markets with specific products, launching a new tested products range for the commercial sector, widen the range of products offered under the Lumin brand and enhance our component and fabrication equipment range to assist fabricators.
2. Invest in a new factory with state of the art equipment to enhance our manufacturing capability on extrusion and powder coating. These equipment will address a growing demand for high technology, higher quality, larger and stronger window and door systems which are required for the taller high rise buildings planned for Colombo.
3. To continue to draw closer to our end customers by setting up Lumin Concept Centers in each region. Broadening our dealer network and setting up distribution hubs in strategic locations to ensure faster delivery of product. A new central warehouse project is also under construction to service the island wide hub system.
4. To upgrade our product quality to meet international standards. Test our products at recognized accreditation testing facilities such as the UKAS and upgrading our processes to meet quality parameters as determined by world renowned quality control associations.
5. To focus on geographical expansion, especially in the south of India, Maldives and Bangladesh, targeting niche markets in which our superior quality products will be competitive.

We strongly believe that these priorities which are targeted at offering the customer a high quality product at an appropriate price will lead us to deliver sustainable sales growth and achieve our performance goals in the medium term and well as finance a growing business in the long term.



PERFORMANCE HIGHLIGHTS 2016 / 17



Rs 753Mn
Profit to Equity
Holders



Rs 478.19Mn
Investment in
Environmental
Protection



Rs 11.04Mn
Investment
in CSR

Managing Director's Review

“Alumex supplied profiles to several major projects in the year. ITUM, NSBM, Clearpoint, Hotel Dynasty and Labour Department were some of the more significant of them.”

2016/17 Performance Overview

We are pleased to report that Alumex achieved a record performance with strong growth in revenue and profits. The Group turnover reached Rs 4.6 billion which was a 18% increase compared to Rs 3.99 billion in the previous year. Profit before tax of the group was Rs 1,016 million compared to Rs 801 Million in the previous year. Profit after tax was Rs 753 million compared to Rs 589 million in the previous year, an increase of 28%. The earnings per share were at Rs 2.52 compared to Rs 1.97 whilst net assets per share increased to Rs 7.74 compared to the previous year of Rs 6.34.

Markets

Alumex supplied profiles to several major projects in the year. ITUM, NSBM, Clearpoint, Hotel Dynasty and Labour Department were some of the more significant of them. The smaller projects were supplied through our dealer network. Our dealer network was broadened to cover the Eastern Region by appointing 05 dealers and by setting up a hub warehouse in Kalmunai.

The residential market was approached through opening of our 2nd Lumin Concept Centre in Kandy and the Kandy City Centre to bring our products to the Central Region. We hope to open two more Concept Centres in Jaffna and Galle in the near future to take our products to the North and Southern Regions.

Manufacturing

To cope with the increased demand and ever increasing backlog of orders during the year, we enhanced our anodizing capacity by 30% and increased our extrusion capacity utilization by 17% by the third quarter. Quality of extrusions was enhanced with a locally developed air quenching mechanism and the melting furnace pollution control system was upgraded.

Aluminium

The raw material Aluminium is purchased from 2 companies in the Middle East i.e. EGA and Alba. The price of the aluminium is based on the London Metal Exchange prices and the premium charged by each of the companies. During most of the year under review prices fluctuated between USD 1550/MT and USD 1700/MT but started rising further in the last quarter. Premiums were at USD 300/MT. These prices enabled us to maintain our selling prices unchanged throughout the year.

Product/Process Development

We continue to invest in new products and enhancements to our existing product ranges and I am pleased with the new products that we have launched this year. The new tested systems, the lift and slide doors, the new component range for solar panels, mosquito mesh doors, corner brackets were all well received by the market. Innovative product developments will continue with more Aluminium products introduced to the residential sector in the future and together with our commercial range of tested systems being broadened in the coming year, Alumex will continue to hold onto its leadership position in Sri Lanka.

Environment and Society

Water, Electricity and Fuel are constantly being looked at and changes done to the manufacturing processes to reduce usage. Often the impact of what we have done is not seen in the data shown due to the increase in production output. An environment friendly chromium free chemical process was introduced to our new powder coating plant. This process also reduces water usage by over 40%. Chemicals in the anodizing process too were changed to lessen the impact on the environment. Lighting in the factory is changing to LED's to reduce consumption of electricity and natural lighting systems are being looked at to further reduce usage.

The year started with a major flooding in the areas surrounding the Kelani River and this affected over 60 personnel working at Alumex and their families. The company provided meals, dry rations and household items for these families to restart their lives. Apart from this the company provides all school books to the children of the staff at Alumex.

As in previous years we continue with our CSR activities of providing white canes to organizations caring for the blind around the country and providing fabricator training at many institutions and at the factory, free of charge to give the youth of our country a method of earning a living and at the same time contribute to the Aluminium industry. We also partnered with Puritas to set up the second CKD prevention water purification project at Meegassegama off Thalawa. This plant will be ready by June 2017.

Events and Awards

In October 2016 at the BMICH, we launched the Alumex range of windows and door systems which were certified by the United Kingdom Accreditation Service (UKAS) and targeted at the commercial market. At this event we also introduced our AluSys fabrication software system developed by Orgadata. This software will enable fabricators to select the most suitable designs, select the correct profiles and accessories and prepare BOQs in a very short period of time. In February, Alumex sponsored the Architects 2017 exhibition for the 6th time and at this event we won the award for the most "Innovative and Informative Stall" due to the introduction of a new lift and slide door system manufactured in Sri Lanka.

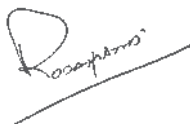
At the National Business Excellence Awards ceremony organized by the National Chamber of Commerce, Alumex was the 1st runner up in Large Business Category and won gold in the Manufacturing Engineering Sector. Alumex won Gold for its third Annual Report in the Manufacturing sector at the Annual Reports Award ceremony organized by the CA Sri Lanka. And we received our first international award, a merit award for our 2014/15 financial statements from the South Asian Federation of Accountants.

Outlook

We are continuing to transform the Group to capitalize on the growth potential in the Sri Lankan Construction sector. We believe that over the long-term, there are exciting opportunities for Alumex as a strong financial base, high quality products, manufacturing capability and the recognition of our brands in the market will enable us to venture into markets overseas and establish Alumex as a premier international Aluminium manufacturer.

Finally, a special thank you to the Chairman and the Board for their expression of confidence and the support given to myself and the senior management team. I would also like to express my great appreciation for the patience and support of our loyal customers, shareholders and business partners and, of course, our dedicated staff whose commitment underlies the success of our Company. Together, we will grow this company to be of even greater value for all our stakeholders in the years ahead.

Thank you



R. P. Peris
Managing Director

Why Alumex is Focused on Expansion

“We expect the construction sector to grow at least by 20% to 25% annually.”

Sri Lanka's march to achieve a High Income Developed Country status will drive the country to bring about structural transformation of its major cities into modern, hi-tech urbanized cities with improved urban services and amenities, and upgraded physical infrastructure and environment. In this context, we expect the construction sector to grow at least by 20% to 25% annually. Improvements in urban living will usher in new houses, apartments and community centers as well as few more Expressways, Rapid Transit Systems and suitable infrastructure to promote modern lifestyles .

Also, developments in the tourism sector and increases in tourist arrival will generate demand for greater investment in tourist accommodation, entertainment and the other related service sectors. These factors will necessitate further improvements and developments in the construction sector.

Meanwhile, the Colombo Financial City Development has planned to build 12,000 apartment units and a commercial city which will facilitate foreign investments to the country as South Asia's Financial Hub. With the first block of land up for sale starting from the year 2018 onwards, we expect rapid growth of a mega city with skyscrapers using glass and Aluminium.

The Western Megapolis is a USD40 Billion project which has already inaugurated by the Government and expected to be completed by the year 2030. Spanning Colombo,

Gampaha & Kalutara Regions, the megapolis development will bring in Central Business Districts, Industrial and Tourist Cities, Techno City, Plantation City, Eco Habitats and Aero – Maritime Trade Hubs to its expected population of 8.7 million by 2030. This is another project which will bring in more demand for Aluminium.

The current developments of 100,000 regeneration apartments and houses for middle income families, rapid growth of apartments in Colombo and other major cities, large hotel projects, mixed development projects, schools developments (around 2,500 schools island wide), FDIs to build factories, development of universities and other educational institutes, infrastructure development work, conversion of energy sectors to solar power and the incentives given for solar use, etc. and the scarcity of timber as well as ease of doing things, convenience and demand for sustainability of the urban living will create more demand for Aluminium systems and extrusions. These demands cannot be met with the existing facilities available with Alumex. Therefore, it is necessary to increase the current capacities by at least 100% to meet the oncoming demand forecasted till 2020.

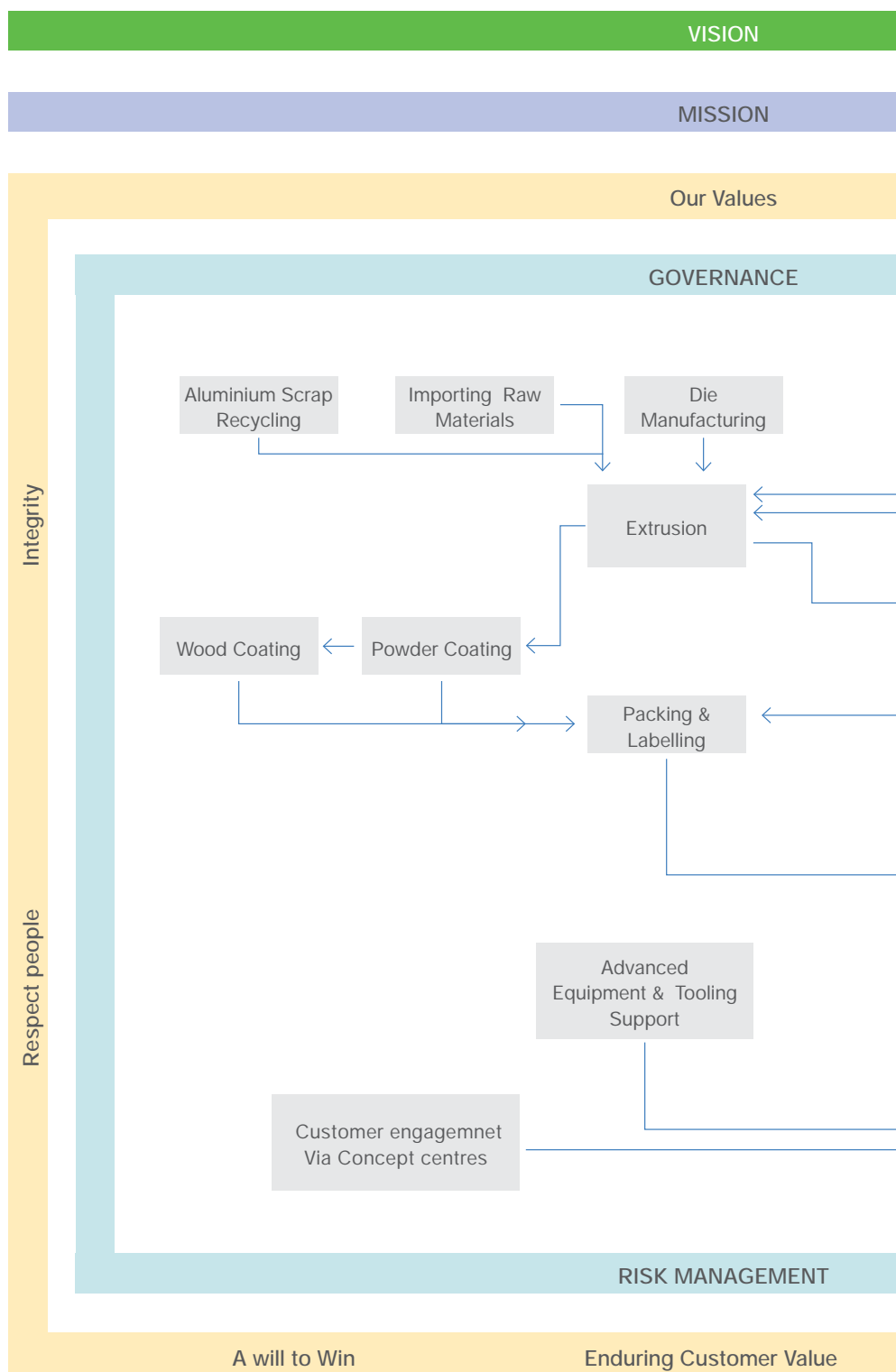
The Western Megapolis is a USD40 Billion project which has already inaugurated by the Government and expected to be completed by the year 2030.

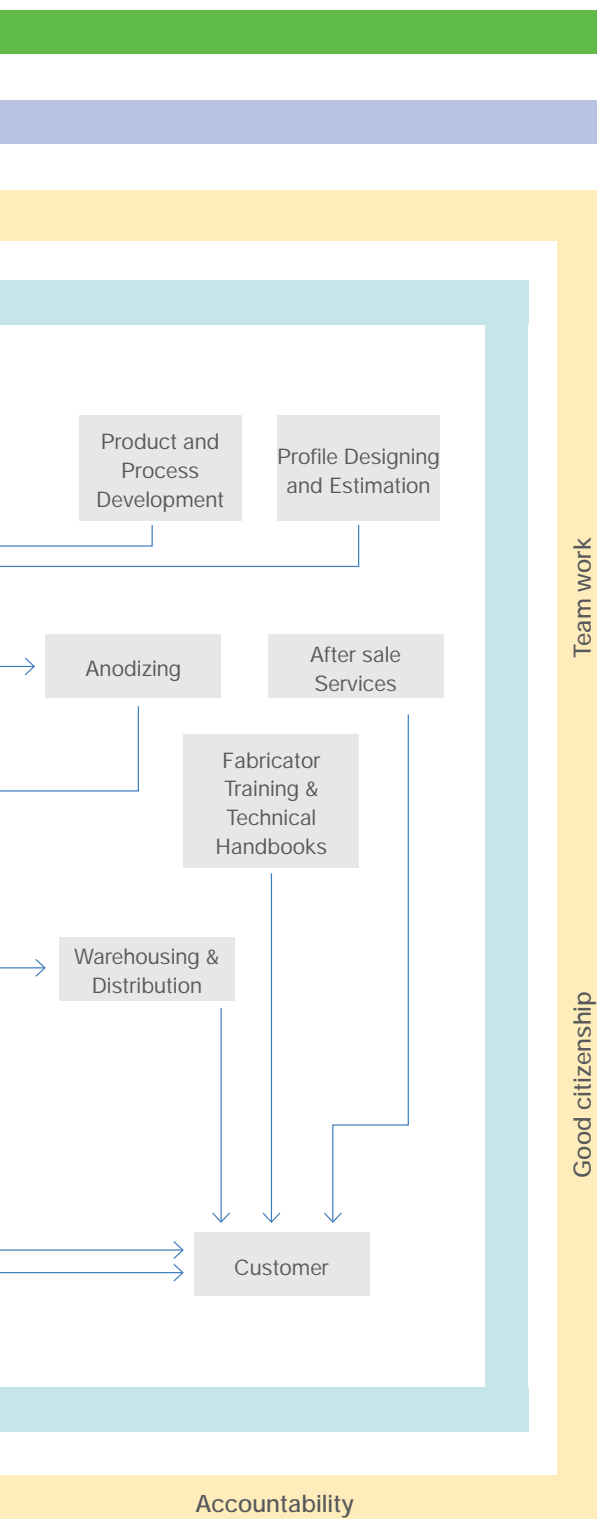


Creating Values for Stakeholders

Value Creation Model

INPUTS
Financial Capital Shareholders' Fund : Rs. 2.32 bn New Debt Funding: Rs. 512 mn Finance Facilities: Rs.3.36 bn
Manufactured Capital Monthly Production Capacity: 850MT Investments in Machineries : 420 mn New Investments: 651mn
Human Capital 526 Employees 1,673 Training Hours Organizational Structure
Social & Relationship capital 214 Customer base 626 Supplier base Relationship with our business partners Community partnership
Natural Capital Material consumption: 7,083 MT Energy consumption: 60,959GJ Water consumption: 126,623m3
Intellectual capital Tacit Knowledge Information system Industrial Designs Brands: Alumex, Lumin, Alumex TS





OUTPUTS
Financial Capital
Operating Cash Flows of Rs. 524 mn Financing cash flows of Rs. 106 mn Investing cash flows of Rs. 619 mn
Manufactured Capital
Powder Coated Products Mill Finished Products Anodized Products Wood Finished Products
Human Capital
Skilled Employees Experienced Employees Employee Welfare
Social & Relationship capital
Increased sales Reduced cost Social and Economic Development
Natural Capital
Recycled Aluminium : 1,554MT. Waste Generated 1,000MT Carbon Footprint : tCO2e 5,426,349
Intellectual capital
53 New Extrusion Profiles Product Improvements

OUTCOMES
Financial Capital
Sustainable growth in earnings Net Profit: 753 mn Dividends per Share: Rs 1.45 Gearing Ratio: 18.11% Return on capital employed: 44%
Manufactured Capital
Extrusion Yield: 86%. Net Yield: 81% Melting Yield: 87%
Human Capital
Rewarding work environment with opportunities for career development Productivity: 1MT/employee. Employee Turnover: 6.9% Employee absenteeism: 6%
Social & Relationship capital
Community Investments: 11Mn Fabricator Training for 1,481 participants Improved community relationships
Natural Capital
Preserve our planet through minimizing the negative impacts of our operations. Saving of Foreign currency outflows US\$3.3mn
Intellectual capital
Sustainable growth in shareholder earnings and time saving with IT system.

Identifying Material Issues

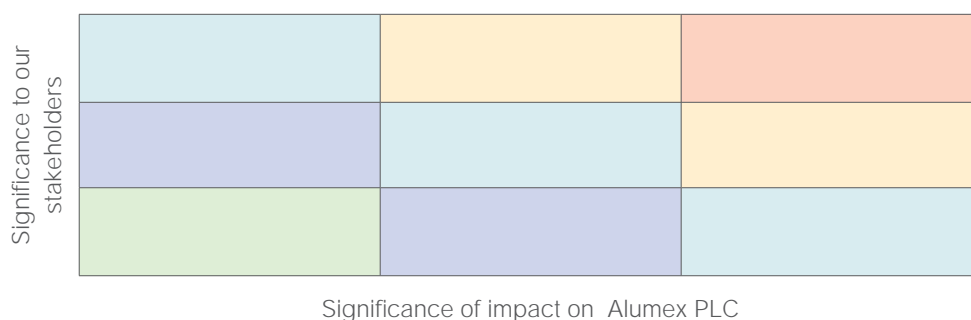
Materiality Assessment Process

The Alumex Materiality Assessment Process is simple but methodical. A structured round of meetings were carried out with the different managerial levels and finally with the senior management to identify and determine the material issues for reporting.

The process for identifying and prioritizing material issues is as follows.



Identified matters are prioritised considering the significance to stakeholders and significance of the impact on Alumex PLC's economic, environmental and social aspects by using the following mechanism.



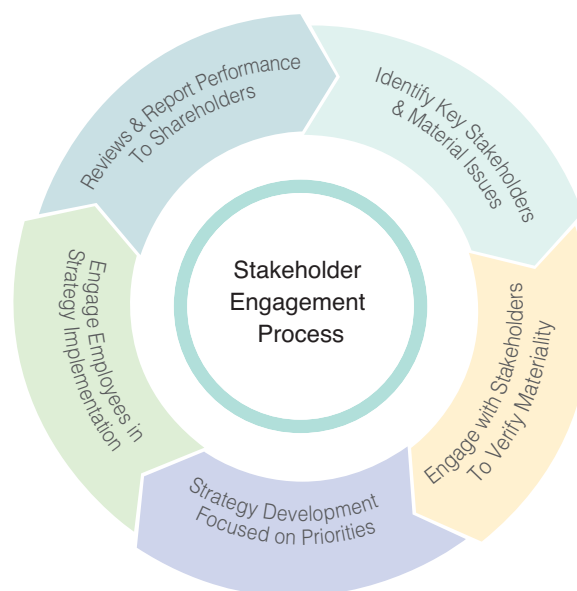
The identified material aspects (Critical, High and Moderate) are given in the table in page 35 and addressed in detail in the subsequent sections of the report.

Material Aspects Identified for Reporting

Significance	Material Aspects	Aspect boundary	Entity impacted
Critical	Economic Performance	Internal	Alumex and Alco
Critical	Effluents & Waste	Internal & External	Alumex, Alco & Community
Critical	Employment	Internal & External	Alumex, Alco, Customers, suppliers & Community
Critical	Local Communities	External	Community
High Impact	Materials	Internal	Alumex and Alco
High Impact	Energy	Internal	Alumex and Alco
High Impact	Water	Internal	Alumex
High Impact	Emissions	Internal & External	Alumex, Alco & Community
High Impact	Compliance	Internal	Alumex and Alco
High Impact	Labour/Management Relations	Internal	Alumex and Alco
High Impact	Occupational Health & Safety	Internal	Alumex and Alco
High Impact	Training & Education	Internal & External	Alumex, Alco & Customers
High Impact	Labour Practices Grievance Mechanisms	Internal	Alumex and Alco
High Impact	Freedom of Association	Internal	Alumex and Alco
High Impact	Child Labour	Internal	Alumex and Alco
High Impact	Forced or Compulsory Labour	Internal & External	Alumex, Alco and Suppliers
High Impact	Human Rights Grievance Mechanisms	Internal	Alumex and Alco
High Impact	Anti-corruption	Internal	Alumex and Alco
High Impact	Compliance	Internal	Alumex and Alco
High Impact	Grievance Mechanisms for Impacts on Society	External	Community
High Impact	Customer Health & Safety	Internal & External	Alumex, Alco and Customers
High Impact	Customer Privacy	Internal	Alumex and Alco
High Impact	Product Compliance	Internal	Alumex and Alco
Moderate Impact	Procurement Practices	Internal	Alumex and Alco
Moderate Impact	Indirect Economic Impacts	External	Dealers, Suppliers
Moderate Impact	Products & Services	Internal & External	Alumex, Alco, Customers & Community
Moderate Impact	Transport	External	Community
Moderate Impact	Environmental Investments	Internal	Alumex
Moderate Impact	Supplier Environmental	External	Suppliers
Moderate Impact	Environmental Grievance Mechanisms	Internal & External	Alumex, Alco & Community
Moderate Impact	Diversity	Internal	Alumex and Alco
Moderate Impact	Equal Pay for Women & Men	Internal	Alumex and Alco
Moderate Impact	Supplier Assessment for Labour Practices	External	Suppliers
Moderate Impact	Non-discrimination	Internal	Alumex and Alco
Moderate Impact	Product & Service Labelling	Internal	Alumex and Alco
Moderate Impact	Marketing & Communications	Internal	Alumex and Alco

Stakeholder Engagement

Our stakeholder identification process is internally driven. The senior management team of Alumex is involved in the discussions during the stakeholder identification process for reporting purposes. Stakeholders are identified based on three main guiding themes, namely, inclusivity, materiality and responsiveness. For the Alumex Group, key stakeholders are Shareholders, Customers, Suppliers, Employees, Government and Regulatory Bodies and the Society. We pride ourselves on our effective engagement with these groups. The Company firmly believes a sustainable business platform cannot be achieved in isolation and hence our strategy development process, implementations and reporting takes into account the material issues of our stakeholders. To secure open and constructive dialogue with stakeholders, different means of engagements are used by Alumex as described below.



Our Relationship with Stakeholders

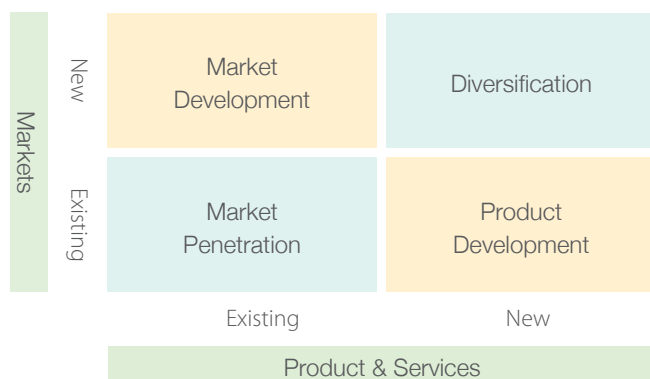
Stakeholder Engagement Method	Frequency of Engagement	Key Issues arising from Engagement	Our Responses and Outcomes
1. Shareholders			
<ul style="list-style-type: none"> Annual General Meeting Performance Review meetings Annual Report Company Website CSE Website Refer Finance Capital given on page 50.	<ul style="list-style-type: none"> Annually Quarterly Annually Ongoing Ongoing 	<ul style="list-style-type: none"> Sustainable growth in earnings Corporate Governance and Ethics Risk Management Growth opportunities and future outlook 	Provide our shareholders with transparent, reliable and timely information for effective decision- making.
2. Customers			
<ul style="list-style-type: none"> Customer satisfaction surveys Annual Dealer Awards Night Dealer and Fabricator Training Company Website & Social Media Regular Customer Visits Exhibitions & Trade Shows Refer Social And Relationship Capital given on page 70.	<ul style="list-style-type: none"> Quarterly Annually Ongoing Ongoing Regularly Annually 	<ul style="list-style-type: none"> Architectural designs and estimations Product and service quality Product innovations Ease of transactions. Timely delivery Technical training After-sales services 	We value the long-term relationship with our Customers by offering 53 New product designs 11 new dealerships Opening Concept Centers Providing 78 technical training programme

Stakeholder Engagement Method	Frequency of Engagement	Key Issues arising from Engagement	Our Responses and Outcomes
3. Employees and Trade Unions			
<ul style="list-style-type: none"> • Management Meetings • Review meetings • Communications via circulars, memos and E-mails • Annual Get-together, Cricket Tournament and Religious events • Ongoing dialog with Trade Unions • Performance Appraisals • Workplace improvement meetings • Executive meeting to review goals and achievements <p>Refer Human Capital given on Page 62.</p>	<ul style="list-style-type: none"> • Monthly • Regular • Ongoing • Annually • Ongoing • Bi-annually • Once in two months • Annually 	<ul style="list-style-type: none"> • Organizational developments. • Workplace improvements • Review of remuneration policies and practices • Training and development 	<p>We treat our employees as our most precious asset.</p> <p>We provide reasonable remuneration and benefits, and training in a continuously improving working environment.</p>
4. Suppliers and Business Partners			
<ul style="list-style-type: none"> • On-site visits of Supplier locations • Meetings with suppliers • Annual Reports • Regular Dialogues and Interactions <p>Refer Social And Relationship Capital given on page 76.</p>	<ul style="list-style-type: none"> • Regularly • Regularly • Annually • Regularly 	<ul style="list-style-type: none"> • Discussions on ease of transaction and procurement policies • Agreements of long term partnerships • Quality of service. 	<p>Providing the necessary background to maintain long-term supplier relationships Incorporating best practices.</p>
5. The Government			
<ul style="list-style-type: none"> • Annual Reports>Returns • Submission of Special Reports>Returns • Meetings and Workshops with government authorities and departments <p>Refer Social And Relationship Capital given on page 78.</p>	<ul style="list-style-type: none"> • Annually • Ad hoc Basis • Regularly 	<ul style="list-style-type: none"> • Compliance with all regulations and legislations. • Payment of statutory dues. • Corporate governance 	<p>Maintain a good relationship with the government authorities and timely payment of taxes and submission of specific reports.</p>
6. Society and Environment			
<ul style="list-style-type: none"> • Focus group discussions • Training for undergraduates • Fabricator training for school leavers • Written and oral communications initiated by stakeholders • Company Website and Social Media • Donations and Community Development Projects <p>Social And Relationship Capital and Natural Capital have given on page 78 and Page 88 respectively.</p>	<ul style="list-style-type: none"> • Regularly • Regularly • Regularly • Ongoing • Ongoing • Ongoing 	<ul style="list-style-type: none"> • Discussions on environmental and social impact of our business. • Discussions on sponsorships and donations • Creation of direct and indirect job opportunities. 	<p>Company has increased the contribution towards community development projects in order to uplift the standard of living of the people.</p> <p>Over 1,480 students and teachers were trained during the year.</p>

Goals and Strategies

Our Growth Strategy

Our growth strategy is based on a mix of market penetration, market development, new product development and diversification. As the market leader in Aluminium extrusion products supplies in Sri Lanka, our short term growth strategy is mainly focused on market penetration. The long term growth of Alumex is primarily dependent on market development, new product developments and diversification. Over the next three to five years, we plan to target new export markets and new demographic segments for growth, supported by attractive new products. In Sri Lanka, our largest market is currently the commercial construction market, which accounts for nearly 70% of total revenues. The private residential housing market is an emerging market that we hope to develop in the next couple of years.



Market Penetration: Existing Products and Existing Markets

During the current financial year, we continued to implement our market penetration strategy to increase revenues by promoting the available Alumex product portfolio among existing markets.

Continually increasing prices of quality timber, due to its scarcity and licensing/regulatory requirements creates an opportunity to drive this strategy with the support of ATL and BTL promotional campaigns launched by the company island wide, throughout the year.

Long-term plans

- Gain accreditations from leading international Aluminium proprietary system manufacturers to manufacture their products under license in Sri Lanka.
- Develop our brands to be perceived as high quality products to maintain a competitive advantage.

Achievement of objectives for 2016/17

Objectives set for 2016/17	Achievement
Capacity improvements with advanced technology-based machinery to cater to the rapidly growing demand.	Ongoing - A land was acquired and orders were placed for the import of machineries
New Dealerships and regional warehouses	Achieved - 11 new dealers were appointed and agreements signed to lease locations for new warehouses
Launch the Alumex tested Windows and Doors System in the housing and high-rise building construction market	Achieved - 8 different systems (Façades/curtain walls, Casement windows, Sliding doors/windows) tested in Dubai in a world-recognized United Kingdom Accreditation Services (UKAS) testing laboratory were launched in November 2017 at BMICH under a new brand of "Alumex TS"
Focus on generating international accreditations to enhance local and international credibility and build customer confidence	Ongoing – Received the approved applicator certification for the super durable (30 year warranty) powder by our main powder suppliers -Jotun and DGL. Qualanod certification and completion of SLS certification of all products are ongoing

Plans for 2017/18

- Continue to open new dealerships and regional warehouses to enhance access and availability in the market of our products.
- Complete the construction of the centralized warehousing system started this year to enhance logistical efficiencies and increase our responsiveness to customers.
- Complete the capacity improvement project which brings new advanced technology-to the country for the first time to cater to the rapidly growing market demand.
- Gain international accreditations to enhance local and international credibility and build customer confidence by obtaining the Qualanod certification, and to complete SLS certification for all selected products.

Market Development: Sri Lanka Residential Housing Industry

Although the commercial construction industry uses Aluminium extrusions extensively for interior and exterior walls, cladding, windows, doors and partitioning etc., Aluminium extrusion profile designs are currently not widespread among the residential housing industry in Sri Lanka. Alumex has initiated a strategy to tap into this growing housing market with a new product range under the 'Lumin' brand.

The change in customer perception of Aluminium over wood in the house building industry due to its properties like light weight, variety of finishes, range of colours, easy and lesser time in installation, easy maintenance, safety/security and higher disposable value over wood is creating an newer opportunity to take advantage of this strategy.

Achievement of objectives for 2016/17

Objectives set for 2016/17	Achievement
Promotional campaigns to dealers, fabricators and end users	Lumin was promoted in exhibitions, advertising campaigns and other promotional campaigns
Opening three dedicated "Lumin Concepts" Centres	A new centre was opened in Kandy and the Jaffna centre is on the way.
Customer awareness and fabricator training sessions on new advanced products such as "Lumin" and "Tested systems" and introduction of technical and service guides to the market.	30 fabricator training sessions were conducted for Lumin products. Specific technical and service guides were released for customers and fabricators.
Introducing advanced technology to improve quality of Aluminium fabrication in Sri Lanka.	AluSys software system and new press machinery and accessories were introduced to support fabricators

Plans for 2017/18

- Continue with promotional campaigns for Dealers and Fabricators
- Implement post-construction Lumin customer visit programme to evaluate customer satisfaction
- Implement three new Lumin concept centres in strategic geographical locations
- Implement "Approved Fabricator" programme for Lumin concepts

Long term plans

- Introduce economical Pre-fabricated window and door system to the market
- Implement advanced fabrication training facility

Market Development: Export Markets

We are currently exploring the possibility of exporting to the SAARC region. With our capability to manufacture our own Aluminium Tested Systems, we now have the ability to expand into the Asian region.

However, due to the higher growth rate experienced in the local market, more attention and concentration was focused in the local context. Hence, export market development plans for the year 2016/17 were not implemented.

Achievement of objectives for 2016/17

Objectives set for 2016/17	Achievement
Explore possibility of exporting to Australia	Evaluation completed but with current level of competition from China, this is not feasible
Establish a dealership in Bangladesh	Discussion in progress
Expand distribution in Maldives	Still to proceed with the expansion
Open up new dealerships and expand in South India	Still to be completed

Plans for 2017/18

- Establish a dealership in Bangladesh
- Open up new dealerships and expand to South India

Long term plans

Evaluating the feasibility to commence a production operation in the South Asian Region under Alumex brand.

Goals and Strategies

New Product Development

Our New Product Development Division continues to design and introduce new products requested by customers, work towards enhancing the product quality and performance to meet the customer requirements and also to conform to new and more stringent environmental and other product quality standards set by regulators such as the Institute for Construction Training and Development (ICTAD), the Sri Lanka Standards Institution (SLS) and other relevant international organizations. Further, we engage in process improvements while introducing environmentally friendly materials and processes.

During the current year, new environmentally-friendly chemical systems were introduced to the powder coating process. Further, 53 new Alumex and customer dies were designed and tested. Most of the orders for these designs were completed and delivered within the year.

Achievement of objectives for 2016/17

Objectives set for 2016/17	Achievement
Launch of a high performance, tested Facade/Curtain Wall system to the Sri Lankan market	Launched in October 2016
An advanced sliding window/door series with single / double glaze options and high performance ratings	Launched in October 2016
An advanced casement series with single/ double glaze options and high performance ratings	Launched in October 2016
Mosquito Screen door/window (sliding and swing)	Launched in October 2016
New series of Balustrades	On going

Plans for 2017/18

We hope to introduce few more tested and certified designs under the "Alumex TS." These include:

- Launch of high performance unitised Curtain wall/Facade system
- Launch of Lift and Sliding system
- Launch of Heavy duty doors

Long-term plans

Develop a complete Alumex proprietary system which includes all extrusions and accessories manufactured under the Alumex brand

Diversification

With the support of different strengths acquired by Alumex over time such as island wide exclusive dealerships and the Alumex brand name being perceived as "high quality", we are now embarking on implementing a diversification strategy. Initially, a few Aluminium-related products have been selected for promotion under Agency contracts.

Accordingly, agency contracts were signed to promote the products of following suppliers in the local market:

- Alpolic composite panels made by Mitsubishi Plastics, Japan
- Corian Solid Surface material made by Dupont, USA
- IMAX fabrication support machinery made by IMAX, Turkey

Plans for 2017/18

Going ahead, we plan to continue promoting these products to customers island-wide with the support of Alumex exclusive dealerships.

Long-term plans

Our future plans consist of evaluating feasibility of introducing complementary products to augment current designs of Aluminium extrusions. We also plan to evaluate the feasibility of implementing backward integration for Aluminium Extrusion profile manufacturing & support services.

A photograph of a modern building's entrance. The architecture features large glass panels and prominent cylindrical metal columns. Two glass-enclosed revolving doors are visible, providing access to the interior. The ground is a polished, reflective surface that mirrors the building's structure. The overall aesthetic is clean, minimalist, and high-tech.

Management Discussion and Analysis

Overview of the Aluminum Industry

Aluminum . “The Metal of the Future”

Aluminium ranks number two in terms of consumption volumes amongst all metals, surpassed only by steel. One surprising fact about aluminium is that it is the most widespread metal on Earth, making up more than 8% of the Earth's core mass.

There are basically two methods for producing aluminium. Primary production involves mining bauxite deposits from the earth and performing electro metallurgical processing to ultimately form aluminium. Secondary production makes new aluminium from recycled scrap product. From there, different processing methods and alloys are used to form aluminium into its desired shapes, strength and density.

There are various properties of this precious metal which benefit today's society, such as strong and light, highly corrosion

resistant, good conductivity, good reflective qualities, ability to easily form and process, abundant and easy to recycle.

Recycling is a significant property of aluminium, as it can be reused over and over again. Both aluminium and its alloys can be melted down and reused without any detriment to its mechanical properties. Scientists have estimated that 1 kg of recycled aluminium cans can save up to 8 kg of bauxite, 4 kg of various fluorides and 15 KWH of electricity.

About 75% of aluminium produced in the time that the aluminium industry existed is still in use today.

Global Aluminium Industry

Aluminium is present almost everywhere around us in a vast number of applications such as the modern construction, automotive, aviation, electrical engineering and in consumer goods.

Global supply / demand balance in refined aluminium (in millions of tonnes)					
	2012	2013	2014	2015 (e)	2016 (f)
Production	47.8	50.8	53.8	57.3	59.0
Consumption	47.4	50.4	53.6	56.6	59.4
Balance	+0.4	+0.4	+0.2	+0.7	-0.4
Price (3m)	\$2,000	\$1,860	\$1,900	\$1,661	\$1,580

Source IAI, WBMS, FastMarkets forecasts

In the coming decades the demand for aluminium will continue increasing at unstoppable rates. Recent developments in the motor industry, the rapid growth of cities, new potential uses of aluminium as a substitute to copper in the power industry – these and many other trends mean that the winged metal is well placed to strengthen its dominant position as a key structural material of the 21st century.

End user industries grew exponentially and opened up newer avenues of growth and opportunities for aluminium in 2016. Vehicle light-weighting remained the top trend in transportation which made the sectors biggest end user market for aluminium.

Aluminum use in air-crafts, ships and barges also increased considerably over the past one year. Packaging was the next big aluminium end-user industry. The consumption of aluminium foils grew all over the world.

Constructing a Sustainable future.....Aluminum in construction

No wonder aluminium inspires architects, engineers, artists and many more to see new and exciting possibilities. The construction industry has become one of the attractive industries for aluminium, with the “Green Building” concept. Sustainable buildings made out of aluminium is just what the planet needs.

We can see the changing image of modern cities and towns: the clarity of lines, the feverish desire to grow skyward, the beauty, functionality and environmental compatibility of a present-day megapolis. The glass faces of office skyscrapers are supported by lightweight and sturdy Aluminium frames. Entertainment, trade and exhibition centers literally rest on Aluminium frameworks. Stadiums, pools and other sports facilities are also built using Aluminium structures. Aluminium is a tool for unlimited creativity in the hands of the architect, making it possible to create structures that cannot be made from wood, plastic, or steel. That is why it is so commonly used in modern construction.

Sri Lanka's Aluminium Industry and Alumex

The Aluminum Industry in Sri Lanka has been backed by the growth of the construction industry during the past few years. The construction sector growth in Sri Lanka recorded a 15% (Provisional) growth in 2016, as opposed to negative growth of 3% in 2015 which was due to a temporary slowdown of development projects triggered by the change in government. However, the future prospects of the construction industry will lead to further growth in the aluminium market in Sri Lanka. The 2017 government budget has provided relief and opportunities for the Construction industry, such as:

- Elimination of Construction Industry Guarantee Fund Levy to encourage small and medium scale contractors,
- Tax exemptions for construction companies on the income generated outside Sri Lanka who seek overseas markets for their products,
- Training programmes for the labour force, especially the Aluminium fabricators, to fulfill the increased skilled labour demand under PPP (Private Public Partnership) agreements.

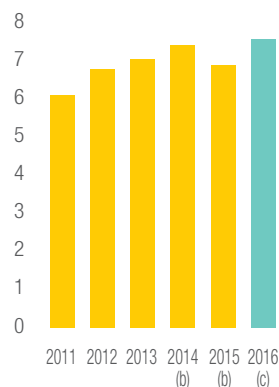
These will support construction sector growth further. Government housing projects of 100,000 units for shanty dwellers will be boosted by the construction industry throughout the year. Further, the resumption of the Colombo International Financial City Project (The Port City) and the progress in the Megapolis project by the government will contribute positively. Relaxation of regulations to solve the burning issue by allowing importing of skilled labour from Myanmar will certainly provide a boost to the industry.

In keeping with the above trends, Alumex developed a variety of new products to cater to the changing demands of our customers. We introduced new products to enhance the Residential Market with Lumin Concepts including Mosquito screens for doors and windows, Wardrobes, Kitchen Cabinets, and Commercial Market with Alumex TS including curtain walls, lift and slide windows/doors, fly-mullion window systems. To support fabricators, we introduced AluSys, a design calculation software system, and IMAX - Alumex Pneumatic press punching equipment to improve the quality of fabrication and to upgrade the industry.

Authorities on all continents are calling for more recycling of building materials and increased energy savings in both existing and new structures. Alumex, the leading aluminium profile supplier for aluminium door and window systems in Sri Lanka, has been pushing the theme of recycling

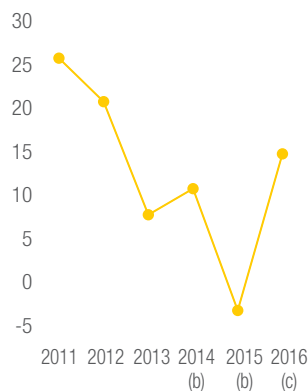
of aluminium and providing construction materials for green buildings for years. The demand for the company's products proves that Alumex is the foremost aluminium extrusion solution provider in the country.

Share of GDP
(%)



b- Revised
c- Provisional

Construction Sector Growth
(%)



b- Revised
c- Provisional

Overview of the Aluminum Industry

Factory Industry Production Index (FIPI)

The Factory Industry Production Index, which is calculated by Central Bank of Sri Lanka, is based on the monthly survey details of quantity of output of industry productions. Factory production of aluminium extrusion manufacturing is classified under fabricated metal products.

Factory Industry Production Index - (FIPI)



This index shows there is a 33% negative growth in the productions with 72.9 points (provisional) in 2016 compared to 109.8 points (Revised) in year 2015. But this is mainly due to negative progresses in other fabricated metal products except Aluminium.

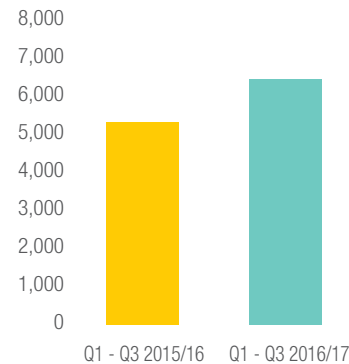
Aluminium Extrusion Market Growth

Aluminium extrusion supplies to Sri Lankan market are made by four local manufacturers. In addition large scale contractors import architectural extrusion profiles for BOI projects and small scale importers import general items to cater to lower end of the hardware market. Although, the other information is not accurately available, three out of four manufacturers of Aluminium extrusions are listed in the Colombo Stock Exchange. According to the information published by these three manufacturers, Aluminium extrusion industry has recorded a continual growth in the last few years. Further, the growth recorded by these manufacturers in first 3 quarters of the last year (2015/16) compared to this year (2016/17) is 21%.

The following graph shows the total sales by three manufactures and yearly growth rates.

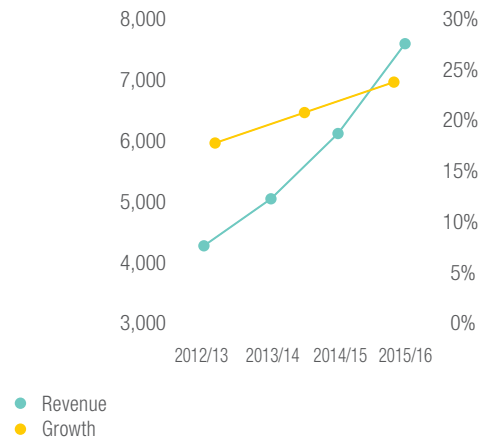
Comparison of First Three Quarter's Revenue

(Rs. Mn)



Industry Revenue and Growth

(Rs. Mn)





Review of the Operating Environment

Economic Review

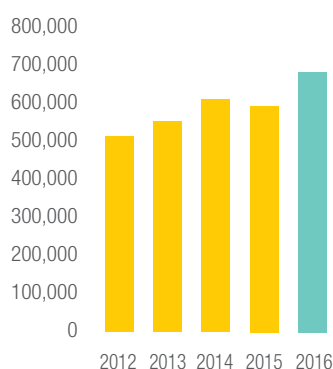
The Gross Domestic Product for Sri Lanka for the year of 2016 (January to December) at constant (2010) price has reached Rs. 9,012,026 million. The GDP value reported for the year of 2015 was Rs. 8,633,890 million. The four major components of the economy: Agriculture, Industry, Services and Taxes less subsidies on products have contributed their share to the GDP at current price by 7.5%, 27.1 %, 57.0% and 8.4% respectively for the year 2016. During the year 2016, highest growth rate of 6.7% was reported for overall Industrial activities. Meanwhile, the Services activities have grown by 4.2%, compared to the previous year. However, the agricultural activities reported a 4.2% negative growth rate.

The Sri Lankan economy has grown at a slower rate of 4.4 % in real terms in comparison to GDP growth rate of 4.89 % in the previous year.

Industrial Sector Review

Industrial activities have recorded a significant growth rate of 6.7% in this year. Among the industrial activities, 'Construction' activity, which corresponds to a considerably higher share of the industrial activities, increased by 14.9%. In addition, the sub activity of 'Mining and quarrying' also recorded a higher growth rate of 14.4%. Manufacturing activity, which comes under the Industrial sector, has grown by 1.7%. Among Manufacturing activities, the manufacture of basic metals and fabricated metal products has grown by 14.1% compared with the year 2015.

GDP of Construction Sector
(Rs. Mn)



Interest Rates

Interest rates showed a continuous increase over the year. The Average Weighted Prime Lending Rate (AWPLR), the rate at which the prime customers borrow from the banking sector rose by 400 basis points to 11.52% while Average Weighted Fixed Deposit Rate (AWFDR) rose by

300 basis points to 10.46% during the last 12 months. The adjustments in the monetary policy, uncertainty in other policies, adverse global conditions and tighter control on imports especially vehicles and consumer goods resulted in increases in the interest rates and weakened the demand for loans. However, credit to private sector increased by Rs. 754.9 billion during 2016 calendar year compared to increase of Rs. 691.4 billion in the previous year. Net credit to government grew by Rs. 212.6 billion when compared to year 2015.

The increases in interest rates were not favourable to Alumex operations. Although there was no material direct impact as we did not have loans in our balance sheet during the first 3 quarters of the year, we had an indirect effect as it affected our customers adversely. Most of the projects of our customers were financed through borrowed money and therefore some projects which started previously were put on hold due to the high interest rates.

Inflation

Inflation, measured by the CCPI (Base year 2013), reflected an upward trend of 4.2% in December 2016. The increase in inflation in the latter part of the year was mainly attributed to the impact of tax adjustments and the supply disruptions caused by adverse weather conditions. However, the inflation has remained within the CBSL mid-single digit targets of 4-6%.

Headline inflation in the first half of the financial year reached its highest level of 5.8% and remained less than 5% until December 2016. The increase started in January 2017 and by March 2017 it had reached 7.3%. This adverse impact was expected in the residential and commercial sectors but it was not very material as it had a lag effect to capital expenses.

Exchange rates

The relatively stable or favourable exchange rates will create a positive influence on our business. But most of our imports are denominated in US dollars and Euros of which only Euro was relatively stable. The US Dollar rate, which was Rs.147.23 at the beginning of the year, closed at Rs. 153.91 at the end of the financial year 2017. This significant depreciation (4.5%) of our main currency made the import material prices more expensive for the company.

However, the adverse impact of the exchange rate movements did not affect Alumex materially as the Aluminium raw material prices in the London Metal Exchange traded at lower levels than we expected.



On the other hand, Rupee depreciation against US Dollar is favourable for us, as it increases the import prices of extruded Aluminium profiles brought into the country by other importers.

Political and Regulatory environment

The Alumex Group serves the entire community by strict compliance to various legal requirements and other regulations. Although no new regulations were introduced during the year in relation to environmental activities, it was visible that authorities paid extra attention to compliance with existing regulations. Accordingly, prevention of tree cutting and forest clearing was favourable to Alumex. Our compliance with environmental regulations on atmospheric emissions, noise emissions, water usage and management and waste management ensure that we behaved as a responsible corporate figure in the industry with no adverse impact on our operations.

On the same principle, we observed that BOI is making a genuine effort to implement regulations applicable to the import of aluminium profiles which are in the BOI negative list. Proper implementation of the same will increase government revenue or will allow local manufactures to supply such high end projects.

During the year, we observed some relaxation of the export license requirements for local Aluminium manufacturers.

However, in practice there was no substantial improvement in processing time taken to issue the export license.

Government decision to implement minimum wage increase to private sector employees raised concerns for many companies due to lack of clarity and misinterpretation by unions over the increments paid by the companies including Alumex.

On the other hand, the political environment was mostly stable. The decisions taken by the Government to restart the Port City project is favourable to the industry. However, the failure to implement the 2015 budget proposals and frequent changes in the VAT and NBT laws and dates they go into effect were highly unfavourable to the business sector. Withdrawing the power from BOI to grant tax concessions without announcing a proper mechanism and delaying the implementation of the mechanism proposed in the budget raised the uncertainty for investors in proceeding with their proposed investments

Technological Environment

Technology and innovation offers great opportunities to improve, even if the industry finds it challenging to adapt. Although there was a public discussion that Sri Lanka should not lose momentum and should move forward in parallel with the Fourth Industrial Revolution happening in the world with new technologies of 3 D printing and Internet of Things,

Review of the Operating Environment

a national level drive of these technologies were not visible during the year. The Google Loom project to provide easy access to the Internet would have certainly supported the deployment of the IOT technology if it was successful.

Although, there has not been much technological development in the Aluminium extrusion industry during the year, it was visible that the local Aluminium extrusion manufactures had taken initiatives to increase their production capacities in the future. This move will certainly bring new technology to the industry and to the country in the coming year.

Social and Natural Environment

While heading for the sustainable development, the concept of green building has become a prime concern in construction industry. Green buildings increase the efficiency of resources while sustaining natural resources for the future generation and reduce impact on humans and environment. With the global interest nowadays, construction of green buildings has become a new trend in Sri Lanka as well. Green building literally does not mean that they are totally environmentally-friendly, but that they are more energy efficient, produce less waste and are healthier to live in. This move will certainly be a favourable opportunity as Aluminium is considered a 'green' metal in construction.

The year started with heavy flooding which caused heavy damage to people, property and livelihoods of people. Similarly, the country suffered from dry weather in the latter part of the year again, causing people to lose their income sources. However, these weather conditions did not have any adverse impact on the Aluminium industry.

Many community demonstrations and protests were held in different parts of the country, while some strikes were organized by unions and government employees against different initiatives of the government. These moves were not favourable to businesses and resulted in loss of time in traffic jams and delays in receiving services from government entities.

Outlook

The Government initiative to restart the Colombo Financial City Project (Port City) and continue with the Megapolis project, housing projects and Langama Pasala Hondama Pasala projects are favourable to the industry. Medium and large scale apartments and mixed developments projects coming up in the Colombo city and suburban areas funded by the private sector are positive indicators. Government economic policies and a healthy global economic recovery will attract FDIs to the country in many areas and create a demand for Aluminium extrusions in the future. With these favourable indications for the future, Alumex had already made the decision to increase capacity to meet the projected demand over the next few years.

However, the increase in interest rates and inflation rates with continuous depreciation of the Rupee against US dollar will reduce the real income of people and will delay residential house constructions. Further, it will similarly affect the Small and Medium Scale investors as well as companies involved in apartment constructions in proceeding with their projects.

However, the Sri Lankan economy is projected to grow at a rate of 6.3% in 2017 with all sectors contributing to this growth. Tax and other incentives offered by the government in its 2016 budget proposals for new investments in any part of the country together with single digit inflation and controlled interest rates expected will overcome the possible shortcoming and lead to a more favourable future.



Capital Report

Financial Capital

“At Alumex we have been consistently fine-tuning our value creation process by productive management of our financial capital and processes.”

At Alumex we have been consistently fine-tuning our value creation process by productive management of our financial capital and processes. This is the key to the efficient and continuous delivery of rising value to all of our stakeholders.

The following table summarizes the success in financial capital management

“Alumex has created a sustainable liquidity position as is evident by the working capital ratios and the improved banking facilities to fund its growing operations.”

Criteria	Performance indicator	31.3.2017	31.3.2016	31.3.2015	31.3.2014	31.3.2013
Capital structure	Debt : Equity (%)	22 : 78	0.2 : 99.8	1 : 99	4 : 96	15 : 85
	Cash flows from operations (Mn)	524	494	482	301	403
	Dividend payout ratio (%)	58	51	63	40	38
Liquidity	Current assets ratio	1.85	1.90	1.72	2.12	1.38
	Quick assets ratio	0.94	0.84	0.75	1.08	0.67
	Finance facilities - LC and import loans (Mn)	1770	1620	1390	700	700
	Finance facilities - Bank OD (Mn)	310	310	270	102.5	102.5
	Finance facilities - Remaining long term loans (Mn)	1,288	300	310	200	-
Solvency and reserves	Interest cover (Times)	166	948	220	48	9
	Net reserve position (Mn)	2,033	1,615	1,406	1,163	951
	No of financial institutions providing funds	6	6	5	4	4



With the infusion of debt capital for the capacity expansion project at Ekala, Alumex's capital structure has changed in the reporting year, focusing levered capital that will lower the weightage average cost of capital to the company in the foreseeable future. We are also prudent in our actions and discipline ourselves to manage our cash flows to maintain a sound level of liquidity to fund the growing operations.

Alumex has created a sustainable liquidity position as is evident by the working capital ratios and the improved banking facilities to fund its growing operations. The performance indicators bear evidence of the success that the Company has achieved through transparent, accountable and ethical practices despite the many challenges faced in a competitive environment.

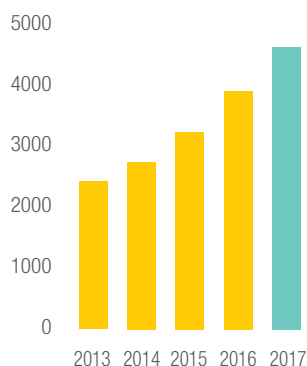
Financial Capital

Financial review

Revenue

Alumex delivered a strong performance in a relatively conducive operating environment. Underscoring one of the many milestones it achieved this year, total gross revenue reached a record Rs. 4.6 billion, an 18% growth compared to the Rs. 3.9 billion recorded in the previous year. The key contributors to the Group's revenue growth during the year were Powder Coated Aluminium profiles and Anodized Aluminium Profiles coming in second. Revenue originating from the innovative brand of "Lumin concept" made a substantial contribution to group revenue. The Group export revenue also increased to 47 Mn in the year under review from Rs. 6 Mn in the preceding year.

Group Net Turnover
(Rs. Mn)



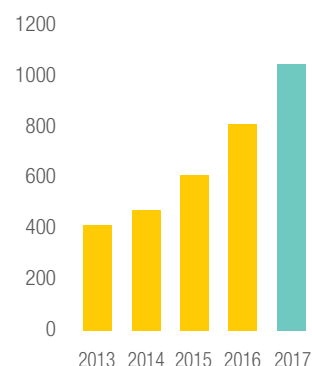
Earnings Before Interest and Tax

The gross profit of the Group reached to Rs. 1.4 Billion with a growth of 23% compared to the previous financial year while sustaining the gross profit margin of the Group at 31% compared with 30% of the preceding financial year. Stability in raw Aluminium prices in the global market throughout the period and group's operational efficiencies achieved by maximizing the capacity usages have helped to achieve this highest gross profit margin in last few years.

Group EBIT bypassed the one billion milestone and reached to Rs 1,050 Mn during the financial year compared with EBIT of Rs 813 Mn in the proceeding financial year, while recording relatively high EBIT margin of 23%. Widening of EBIT was facilitated by noticeable increase in revenue as well as doubling of other incomes. Administration expenses increased by 11% mainly due to inflationary effect and

increased staff cost. In order to facilitate the revenue increase, group distribution expenses also increased by 16% including additional expenses incurred for two new distribution center at Kalmunei and Wariyapola together with new Lumin concept center at KCC Kandy.

EBIT
(Rs. Mn)



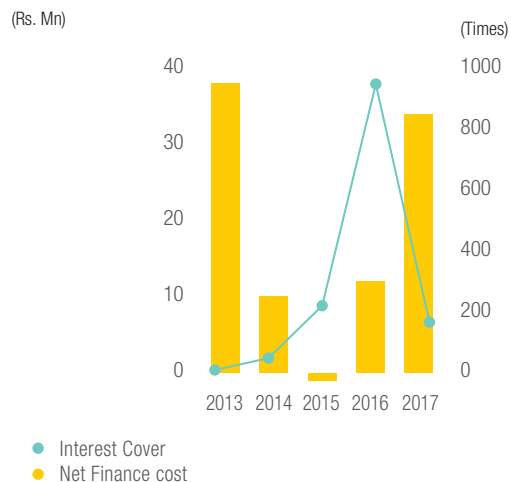
Net Finance Cost and Interest Cover

Consolidated Net Finance costs increased by over 100% to Rs. 33.8 Mn as compared to Rs 11.8 Mn of net finance cost recorded in the preceding year mainly due to substantial increase in total borrowings to facilitate the capacity expansion project further accelerated by increase in interest rates in the market.

The group recorded net exchange loss of Rs. 36.5 Mn which was the key element of net finance cost as against Rs 21.4 Mn net exchange loss recorded in the preceding year due to the depreciation of the rupee against US dollar throughout the financial year.

The interest cover of the Group declined to 166 times from 948 times in previous year led by increased in total borrowing.

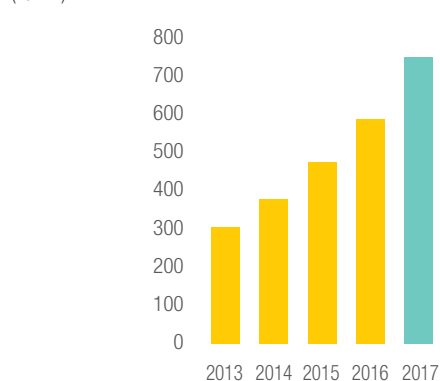
Net Finance cost/ Interest Cover



Profit After Tax

The increase in gross profit triggered the increase in Group profit for the year to record as highest of Rs. 753 Mn while achieving a 28% growth in comparison to 2015/2016 group profit of Rs. 589 Mn. The Group tax charge for the year is Rs. 262.9 Mn consists of income tax amount of Rs. 241.5 Mn and deferred tax of Rs. 21.3 Mn. Tax expenses increased by 24% where as the effective tax rate remained same as 26%. Further, the tax expenses comprised Withholding Tax paid on subsidiary company's dividend payment.

PAT

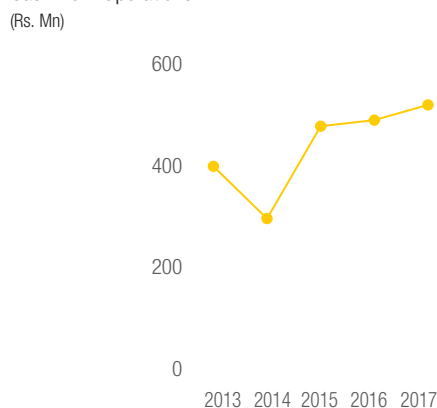


Cash Flow and Liquidity Position

The Company continued to record a healthy cash flow for this year as well, with a net cash flow from operating activities amounting to Rs.524 Mn in compared to with Rs 494 Mn in previous year. In line with increased business volumes in the last quarter of the financial year, cash was tied up with

increased working capital especially in debtors and inventory. Despite the working capital increase the Group was able to manage the current ratio at a heather position of 1.86 times from 1.93 times in the previous year. Prudent management of working capital continues to be a key focus area and receives focused attention on a priority basis.

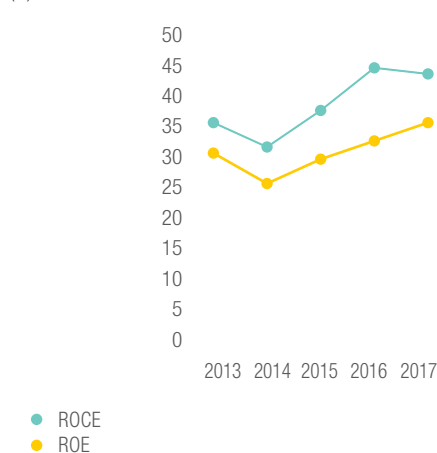
Cash from Operations



ROCE and ROE

Impeccable execution of a focused strategy has enable us to consistently deliver sustainable value to our shareholder, in the forms of dividends, capital appreciation as well as the net assets. With the infusion of debt capital towards year-end, the group ROCE has declined to 44% from 45% in the previous year, but remained at a heather level. In line with increase in the profitability, ROE has increased as recorded at 36% from a ratio of 33% in the previous year.

ROCE / ROE

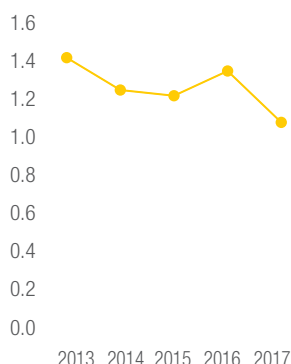


Financial Capital

Asset Turnover

The Company continued with its planned investments to expand capacity. An amount of Rs. 644 Mn (Rs.142 Mn in 2015/16) was incurred on acquisition of property, plant & equipment (PP&E) during the year. Of this, Rs. 420 Mn was spent on the purchase of a land at Ekala. Consequence to the above, the Group asset turnover has declined to 1.09 times from 1.36 times in the preceding year. The same trend is shown in non-current asset turnover ratio, as it decreased 2.37 times in the year under review from 2.94 times in the previous year. Generating economic returns from the above investment is in the pipeline.

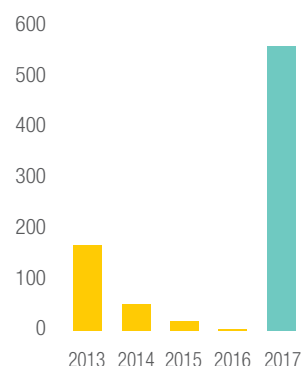
Asset Turnover
(Times)



Borrowing

Long-term debt was obtained mainly to finance PP&E for capacity expansion project. The outstanding long term debt as at 31st March 2017 was Rs. 512 Mn (2015/16 - Rs. 3Mn), details of which are given in note 15.2 to the financial statements. The outstanding balance as at 31st March 2017 on account of short-term loans was Rs. 47.7 Mn, which consisted of over draft and import loans (2015/16 - Rs. zero). Short-term borrowings were obtained to finance working capital requirements.

Borrowings
(Rs. Mn)

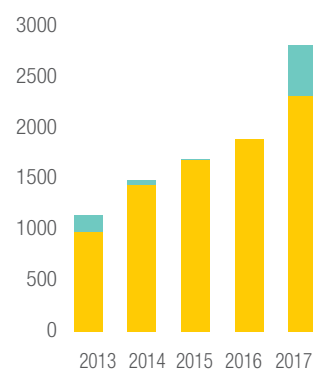


Capital Structure and Gearing

The Group's Capital structure was changed at the end of reporting period with the infusion of low cost debt capital borrowed for capacity expansion project. The group debt to equity ratio stood at 0.22 : 1 which facilitates further intake of debt capital with the aim of reduction in Weighted Average Cost of Capital in the long term.

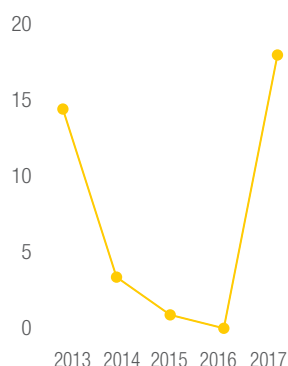
As a result of change in the capital structure, the group's gearing ratio was turned around in the reporting period, reaching 18% at year-end.

Capital Structure
(Rs. Mn)



● Long Term Borrowing
● Equity

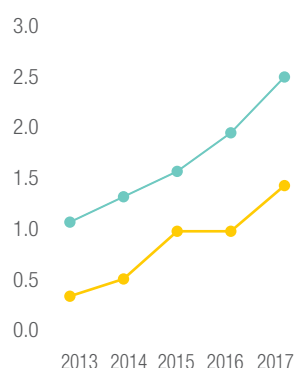
Gearing
(%)



Earning Per Share (EPS) and Dividends Per Share (DPS)

The growth momentum was continued in both EPS and DPS, consequence to improved performance during the year under review. The EPS increased by 28% to Rs 2.52 per share from Rs 1.97 in the previous year, while the DPS also increased by 45% to Rs. 1.45 per share. Accordingly, dividend payout ratio increased to 58% in the current year from 51% in the preceding year.

EPS/DPS
(Rs.)



● EPS
● DPS

Solvency and Reserve

Section 56 of the Companies Act no 07 of 2007 requires that a solvency test be performed prior to the payment of dividends. In order to satisfy this requirement, the Company conducted solvency tests prior to the final dividend for the financial year 2015/16 and the payment of interim dividends in the financial year 2016/17. As per the requirements of the above Act, prior to the payment of dividends, the Company

auditor certified that the Company has the ability to pay its debts as they become due in the normal course of business, and that the value of the Company's assets is greater than the value of its liabilities and stated capital.

Following is a computation of solvency criteria for the Company as at year-end.

As at 31 March	2016/17 Rs '000"	2015/16 Rs '000"
Non-current assets	1,776,836	1,141,781
Current assets	1,904,287	1,320,525
Total assets	3,681,123	2,462,306
Non-current liabilities	697,033	158,502
Current liabilities	1,187,216	819,880
Total liabilities	1,884,249	978,382
Assets less liabilities	1,796,874	1,483,924
Stated capital	283,735	283,735
Net position	1,513,139	1,200,189

Financial Strength

As at year-end, the Group accessed financial facilities from the local and international bank for its import and working capital requirement as stated here;

- Facilities for Letter of Credit and Import Loan –Rs1,770 Mn
- Facilities for Bank Overdraft – Rs 310 Mn
- Remaining long term loan facilities – Rs. 1,288 Mn
- Interest rate and commission for these facilities are reviewed periodically, while rates changes on facilities are determined based on market rates.

Financial Risk Management

The risk elements affecting the financial operations of the Group in relation to Credit risk, Liquidity risk, Operational risk and the Market risk are duly explained in the note 28 to the financial statements and Risk Management section on page 127. However, the main risk element substantially affecting the results of the group in the year under review was foreign currency risk. The Group manages its foreign currency risk. The Group manages its foreign currency risk through the foreign currency forward contracts and by maintaining a minor amount of foreign currency dominated assets to hedge against the liability.

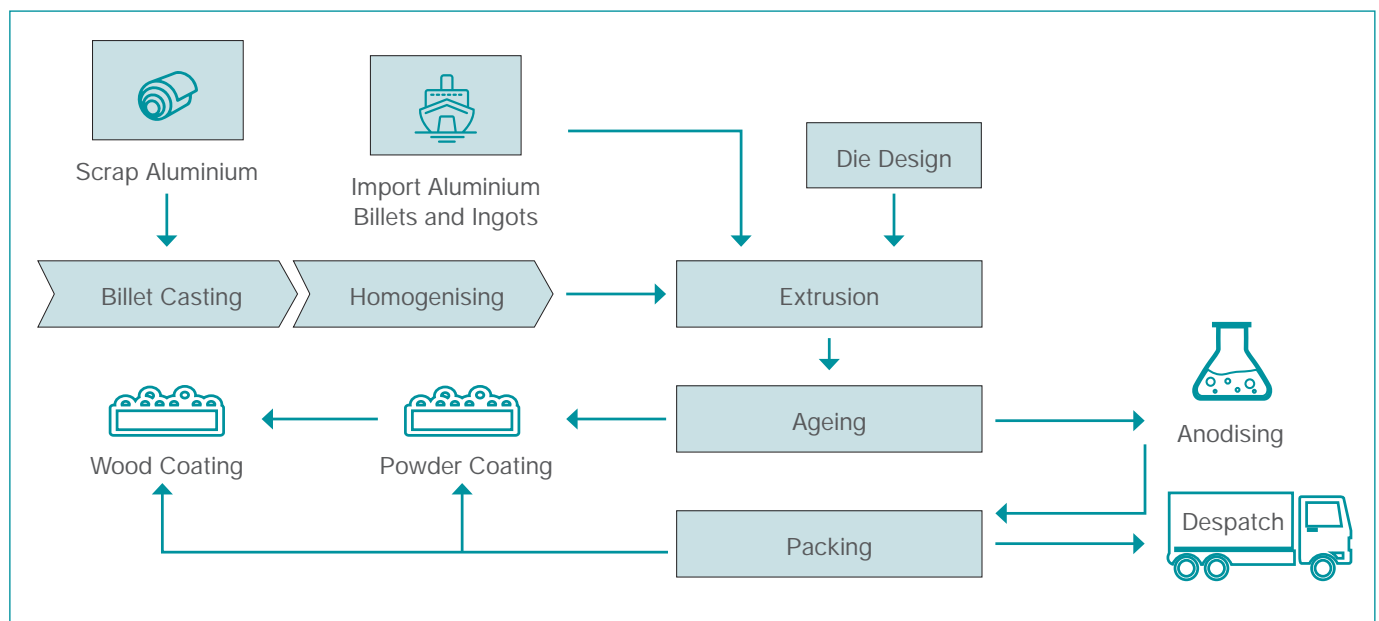
Manufactured Capital

“Aluminium is a flexible metal that lends itself to many production methods, which in turn leads to the development of many different aluminium-based products.”

Aluminium is a flexible metal that lends itself to many production methods, which in turn leads to the development of many different aluminium-based products.

“As the undisputed market leader in Sri Lanka, Alumex has introduced many designs, concepts, and products to suit the local construction and engineering industry.”

Aluminium Production Process at Alumex





The production of aluminium extrusions starts with a billet, which is cut either from a log produced in-house using scrap aluminium, or from imported aluminium logs. The extrusion process consists of forcing a heated billet through a die to produce a long profile. The die forms a crucial part of the process to provide the correct flow pattern and accurate dimensions. This profile is then stretched for straightness, and cut to length. The cut profiles are then

aged at elevated temperatures to increase its mechanical strength. Once completed, the basic extrusion form of 'Mill Finished' is achieved.

Decorative/protective finishes such as anodizing, powder coating and wood effects, are coated onto the surface of the Mill Finish profile, according to customer requirements.

Manufactured Capital

Alumex production capacity and utilization

Product/Plant	Capacity (per Annum)	Current Utilisation
Extrusion	10,200 metric tons	70%
Anodizing	5,400 metric tons	50%
Powder Coating	3,600 metric tons	90%
Wood Effect	360 metric tons	50%
Die Manufacturing	2,400 units	40%
Aluminium Melting	4,800 metric tons	40%

During the year under review, Alumex disposed off its oldest extrusion machine with a capacity of 150 MT per month. This has resulted in reducing annual extrusion capacity from 12,000 to 10,200. However, ongoing capacity expansion project will increase the total extrusion capacity to 19,000 MT per year upon its completion.

Further, actions were taken to enhance the existing anodizing capacity, however, our second anodizing plant has been temporary shut down until our plans for a technology enhancement has been finalized.

Factory location

Alumex manufacturing plants are currently centralized in a factory located in the LINDEL Industrial Zone in Sapugaskanda, Makola. A new centralized warehouse is being built in close proximity to the factory location to enhance logistical efficiencies and increase customer responsiveness.

Technological upgrade

Although the Aluminium extrusion industry is not exposed to technological obsolescence, technological upgrades will certainly bring efficiencies and savings. Accordingly, actions were taken to upgrade the die manufacturing process with a new CNC machine and anodizing process with a new process software system. Both these implementations will be completed in the next year.

Investment in new business

A business need is to keep on investing in its capacity development in order to be on par with market developments. Currently, we are reaching maximum capacity utilization levels in the usage of machinery and space availability in the existing factory premises at Makola. Therefore, we invested in a new land located in Ekala, Ja-Ela during the year to build an advanced Aluminium extrusion manufacturing plant with powder and wood coating finishing facilities. The first phase of the investment will be completed in the next financial year.

Distribution network

Alumex products are distributed through an exclusive dealer network widespread throughout the country. At present, the factory is the main distribution point for its dealers. Two Alumex owned outlets designated for both selling and distribution and three other regional distribution centers at Anuradhapura, Jaffna and Badulla cater to orders placed by the dealers in the respective areas of the country.

Main customer contact points - our dealers - are located in all nine provinces. During the year under review, 11 new dealerships were added to the network to increase the total dealer distribution strength to 73 dealer points. Details of all such dealer points are detailed in page 207.

Alumex Product Portfolio

The Alumex Group is renowned for its 28 years of industry expertise in designing and developing Aluminium profiles. Alumex product innovations can be found in various industries, from architectural to engineering, including customized designs.

Product Range

As the undisputed market leader in Sri Lanka, Alumex has introduced many designs, concepts, and products to suit the local construction and engineering industry. Our product range is described below:

(i) Aluminium Proprietary Systems Manufactured Under License

- AluK, Italy
- Fletcher Aluminium, New Zealand
- Reynaers Aluminium, Belgium

(ii) Alumex Architectural Aluminium Extrusions (Window, Door, Partitioning, Skylights, etc.)

- Shop fronts
- Partitioning

- Sliding doors/windows (single, double, triple, etc.)
- Swing doors
- Curtain walls
- Casement windows
- Turn and tilt
- Sliding folding
- Pivoted
- Euro groove
- Double glazed
- Roller shutters
- Skylights

(iii) Industrial Aluminium Components

We produce an extensive range of aluminium-based industrial components. These include ladders, lorry/bus bodies, rails, boat/ship buildings, show cases, hand rails, A/C diffusers, heat sinks, clamps and connectors, tower bolts, hinges, round tubes/bars, equal/unequal angles, channels, solar structures, square/rectangular tubes, glazing beads, brackets, tiles and carpet edgings, door handles, hand rails, components for pantry cupboards and customized designs to suit individual requirements

Decorative/Protective Finishes

Mill finish products: This is the basic form of the extruded Aluminium profile, having a raw, smooth Aluminium texture with mechanical strength properties and surface hardness. These are used widely for pipes and hardware items.

Natural anodized products: An accelerated and controlled protective layer is etched onto the mill finish surface using an electrolysis process. This process creates a uniform satin texture. The clear sealing process adds additional durability to prevent scratch marks. Its is extremely durable for exterior applications including sea-side environments, particularly with a 'high-micron' coating.

Bronze anodized products: Has the natural anodized finish with all the durability and surface characteristics. Various bronze shades are available depending on customer requirements.

Polished natural anodized products: A mechanical polishing process is performed on the standard Mill Finish profile to obtain a mirror finish. A light anodizing process is then followed to provide a long lasting durable and scratch resistant finish.

Polished Bronze anodized products: Has the basis of the polished natural anodized finish, with all the durability and surface characteristics. Various bronze shades are available depending on customer requirements.

Chemical polished products: Profiles are submerged in a special chemical tank and a controlled 'electrolysis' process is performed to provide a fine smooth surface, which provides a mirror finish.

Powder coated products: A polyester powder mixed with colour pigments are ionized through a pressure gun and sprayed onto the chemically pre-treated mill finish profiles, which are earthed and hung on a conveyor. The profiles which pass through the polyester powder 'cloud' are then subjected to deposits of powder onto the profile in a controlled manner to give a uniform layer. This profile with the dry powder on its surface is then passed through an oven for curing. The cured coloured powder provides a lush durable texture to the surface. Various types of powder and pigments provide a large range of colours, shades and gloss texture to choose from.

Wood Finish products: This is a powder coated profile with a base colour to match the wood finish texture. The profile is then passed through an oven with a textured film and a print to match the grain structure of the selected wood finish coating. The cured powder coated profile with a texture and print of the grain structure is achieved through a process called 'sublimation'. This type of finish provides the woodex range of products.

Intellectual Capital

“Alumex has been in the business for over 28 years and leads the market with over 50% of market share.”

Value can be generated by intangibles but is not always reflected in financial statements. Although it is still not possible to assign monetary values to most internally generated intangible assets, they nevertheless need to be considered as drivers of the value creation process of the Company. Accordingly, the value of our business is enhanced by the knowledge of our employees, value inherent in our relationships and our systems, processes and procedures.

Tacit Knowledge

Alumex has been in the business for over 28 years and leads the market with over 50% of market share. During this long journey, it has developed specific skills of designing and cutting dies for varied customer requirements. This tacit knowledge of Alumex employees provides a competitive advantage to Alumex in designing customer specific dies within a shorter period of time and manufacturing them to high quality standards.

Further, the expertise of Alumex staff in managing and improving production processes has resulted in improved yields over and above the industry standards.

During the year, Alumex product development staff introduced 20 new products to the market. In addition 33 customer-specific die designs were successfully completed and offered to customers.

Further, Alumex is proud to innovate a new heat-resistant roofing tile made out of solid waste generated during internal production process. This new product is in final stage of testing and will be introduced to the market in the next year in collaboration with Industrial Technology Institute of Sri Lanka and Sri Lanka Ceramic Council.

“The expertise of Alumex staff in managing and improving production processes has resulted in improved yields over and above the industry standards.”

Internal Processes and Procedures

Over the years, Alumex has developed various processes and procedures which have advanced to become a powerful base to ensure a sustainable business with competitive advantage. The most significant of these is our quality management system which has been accredited by ISO9001:2008 system and confirmed by several reputed Global Aluminium Door and Window systems manufacturers. Our processes and procedures are constantly reviewed by internal quality audits, management reviews and by independent parties.

During the year, we proceeded to upgrade our quality management system to ISO 9001:2015 with the support of external consultants and this certification process is expected to complete within the next year.

Information System

Strategy formulation and implementation process of Alumex is backed by an Enterprise Resource Planning system – Microsoft Navision. The system is capable of processing receipt of a customer order to delivery of goods including all supply chain activities and generating financial and non-financial information for internal as well as external demands. During the year, the Company completed all testing requirements for the implementation of manufacturing module of the ERP system which is expected to go live in the next year. The implementation of the Business Intelligence tool also progressed further and has reached its final stage.



Industrial Designs

In order to prevent copying of the unique profile designs that Alumex has developed to suit the local environment, our designs have been registered with the National Intellectual Property Office of Sri Lanka under the Intellectual Property Act of Sri Lanka No. 52 of 1979. These industrial design rights give protection for products and a competitive advantage over others.

Eight new Facade/Curtain Wall, Doors and Window systems developed by Alumex under strict testing parameters in an accredited testing lab in Dubai were launched. This certification opens doors for Alumex to supply the high-rise commercial building market which was mostly limited to international suppliers previously.

ALUMEX
Ultimate in Aluminium Profiles

ALUSYS
SYSTEM CALCULATION SOFTWARE

ALUMEX TS

LUMIN
INVITE LIGHT

Brand Value

Alumex owns two brands. The 'Alumex' brand has an equity created over 28 years and the second brand 'Lumin' was introduced to the market during the year 2015, targeting the residential housing segment. These brands have already generated above average returns to the Company. Our window, door and façade system calculation software 'AluSys' was launched during this financial year to assist Engineers, Consultants, Contractors, Architects, Fabricators and Quantity Surveyors in preparing BOQs, elevation and structural design calculations.

Human Capital

“Our experienced workforce who has remained with us for long periods by gaining knowledge and expertise is one of the major factors for our success.”

Human Capital

The success of any organization in terms of customers' perspective is the value addition the organization offers to its customers over and above its competitors. In such organizations, the most valuable asset is their human capital, which offers superior products and services to achieve customer satisfaction. At Alumex, we firmly believe that such organizations are driven to greater heights in their journey towards success by the precise decisions made through careful planning and analysis and implemented perfectly by a set of committed employees. Human Resource (HR) Management is considered a key function at Alumex. Hence, Alumex gives utmost priority to any matter relating to Human Capital Management.

In an ever-growing competitive market, sourcing and retention of quality HR together with building loyalty and integrity amongst all employees, with a view to an extended tenure in Alumex remains a challenge. In response, we are, grooming our employees for the next level of operational excellence and at the same time managing to harmoniously blend various generations of employees. Our experienced workforce who has remained with us for long periods by gaining knowledge and expertise is one of the major factors for our success. The talent pool of new generation employees have continually delivered well beyond expectations. These employees have contributed directly towards Alumex retaining market leadership status in the industry, while at the same time maintaining the superior quality of our products over many years.

The HR management process is designed to recruit the right person for the right job, equipping individuals with appropriate tools and skills in order to deliver an optimum performance in a conducive work environment, while at the same time

“Our HR policy encompasses compliance with all statutes of the country and employee rights, including the right to organize, and is aimed at facilitating a merit-based non-discriminatory work environment..

recognizing and rewarding them for their performance, thereby preparing them for future challenges as their career progresses both in terms of vertical and horizontal directions.

Our HR Policy

Our HR policy encompasses compliance with all statutes of the country and employee rights, including the right to organize, and is aimed at facilitating a merit-based non-discriminatory work environment.

Equal Opportunity Employer

Alumex always ensures equal employment opportunities in the work environment while adopting a non-discriminatory policy in all our process. However, the nature of our manufacturing activities tend to be male-dominated due to the nature of the business. Our manufacturing activities fall within the 'light engineering' category, which involves lifting and carrying average loads and engineering tools. Heavy manual activities discourage participation from women in the operational floor, although adequate safety measures are ensured and operational tools and equipment are used, which is due to the nature of the industry. Also, the company's employees are comprised of multinational and multi-religious members coming from all the regions of the country.



The remuneration structure of Alumex is designed to reward and recognize knowledge, skills, commitments and expertise of employees, and does not discriminate on the basis of gender, race, ethnicity etc. Salary Increments and promotions at Alumex are merit-based and implemented through a transparent process.

All recruitment activities are done through a careful pre-assessment and screening process. The company has introduced a systematic and unbiased recruitment procedure to attract the best match for the positions

available. All new recruits are given an orientation, explaining the company policies, procedures, operational environment, ethics, working standards, safety and code of conduct etc. This is followed up with on-the-job training by the respective departments.

While promoting internal candidates to fill vacancies, we also infuse new blood through new recruitments that are advertised in the newspapers and on the internet. We also provide opportunities for training of interns from various universities and technical or vocational training institutions.

Human Capital

At the end of the internship period, those interns who are found suitable for permanent placements are directly placed in the available cadre vacancies.

Recruitment details by Gender

Gender	Executive	Clerical	Manual
Male	19	15	41
Female	0	4	0
Total	19	19	41

Recruitment details by age

Age Group	Executive	Clerical	Manual
Below 30	10	16	29
30 – 50	9	3	11
50 Above	0	0	1
Total	19	19	41

Recruitment Details By Province

Province	Executive	Clerical	Manual
Western Province	9	13	33
Central Province	3	3	0
North Central Province	1	0	1
Eastern Province	1	1	1
Southern Province	2	1	3
Uva Province	1	1	1
Sabaragamuwa Province	1	0	1
Northern Province	1	0	0
Wayamba Province	0	0	1
Total	19	19	41

No Child Labour, Forced Labour and Unethical Employment Practices

In principle, Alumex is firm about its conscious decision to comply with all regulatory requirements pertaining to employment. This ensures compliance with both employee rights and human rights. Therefore, we do not maintain or advocate any type of child labour, underage employment and forced labour or any form of unfair/unethical labour practices.

We believe in the work-life balance of our employees. Therefore, we attempt to provide a flexible, ergonomically sound and healthy work environment for all our employees and continually take measures to improve the work environment.

The company is free from any type of complaints on violation of human rights. All the security personnel are trained by the service provider on policies and procedures and instructions that they should adhere to in all their security activities, by practicing humanity, dignity and respect for all individuals.

During the year under review, there were no formal grievances recorded which demanded management attention to resolve.

Industrial Relations, Collective Bargaining and Freedom of Association

We have ensured freedom of association in the workplace and almost all of our clerical, supervisory and manual workforce is unionized. The cordial relationships we have maintained with the union over many years has built trust and understanding and benefited both parties. An open-door policy is maintained at all times for the branch union and employees, to facilitate communication across all levels. We are happy to record zero operational disruptions and zero losses due to industrial actions during the year under review. Further, we successfully finalized the annual salary increment negotiations with the two branch unions of our Clerical, Supervisory and Manual grade employees. Being a member of the Employer's Federation of Ceylon (EFC), we always recognize and respect the professional opinions and advices of the EFC in any matter relating to the employees in terms of exercising professional IR practices.

The company has not entered into a collective agreement with any of the unions. However, each year we have signed wage agreements after negotiations with the unions.

The minimum notice period regarding operational changes is considered as one week.

Value Added Per Employee

Value added per employee is an outstanding measure of the extent to which Alumex utilizes its employees' strengths. It is worked out as operating profit plus salaries, wages and payroll expenses, divided by the average number of employees. During the year, Alumex employees recorded progressive value addition over the past as reflected in the table:

Description	2016/17 (Rs)	2015/16 (Rs)
Value added per employee per month	236,988	220,026

Average Remuneration Per Employee

Being the premier manufacturer in this industry, we have been continually adding value to our employees both in financial and non-financial terms. During the year under review, we offered competitive remuneration packages and introduced many welfare schemes in order to enhance the value created for them.

Description	2016/17 (Rs)	2015/16 (Rs)
Average remuneration per employee	58,694	48,434

Summary of Employee Experience

Service Group	Executive	Clerical	Manual	Casual	Total
Less Than 01 Year	20	11	14	105	150
01 -05 Years	26	39	74	0	139
06- 10 Years	9	8	36	0	53
11 - 15 Years	6	10	30	0	46
16 - 20 Years	9	10	35	0	54
21 - 25 Years	4	14	40	0	58
26 - 30 Years	11	8	6	0	25
More Than 30 Years	1	0	0	0	1
Total	86	100	235	105	526

Employee Breakdown by Age

At Alumex, another significant aspect of our employee base is the age demography. This age distribution allows the company the flexibility for higher volumes and efficiency. We have succeeded in many new projects purely based on our expertise and commitment for quality and delivery, over other competitors in the market. Another important factor in our age demography is that 90% of our total

Our Workforce

The Alumex Group's workforce stood at 421 permanent employees and 105 casual (Fixed term) employees as at 31st March 2017.

Category	Male	Female	Total
Executives	80	6	86
Clerical And Supervisory	84	16	100
Manual	235	0	235
Casual	105	0	105
Total	504	22	526

Experienced Employee Base

One of our biggest strengths of Alumex is our experienced Human Capital. A majority of our employee base, at all levels, have an extensive knowledge and experience of the Aluminium industry. This has been a key factor in maintaining a competitive advantage in the market, and in maintaining market leadership and product quality consistently. The skill level and outstanding performance of our employees has directly contributed towards Alumex being licensed as an accredited manufacturer of Aluminum proprietary systems for three global leaders in the Aluminum industry, namely, Fletcher Aluminium, AluK and Reynaers Aluminium.

workforce belongs to the age group from 20 to 50 years which is the most productive age limit for any industry. Over the years we have been recruiting young and energetic human resources and guiding them towards better performance. Not only permanent employees but even part time employees are trained ,which enable the company to surpass many of its operational milestones during the year under review.

Human Capital

Age Analysis

Age Group	Executive	Clerical	Manual	Casual	Total	Percentage
Below 30	24	40	49	76	189	36%
30 - 50 Years	53	50	168	27	298	57%
Above 50	9	10	18	2	39	7%
Total	86	100	235	105	526	100%

HR Flow

Our HR flow report shows our success in retaining existing talent and attracting new talent to the company. While there is a slightly higher turnover in the executive, clerical and supervisory grades, this is due to personal reasons and market influences both locally and internationally. However, we have been able to retain our skilled manual employees through the years as is evident. The company conducts an exit interview for all the employees who resign and key findings of the exit interviews are summarized and presented to the management for necessary corrective actions to mitigate any weaknesses.

The return rate after parental leave was 100% (only one female took parental leave) during the year of review and the company grants parental leave only for mothers.

Category	1-Apr-2016	New Join	Leavers	31-Mar-2017
Executives	73	19	6	86
Clerical And Supervisory	95	19	14	100
Manual	205	41	11	235
Total	373	79	31	421

Employee Turnover details by Gender

Gender	Executive	Clerical	Manual
Male	7%	15%	5%
Female	0%	6%	0%
Total	7%	14%	5%

Employee Turnover details by Age

Age Group	Executive	Clerical	Manual
Below 30	8%	28%	6%
30 – 50	6%	6%	1%
50 Above	11%	0%	33%
Total	7%	14%	5%

Employee Turnover details by Province

Province	Executive	Clerical	Manual
Western Province	6%	13%	5%
Central Province	0%	0%	14%
North Central Province	0%	0%	0%
Eastern Province	0%	0%	0%
Southern Province	100%	33%	9%
Uwa Province	0%	0%	0%
Sabaragamuwa Province	0%	0%	0%
Nothern Province	0%	100%	0%
Wayamba Province	50%	0%	0%
Total	7%	14%	5%

Training and Development

We, at Alumex, believe training and development is an important area of HR Management. We have been gradually increasing the investment on training and development to add value to employees. During the current year, the company emphasized more on enriching the operational policy procedures, work standards and practices in line with ISO 9001:2015 requirement and simultaneously enhancing employee knowledge of the same. Furthermore, we have taken steps to set up an internal technical resource pool in order to increase the competencies of our technical staff. We aim to be a pioneer in acquiring new technologies and regularly update competency levels of the technical staff in order

to keep abreast with new technologies. During the year under review, we completed 1,673 hours of training.

The Alumex training process starts with a formal identification of training needs on a yearly basis, along with the performance appraisal process. In addition to the said requirements, heads of divisions estimate their divisional training needs as well. All these training needs are taken into consideration in preparing the 'Annual Training Plan' of the company. Alumex has a well-established training and development procedure and all the training

and development activities are conducted in line with this mechanism. The system comprises a training evaluation and post-training assessment mechanism to measure effectiveness of the training. The training impact is assessed on acquiring and sharing of knowledge, shop floor initiatives and behavioural / attitudinal modifications.

Being a knowledge-based entity, Alumex continuously strives towards gaining knowledge by encouraging team members to pursue higher studies and professional qualifications, which the Company sponsors.

Statistics on Training and Development

Category	Training Hours			Average Training Hours Per Employee
	Male	Female	Total	
Executives	1087	46.5	1133	13.2
Clerical and Supervisory	211	0	211	2.1
Manual	328	0	329	0.6
Total Training Hours	1626	46.5	1673	3.2
Average Training Hours	3.2	2.1		

Performance Evaluation and Performance Management

Performance evaluations are implemented through periodic reviews accompanied by comprehensive feedback on performance and conduct, matched against set targets and realized levels of achievements.

Alumex has a well-established reward structure to recognize annual achievements of employees. This performance management system is applied across all grades of employees. A separate mechanism is available to evaluate the periodic progress of employees on probation.

Professional leadership, not only in the senior management but also in the middle management and executive levels is equally important. The monthly performance review meeting of the senior management team, covering all operations of the Company, has been further improved to focus on objectives and follow up plans. The monthly plant performance meeting with department executives was further improved and now has become a learning and knowledge sharing platform for young executives who are running different departments. This forum has contributed towards increasing plant outputs through a systematic approach, by carefully analysing the operational data.

Employee Welfare and Social Events

Alumex periodically reviews staff welfare services to uplift the quality of work-life balance amongst employees. Our welfare facilities include a dedicated first aid treatment center operating 24 X 7, employee loan schemes, such as distress loans etc., meals at subsidized rates and gifts of school items to children of the employees. The Company also provides a set of uniforms and safety shoes for all operational employees.

The children of the employees who have successfully passed the grade 5 scholarship exam, GCE Ordinary Level exam with 9 Distinctions and those students qualifying for entering to national universities are awarded at the annual get together. Employees who complete 25 years of service, are recognized at this annual ceremony.

We conduct several annual events to encourage employee friendship and team spirit, such as a family get together, "Shramadana" campaign, Wesak lantern competition, a staff cricket match etc...

Human Capital

Workplace Improvement Meetings

Alumex recognizes and encourages employee participation in shopfloor improvements. One of the most important events in the HR calendar is the workplace improvement meetings which are organized once in every two months, with the participation of the senior management team. At this forum, employee representatives of different divisions are encouraged to raise workplace related issues and employee grievances directly with the top management. Solutions are discussed at the meeting and a member of the executive team is assigned to implement the agreed solution. The HR Department follows up on the progress and submits a weekly report to the senior management.

Employee volunteer initiatives towards society

During the year reviewed the employees of Alumex Group conducted a volunteer social service activity at the Lathugala Primary School in Ampara. The school was located 10km interior to the Ampara - Mahaoya Road and 15 KM away from the Ampara town. The activity rolled out throughout the day with the participation of many employees covering all the categories of employees and included a donation of school bags, shoes and stationery for all the children of the school, donation of a sound system and sports goods to the school. Also a shramadana campaign was held to clean the entire school premises.

Human Resources Information System (HRIS)

A significant improvement to the HR management system was made during the current financial year, with the introduction of a web-based Human Resources Information System (HRIS). Presently, the personnel information module and leave module for executives and shop floor employees are in operation. The online leave system is operational for all executives. Bulk leave application through the HRIS is operational for non-executive staff. The HR Department is working aggressively to add the Time and Attendance web module to the system to enable the HRIS to provide real time information to the plant management to facilitate efficient decision-making.

Employee remuneration and benefits

Remuneration packages of non-executive grade employees in Alumex are well above the revised statutory wage limits in 2016 and annual salary increments are granted in a transparent manner for all employees, based on performance far above the legally prescribed limits. In addition to the salary, non-executive employees are provided a cost of living allowance, production incentive allowance, attendance allowances, shift allowance, shift productivity bonuses etc. During the year under review, the

management increased production incentives with a view to getting a more productive output from employees and the company is reaping the returns of these increases. We ensure that remuneration and other benefits are in line with the industry norms and are competitive enough to attract and retain talent. Remuneration packages of the executives are on par with industry norms and are revised periodically based on market survey data.

Benefits	Executive	Clerical	Manual
Life Insurance	√	√	√
Health care	√	-	-
Disability and Invalidity cover	√	√	√
Parental Leave	√	√	√
Retirement Provision	√	√	√
Loan scheme	-	√	√
Meal Facility	√	√	√
Transport	√	√	√
Uniforms	√	√	√
Personal Protection Equipment	√	√	√
OPD Expenses	√	-	-
Production Incentives	-	√	√
Attendance Incentives	-	√	√
Sales Incentives	√	√	√
Bonus	√	√	√
Leave Encashment	-	√	√
First Aid Treatment Centre	√	√	√

In order to secure retirement benefits for employees, Alumex contributes to the Employees Provident Fund and the Employees Trust Fund schemes and pays Gratuity at retirement. (Detail of annual contributions and provisions are referred in Note 08 and 23 to the financial statements.)

Human Resources Climate Survey

During the previous financial year under review, Alumex conducted an independent HR Climate Survey covering most of the areas under Human Resources management with the participation of all the employee categories from top management to manual grade using both quantitative and qualitative techniques including one-to-one discussions, several mini group discussions and

a questionnaire survey. The overall satisfaction index of employees at Alumex was found to be 67 which is higher than global manufacturing industry employee satisfaction standards. Alumex has been capitalizing on the several strong areas highlighted at the survey whilst several activities and initiatives were conducted by Alumex to overcome issues in the areas identified for improvements. A management initiative “Alumex Go beyond” was launched for this purpose.

Occupational Health and Safety

As employees are a primary resource, several measures have been introduced to ensure their safety, health and well-being. We work closely with the regulatory bodies in implementing our safety standards and we are happy to report that our progress on employee safety and health has been recognized by the relevant authorities. We have provided all required personal protective equipment to employees while investing in process and machine modifications with improved safety features and to have better ergonomics.

A Safety Committee has been established under the leadership of a ‘Safety Champion. All matters pertaining to safety are implemented through the safety champion and is monitored by the senior management team. There is no agreement with the union covering health and safety matters. However formal communications are exchanged with the union on improving health and safety level of the company.

During the year under review, there were 30 accidents and 923 hours were lost due to these accidents. All injuries took place at the factory premises at Sapugaskanda and involved male employees. There is a formal accident investigation and action follow up mechanism in the company and accident statistics are published and discussed at the monthly management meetings.

During the year under review there were no incidents of occupational diseases and there are no high risk operations as such in the company operations.

INJURY RATE	0.004%
LOST DAY RATE	0.012%

(Based on actual working days lost from the date of accident)

Outsourced Services

Some non-core activities, such as security, tea services, cleaning and janitorial services have been outsourced. In addition, a relatively small number of outsourced employees are working in the manufacturing areas as helpers in non-routine and non-value adding jobs. The company has taken adequate steps to ensure the legitimate rights of such outsourced employees and monitors on a monthly basis the regulatory compliance with respect to payments by the service providers. Also, actions have been taken to ensure that the service provider issues uniforms and meals. Also, the manpower suppliers are carefully evaluated at the time of selection and they should be properly established as business entities and registered at the Department of labour. Further,they should, on a monthly basis, furnish documentary evidence for statutory compliance in terms of EPF and ETF.

Social and Relationship Capital – Customers

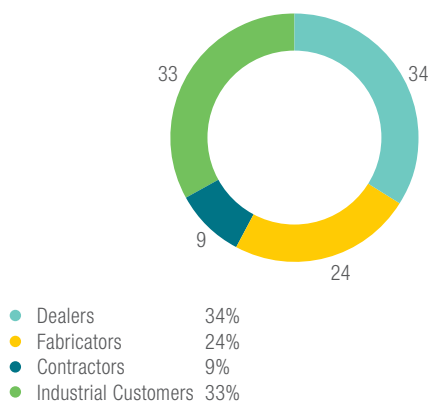
“We employ different marketing strategies to target these customer categories in an effort to satisfy their demands.”

“Lumin Concepts, at Nawala and KCC, will bridge the knowledge gap that existed among the end users about Aluminium.”

We have classified our customers into four primary categories, ranging from individual to business and government entities. We employ different marketing strategies to target these customer categories in an effort to satisfy their demands. The customer categories consist of:

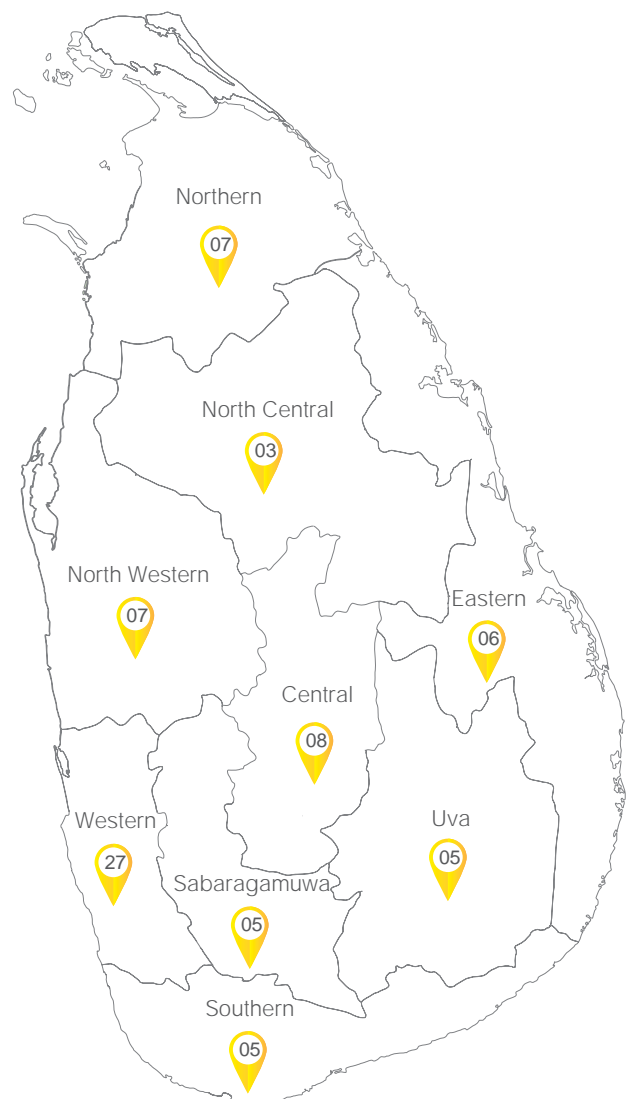
Alumex customer categories as at 31st March 2017

Proportion of Customer Categories



Dealers

The dealers are the stockists of the Company. By end of the financial year, Alumex has appointed 73 exclusive dealers in the nine provinces in order to serve consumers such as fabricators, contractors and end users and to provide the required after sales services. Apart from servicing customers with Alumex profiles, the dealers also organize fabrication training, Alumex product promotional campaigns, dissemination of technical support. The dealers stock Alumex recommended accessories, components and





hardware items required to complete fabrications. Alumex products are supplied to the national dealer network through Alumex distribution centres located in Makola, Kotte, Anuradhapura, Badulla, Kalmunai and Jaffna in addition to the central warehouse in Sapugaskanda.

Note: The detailed distribution system is shown in page 207.

Fabricators

Fabricators are the customer group that will fabricate and install doors, windows, partitions, curtain wall systems and proprietary systems etc. and take the Alumex range of products to the end user. There are over 12,000 fabricators who purchase profiles from our exclusive dealer network to serve their customers, the contractor and so on, island-wide. Most of the fabricators are equipped with advanced machinery which will ensure high quality of finished product and speedy of supply which will satisfy the end

Social and Relationship Capital – Customers

users. Some of them are specialized in product segments such as facades, high-rise buildings, housing construction window/ door systems and external wall cladding systems. Alumex provides shop drawings and technical support for fabricators to deliver a quality certified product to end-users.

Contractors

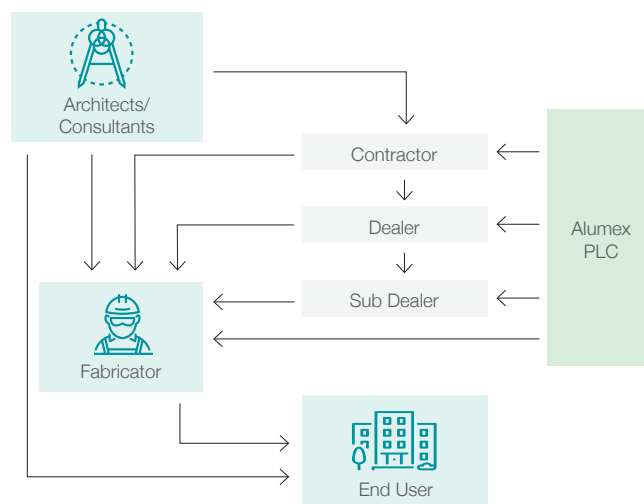
Alumex values all building contractors as one of the key customer segments of the Aluminium market, who have a good influence over the brand to be used for projects they execute. The majority of the contractors who cater to the large scale project market are based in the Western Province. While some of them have in-house fabrication facilities, others still like to subcontract the fabrication work to specialized fabrication companies. Contractors have recognized the superior quality of Alumex profiles and recommend it to their clients with confidence. We have supported them with required quality certificates and other materials to demonstrate the suitability of our products.

Industrial Customers

Our industrial customers include manufacturers of air conditioning diffusers, solar power systems, heat sinks, components for the advertising industry, lorry and bus bodies, ladders, kitchen cabinets, clamps, connectors and hinges and so on. Most of these customers require exclusive designs and Alumex is equipped to cater to their needs with advanced die design and manufacturing centre. At present, Alumex have over 400 exclusive profile designs to cater to different industrial requirements. Manufacturing these industrial profiles at Alumex will help the local industries to grow and save millions of rupees on imports. During the year under review, there was a significant growth in Solar mounting system sales. Alumex manufactured several new designs that were required for different installations of solar panels and this was one of the reasons for the growth of sales in this area.

Market Structure

With the different strategies employed, we were able to manage the above-mentioned channels well during the year under review. We designed and carried out planned marketing activities in advertising, sales promotions, trainings, seminars, sponsorships, exhibitions and other services. The interaction within the total process from the point of manufacture to the end user is depicted in the following diagram:



Operational Markets

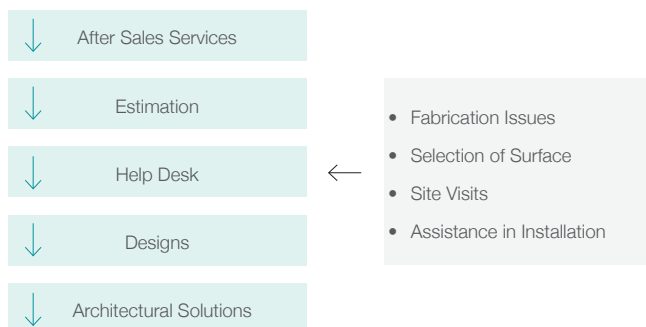
Our main market is the domestic market, which covers modern house builders, commercial buildings such as high rise condominiums, office complexes, factories, schools and hotels and industrial customer segment. Alumex continues to export to regional markets such as Maldives and India.

Customer Engagement

We are engaging with our customers on a continuous basis to understand their needs and wants, educate them on the developments in the market, serve them with our products and services and finally to ascertain their level of satisfaction, while obtaining their feedback to improve our products and services.

Customer Services

This is one of the key factors for Alumex retaining and growing its customers during the span of 29 years. Alumex strives to provide an ongoing support system for customers including pre and post-sales support. Our support services include but are not limited to, technical assistance, shop drawings based on customer drawings/sketches, site visits irrespective of project location, and necessary support for selecting suitable fabricators. Alumex provides the same level of service whether it is an individual, a government body or a large scale contractor, fabricator or even end-user.



Among these customer services, the following new initiatives were introduced by Alumex over last few years.

• Lumin Concept Centers

The second Lumin Concept was launched at Kandy City Centre in Kandy during the year under review. Lumin Concepts, at Nawala and KCC, will bridge the knowledge gap that existed among the end users about Aluminium and also the fear they had in their minds about using Aluminium for their houses. This will help the fabricators also to increase knowledge about the LUMIN product range. Hundreds of customers have visited these showrooms and many fabricators have benefited by way of getting orders through the Concept Centers. Out of the Lumin Concept visitors, it was confirmed that over 200 houses have been completed by now.

• Showrooms at dealer and fabricator locations

One of the most difficult exercises for the customer is to select suitable profiles for fabrication based on strength, size of the opening, cost and appearance. We were able to complete 4 new showrooms at dealer and fabricator locations during this financial year to facilitate such advisory services. In addition, with the 19 existing showrooms, we now operate 23 showrooms which facilitate customers including fabricators and contractors. Customers can walk into any of these showrooms and learn the usage of Aluminium joinery systems and select appropriate products for their housing requirements.

• After Sales Care

Customers of Alumex in all segments should be satisfied and happy after using our products. In order to retain and strengthen relationship with customers, we have taken steps to maintain after sales service and care consistently over the financial year. Our sales team as well as fabricators regularly visit construction sites to resolve matters relating to aluminium extrusions.

• AluSys Software System

A modern software system, Alusys, was introduced to the market and this will help the customers to design accurately with the appropriate profiles, calculate quantities, and finally to give the estimate with drawings to the customer. A retail customer who visits the Lumin Center can obtain this service free of charge.

Training Programmes

This year too the Training Centre provided training for more than 1,500 fabricators and technocrats by conducting over 100 training programmes in-house and outstation. This includes both government and private institutions. Some of those trained were from the Sri Lanka Navy, Sri Lanka Army, the Vocational Training Authority, the National Apprentice and Training Authority, the Department of Buildings and the Central Engineering Consultancy Bureau. Trainees were provided with an opportunity to visit the Alumex factory to understand the manufacturing process.

Alumex was selected to train 1,000 school teachers and this was organized by the National Institute of Education. Training is provided at the Alumex Training Center at Sapugaskanda and there are around 20 teachers in a batch. These teachers will be providing education to children in Ordinary and Advanced level stages under the technical education programme at their respective school.

It was significant the interest shown by the fabricators on Lumin Training programmes conducted at Alumex and in outstations. The training programmes were organized by the area sales executives in order to ensure that they have Lumin qualified fabricators in their provinces.

We were also able to provide the necessary training on correct fixing of accessories with the support of an international resources expert from GIESSE, one of the well reputed suppliers of the accessories in the world. This programme was conducted for three days covering five different products and fabricators were very interested to learn about the correct usage of the accessories from the foreign expert.

Marketing Communications

We believe that customers should be aware of our products as well as what we do and therefore Alumex value communication as a key factor in our marketing activities. All our products are customer friendly and we do not market any product which is banned or not sustainable to environment in the world. All our marketing communications conform to industry ethics and regulatory requirements. All marketing and promotional communications are measured against a checklist

Social and Relationship Capital – Customers

of regulatory and ethical criteria prior to public release, to ensure that marketing practices of the Alumex Group are not violated such conditions. Our sales staff is trained in the Company's marketing and communications principles to ensure ground level compliance.

Alumex Marketing Communications Checklist

- Consistency in corporate image
- Consistency with logo and branding guidelines
- Conformity with product claims (product features)
- Accuracy and creditability of information
- Creative ideas
- Standards and credibility of contents

Our advertising strategy includes above the line communications such as television, radio and newspapers that target mass audiences and also below the line tools such as name boards placed in all our outlets, merchandising and so on.

We are happy to report that there were no incidents of non-compliance with marketing communications related regulations or ethical codes of conduct during the year.

Customer Relationship Management (CRM)

We have now appointed sales executives in all provinces to ensure that we will have regular contacts and feedback from our customers. The staff reports back about the customer satisfaction, issues and so on based on their meeting with customers in each province. The Alumex Group conducts regular customer satisfaction surveys to ascertain customer satisfaction and to identify further improvements. This information is collected quarterly and is reviewed at monthly management meetings. Corrective and preventive action is taken for further enhancement of relationship with all the customer segments as required.

Activities organized to improve CRM

The Alumex Group has the strength to attract potential customers and to repeat purchase from existing customers in equal measure. We conduct many activities to maintain regular contact with customers. These include:

- Organizing business meeting with all the dealers to understand the issues they face and to clear the path for the future of Alumex dealers.
- We had the customer get together at the Kingsbury hotel and appreciated the performance of those who purchased over 100 metric tons by awarding a trophy and a medal. Many others were offered air tickets to Malaysia and fabricators were given punching machines to enhance the quality of work and speed the production.
- Our marketing staff regularly visits dealers to discuss products/market issues and any difficulties faced by dealers.

Customer complaints

Alumex' customer complaints handling process

We are responsible for our products and services and therefore we handle customer complaints with utmost care. Alumex has a system to address all customer complaints within two days from the date of complaint receipt from any customer.

- Customer complaints are segmented based on the type of complaints and forwarded to the relevant departments to investigate and take necessary action to avoid any repetition of similar complaints.
- Alumex sales staff also visit users of our products to ensure ultimate satisfaction of end-users.
- Any quality related complaints will be inspected by the quality department at the site and decide the further action to satisfy the customers.
- Managing Director reviews and advises relevant departments to avoid future issues that will cause customers dissatisfaction.

In the year under review, the Alumex Group received 159 (2015/16 – 83) customer complaints.

Exhibitions and Sponsorships

Alumex, as a part of its marketing and branding strategy, provide sponsorships to the relevant and important events on regular basis. Our sponsorships during 2016/17 are listed below:

Event	Period and Location	Organizer	Nature of Sponsorship	Goals of engagement
TECHNO exhibition	October 2016	Institute of Engineering Sri Lanka	Main sponsor	to build a good relationship with a new customer segment, engineers
Architect 2017'	February 2017 in BMICH	Sri Lanka Institute of Architects (SLIA)	Strategic sponsor	To build relationships with architects as a new stakeholder group.
Construct 2016'	August 2016 in BMICH	National Construction Association of Sri Lanka (NCASL).	Principal sponsor	To build relationships with the contractors
NCASL AGM	In 8 provinces	National Construction Association of Sri Lanka (NCASL)	Main Sponsor	To introduced new Alumex systems to participants and to build relationships with the contractors
Three technical seminars conducted by the Structural Engineers' Association of Sri Lanka.	May, July and November in Cinnamon Grand Colombo	Futurex in India	Main sponsor	To enhance the knowledge of professionals who will involve in projects decision making
Building Specifiers Conference	January, 2017 in Cinnamon Grand	Colombo School of Construction Technology and Futurex India	Main Sponsor	To increase awareness of the need of specification for the construction industry

Customer Privacy

The Alumex Group's commitment to protect customer confidentiality is enshrined in the Company's corporate policy. During the year under review, there were no complaints reported regarding breach of customer privacy and/or loss of customer data.

Social and Relationship Capital - Supplier Management

“We keep in contact with face-to-face meetings, supplier site visits, frequent communications via electronic and social media, through exhibitions and annual conventions.”

As strategic partners, our suppliers provide materials or services to Alumex to assist us to improve our products while working towards achieving responsible and sustainable development goals - even in the face of challenges resulting from globalization.

Our suppliers' level of quality, understanding of the market and readiness to innovate are critical to our ability to distinguish our products from those of our competitors. We strive to create relationships that benefit both sides in order to work together to develop responsible practices. These practices help limit exposure to unexpected events and supply disruptions, while building long-term core competencies that can drive sustainable growth over time.

Supplier Engagement Process

With a view to fostering long term business relationships and to support the evaluation process, Alumex engages with suppliers on a regular basis with the objective of discussing and reviewing business terms, to share technical knowledge, build relationships and to evaluate and develop sustainability standards in the long run. We keep in contact with face-to-face meetings, supplier site visits, frequent communications via electronic and social media, through exhibitions and annual conventions.

“Alumex has total of 621 suppliers of which 545 is Sri Lankan and the rest, 76 are foreign suppliers.”

Group Purchasing

Our buying teams work with suppliers and internal colleagues within the various functional areas to develop and execute sourcing methodologies and strategies. In addition to the buying teams, other departments support the ongoing selection, management and development of our supply base.

Types of suppliers and payments to them

Payments to local suppliers	Rs.1,461 Mn.	40%
Payments to international suppliers	Rs.2,135 Mn.	60%
TOTAL	Rs. 3,596 Mn	100%

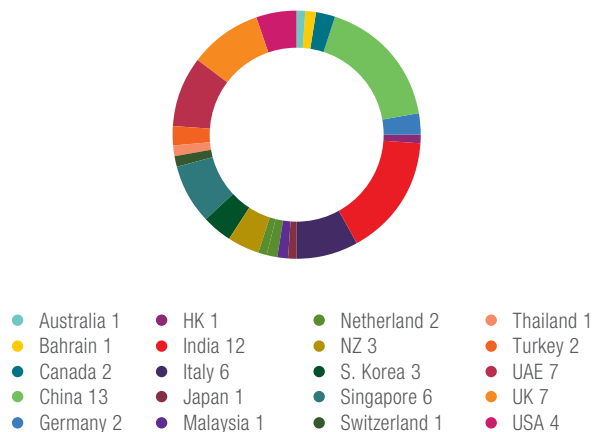
Note – Local suppliers refers to Sri Lankan suppliers

Strength of Supply Chain

Supply Category	No. of Suppliers
Advertising and promotions	23
Aluminium billets and Ingots	4
Aluminum Scrap	93
Chemical	17
Contractors	15
Die steel material	3
Fixed Assets except machineries	2
Fuel & Lubricant Oil	4
Machinery and Parts	115
Other	261
Outsourced labour	6
Packing Material	25
Powder	4
Support services	48
Wood finish material	1
Grand Total	621

Alumex has total of 621 suppliers of which 545 is Sri Lankan and the rest, 76 are foreign suppliers.

Foreign Suppliers



Screening Suppliers for Environmental and Social compliances

As a company, we are always concerned about social obligations. We cannot successfully minimise environmental impacts connected to our operations without considering our entire supply chain. Good supplier relations and building on mutual trust are of utmost importance in these efforts. Our existing supplier evaluation methodology is being further developed to evaluate adequate environmental performances in terms of new suppliers as well as existing suppliers.

In this context, Alumex managers make annual review and relationship visits to our main raw material supplier's factory in Dubai, UAE. Further, in addition to our permanent employees, we source labour from external manpower suppliers. These suppliers are assessed on yearly basis on the compliance with legal provisions of "wages board ordinance No. 21 of 1941", "Employees' Provident Fund established under the Act No. 15 of 1958" and "The Employees Trust Fund" established under the provisions of ETF Act No. 46 of 1980.

During the year, we sourced Aluminum extrusions, machinery etc. from overseas suppliers for our expansion projects. For this purpose, we made supplier evaluation visits to UAE, China and Italy. However, we did not identify any suppliers violating environmental and social compliances during the year.

Licensing and Certification

International manufacturers in the aluminium industry enter into exclusive licensing arrangements that allow business stakeholders to use trademarked products and processes. Such licensing arrangements are initiated by following strength evaluations, quality systems, capacities and assessing fulfillment of sustainability requirements.

It gives us great pride to declare that both our main powder suppliers that are leading international brands have awarded approved applicator certifications to Alumex following an evaluation process. This certification process has confirmed high quality standards of our processes by adding value to the end customer.

Social and Relationship Capital - Community Development

“Our objective is to make a positive impact on the community through sustainable initiatives that bring about long-term benefits.”

Our Objectives

Community at large is a major concern for Alumex and therefore we have developed several programmes for the well-being of the community. Our objective is to make a positive impact on the community through sustainable initiatives that bring about long-term benefits. This translates into three action areas, namely:

- Supporting the technical and vocational education
- Developing the social and physical infrastructure of the community
- Enhancing the quality of life of the local community.

Some of the key projects being implemented by the Alumex group in the above areas are described below:

Supporting Technical & Vocational Education

Objectives:

- To Develop Skills and knowledge on fabrication

Alumex Training School

The Alumex Training School which started in 1998 is our principal community development programme. This state-of-the-art training centre has been established

“During the year under review, Alumex completed 07 programs and trained 210 personnel from Government Institutions, at an investment of Rs 0.7Mn.”

at the Alumex factory premises in Sapugaskanda to train fabricators and technocrats. This training school has become an alma mater for most of the fabricators, technocrats, trainers of the training centres as well as many government officers. Some of the programmes conducted by the training school can be classified as:

VTA Training

Alumex has partnered with the Vocational Training Authority (VTA) to provide training in Aluminium fabrication. The scope of training activity includes train the trainer programmes, lectures and practical trainings for trainees, supervision of VTA training centers and providing course materials. During the current financial year, Alumex conducted 29 training programmes for 419 participants and issued certificates. The total cost incurred in conducting the training programs was over Rs 3.2 million.



Government Institutions

Building department, Sri Lanka Army, Sri Lanka Navy, University of Moratuwa and CECB are some of the institutions that have been benefitted by the Alumex Training School during the financial year under review. We contribute towards knowledge and skill development of technical staff of Government Institutions that make a

substantial contribution to the Sri Lankan construction industry. Alumex conducts in-house and external training programs on proper use of Aluminium profiles for window, door and façade systems fabrication. During the year under review, Alumex completed 07 programs and trained 210 personnel from Government Institutions, at an investment of Rs 0.7Mn.

Social and Relationship Capital - Community Development

Dealers & Fabricators Training

In order to ensure that the dealers and fabricators are competent in handling aluminium profiles, particularly new aluminium-based systems, Alumex conducts Advanced System Design Introduction Programmes, for fabricators of the Alumex dealers. Practical training is conducted island-wide with dealer collaboration. During the year, we conducted 30 training programmes for 480 participants island-wide. A few selected fabricators were provided, in-house training at the Alumex Training Centre. The total investment in these training events during the year was Rs.3.3 million.

Professional and Private Institutions

Institute of Engineers of Sri Lanka, School of Construction Technology etc. are some institutes that were trained by Alumex during the financial year. Alumex conducts external and in-house training programmes for professionals in new advanced systems and related fabrication techniques with the support of new, high quality accessories. These programmes aim to educate construction industry professionals on the many different applications of aluminium profiles and quality differences compared to competitor and substitute products. During the current financial year, Alumex conducted 10 of such programs for 344 professionals with an investment of Rs. 1.1 million.

Technical Colleges

In order to develop educational capacities and self-employment opportunity for school leavers, Alumex has engaged with the Government Technical Colleges island-wide and provided them course materials to develop skilled fabrication technicians while improving quality of life. In addition to this, we contribute towards knowledge and skill improvements of lecturers at Government Technical Colleges. During the current financial year, Alumex conducted 02 training programmes for 28 participants and provided course materials to 02 Technical Colleges with a total investment of over Rs. 0.3 million.

NVQ Certification

We conduct exams and certify fabricators on behalf of training institutes that have no resources to conduct exams and assess students for such certificates. Alumex facilitates skilled fabrication technician's applicants to obtain NVQ certification by facilitating their fabricating skills. We are involved in assessment of applicants through written tests and practical assessment tests and by making recommendations to the Tertiary And Vocational in line with NVQ certification standards. Assessment fees and all testing materials associated with the assessments are provided by Alumex free of charge. Such assessments currently cost over Rs. 38,000 per person, making it difficult for many skilled technicians to obtain NVQ certification. Therefore, the free-of-charge assessments conducted by Alumex support the growth and development of skilled technicians. During the current year, we conducted 03 such assessments for 10 participants.

All programmes mentioned above are conducted by well-trained company staff. During the programme, Alumex provides training materials, courses materials, meals and refreshments to the participants, in addition to free training.

After completion of training, Alumex issues a certificate which is recognized by Sri Lanka's engineering community. Over the past few years, we have trained more than over 14,000 fabricators and technocrats. During financial year 2016/17, we upgraded the skill levels of 1,481 fabricators and technocrats by conducting 78 training events, with a total investment of Rs.8.7Mn

Our Contribution to Training

Training Programme	2016/17			2015/16
	No. of Programmes	Participators	Amount (Rs)	Amount (Rs)
VTA training	29	419	3,214,814	1,666,612
Government institutions	7	210	775,990	1,506,456
Dealers & Fabricators' Training	30	480	3,325,670	2,753,523
CPD programs	10	344	1,108,557	645,464
Technical College	2	28	344,234	2,500,650
Total	78	1,481	8,769,264	9,072,705

Vocational Training

Objectives:

- Develop educational capacities to support self-employment and entrepreneurship;
- Ensure professional development and create employment opportunities

Alumex provides training internship opportunities for students from selected institutions. Interns are accepted in the areas of manufacturing, fabrication, sales and accounting. The duration of these internships range from less than one year to three years. A total of 11 students were given internships at Alumex during the year 2016/17.

Developing The Social and Physical Infrastructure of The Community and Enhancing Quality of Life

Objective:

- Alumex is committed to creating sustainable prosperity that brings long term social and economic benefits for all stakeholders. To this end, our principles, initiatives, donations and sponsorship programmes are designed and extended for social events to build social and physical infrastructure and enhance quality of life of the community

Ethical Business & Alumex Values

Alumex values provide guidance to all employees on how they should conduct themselves on anti-corruption, anti-competitive behaviour, non-discrimination and equal opportunity principles in practicing business ethics in

their dealings. The governance system of the company is very stringent about anti-corruption initiatives and Alumex engages with regulatory and non-regulatory bodies that promote ethical business conduct. The company does not make contributions to political parties or seek to advocate any particular type of political action. During the year under review, there were no:

- Confirmed incidents of corruptions
- Any value of political contributions
- Any legal actions taken by, or against the company on anti-competitive behaviour.

Regulatory Compliance

The company has a policy of strict compliance with all applicable laws and regulations. Any breach of laws and regulations is brought to the attention of the Board. Close relationships are maintained with all relevant local and central government authorities. Employees are constantly updated on changes to laws and regulation and to tariff structures.

Environment Protection Licenses

Alumex has obtained and renewed the Environmental Protection License from the Central Environmental Authority for all of its operations which requires such licenses to carry out business in an environmental-friendly manner. Further, Alumex has not received any complaints from the society with regard to environmental issues during the year under review.

Social and Relationship Capital - Community Development

Tax and Other Statutory Payments

Taxes and all other statutory payments were paid on time, and during the year under review, Alumex contributed Rs 430 million (2015/16 – Rs. 421 million) by way of taxes and other duties to the government which is expected to be utilized for the social well-being of the citizens of the country. Statutory payments to EPF, ETF and Inland Revenue (PAYE) on employee earnings were also paid in full on time. Further, there were no significant fines paid by Alumex during the year.

Engaging with the Community Around the Factory

The social acceptance within the community around the factory and protecting the rights of the community is critical for the long term sustainability of our business. Having realized the importance of this, the company has established a mechanism to address complaints/grievances raised by the community on social and environmental impacts and to implement long-term sustainable solutions acceptable to both parties. During the year, we have not received any formal complaints/grievances on any adverse impacts to the community or environment. However, Alumex has implemented strong preventive measures for areas susceptible to such complaints/grievances such as effluent management as discussed in this report under natural capital.



Donations and Sponsorships for Community Development

Some of donations and sponsorships made by Alumex in the financial year 2016/17 are highlighted below:

Donation of white canes

Continuing from the last three financial years, Alumex persisted in this project in the current financial year too, in collaboration with the Sri Lanka Welfare Society for the Blind and the Sri Lanka Catholic Council for the Visually Impaired. Through this project, 2,850 white canes were distributed across the country. Alumex provided aluminium worth Rs. 856,625 to manufacture the white canes. The canes were manufactured by a group of visually impaired workers. Alumex also paid the workers the total manufacturing charges of Rs. 129,422. In total, the value of the total contributions to the visually impaired community came to Rs. 986,000.

Scholarships and school material for children

During the year, we provided school bags, books and other stationery items for all school going children of employees at our annual get-together held in December 2016. Further, we awarded children of employees who had performed well at the Grade 5 scholarship exam, the GCE O/L exam and the GCE A/L exam. Our total contribution to this community for this year was Rs. 915,000.

Donations for flood victims

The company took the timely actions to support the employees and their family members who were affected by the floods in May 2016. This included rescue of employees and their family members stranded due to the floods with the aid and coordination of Sri Lanka Navy, providing cooked meals for displaced families during the period of displacement and dry rations, janitorial items / tools and other household items for them to start their normal life in their homes. The total cost company incurred for these relief initiatives is Rs. 605,567.61.

SathDiyawara water purification project

The company initiated its second water purification project to provide purified drinking water at Meegassegama, off Thalawa. There are around 590 families in Meegassegama and a total population of 2500. The civil construction works of the project is in progress and the total estimated cost is around Rs. 4.6 million.

Other Donations and Sponsorships

We have been continuously helping the community around

our factory premises with donations and sponsorships for various community events during the year. In addition, Alumex sponsored a number of events organized by Employee Societies of the government and private institutions. The total contribution by Alumex for such social events was R . 370,000 in the current financial year.

Alumex spent Rs. 2.2 million during the year 2016/17 on donations and sponsorships country-wide. A summary of our CSR spending is given below:

Type of Services	2016/17		2015/16	
	Amount (Rs.)	%	Amount (Rs.)	%
Educational	1,047,558	46.12	1,189,946	17.88
Culture	80,000	3.52	175,000	2.63
Social Projects	1,006,047	44.29	5,012,090	75.39
Sports	15,000	0.66	221,000	3.36
Other	-	-	25,000	0.37
Health	122,800	5.41	25,000	0.37
Total	2,271,405	100	6,648,036	100.00

Social and Relationship Capital - Product Responsibility

“Our production process is guided by ISO 9001:2008 guidelines and all production stages are strictly monitored to ensure high quality standards.”

Product Responsibility

All the products manufactured by us are free from hazardous chemicals, hold the highest levels of safety and are free from adverse health effects.

Product Quality

Our production process is guided by ISO 9001:2008 guidelines and all production stages are strictly monitored to ensure high quality standards. All our international powder suppliers have certified the powder coating processes to use the highest quality powders manufactured by them, which offer the longest warranties up to 30 years under the ‘Approved applicator’ status due to our improved technology that ensures safety and ability to maintain superior product quality. Alumex Aluminium extrusions are manufactured with highest quality raw materials in compliance with international standards. SLS certification has also been obtained to support high quality standards required in the local environment. In addition, our sales team is well equipped and organized to provide after sales services to end users, including advisory services on the correct use of products to maintain longer life and safety.

Customer Health and safety

It is our primary value to provide safer products to customers to enhance their comfortable living styles further. Alumex aluminium extrusions are designed to ensure health and safety requirements are met by finished products. It does not have any substances which are harmful to health of our customers.

“Alumex provides warranties from 10 to 30 years for its powder coated and anodized products. This shows the level of confidence we have in our product quality.”

Alumex achieved another millstone in delivering a series of products; Curtain Wall, Aluminium Doors and Windows which were tested for Air Infiltration, Water Penetration and Wind Resistance at a certification lab in Dubai, accredited by UKAS (United Kingdom Accreditation Services) one of the world's leading providers of testing, calibration and advisory services. With this system certification, Alumex now offers two curtain wall systems and 8 doors and windows systems to cater to multi story commercial buildings and residential complexes with the highest level of safety and security required.

Alumex provides warranties from 10 to 30 years for its powder coated and anodized products. This shows the level of confidence we have in our product quality. A manufacturer's certificate is issued to large orders of over Rs. 5.0 million to certify compliance with the specifications set out in the standards. These certificates are issued even to small orders upon customer's requests.

During the year we have taken actions to improve the design/ quality of 2 profiles to enhance the safety levels of our products which represent 15% of our product categories. During the year under review, there were no complaints reported regarding product quality relating to safety features. There were no penalties charged any of our products due to poor safety.



Product packaging and Labelling

All Alumex products are labelled using a bar code system for easy identification. During the financial year under review, we redesigned the bar code to give more

information to the users of Alumex products. The Alumex Aluminum Profile Book, Alumex System Designs Handbook and Alumex Tested System book are also available as a guide for fabricators, contractors as well as end users. These booklets provide technical information required for the correct use of Alumex products, including the recommended accessories to use with our products.

In packaging, all extrusions are covered by polythene packing with the Alumex brand name printed on it. Powder coated and Woodex coated Aluminium profiles are foam

Social and Relationship Capital - Product Responsibility

wrapped prior to polythene packaging to ensure further product safety.

Packaging and labelling of Aluminium extrusion products are not regulated in Sri Lanka, but Alumex is leading the industry by implementing best packaging systems to ensure product safety and quality. During the financial year, we tested a bio degradable polythene packaging to introduce a more environmental friendly packaging system.

During the year under review, there were no incidents of non-compliance with regulations concerning packaging and labelling of our products.

Compliance

Alumex has ensured that the products are in compliance with required standards. Accordingly, no fines for non-compliance with the laws and regulations concerning the provision and use of products and services has been paid by the Company during the year.

Memberships, Associations and Affiliations

In order to supply our products with consistently maintained high quality and safety standards and as per the changing needs of our customers, we have connected with the following institutions.

- Ceylon Chamber of Commerce
- The Employers' Federation of Ceylon
- Chamber of Construction Industry
- Sri Lanka Economic Association
- Argus Media Incorporation -USA
- Foundry Development & Services Institute – Light Engineering Sector
- Sri Lanka Standards Institute
- Import & Export Controls Department
- Sri Lanka Institute of Architects
- Institute of Engineers of Sri Lanka
- National Construction Association Of Sri Lanka
- Central Engineering Consultancy Bureau
- State Engineering Corporation
- Futurex Trade Fair and Event (Pvt) Ltd.

International Affiliations

Around 10% architectural extrusions are currently imported due to the non-availability of sophisticated aluminium proprietary systems in Sri Lanka. To overcome this competition and discourage such imports into Sri Lanka, the Alumex Group has entered into licensing agreements with globally renowned manufacturers of Aluminium extrusions and accessories, such as AluK in Verona, Italy, and Fletcher Aluminium in Auckland, New Zealand. Alumex has manufactured high-end aluminium proprietary window and door joinery systems under license since year 2008.

International License	Description
Fletcher Aluminium New Zealand 	Fletcher Aluminium is a subsidiary of the Fletcher Group, which is one of the largest conglomerates in New Zealand. Fletcher Aluminium proprietary systems have been extensively used for more than 25 years in Sri Lanka, Australia and Far Eastern countries. Alumex Group commenced manufacturing Fletcher proprietary systems under license in Sri Lanka in 2011
AluK- Italy 	The AluK Group is a leader in the design and manufacture of a range of sophisticated Aluminium building systems. It is widely used in commercial applications and facades in Europe and the Middle East. The Alumex Group is the exclusive manufacturer of AluK systems under license in Sri Lanka for the Asian market since 2008
Mitsubishi Plastics Inc. Japan 	Mitsubishi Plastics, Japan has been manufacturing Alpolic Aluminium composite panels since 1971 and is the world's most popular brand. Alumex is the national distributor of Alpolic composite materials in Sri Lanka.
DuPont Corian USA and Japan 	DuPont Corian® is an advanced composite product used as a decorative material in a variety of residential and commercial applications. Corian is manufactured in USA and Japan. Alumex is the authorized agent to import and distribute DuPont Corian® in Sri Lanka
Orgadata AG Germany 	Orgadata AG is a successful and rapidly expanding software company in Leer, Lower Saxony, Germany. They have more than 30 years of experience and a leading technological recognition in developing analytical software systems in the world. Alumex partnered with Orgadata to develop AluSys fabrication support software system designed for Alumex Door, Window & Facade systems.
Nisan Makina Turkey 	IMAX is a brand of Nisan Makina based in Istanbul, Turkey and mainly focused on manufacturing Aluminium Punching for Proprietary Window, Door and Facade Systems since 2012 . IMAX have a high vision for Quality , Customer Satisfaction and Innovation . Alumex is the Sri Lankan agent and partner for IMAX punching machines specifically made for Alumex Window and Door Systems.
DGL International Powder and Thermal Polymer Alloy Coatings 	Alumex Group is recognized as the exclusive approved applicator in Sri Lanka for DGL International of New Zealand's powder coating range of products. It offers coating warranties from 10 to 30 years based on the type of powder applied.
JOTUN MENA United Arab Emirates 	Alumex Group is Sri Lanka's only approved applicator for JOTUN powder coating range of products from the Norwegian-based manufacturer and offers warranties up to 30 years. JOTUN is the premier brand in Europe and the Middle East. These products have also been used in the world's tallest building, Burj Khalifa.

Natural Capital

“Alumex is committed to offer quality products through its systems and procedures that ensure a healthy and safe work environment for its employees and to mitigate the harmful impact on possible biodiversity and habitats.”

The main raw material of our business, Aluminum, is inherently resistant to normal atmospheric environments, does not rust or suffer from corrosion problems like steel, and is self-healing if scratched. Aluminum is a material which is recyclable by nature and recycling of Aluminum provides many environmental, economic and community benefits. It saves energy, time, money and precious natural resources, specially, as a substitute for wood; and it generates jobs and helps to pay for community services that make life better for millions of people as well as other living beings on the Earth.

Our Environmental Policy

Alumex PLC, operating in an industrial zone (LINDEL), is committed to offer quality products through its systems and procedures that ensure a healthy and safe work environment for its employees and to mitigate the harmful impact on possible biodiversity and habitats. In fulfilling conservation obligations, we always ensure that we operate in compliance with all environmental standards and relevant laws.

“Use of recycled aluminum material has saved US\$3.3Mn (Rs.510Mn.) worth of foreign exchange for the country and saved global energy by 86,160GJ.”

Mitigating harmful impacts on Environment

Our general commitments at Alumex to ensure conservation of nature are,

- Precautionary action plans and continuous improvements to our systems and procedures.
- Employees are being duly guided to prevent pollution and, development and training programs are being conducted to update their knowledge on due diligence, specially, required for safeguarding species of plants and animals in danger of extinction.
- Systems and procedures are periodically reviewed to ascertain the impact of our operational activities on the conservation. If required, revisions are made to our policies and due actions are implemented accordingly. Our research and development team, as a part of their responsibilities, is continuously engaged in the process of monitoring conservation obligations and maintaining conformity with global requirements and ensuring statutory requirements are complied with.
- Alumex has obtained ISO 9001-2008 for quality management systems and these standards are maintained accordingly and maintenance of such standards are being audited periodically during ISO audits for conformity.



Our Specific Commitments initiated during the year under review, to Mitigate Environmental Impacts on recycling.

- Our research and development team has developed a methodology to increase the hardness of our aluminium extrusions by 25% and thereby increased the durability of our finished products. As a result of this improvement, the requirement of recycling frequency is reduced.
- Introduction of an eco-friendly chemical, which mitigates environmental impacts, in the pretreatment process in

the Powder coating plants to improve quality as well as the durability of the powder coated finished products.

- Introduction of new surface protection sealing chemical in the Anodizing process to increase Life span of the finished anodized products.

Natural Capital

Managing Environmental Impact

Alumex has identified four main areas that require proper planning, organizing and controlling on a continuous basis to minimize harmful impact on the environment.

- Material Management
- Energy Management
- Water Resource Management
- Waste Management

Type of Material	Unit of Measure	2016/17	2015/16	2014/15
Total Aluminium Logs Used	MT	7,083	6,286	5,678
Aluminium Logs (Recycled)	MT	1,554	1,749	1,713
Percentage of Recycled Material Used		22%	28%	30%

As the prime raw material, aluminum logs are used to manufacture finished goods –Aluminium extrusions. During the year under review, 22% of the inputs were recycled raw material which is 6% lesser when compared to immediate previous year due to a limited supply of scrap aluminium from the local market. However, in terms of quantity, during this year 578MT (2015/16 561 MT) of scrap aluminum were purchased from the local market. Use of recycled aluminum material has saved US\$3.3Mn (Rs.510Mn.) worth of foreign exchange for the country and saved global energy by 86,160GJ.

Energy Management

In processing raw materials, Alumex used direct and indirect sources to generate its energy requirement and during the year under review the energy consumed was of the following composition:

Source of Consumption		unit	2016/17	2015/16
Petrol for Vehicles	de	MJ	1,104,680	949,765
Diesel for Vehicles	de	MJ	818,071	1,403,010
Diesel for Generators - Plant	de	MJ	1,576,804	373,881
Diesel for Plant	de	MJ	32,518,455	25,298,115
Furnace oil for Plant	de	MJ	12,237,158	10,813,678
Electricity for Plant	ie	MJ	24,419,152	22,516,933
Electricity for Admin. Areas	ie	MJ	1,772,817	1,381,793
Total			74,447,137	62,737,174

de - Direct energy. ie - Indirect energy

Note – During the year, energy numbers were calculated by following the Emission Factors and Densities calculation

Material Management

Use of recycled aluminum material in our manufacturing process is contributing to minimize the impact, in particular, caused as a result of industrial waste, on the environment. The other advantage which resulted when recycled materials were used is the saving of manufacturing costs.

Energy Source	Percentage
Electricity	35%
Diesel	47%
Furnace oil	16%
Petrol	2%

As a continuous process, Alumex has systems and procedures in place to monitor energy consumption within its processes as well as conserving energy as an environmental obligation.

Following are the energy consumption figures for the last two years:

method adopted in the group and comparative energy consumption information (2015/16) were revised accordingly.

Energy Intensity

Consumption Base	Unit of Measure	2016/17	2015/16	2014/15
Total Energy Consumed	MJ	74,447,137	62,737,174	54,916,356
Total Production Output	MT	6,050	5,292	4,826
Average Consumption of Energy	MJ/MT	12,305	11,855	11,379

The increase in average consumption of energy was due to the use of generators for electricity generation in the absence of continuous supply from the main grid and addition of new work shifts to extrusion production.

Energy consumption outside the Organization

The company uses external transport facilities to receive raw materials and distribute finished goods to regional warehouses and dealers. In addition, majority of our sales are transported by dealers from our main warehouse to their respective locations using their owned arrangements.

In arriving at the energy consumed for this purpose, we have identified the in and out shipments on a daily basis and fuel consumptions have been estimated based on the pre-determined distances to each locations multiplied at average consumption rate.

Source of Consumption		unit	2016/17
Petrol for Vehicles	de	MJ	1,723
Diesel for Vehicles	de	MJ	2,154,686

Environmental Impacts of Transportation

Type of Transport	tCO2e	MJ
Staff Transport	155	1,202,055
Products and Other Goods Transport	286	2,220,201
Total	440	3,422,256

We transport (outward) products only to our six warehouses spread across the island using third party transport facilities. But the calculations shown above include all other 214 regular customers' transportation as they collect products from our factory premises or warehouses. Further, the company provides a transport pool system for employees and uses third party transport facilities for inward transportation of other materials.

For the purpose of transportation of products, other goods and workforce, only a 5% of the total energy consumed is used, which in other words is 6% of total GHG emission at Alumex.

Water Management

Alumex purchases its main water requirement from Lanka Industrial Estate Ltd. (LINDEL). LINDEL sources this water from Kelani River and it is sent through a purification process before releasing /supplying to us so that the national water supply system remains unaffected. This purchased water is used in our Anodizing and Powder Coating processes and cooling towers and also for consumption by employees. Further, we have small quantities of water, obtained from in-house wells, used in our aluminium recycling foundry and for the fire extinguishing hydrant system.

Natural Capital

Water consumption of the year

Consumption Base	Unit of Measure	2016/17	2015/16	2014/15
Water used in plants	m3	102,245	93,018	63,636
Water Consumed by Employees	m3	24,378	24,131	35,218
Total	m3	126,623	117,149	98,854

According to the consumption of water, it reflects that the consumption of in-plant water shows an upward trend throughout the past three years. This increasing trend is as a result of consuming additional in-plant water in parallel to increasing volume processed.

Saving in water consumed by employees in the year was a result of proper maintenance of in-house water distribution systems and employees' concern to protect water resources.

Water Intensity at Alumex

Consumption Base	Unit of Measure	2016/17	2015/16	2014/15
Total Water Consumed	m3	126,623	117,149	98,854
Total Production Output	MT	6,050	5,292	4,826
Average Consumption of Water	m3/MT	21	22	20

Consumption Base	Unit of Measure	2016/17	2015/16
Total Water Consumed	m3	126,623	117,149
Total Water Recycled	m3	10,248	7,614
Total Water Recycled		8%	6%

Emissions

Air pollution in its most basic definition is the introduction of harmful substances into the Earth's atmosphere. Thus, when air quality is dampened by pollution, immediate and longer term consequences take place. Pollution has been known to cause allergies, disease, damage to crops, and in extreme cases, even death. In addition, air pollution creates an imbalance in the natural gases that make up our Earth's atmosphere. These imbalances slowly aid in the depletion of the Ozone layer, an essential region of the stratosphere that soaks up most of the sun's damaging ultraviolet (UV) rays.

Although, by recycling scrap aluminium, we have contributed to the reduction in toxic gas emissions globally, Alumex research and development team was also concerned about the pollutants emitted into the air from our recycling process. So to find a solution, we launched

a project in liaison with Industrial Technology Institute (ITI) and we were able to design and build a scrubber through which toxic gases emitted to the environment from the recycling process was further minimized. The waste water generated through this scrubber is treated in our Effluent water treatment plant and clean water is released to the environment.

The latest test results of emissions after the installation of the scrubber are compared with SL emission standards.

Parameter	Proposed SL emission standard	Test Result
NOx (mg/dNm3)	500	146
SO2 (mg/dNm3)	800	129
Particulate Matter (mg/Nm3)	50	14

Our Carbon Footprint

Our GHG emission results were calculated at group level in-house and figures are as follows.

GHG Emission		2016/17		2015/16	
		tCO2e	%	tCO2e	%
Scope 1	Diesel for Generators & Plant and Furnace Oil for Plant	3,658	51	2,936	51
Scope 2	Purchased Electricity	2,983	42	2,564	44
Scope 3	Air travel and Others	478	7	277	5
Total		7,120	100	5,777	100

Scope 1 Emission increased by 25% as a result of capacity increase

Scope 2 Emission increased by 16% as a result of capacity increase

Scope 3 Emission increased by 73% due to transport details capturing.

Note : The local transport distance was not recorded during FY 2015/16

GHG Emission per Input

Particulars	Unit of Measure	2016/17	2015/16
GHG Emission	tCO2e	7,120	5,777
Material Consumed	MT	7,083	6,286
GHG Emission per Input	tCO2e / MT	1.0	0.9

Further, it could be stated that other than the impacts of GHG emissions, no other social impacts are allowed to be caused by Alumex operations where our research and development team is extra careful on such causes.

Waste Management

Waste management at Alumex is intended to reduce adverse effects of waste on health and the environment. Policies at Alumex ensure that no environmentally hazardous substances are discharged out of our waste disposal mechanisms.

As an effective controlling method, monitoring and sample testing is carried out at our in-house laboratory and externally at LINDEL Industrial Laboratories Limited to ensure that waste discharged out of our mechanisms are in order and will not have any harmful effects on habitats and the biodiversity in the environment.

Waste by type (MT)	2016-17	2015-16
Composting (Non-hazardous)	4.88	4.59
Incineration-mass burn (Hazardous)	995	886
TOTAL	1000	891

Hazardous Waste

Waste discharged from Plant Water Treatment Plant

Effluent water treatment plant at Alumex is capable of cleaning the factory wastes in conformity with the environmental standards. Adherence of such standards are monitored and evaluated periodically by the Central Environmental Authority.

The processed water is treated in the plant and harmful substances are deposited as sludge and subsequently the water is separated and the sludge removed as a solid waste in the treatment process. During the year, 102,245m3 of purified water was released to the environment from our effluent water treatment plant at a cost of Rs 27.5Mn.

Sludge or the solid waste generated from the effluent water treatment plant is dispatched, for incineration, to "INSEE ECOCYCLE", an organization that provides waste management solutions through co-processing and use our waste as a source of energy for the Kilns and as a raw

Natural Capital

material for the cement manufacturing process. Alumex has invested Rs.12.5 million to safely dispose 995MT of hazardous solid waste during the year.

Further to disposing wet sludge, we co-process the sludge through a “Sludge Drier”- a plant that was built in-house in the last year. The mechanism of this plant is to convert high moisture content solid waste to a dry solid waste (80% of original moisture is removed). This solid waste is a high alumina sand that consists of heat resistance, waste colour (waste effluent water of textile industry) and heavy metal (Arsenic, Cadmium etc.) absorbing properties. This high alumina sand, without disposing directly to environment, is able to be used as raw materials in refractory industry, heat insulation material manufacturing industry, earth bricks industry, roofing tile industry and textile manufacturing industry etc.

As a result of the enthusiastic efforts of our research and development team, we have been able to develop a heat resistant “Roofing Tile” in-house out of the dry solid waste generated from the sludge drier. A sample of this roofing tile has been submitted to Ceramic Council and is awaiting approval.

Disposal of E-waste

At Alumex, we collect in-house used computers, accessories and other waste electronic consumables and store in a warehouse until such time that they are being safely disposed without harming the environment.

Think Green (Pvt.) Ltd., that provides innovative nature friendly solutions in disposing E-waste is the organization, with whom we have entered in to a contract

Disposal of CFL Bulbs

Alumex, with collaboration of Orange Electric (Pvt.) Ltd., has setup a methodical system for disposing CFL bulbs. Waste bins are placed at in-house public places to facilitate the collection of scrap bulbs that from time to time are collected and removed by Orange.

Non-hazardous Waste

Food Waste

The option of disposing food waste as animal feed is available in the area we are located in and such waste is disposed on a daily basis.

General Waste Management

Further to treatment on specific type of wastes, general waste collecting bins are placed at identified locations to collect different types of wastes such as organic waste, recyclable waste. Organic waste and E-waste are disposed through the reliable authorized agents of the “Pradeshia Sabha”. Recyclable waste such as iron scrap, paper, polythene, plastic cups and cans, wood pallets are disposed through organizations that reuse, recycle and co-process.

Total Environmental Protection Expenditure / Investments

During the year under review, our overall investment on protecting the environment is as follows,

Type of Service	Amount (Rs.) 2016-2017	%
Market Value of Scrap Aluminum Recycled	438,154,613	92
Purifying Cost of Waste Water	27,530,812	6
Disposal Cost of Solid waste (*)	12,506,456	3
Aggregate	478,191,881	100

*Disposal of Solid waste items – Sludge Alumina and other Hazardous Solids

Savings Made by Recycling Aluminum

Alumex is contributing to minimize global pollution through its waste aluminium recycling process. Recycling aluminium

- Saves 90-95 percent of the energy needed to make aluminium from bauxite ore. On average, recycling one kilogram of aluminium saves about 55 mega joule (MJ) of energy. With the energy it takes to make just one new unit of aluminium from bauxite ore, you can make 20 units of recycled aluminium.
- Mitigates emission of toxic gases that smelting of Aluminum produce such as Sulfur Oxide, Nitrogen Oxide and two toxic gases that are key elements in acid rain.

At the Alumex recycling foundry, about 1500 metric tons of finished Aluminium billets are produced annually. This is the main raw material used at our extrusion manufacturing plant and it is produced by consuming 100% of our self-generated waste/scraped Aluminium as well as collection from the local market as reclaims and otherwise.

Reclaimed Products

In mitigating growing environmental challenges, at Alumex, we have established an effective recycling system through which we process 100% of our in-house aluminium process rejects as well as aluminium scrap collected from all over the country. These are converted to aluminium logs which is our prime raw material consumed in the extrusion manufacturing process.

During the last three years, Alumex has reclaimed, out of the products sold, 11% during the last two years and 10% in the year under review.

Product Category	2016/17	2015/16	2014/15
Aluminium Extrusions Sold (MT)	6,063	5,286	4,511
Reclaimed (MT)	578	561	504
	10%	11%	11%

(Aluminium scrap material purchased and recycled during the year is assumed to be out of rejects of our products sold to customers and such rejects are generated as their fabrication process rejects and handling rejects.)

Biodiversity

Alumex is located in the LINDEL industrial zone in Sapugaskanda. Therefore, our business does not pose a direct threat to any natural habitats and fauna or flora that resides there. However, Alumex continues to be concerned about protecting biodiversity assets of the country. Therefore, we educate our employees during their training and development sessions about the importance of protecting natural habitats and national biodiversity. Further, we wish to mention that during the year, as a result of our activities, no environmental grievances were encountered by Alumex.





Governance

Board of Directors



Mr. Abeyakumar Mohan Pandithage
Chairman



Mr. Rohan Palitha Peris
Managing Director



Mr. Sarath Clement Ganegoda
Non Executive Director



Mr. Ali Asghar Akbarally
Non Executive Director



**Mr. Dediwela Widanaarachchilage Pramuk
Nishantha Dediwela**
Executive Director



Mr. Somasiri Munaweera
Independent Non Executive Director



Dr. Harsha Cabral, PC
Independent Non Executive Director



Mr. Ranil Prasad Pathirana
Non Executive Director

Board of Directors

Mr. Abeyakumar Mohan Pandithage

Chairman

Chairman & Chief Executive of Hayleys PLC. Appointed to the Board of Alumex PLC in November 2010. Fellow of the Chartered Institute of Logistics and Transport (UK).

Honorary Consul of United Mexican States (Mexico) to Sri Lanka. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon. Member of the Maritime Advisory Council of the Ministry of Ports & Shipping. Member of the Advisory Council of the Ceylon Association of Ships' Agents. Member of the National Steering Committee on Skills Sector Development of the Department of National Planning.

Mr. Rohan Palitha Peris

Managing Director

Mr. Peris joined Alumex PLC in May 2012 as its Managing Director. He has over 29 years of experience in manufacturing at Haycarb PLC where he functioned as the Director with overall responsibility for both local and overseas manufacturing operations. Mr. Peris holds a B.Sc. Honours Degree in Industrial Engineering from Hatfield Polytechnic in the UK.

Mr. Dediwela Widanaarachchilage Pramuk Nishantha Dediwela

Executive Director

Mr. Dediwela started his career in January 1989 and has over 28 years of experience in the fields of Marketing and Sales, Material and Logistics, Finance, Production and Administration/ Human Resources under Alumex Group. He was appointed as an Executive Director of the Alumex PLC and its subsidiaries, Alco Industries (Private) Limited in December 2010.

Mr. Dediwela is a Marketer cum Financial Economist and holds Master of Financial Economics (University of Colombo), Master of Business Administration (University of Southern Queensland), Post-Graduate Diploma in Business and Financial Administration (Institute of Chartered Accountants Sri Lanka/Cranfield - UK), Post-Graduate Diploma in Marketing (Chartered Institute of Marketing - UK) qualifications.

Mr. Dediwela is a member of the Advisory Committee on Light Engineering Sector under the Ministry of Industry & Commerce and holds memberships of the Chartered Institute of Marketing (UK) and Sri Lanka Economic Association. He is a Council Member of the Foundry Development & Services Institute of Sri Lanka.

Mr. Sarath Clement Ganegoda

Non-Executive Director

Rejoined Hayleys in March 2007. Appointed to the Group Management Committee in 2007. Appointed to the Board in November 2010. Fellow Member of Institute of Chartered Accountants of Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Worked for Hayleys Group between 1987 and 2002, ultimately as an Executive Director. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and overseas. Has responsibility for the Strategic Business Development Unit and the Fentons Group.

Mr. Ranil Prasad Pathirana

Non-Executive Director

Mr. Pathirana was appointed to the Board of Alumex PLC in November 2010. He is the Finance Director of the Hirdaramani Group and is a Director of Hirdaramani Apparel Holdings (Private) Limited, Hirdaramani Leisure Holdings (Private) Limited and Hirdaramani Investments Holding (Private) Limited which are the holding companies of the Hirdaramani Group. He is also a Director of Star Packaging (Private) Limited and Windforce (Private) Limited and a Non-Executive Director of Sampath Bank PLC, ODEL PLC & Taprobane Holdings PLC. Mr. Pathirana is a Fellow Member of the Chartered Institute of Management Accountants, UK (FCMA - UK) and holds a Bachelor of Commerce Degree from the University of Sri Jayewardenepura.

Mr. Ali Asghar Akbarally

Non-Executive Director

Mr. Akbarally was appointed to the Board of Alumex PLC in November 2010. He serves as an Executive Director of the Akbar Brothers Group of Companies for the past 33 years. He is the past president of the Rotary Club of Colombo. Mr. Akbarally holds a Degree in Industrial Engineering from the University of California and is a Fellow of the Institute of Certified Professional Managers.

Since October, 2015, Mr. Asgi has been appointed the Honorary Consul of the Hashemite Kingdom of Jordan in Sri Lanka.

Dr. Harsha Cabral, PC

Independent Non-Executive Director

Appointed to the Board in January 2014. He is a President's Counsel with 29 years' experience in the field of Company Law, Intellectual Property Law, International Trade Law & Commercial Law, Commercial Arbitration. He is an appointed member of the ICC International Court of Arbitration, Paris. Holds a Doctorate in Corporate Law from the University of Canberra, Australia. Member of the Law Commission of Sri Lanka, Council Member of the University of Colombo, UGC Nominee on the Post Graduate Institute of Medicine, Member of the Ministerial Committee to reform ailing companies, Member of the Corporate Governance Committee (CA- SEC) and Member of the Council of Legal Education in Sri Lanka.

He was one of the main architects in the Advisory Commission on Company Law which drafted the Companies Act No 7 of 2007.

He serves as the Chairman of the Tokyo Cement Group of Companies which includes Tokyo Cement Co. (Lanka) PLC, Tokyo Super Cement Co Ltd, Tokyo Eastern Power Co Ltd, & Fuji Cement (Lanka) Pvt Ltd, Tokyo Super Aggregate Co Ltd, and serves as the Independent Non-Executive Director on the Boards of Hayleys PLC, DIMO PLC, Richard Pieris Distributors Ltd, Lanka Orix Finance PLC, Browns Investments PLC, LOLC Life Assurance PLC. He is the author of several books on Corporate Law and Intellectual Property Law.

Mr. Somasiri Munaweera

Independent Non-Executive Director

Mr. Munaweera was appointed to Alumex Board in January 2014. He counts over 32 years of Experience in mercantile and audit sector.

Mr. Munaweera is the Precedent Partner of S. Munaweera & Company, Chartered Accountants and also serves as the Managing Director of Southern Management and Corporate Services (Private) Limited, Director, SM Bentley Corporate Services (Private) Limited and Independent Director of Alufab PLC. He also serves as a Member of Governing Council of Association of Accounting Technicians (AAT) of Sri Lanka.

He holds a Bachelor of Commerce (Special) Degree from the University of Colombo and a Master of Business Administration from the Post-graduate Institute of Management, University of Sri Jayewardenepura. Mr. Munaweera is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA) and the Institute of Certified Management Accountants of Sri Lanka (FCMA).

Mr. Aroon Janak Hirdaramani

(Alternate to Mr. R. P. Pathirana) – Non-Executive Director

Mr. Hirdaramani was appointed to the Board of Alumex PLC in November 2010. He holds a Bachelor's Degree in Business Economics from Brown University in 2001. After graduation, he worked as an analyst in investment banking at Credit Suisse in New York. Mr. Hirdaramani has been a Director of the Hirdaramani Group since 2003. He is a Member of the Young Presidents' Organization and has been elected as a Young Global Leader by the World Economic Forum in 2016. He is also the Chairman of the Sri Lanka JAAF Future Leaders Committee.

Mr. Tyeabally Akbarally

(Alternate to Mr. A. A. Akbarally) – Non-Executive Director

Mr. Akbarally was appointed to the Board of Alumex PLC in November 2010. He has been a Director of the Akbar Brothers Group of Companies since 1979. Mr. Akbarally is actively engaged in the tea and commodity export trade. He was a past Chairman of the Colombo Tea Traders Association and Spices and Allied Products Producers' and Traders' Association. He is also a Director of Amana Bank Limited and the Chairman of Amana Takaful PLC, and is on the Board of several other companies.

Corporate Management



Mr. Rohan Palitha Peris

Managing Director

Please refer page 100 for profile.



**Mr. Dediwela Widanaarachilage Pramuk
Nishantha Dediwela**

Executive Director

Please refer page 100 for profile.



Mr. Prageeth Rajapaksha

Chief Financial Officer

Prageeth joined Alumex PLC in March 2012. He has 17 years of experience in external audit, financial management disciplines in varied industries of auditing, telecommunication and manufacturing in local and overseas companies.

He holds a Bachelor of Business Administration Degree from the University of Colombo and a Diploma in Information Systems Security Control and Audit from the Institute of Chartered Accountants of Sri Lanka. He is an Associate Member of Institute of Chartered Accountants of Sri Lanka as well as the Institute of Certified Management Accountants of Sri Lanka.



Mr. Thushara Jayalath

Deputy General Manager -Production

Thushara joined Alumex PLC in April 2016. He has over 23 years of hands-on experience in Manufacturing and Supply Chain functions in Fast Moving Consumer Goods industry. Prior to join Alumex PLC, he held a number of senior managerial positions in the field of Manufacturing and Supply Chain in multinational environments.

He is a Japan Institute of Plant Maintenance and Japan Technology Group accredited Total Productive Maintenance Instructor. He has been intensively trained in 5S, Kaizen, TQM, TPM, Operations Excellence and Lean Manufacturing, and have mastered problem-solving techniques and Continuous Improvement Initiatives.

He holds a Postgraduate Diploma in Manufacturing Management from University of Colombo.



Mr. Dilhan Jayawardena

Deputy General Manager – Marketing & Sales

Dilhan joined Alumex PLC and appointed as a member of the corporate management team with effect from April 2016 with overall responsibility for both local and overseas marketing and sales functions.

He has over 21 years of broad expertise in areas such as market research, customer services, promotions and production planning, whilst managing many local as well as international brands across industries such as, apparel, accessories, electric & electronics, household decorative, hardware, advertising and printing.

He is a member of Chartered Institute of Marketing (UK).

Corporate Governance

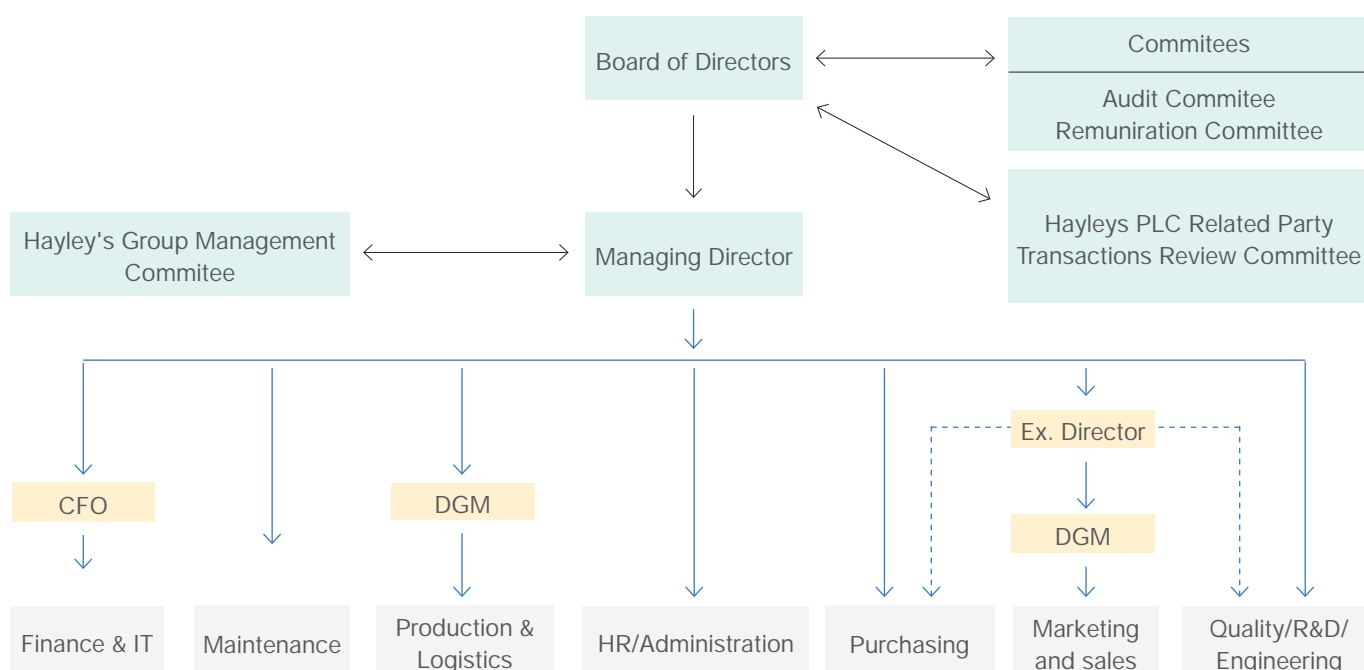
Alumex PLC is a Public Limited Company listed on the Colombo Stock Exchange (CSE) and registered under the Companies ACT No. 07 of 2007.

The Board of Directors of Alumex PLC has adopted core values and standards which set out the conduct of staff in their dealings with shareholders, colleagues, customers and other stakeholders which ensure positive workplace management.

marketplace responsibility, environmental stewardship, community engagement and sustained financial performance. This involves the maintenance of:

- An efficient organisational structure
- Systems for internal compliance and risk management
- Transparent internal and external reporting

The Governance Structure



The Board of Directors of Alumex PLC comprises of eight (08) Directors of which three (03) are Executive Directors and five (05) are Non-Executive Directors. Of the five (05) Non-Executive Directors, two (02) are Independent Non-Executive Directors. Additionally, there are two (02) Alternate Directors representing the two (02) Non-Executive Directors.

The Board has the overall responsibility and accountability for the management of the affairs of the Company, maintenance of prudent risk management practices and safeguarding stakeholder rights. In order to carry out these responsibilities, the Board has appointed a corporate management team which includes an Executive Director and three Deputy General Managers led by the Managing Director.

The Board has delegated some of its functions to two Board sub committees - the Audit committee and the Remuneration Committee - chaired by Independent and Non-Executive Directors.

Further, The Nomination Committee and the Related Party Transactions Review Committee of the parent Company, Hayleys PLC, act as the Nomination Committee and the Related Party Transactions Review Committees for the Company and make recommendations and give directions to the Board.

The Group Management Committee of Hayley's PLC is also involved with the formulation of strategies in respect

of business risks, seeks approval for such strategies and implements them within the policy framework established by the Board.

Statement of Compliance

As a responsible organization, Alumex adheres to regulations, codes and best practices published by different governing bodies:

- Companies Act No. 7 of 2007,
- Code of Best Practices on Corporate Governance jointly issued by The Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka.
- Listing Rules of Colombo Stock Exchange.
- Inland Revenue Act No. 10 of 2006
- Exchange Control Act
- Customs Ordinance

Alumex's commitment to adopt the Code of Best Practices on Corporate Governance and extent of adherence to the Listing Rules of Colombo Stock Exchange are summarized into three sections, purely for the convenience of our stakeholders. Hence, section 1, section 2 and section 3 in place are tabulated below:

SECTION 01 covers the extent of adherence to the requirements of the Code of Best Practice on Corporate Governance issued by the CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka. It reflects Alumex's governance in the following six fundamental aspects:

- A. Directors
- B. Directors' Remuneration
- C. Relations with Shareholders
- D. Accountability and Audit
- E. Institutional Investors
- F. Other Investors
- G. Sustainability Reporting

SECTION 02 of the Code deals with Alumex's extent of adherence to requirements of the Continuing Listing Requirements Section 7.10 on Corporate Rules for Listed Companies issued by the CSE. This reflects Alumex's level of conformity to CSE's listing rules which comprise of the following fundamental principles:

- Non-Executive Directors
- Independent Directors
- Disclosures relating to Directors
- Remuneration Committee
- Audit Committee

SECTION 03 covers the extent of adherence to the requirements of the Continuing Listing Requirements Section 9 on Related Party Transactions for listed companies as issued by the CSE. This covers all the following disclosure requirements:

- Non-recurrent Related Party Transactions
- Recurrent Related Party Transactions
- Related Party Transaction Review Committee
- Disclosure by the Board and the Committee

Corporate Governance

SECTION 1: CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA (SEC) AND THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA (CASL)

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2016/17
A. DIRECTORS			
A.1 THE BOARD			
<p>The Company is headed by an effective Board of Directors with local and international experience. The Board of Directors of the Company consists of professionals in the fields of Accounting, Management, Law, Economics, Engineering, Marketing and Business Leaders. All Directors possess the skills and experience and knowledge complemented with a high sense of integrity and independent judgment. The Board gives leadership in setting the strategic direction and establishing a sound control framework for the successful functioning of the Company. The Board's composition reflects a sound balance of independence and anchors shareholder commitment. Profiles of Directors are given on pages 100 and 101.</p>			
1. Board Meetings	A.1.1	Complied	The Board usually meets at quarterly intervals, but also meets more frequently when needed. The Board met 4 times during the year under review. Scheduled Board meetings were arranged well in advance, and all Directors were expected to attend each meeting. Any instances of non-attendance of Board meetings were generally related to prior business, personal commitments or illness. The attendance at Board meetings held is set out on page 126.
2. Board Responsibilities	A.1.2	Complied	<ul style="list-style-type: none"> The Board is responsible to the shareholders for creating and delivering long-term sustainable shareholder value through the business. The Board ensures the formulation and implementation of a sound business strategy. The Board has put in place a Corporate Management team led by the Managing Director with the required skills, experience and knowledge necessary to implement the business strategy of the Company. The Board also ensures effective systems are in place to secure integrity of information, internal controls and risk management. The Board ensures that the Company's values and standards are set with an emphasis on adopting appropriate accounting policies and fostering compliance with financial regulation.
3. Compliance with Laws and access to independent professional advice	A.1.3	Complied	The Board collectively, and Directors individually must act in accordance with the laws as applicable to the Company. The Company had complied with all applicable laws and regulations during the year. A procedure has been put in place for Directors to seek independent professional advice in furtherance of their duties, at the Company's expense. This will be coordinated through the Company or the Board Secretary when requested.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2016/17
4. Company/Board Secretary	A.1.4	Complied	The Company Secretary acts as the Board Secretary as well. All Directors have access to the advice and services of the Company Secretary as required. The Company Secretary keeps the Board informed of new laws and revisions, and regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board.
5. Independent judgment	A.1.5	Complied	All Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation and the conduct of business.
6. Dedication of adequate time and effort by the Board and Board Committees	A.1.6	Complied	All Directors of the Company dedicate adequate time and effort to fulfill their duties as Directors of the Company (both before and after the Board Meetings), in order to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged.
7. Training for new and existing Directors	A.1.7	Complied	Both new and existing Directors of the Company are provided guidelines on general aspects of directorships and industry specific matters. In this regard, the Directors have recognized the need for continuous training, expansion of knowledge and to take part in such professional development as and when they consider it necessary and which would assist them to carry out their duties as Directors.
A.2 CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)			
<p>There should be a clear division of responsibilities between the Chairman and Chief Executive Officer in order to ensure a balance of power and authority, in such a way that any individual has no unfettered powers of decision-making.</p> <p>The roles of the Chairman and Chief Executive Officer function separately in the Company. The Chairman's main responsibility is to lead, direct and manage the work of the Board in order to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Managing Director, who performs the role of the Chief Executive Officer, is responsible for the day-to-day operations of the Company.</p>			
8. Division of responsibilities of the Chairman and Managing Director (CEO)	A.2	Complied	<p>The positions and functions of the Chairman and the Managing Director have been separated; the role of the Managing Director is to manage the day-to-day running of the Company.</p> <p>The Board has delegated this responsibility to the Managing Director and he then leads the Corporate Management team in making and executing operational decisions. The Managing Director is also responsible for recommending strategy to the Board.</p>

Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2016/17
A.3 CHAIRMAN'S ROLE			
The Chairman leads and manages the Board, ensuring that it discharges its legal and regulatory responsibilities effectively and fully preserves order and facilitates the effective discharge of the Board functions. The profile of the Chairman is given on page 100.			
9. Role of the Chairman	A.3.1	Complied	<p>The Chairman is as an outstanding business leader, provides leadership to the Board, controls and preserves order at Board meeting and provides the Board with strategic direction and guidance in managing the affairs of the Company.</p> <p>The Chairman is also responsible for:</p> <ul style="list-style-type: none"> • Ensuring the new Board members are given an appropriate induction, covering terms of appointment, • The effective participation of both Executive and Non-Executive Directors; • All Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company; • A balance of power between Executive and Non-Executive Directors is maintained; • The views of Directors on issues under consideration are ascertained:
A.4 FINANCIAL ACUMEN			
The Code requires that the Board comprises of members with sufficient financial acumen and knowledge in order to offer guidance on matters on finance. The Board of the Company has met the above requirement as some of the Board members are qualified Accountants having professional qualifications and are equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.			
10. Financial acumen and knowledge	A.4	Complied	The Board comprises two Chartered Accountants (CA Sri Lanka) and one Management Accountant (CIMA –UK). One of them serves as Chairman of the Audit Committee. These Directors add substantial value and independent judgment on the decision-making of the Board on matters concerning finance and investment.
A.5 BOARD BALANCE			
The Code requires that a balance is maintained between the Executive and Non- Executive Directors (NEDs) so that no individual or a small group of individual Directors are able to dominate the Board's decision-making.			
The Board consists of Three (03) Executive Directors and Five (5) Non-Executive Directors. Each of them brings to the Board, wide experience and the ability to exercise independence and judgment when taking informed decisions.			

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2016/17
11. Presence of Non-Executive Directors	A.5.1	Complied	Five (5) of the Eight (8) Directors are Non-Executive Directors, which is well above the minimum number prescribed by this Code.
12. Independent Non-Executive Directors	A.5.2	Complied	Two (2) out of Five (5) Non-Executive Directors are independent as defined by the Code.
13. Criteria to evaluate Independence of Non-Executive Directors	A.5.3	Complied	Please refer Section A 5.5 below. The Board considers Non-Executive Director's independence on an annual basis. For a Director to be deemed 'independent', such a Director should be independent of management and free of any business or any other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
14. Signed declaration of independence by the Non-Executive Directors	A.5.4	Complied	Every Non-Executive Director of the Company has made a written submission as to their independence against the specified criteria set out by the Company, which is in line with the requirements of Schedule H of this Code.
15. Determination of independence of the Board	A.5.5	Complied	<p>The Board has determined the independence of Directors based on the declarations submitted by the Non-Executive Directors, as to their independence as a fair representation and will continue to evaluate their independence on this basis annually. No circumstances have arisen for the determination of independence by the Board, beyond the criteria set out in the Code.</p> <p>Independent Non-Executive Directors are:</p> <ul style="list-style-type: none"> • Dr. H Cabral, PC • Mr. S Munaweera
16. Alternate Directors	A.5.6	Complied	<p>Two alternate Directors have been appointed by two non-executive Directors and they are not executives of the Company:</p> <ul style="list-style-type: none"> • A.J. Hirdaramani • T. Akbarally <p>No alternate Directors were appointed during the year. Please refer page 101 for the profiles of the alternative directors.</p>
17. Senior Independent Director	A.5.7	Complied	Dr. H Cabral, PC, who is an Independent Non-executive Director, functioned as the Senior Independent Director. The Senior Independent Director is the Director to whom concerns can be conveyed if a need arises. (Terms of Reference)

Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2016/17
18. Confidential Discussions with Senior Independent Director	A.5.8	Complied	A Senior Independent Director is available for confidential discussions with other Directors who may have concerns which pertain to significant issues that are detrimental to the Group.
19. Chairman's meeting of Non-Executive Directors	A.5.9	Complied	The Chairman meets with the Non-Executive Directors without the presence of Executive Directors, whenever necessary.
20. Recording of concerns in Board Minutes	A.5.10	Compliant	Concerns raised by the Directors which cannot be unanimously resolved during the year, if any, are recorded in the Board Minutes with adequate details.
A.6 SUPPLY OF INFORMATION			
Management should provide time-bound information in a format that is appropriate and enables the Board to discharge its duties. Financial and non-financial information is analysed and presented to the Board to make informed and accurate decisions.			
21. Obligation of the Management to provide appropriate and timely information to the Board	A.6.1	Complied	The Board was provided with timely and appropriate information by the management by way of Board papers and proposals. The Board sought additional information as and when necessary. The Chairman also ensured all Directors were properly briefed on issues arising at Board meetings.
22. Adequate time for effective Board meetings	A.6.2	Complied	The minutes, agenda and papers required for Board meeting are provided in advance to facilitate its effective conduct.
A.7 APPOINTMENTS TO THE BOARD			
The Code requires having a formal and transparent procedure in place for the appointment of new Directors to the Board.			
23. Nomination Committee	A.7.1	Complied	<p>The Nomination Committee of the parent Company, Hayleys PLC, acts as the Nomination Committee for the Company and makes recommendations to the Board on all new Board appointments.</p> <p>The Nomination committee of Hayleys PLC consists of following members:</p> <ul style="list-style-type: none"> • A.M. Pandithage – Chairman • K.D.D. Perera • Dr. H. Cabral, PC • W.D.N.H. Perera - Resigned from 8 March 2017

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2016/17
24. Assessment of Board Composition by the Nomination Committee	A.7.2	Complied	The Nomination Committee annually assesses Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. The findings of such assessment are taken into account when new Board appointments are considered.
25. Disclosure of required details to Shareholders on new appointments to the Board	A.7.3	Complied	<p>When new Directors are appointed, a brief resume of each such Director, including the nature of his expertise, the names of companies in which the Director holds directorships, memberships in Board Sub-Committees etc., are reported to the Colombo Stock Exchange (CSE) in addition to disclosing this information in the Annual Report. Further, any changes in the details provided by the Directors are disseminated to the CSE without delay.</p> <p>The profiles of the above Directors are given on pages 100 and 101.</p>
A.8 RE-ELECTION			
The Code requires all Directors to submit themselves for re-election at regular intervals and at least once every three years.			
26. Appointment of Non-Executive Directors, Chief Executive and Directors	A.8.1	Complied	<p>The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting and seek re-appointment by the shareholders at that meeting.</p> <p>The Articles call for one-third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment /re appointment. Retiring Directors are generally eligible for re-election.</p> <p>Accordingly, Mr. S. Munaweera and Mr. R .P. Pathirana retire by rotation and being eligible offer themselves for re-election.</p>
27. Election of Directors by Shareholders	A.8.2	Complied	The names of the Directors submitted for election or re-election is accompanied by a resume to enable shareholders to make an informed decision on their election.

Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2016/17
A.9 APPRAISAL OF BOARD PERFORMANCE			
The Board should periodically appraise its own performance against the present targets in order to ensure that the Board responsibilities are satisfactorily discharged.			
28. Annual performance evaluation of the Board and its Committees	A.9.1 & 9.2	Complied	<p>The Chairman and Remuneration Committee evaluate the performance of the Executive Directors Periodically.</p> <p>The Board undertakes an annual self-evaluation of its own performance and of its Committees. The Board evaluated its performance and effectiveness in the current year.</p>
29. Disclosure of performance evaluation criteria	A. 9.3	Complied	<p>Evaluation criteria with regard to Executive Directors are financial and non-financial targets set at the beginning of the year through the annual corporate plan.</p> <p>Criteria relating to evaluation of board committees are the performance against their duties referred in respective committee reports. Refer page 139 and page 140.</p>
A.10 DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS			
Details in respect of each Director should be disclosed in the Annual Report for the benefit of the shareholders.			
30. Details in respect of Directors	A.10.1	Complied	<p>The following details pertaining to each Director are disclosed as follows:</p> <p>(a) Brief profile with expertise and experience – page 100 and 101.</p> <p>(b) Directors' Interest in Contracts - Page 133 and 187</p> <p>(c) Detail of Board Meetings held during the year page 126.</p>
A.11 APPRAISAL OF CHIEF EXECUTIVE OFFICER			
The Board of Directors should annually assess the performance of the Managing Director who performs the role of the Chief Executive Officer.			
31. Targets for Managing Director	A.11.1	Complied	<p>Prior to the commencement of each financial year, the board sets reasonable financial and non-financial targets which are in line with short, medium and long-term objectives of the Company, achievement of which should be ensured by the Managing Director.</p>

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2016/17
32. Evaluation of the performance of the Managing Director	A.11.2	Complied	The performance is evaluated by the Board at each board meeting and the overall evaluation at the end of each fiscal year in order to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstances.
B. DIRECTORS' REMUNERATION			
B.1 REMUNERATION PROCEDURE			
This principle ensures that the Company has a well-established, formal and transparent procedure in place for developing an effective remuneration policy for both Executive and Non-Executive Directors where no Director is involved in deciding his/her own remuneration in order to avoid potential conflict of interest.			
33. Establishment of a Remuneration Committee	B.1.1	Complied	The Remuneration Committee was formed in year 2014. The Committee is required to decide on the remuneration of the Executive Directors and sets guidelines for the remuneration of the management staff within the Group. The Chairman and Managing Director are not members of this Committee. Please refer page 140 for the Remuneration Committee report.
34. Composition of Remuneration Committee	B.1.2	Complied	The Remuneration Committee consists of two Independent Non-Executive Directors and the Chairman of this Committee is appointed by the Board.
35. Chairman and the members of the Remuneration Committee	B.1.3	Complied	The Remuneration Committee consists of following Independent Non- Executive Directors: Dr H Cabral, PC - Chairman Mr. S. Munaweera – Member
36.Determination of Remuneration of the Non-Executive Directors	B.1.4	Complied	The Board as a whole determines the remuneration of the Non-Executive Directors including the members of the Remuneration Committee which the Board believes is in line with current market conditions.
37. Consultation of the Chairman and access to professional advice	B.1.5	Complied	Each Committee has the authority to seek internal and external independent professional advice on remuneration of other Executive Directors and also on matters falling within its purview at the Company's expense. Views of the Chairman of each Committee are obtained, in addition to the views of the Managing Director.

Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2016/17
B.2 THE LEVEL AND MAKE UP OF REMUNERATION			
The level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to the corporate and individual performance.			
38. Level and makeup of the remuneration packages of Executive Directors.	B.2.1	Complied	The Board is mindful of the fact that the remuneration of Executive Directors should reflect the market expectations and is sufficient enough to attract, retain and motivate the Executive Directors of the required competence in order to run the Company.
39. Competitiveness of levels of Remuneration	B.2.2	Complied	The Remuneration Committee ensures that the remuneration of executives of each level of management including Executive directors is competitive and in line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is competitive and in line with those of comparative companies.
40. Comparisons of remuneration with other companies in the Group	B.2.3	Complied	The Remuneration Committee reviews data concerning executive pay among the Group Companies.
41. Designing the performance based Remuneration for Executive Directors	B.2.4	Complied	Performance-based incentives have been determined by the Remuneration Committee to ensure that the total earnings of the Executive Directors are aligned with the achievement of objectives and budgets of the Group companies.
42. Executive share options	B.2.5	N/A	Presently the Group does not have an executive Share Option Schemes.
43. Designing the Performance Related Remuneration of Executive Director	B.2.6	Complied	The Remuneration Committee follows the provisions set out in Schedule D of the Code as required.
44. Early termination of Executive Directors	B.2.7 B.2.8	N/A	Termination of Executive Directors are governed by their contracts of service/employment.
45. Levels of Remuneration of Non-Executive Directors	B.2.9	Complied	Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2016/17
B.3 DISCLOSURE OF REMUNERATION			
The Code requires the Company to disclose in its Annual Report the details of the remuneration paid and the Remuneration Policy.			
46. Disclosure of Remuneration	B.3.1	Complied	Please refer page 132 for the total Directors' remuneration
C. RELATIONS WITH SHAREHOLDERS			
C.1 CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS			
The Code requires the Board to use the AGM which is a major event in the Company's calendar to communicate with shareholders and encourage their active participation. In this regard, all shareholders of the Company receive the Notice of Meeting within the statutory due dates.			
47. Use of proxy votes	C.1.1	Complied	The Company has in place an effective mechanism to count all proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands, except where a poll is called.
48. Separate resolution for substantially separate issues and adoption of Annual Report and Accounts	C.1.2	Complied	The Board remains mindful of being accountable to shareholders and the need for transparency at all levels, striving to maintain its value framework in all shareholder dealings and communications.
49. Availability of all Board Sub Committee Chairmen at the AGM	C.1.3	Complied	The Chairman of the Company ensures the Chairmen of Audit and Remuneration Committees are available to answer questions at the AGM if so requested by the Chairman.
50. Adequate notice of the AGM to Shareholders	C. 1.4	Complied	A copy of the Annual Report including Financial Statements, Notice of the Meeting and the Form of Proxy is sent to shareholders 15 working days prior to the date of the AGM, as required by the statute, in order to provide the opportunity to all the shareholders to attend the AGM.
51. Procedures of voting at General Meetings	C.1.5	Complied	A summary of the procedures governing voting at General Meeting is circulated to shareholders with every Notice of the General Meeting.

Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2016/17
C.2 COMMUNICATION WITH SHAREHOLDERS			
The Code Requires the board should implement effective communication with shareholders.			
52. Channel to reach all shareholders	C.2.1	Complied	<p>The main mode of communication between the Company and the shareholders is the Annual General Meeting. Shareholders are provided with the information prior to the AGM.</p> <p>Further, financial and other announcements are promptly submitted to CSE to publish in the CSE website.</p> <p>Comments and suggestions can be sent through marketing@alumexgroup.com</p>
53. Policy methodology for communication with shareholders.	C.2.2.	Complied	<p>An open door policy is in place, which enables shareholders to keep in constant touch, visit and obtain information from the Company Secretary and Investor Relations Department and engage in dialogue</p> <p>Contact details are published in all annual and quarterly financial reporting.</p>
54. Implementation of the policy and methodology for communication with shareholders.	C.2.3	Complied	Please refer C.2.4 and C.2.5 for the implementation of the policy and methodology
55. Contact person for communication	C.2.4 & C.2.6	Complied	Details of contact persons are disclosed in the back inner cover of the Annual Report and Quarterly Financial Statements.
56. Process to make Directors aware of major issues and concerns of shareholders	C.2.5	Complied	<p>The Company Secretary maintains a record of all correspondence received.</p> <p>All major issues and concerns of the shareholders are referred to the Board of Directors with the views of the management.</p>

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2016/17
C.3 MAJOR TRANSACTIONS			
Directors should disclose to shareholders all proposed corporate transactions which if entered into, would materially alter/vary the Company's net asset base or the consolidated group's net asset base.			
57. Disclosure on proposed Major Transaction	C.3.1	Complied	During the year there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of Company or the Group's consolidated net asset base.
D. ACCOUNTABILITY AND AUDIT			
D.1 FINANCIAL REPORTING			
The Board should present a balanced and understandable assessment of the company's financial position, performance and prospects.			
58. Board's responsibility for Statutory and Regulatory Reporting	D.1.1	Complied	The Board has recognized the responsibility to present regulatory and statutory reporting in a balanced and understandable manner. When preparing Quarterly and Annual Financial Statements, the Company complied with the requirements of the Companies Act No. 07 of 2007 and prepared and presented them in accordance with Sri Lanka Accounting Standards. The Company has complied with the reporting requirements prescribed by the Colombo Stock Exchange.
59. Declaration by Directors' report in the Annual Report	D.1.2	Complied	The Directors have made all required declarations in the 'Annual Report of the Board of Directors and appears on pages 132 to 136.
60. Statement of Directors' and Auditor's responsibility for Financial Reporting	D.1.3	Complied	The 'Statement of Directors' Responsibility' is given on page 137. See the 'Auditors' Report' on page 145 for the reporting responsibility of Auditors.
61. Management Discussion and Analysis	D.1.4	Complied	See 'Management Discussion and Analysis' on pages 41 to 48.
62. Declaration by the Board on Going Concern of the Business	D.1.5	Complied	This is given in the 'Annual Report of the Board of Directors' on page 132 and the 'Statement of Directors' Responsibility' on page 137 and pertains to required declarations.

Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2016/17
63. Summon an EGM to notify serious loss of capital	D.1.6	Compliant	Reason for such an EGM has not risen as yet but would be complied with if such a situation arises.
64. Disclosure of related party transactions	D.1.7	Complied	<p>The Directors have instituted an effective and comprehensive system of internal control for identifying, recording and disclosing related party transactions.</p> <p>All related party transactions, as defined in Sri Lanka Accounting Standard - (LKAS 24) on 'Related Party Transactions' are disclosed in note 27 to Financial Statements.</p>
D.2 INTERNAL CONTROL			
The Board should have a sound system of internal controls to safeguard shareholders' investments and the Company's assets.			
65. Annual evaluation of the internal controls system	D.2.1	Complied	<p>The Board is responsible for the Group's internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision-making. It covers all controls, including financial, operational and compliance controls and risk management. It is important to state, however, that any system can ensure only reasonable, and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time. The Hayleys Management Audit & System Review Department (MA & SRD) plays a significant role in assessing the effectiveness and successful implementation of existing controls and strengthening these and establishing new controls where necessary. The MA & SRD's reports are made available to the Chairman and Managing Director and the Chairman of the Audit Committee. The Board has reviewed the effectiveness of the system of financial controls for the period up to the date of signing the accounts. There is a direct channel of communication between the Head of MA & SRD and the Chairman of the Audit Committee without the interference of any Directors or Executives.</p>
66. Need for internal audit Function	D.2.2	Complied	<p>This is not applicable as the Hayleys Management Audit & System Review Department (MA & SRD) is responsible for the internal audit function of the Company.</p>

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2016/17
67. Review of the process and effectiveness of risk management and internal controls.	D.2.3	Complied	The Audit Committee reviews internal control issues and risk management measures and evaluates the adequacy and effectiveness of the risk management and internal control systems including financial reporting.
68. Directors' responsibility of maintaining a sound internal control system	D.2.4	Complied	Please refer statement of Directors' Responsibilities. on page 137.
D.3 AUDIT COMMITTEE			
The Board should have formal and transparent arrangements in selecting and applying the accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's External Auditor.			
69. Composition of the Audit Committee	D.3.1	Complied	<p>Audit Committee consists of two independent Non Executive Directors and one Non-Executive Director</p> <p>S Munaweera - Chairman</p> <p>Dr H Cabral, PC - Member</p> <p>Mr R P Pathirana - Member</p> <p>The Company Secretary Serves as its Secretary. The Chairman, Managing Director and the Chief Financial Officer (CFO) and Hayleys Group CFO are invited to attend meetings as required. The input of the statutory Auditors will be obtained where necessary.</p> <p>The Audit Committee is required to help the Company to achieve a balance between conformance and performance.</p>
70. Duties of the Audit Committee	D.3.2	Complied	The Audit Committee keeps under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the auditors. Review of nature and extent of non-audit services provided by the auditors to seek balance objectivity and independence. Refer Audit committee report on page 139 for the duties

Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2016/17
71. Terms of reference of the Audit Committee	D.3.3	Complied	Terms of Reference of the Board Audit Committee is clearly defined in the Charter of the Audit Committee approved by the Board of Directors. This clearly explains the purpose of the Committee, its duties and responsibilities together with the scope and functions of the Committee. The Committee is required mainly to deal with the matters pertaining to statutory and regulatory compliance in financial reporting, matters with regard to the External Auditors, Internal Audit and Risk Management procedures of the Company. Please refer audit committee report on page 139.
72. Disclosures of the Audit Committee	D.3.4	Complied	The names of the members of the Audit Committee are given under section D.3.1 of this Code. The Committee ensures that the rotation of External Audit Engagement Partner once every 5 years, is met. The External Auditor, has provided an Independence confirmation in compliance with the "Guidelines for Appointment of Auditors of Listed Companies" issued by SEC. In order to safeguard the objectivity and independence of the External Auditor, the Audit Committee reviewed the nature and scope taking account of the regulations guidelines stated in Section D.3.2.
D.4 CODE OF BUSINESS CONDUCTED AND ETHICS			
The Company should develop a Code of Business Conduct and Ethics for Directors and members of the Senior Management team and must promptly disclose any waivers of the Code for Directors or others.			
73. Code of Business Conduct and Ethics	D.4.1	Complied	The Company has developed a Code of Conduct for its employees. This Code addresses conflict of interest, corporate opportunities, confidentiality of information, fair dealing, protection and proper use of the Company's assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behaviour, etc.
74. Affirmative Statement by the Chairman	D.4.2	Complied	See the 'The Chairman's statement on page 20 for required details.
D.5 CORPORATE GOVERNANCE DISCLOSURE			
Directors of the Company disclose annually the Company's adherence to the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and The Securities and Exchange Commission of Sri Lanka.			

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2016/17
75. Disclosure of corporate governance	D.5.1	Complied	This requirement is met through the presentation of this report.
E. INSTITUTIONAL INVESTORS			
E.1 SHAREHOLDERS' VOTING			
Institutional shareholders are required to make considered use of their votes and are encouraged to ensure their voting intentions are translated into practice.			
76. Communication with shareholders	E.1.1	Complied	In order to avoid conflicts of interest by nurturing the mutual understanding, the Board carries out dialogues with its shareholders at general meetings. In this regard, the AGM of the Company plays a critical role. Voting by the shareholders is crucial in carrying a resolution at the AGM. The Chairman, who plays the role of the agent, communicates the views and queries of the shareholders to the Board and the senior management, in order to ensure that the views are properly communicated to the Company.
E.2 EVALUATION OF GOVERNANCE DISCLOSURES			
The Code requires the Company to encourage institutional investors to give due weightage to all relevant factors drawn to their attention.			
77. Due weightage by Institutional Investors	E.2.1	Complied	The Institutional Investors are encouraged to give due weightage to all relevant matters relating to the Board structure and composition.
F. OTHER INVESTORS			
F.1 INVESTING/ DIVESTING DECISIONS			
78. Seek Independent Advice	F.1	Complied	Individual investors are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions. The Company's website serves to provide a wide range of information on the Group.
F.2 SHAREHOLDER VOTING			
79. Encourage Voting by Individual Investors	F.2	Complied	Individual shareholders are encouraged to participate in General Meetings of the Company and exercise their voting rights.

Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2016/17
G. SUSTAINABILITY REPORTING			
The Code requires the Company to adopt the following principles in Sustainability Reporting to ensure the maintenance of policies and procedures to develop a sustainable business environment and to make disclosure on Sustainability			
G.1 PRINCIPLES OF SUSTAINABILITY REPORTING			
80.Economic Sustainability	G.1.1	Complied	Company uses various strategies to employ the resources optimally to achieve responsible and beneficial balance in economic performance in the long term. Refer page 38 for strategies and page 48 for outlook.
81.The Environment	G.1.2	Complied	The company adopts an integrated approach which mitigates the environmental threats and improves best practices in company's engagements to fulfill the obligation towards the environment. Such best practices are atmospheric emission management, water management, Waste management, Material Management and Noise management . Refer to the CSR report -Environment on page 88 in this Annual report.
82.Labour practice	G.1.3	Complied	Company maintains sound and effective labour related policies and practices relating to work performed by the employees. Refer page 62 in the annual report for information.
83.Society	G.1.4	Complied	Company implements community development programmes in order to build a strong relationship with the community and strives towards sustainable development. Refer page 70 in this annual report for related information.
84.Product responsibility	G.1.5	Complied	Company manufactures quality products according to certified quality standards, and offers proper distribution system of the same, which ensures high customer satisfaction. Please refer page 84 for information
85. Stakeholder identification, engagement and effective communication.	G.1.6	Complied	Company maintains proactive and transparent communication system with internal and external stakeholders. Communication includes reporting on economic, social and environmental issues relevant to the company. Please refer page 34 for information
86.Sustainable reporting and disclosure	G.1.7	Complied	Company has followed the G4 sustainability reporting guidelines - Global Reporting Initiative

SECTION 2 : COLOMBO STOCK EXCHANGE LISTING RULES SECTION 7.10

Statement of Compliance

This section covers Alumex PLC's extent of adherence to the requirements of the Continuing Listing Requirements of Section 7.10 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.

Rule No.	Subject	Alumex Extent of Adaption	Compliance Status	Reference in this report
7.10.1(a)	Non-Executive Directors (NED)	Five (5) of the eight (8) Directors were Non-Executive Directors as at 31st March 2017	Complied	Corporate Governance
7.10.2(a)	Independent Directors	Two (2) of the Five (5) Non-Executive Directors were independent as at 31st March, 2017.	Complied	Corporate Governance
7.10.2(b)	Independent Directors	All Non-Executive Directors have submitted their confirmation of independence as per the criteria set by the CSE rules, which is in line with the regulatory requirements.	Complied	Corporate Governance
7.10.3(a)	Disclosure relating to Directors	The Board assessed the independence declared by the Directors and determined the Directors who are independent and disclosed same in item A.5.5 of the ICASL Code table.	Complied	Corporate Governance
7.10.3(b)	Disclosure relating to Directors	The Board has determined that Two (2) Non-Executive Directors satisfy the criteria for "independence" set in the Listing Rules. The board is of the opinion that Dr. H. Cabral's independence will not be compromised by him being an independent Non Executive Director of Hayleys PLC.	Complied	Corporate Governance
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise.	Complied	Board of Directors' (profile) section in the Annual Report on – Page 100 and 101.

Corporate Governance

Rule No.	Subject	Alumex Extent of Adaption	Compliance Status	Reference in this report
7.10.3(d)	Disclosure relating to Directors	Disclosed the appointments of new Directors to the Colombo Stock Exchange and was disclosed to the public. Brief resumes of the Directors appointed during the year have been provided to the Colombo Stock Exchange.	Complied	Corporate Governance and Board of Directors (profile) section in the Annual Report
7.10.5(a)	Composition of Remuneration Committee	The Remuneration Committee comprised of Two (2) Independent Non-Executive Directors as at 31st March 2017.	Complied	Corporate Governance and Remuneration Committee Report
7.10.5(b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Managing Director and the Executive Directors.	Complied	Corporate Governance and Remuneration Committee Report
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Remuneration Committee members are given in section B.1.3 of the ICASL code table on page 113. The disclosure of the Remuneration Committee is given on page 140 and the Remuneration paid to Directors is given in the Note 8 to the Financial Statement on page 166.	Complied	Corporate Governance and Remuneration Committee Report
7.10.6(a)	Composition of Audit Committee	Shall comprise of NEDs, a majority of whom will be independent.	Complied	Corporate Governance and Audit Committee Report
7.10.6(b)	Audit Committee Functions	Audit Committee functions are stated in the Audit Committee Report – Page 139.	Complied	Corporate Governance and Audit Committee Report
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee	The names of the Audit Committee members given on page 139. The basis of determination of the independence of the Auditor is also given in section D.3.4 of the ICASL code table	Complied	Corporate Governance and Audit Committee Report

SECTION 3: COLOMBO STOCK EXCHANGE LISTING RULES SECTION 9

Statement of Compliance

This section covers Alumex PLC's extent of adherence to the requirements of the Code of Best practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange:

Rule No.	Subject	Alumex Extent of Adaption	Compliance Status	Reference in this report
9.2.1 & 9.2.3	Related Party Transactions Review Committee (RPTRC)	<p>The RPTRC of the parent Company, Hayleys PLC, a listed entity, functions as the RPTR Committee for the Company</p> <p>The committee was formed on 10th February 2015.</p> <p>The functions of the committee are stated in Related Party Transactions re-view Committee report in page 141.</p>	Complied	<p>Annual report of Board of Directors - page 132.</p> <p>Related Party Transactions Review Committee Report - page 141.</p>
9.2.2	Composition of the Related Party Transactions Review Committee	<p>The RPTRC consists of following directors:</p> <ul style="list-style-type: none"> • Dr. H. Cabral PC - Chairman (Independent non-executive Director - Hayleys PLC) • Mr. M. Y. A. Perera - (Independent Non-Executive Director - Hayleys PLC) - Appointed w.e.f 12/09/2016 • Mr. S. C. Ganegoda - (Executive Director - Hayleys PLC) • Mr. M. D. S. Goonatilleke (Independent Non-Executive Director - Hayleys PLC) - Resigned w. e. f. 12/05/2016 	Complied	<p>Annual report of Board of Directors - page 132.</p> <p>Related Party Transactions Review Committee Report - page 141.</p>
9.2.4	Related Party Transactions Review Committee- Meetings	The committee was formed on 10th February 2015 and met 04 times during the financial year of 2016/2017	Complied	Annual report of Board of Directors - page 132.
9.3.1	Immediate disclosures	Company has not been involved in any non recurrent related party transactions which requires immediate announcement to the Exchange.	Complied	Notes 27 to the financial statements - page 187.
9.3.2 (a)	Disclosure - Non-recurrent Related Party Transactions	Company has involved with an Non recurrent related party transactions with aggregate value exceeds 10% of the equity or 5% Total assets whichever is lower. This is duly disclosed	Complied	Notes 27 to the financial statements - page 187.

Corporate Governance

Rule No.	Subject	Alumex Extent of Adaption	Compliance Status	Reference in this report
9.3.2 (b)	Disclosure - Recurrent Related Party Transactions	Company is involved with provision of goods and services or financial assistance to related parties which are carried out on a continuing basis and expected to extend over a period of time in ordinary course of business of the company. However, aggregate values of these transactions were below 10% of gross revenue of latest audited accounts.	Complied	Notes 27 to the financial statements - page 187.
9.3.2 (c)	Report by the Related Party Transactions review Committee	Refer page 141 for the Related Party Transactions review Committee report	Complied	Related Party Transactions Review Committee Report - page 141.
9.3.2 (d)	A declaration by the Board of Directors	Refer page 132 - the annual report of directors for an affirmative statement of compliance of the board	Complied	Annual report of Board of Directors - page 132.

Board and the Committee Attendance

The number of meetings of the Board and the Audit Committee and individual attendance by members are as follows:

Board Meeting Attendance

Name of Director	Attendance
Mr.A.M.Pandithage	4/4
Mr.R.P.Peris	4/4
Mr. S.C.Ganegoda*	3/4
Mr.R.P.Pathirana*	3/4
Mr.A.A.Akbarally*	3/4
Mr.D.W.P.N.Dediwela	4/4
Dr.H.Cabral,PC **	3/4
Mr.S.Munaweera**	4/4

Audit Committee Attendance

Name of Director	Attendance
Dr.H.Cabral,PC **	3/4
Mr.S.Munaweera**	4/4
Mr.R.P.Pathirana*	1/4

Risk Management

Alumex Risk Management Framework.

Alumex uses COSO and Risk Management Industry approaches as the conceptual framework of its Enterprise Risk Management. The Framework consists of identifying and profiling significant risks, determining Group risk appetites, accepting/transferring/eliminating and sharing risks, measuring performance including the benefits of risk diversification and monitoring execution of the process. The outcome of this process will help to direct scarce resources towards business opportunities that generate maximum returns, with minimum risks. Further, this method allows assessment of risk observations to priorities risk management.

Enterprise Risk Management Framework

Objective Setting	Alumex Group sets its financial and operational objectives on a yearly basis. This process includes reviewing and setting long term (five-year) objectives and annual objectives with related KPIs for monitoring purposes. The Corporate Management Team takes the initiative in proposing objectives and they are reviewed and approved by the Board.
Risk Identification	Risks associated with objectives are identified and documented in parallel to setting of objectives. Further, the applicability of risk areas identified previously during management discussions in internal audit reports and management letters of external auditors are reviewed to prepare a comprehensive list of risks of the Group.
Risk Assessment	The measure of risk is based on likelihood and impact assessment performed as explained below. Any significant risks exceeding risk tolerance limits will require management responses.
Risk Response	Depending on the significance of the risk, decisions are taken to appropriately manage the risk by accepting, reducing, sharing or avoiding it. Risk responses identified in relation to set objectives are also documented and reviewed.
Control Activities	The Corporate Management Team and the Group Managers implement the risk response action plans identified, with a view to managing those risks.
Information and Communication	Documentation and reporting plays a key role in monitoring risk. The corporate plan, which includes objectives and related risks, internal audit reports and management letters of external auditors, are communicated to the management of the Company, the Audit Committee and the Board of Directors of both Alumex and its holding company, Hayleys PLC, for their review and actions.
Monitoring	Monitoring risks at multiple levels: During the monthly performance review meetings, all significant risks and their actions plans are reviewed by the Corporate Management Team and the Group Managers. The Hayleys' Group Management Committee, attended by the Managing Director of the Alumex Group, also reviews these risk areas on a monthly basis. The Audit Committee, which has the ultimate responsibility of monitoring the process of risk management, reviews the risks and action plans on a quarterly basis and makes recommendations to the Board.

Risk Management

Risk Assessment

The COSO view of risk assessment is based on the likelihood and impact of a specific type of event; the output is a probability weighted impact. The high risk area in the top right corner of the matrix demands higher and prompt attention.

Likelihood	High(3)	3	6	9
	Medium(2)	2	4	6
	Low (1)	1	2	3
		Low (1)	Medium(2)	High(3)
		Impact		

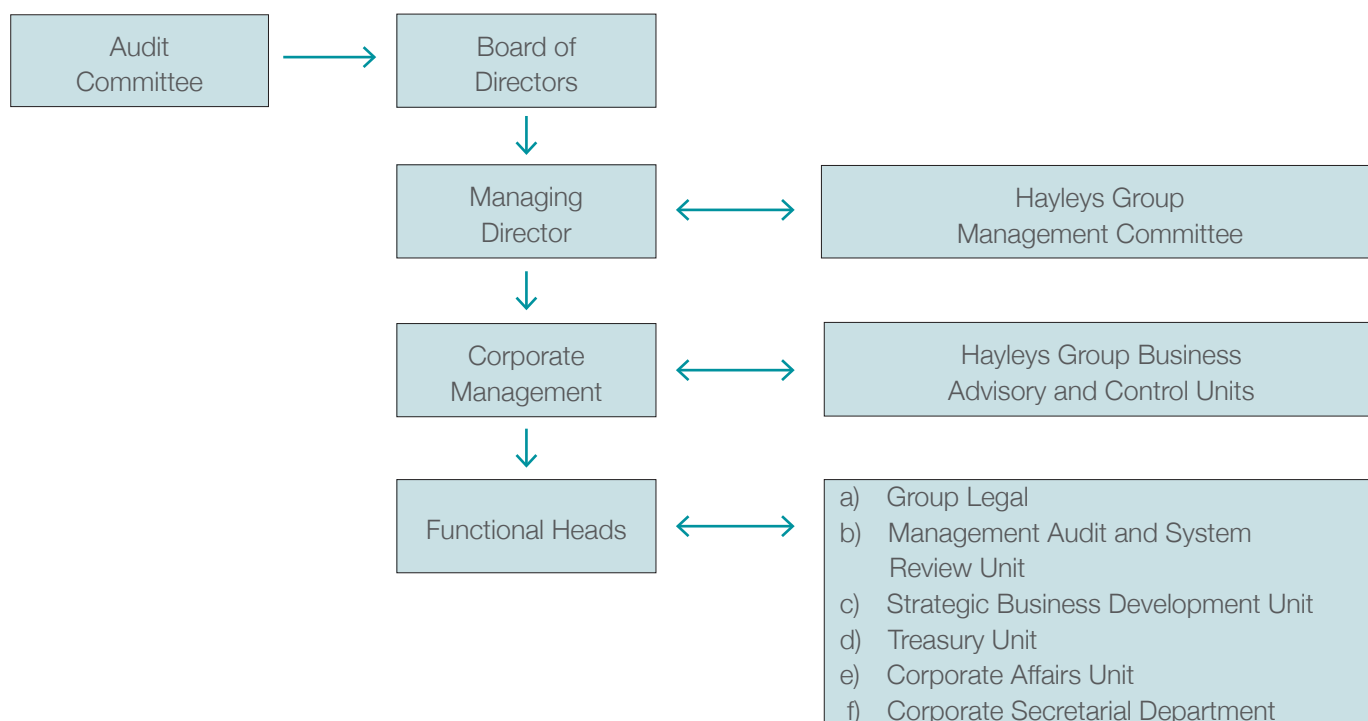
Risk Management Structure

The Board is primarily responsible for ensuring that the risks are identified and appropriately managed across the Group. The Board has delegated this responsibility to the Audit Committee to review the effectiveness of the Group risk management framework, including the systems established to identify, assess, manage and monitor risks. The internal audit function also plays a key role in risk identification.

The corporate management team takes the lead in the total risk management process – the identification of risks and finally the implementation and monitoring of identified risks. A bottom-up approach is taken in the process of risk identification. The corporate management team also evaluates the options available to mitigate risks. Functional heads provide useful information and feedback to the corporate management team for risk management with the assistance of the employees of the Group.

The Hayleys' Group Management Committee and the business advisory and control units specialized in legal, management audit and system reviews, strategic business developments, treasury, HR and corporate affairs, also play a key role in identifying, assessing, controlling and monitoring the risks applicable to Alumex Group business operations.

Organisational Structure	Risk Management Role
Board of Directors	Overlook the risk management strategy and the Enterprise Risk Management process
Audit Committee	Oversee and review the Enterprise Risk Management process
Hayleys' Group Management Committee	Identify, assess and monitor risks relating to Alumex business operations
Hayleys' Group Business Advisory and Control Units	Identify and assess risks related to Alumex' business operations within their expertise in legal, systems and audit, strategic business development, treasury, HR and corporate affairs.
Corporate Management Team	Identify, assess, monitor risks, and implement action plans
Functional Heads	Implement, monitor and elicit feedback



Risk Management Actions

The table below sets out the broader categories of risks, along with specific risk elements Alumex is exposed to and the implications of the same as well as the risk management measures in place.

Risk Category	Risk Element	Implications	Mitigating Measures	Risk Level High, Medium, Low
Risk of Financial Capital	Commodity Price Risk Fluctuations in Aluminium prices in the world market	Short term and Long term Increase in Aluminium raw material prices will create losses due to fixed selling prices	<ul style="list-style-type: none"> Monitor prices/trends and book forward Quote variable prices to customers, based on London Metal Exchange prices 	High
	Foreign Currency Risk arises from exposure to foreign currency positions	Short term and Long term Losses can arise when foreign currency assets and liabilities are translated into local currency as at the balance sheet date, or when transactions are carried out in foreign currency	<ul style="list-style-type: none"> Monitor trends and book forward Maintain foreign currency denominated assets to hedge against liabilities 	High
	Interest Rate Risk arising due to the sensitivity to interest rate changes	Short term and Long term Increase in interest rates could impact on the cost of Aluminium due to high cost of financing and increase in the cost of borrowing	<ul style="list-style-type: none"> Effective management of working capital Maintain a proper combination of fixed and floating rates 	Medium

Risk Management

Risk Category	Risk Element	Implications	Mitigating Measures	Risk Level High, Medium, Low
Risk of Financial Capital	Liquidity Risk Availability of funds –the Group has to be liquid and solvent to carry out its operations smoothly	Short term and Long term Unavailability of sufficient funds may interrupt the smooth functioning of the Company's operations	<ul style="list-style-type: none"> Effective treasury function to forecast fund requirement and availability Maintain a portfolio of short term liquid assets Arrange sufficient financial facilities 	Low
	Risk of Bad Debts due to payment default by credit customers	Short term and Long term Could result in direct losses due to bad debts and increase in finance cost due to delayed payments	<ul style="list-style-type: none"> Implementation of Group credit policy Periodic review of receivables, Legal and other recovery actions 	Medium
Risk of Human Capital	Labour Shortages Reduction in skilled and un-skilled labour	Short term and Long term Increase in production costs due to higher wages	<ul style="list-style-type: none"> Automation Increase living standards of employees to reduce turnover 	Medium
	Industrial Health and Safety Could lead to workplace accidents, penalties, negative image and hiring difficulties on future requirements	Short term and Long term Lower productivity due to higher employee turnover and dissatisfaction of existing employees.	<ul style="list-style-type: none"> Providing necessary safety equipment to all employees. Focused training on health and safety to all employees. Insurance coverage to mitigate the risks. 	Medium
Risk of Intellectual capital	Confidentiality of Information Loss of confidential data through security breaches in the IT systems	Short term and Long term Loss of the unique profile designs of Alumex to competitors	<ul style="list-style-type: none"> Extensive controls and reviews to maintain security of IT infrastructure and data Regular back up of data and off-site storage of data backup system Disaster recovery plan 	Medium

Risk Category	Risk Element	Implications	Mitigating Measures	Risk Level High, Medium, Low
Risk of Social & Relationship Capital	FTA with China may affect removing duty / import barriers	Long Term Loss of market share and profitability	<ul style="list-style-type: none"> Identify and develop competitive advantages Productivity increase and reduction in cost of production 	High
	Single customer/ suppliers Risk of having a few major customers and/or suppliers	Short term and Long term Loss of a major customer affects revenues and loss of a major supplier affects the supply of critical raw material for manufacture	<ul style="list-style-type: none"> Diversify and increase the customer base Develop multiple supplier networks 	Medium
Risk of Manufactured Capital	Old Machineries Being reliant on old machines and accessories.	Short term and Long term Lower productivity and the lower production due to loss hours affected by frequent breakdowns	<ul style="list-style-type: none"> Investment in new machineries. Upgrading knowledge on maintenance. 	High
	Capacity Shortages Production capacity shortages	Long Term Loss of orders and inherent risk on reduction of market share.	<ul style="list-style-type: none"> Capacity expansion 	Medium
Risk of Natural Capital	Using Hazardous Chemicals Risk of using hazardous chemicals for the production can cause health and safety issues	Short term and Long term Public resistance and/or regulatory involvement on environmental pollution / protection	<ul style="list-style-type: none"> Shifting to environmental friendly chemicals. Developing Effluent Water Treatment process. Safe disposal of solid waste 	High
	Water Scarcity Usable water becoming a scarce resource	Long Term Limiting capacity usage or stopping high water intensive processes	<ul style="list-style-type: none"> Shifting to low water intensive technologies. Recycling water 	Medium

Annual Report of the Board of Directors on the Affairs of the Company

Annual Report of the Board of Directors on the affairs of the Company

The Directors of Alumex PLC have pleasure in presenting the Report on the affairs of the Company together with the audited Financial Statements for the year ended 31st March 2017. The details set out herein provide the pertinent information required by the Companies Act No.7 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended best reporting practices.

Principal Activities & Business Review

The principal activity of the company is manufacturing and selling dies and aluminium extrusions. There were no significant changes in the activities of the Company in the year under review. A review of company performance during the year with brief comments on the financial results and prospects is contained in the Chairman's Review of this Annual Report. These reports together with the Financial Statements reflect the state of affairs of the Company.

The Directors, to the best of their knowledge and belief, confirm that the Company has not engaged in any activities that contravene laws and regulations.

The Company was listed on the Colombo Stock Exchange on 31st March 2014 subsequent to an Initial Public Offering.

Financial Statements

The Financial Statements of the Company are given on pages 146 to 194.

Auditor's Report

The Auditor's Report on the Financial Statements is given on page 145.

Accounting Policies

The accounting policies adopted in the preparation of Financial Statements are given on pages 152 to 164.

There were no changes in the accounting policies adopted.

Interests Register

The Company, in compliance with the Companies Act No.7 of 2007, maintains an Interests Register. Particulars of entries in the Interests Register are detailed below.

Related Party Transactions

The Board of Directors has given the following statement in respect of the related party transactions.

The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee which is formed under the parent Company and are in compliance with the Section 09 of the CSE Listing Rules.

The Committee met Four (04) times in the Financial Year 2016/17.

Attendance

Meetings held on 18th May 2016, 5th August 2016, 4th November 2016 and 9th February 2017.

Dr. H. Cabral, PC**	4/4
Mr. M. Y. A.Perera**	2/2
Mr. S. C. Ganegoda*	3/4

**Independent Non-executive

*Executive

Mr. M. D. S. Goonatilleke resigned from the committee on 12/05/2016.

Mr. M.Y.A. Perera appointed to the Committee on 12/09/2016.

Directors' Interests in Transactions

The Directors of the company have made the general disclosures provided for in Section 192(2) of the Companies Act No.7 of 2007. Note 27 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

Directors' Interests in Shares

Directors of the Company who have relevant interests in the shares of the Company have disclosed their shareholdings in compliance with Section 200 of the Companies Act.

Details of Directors' shareholdings in the Company are given in page 195 of this report.

Directors' Remuneration

Executive Directors' remuneration is established within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2017 was Rs.33.101 million (2015/16 – Rs. 24.829 million),

which includes the value of perquisites granted to them as part of their terms of service. The total remuneration of Non-Executive Directors for the year ended 31st March 2017 was Rs. 905,000.00. (2015/16 – Rs 705,000.00) determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the Company.

Insurance and Indemnity

Pursuant to a decision of the Board, the Company has obtained an insurance policy to cover director's liability under the parent Company, Hayleys PLC.

The limit on liability of the cover is USD 5 million at a premium of Rs 5.3. million per annum.

Directors' Shareholdings

Name	No of shares	No of shares
	As at 31/03/17	As at 01/04/16
Mr.A M Pandithage	10,000	10,000
Mr. R P Peris	70,000	70,000
Mr. D W P N Dediwela	10,669,200	10,669,200
Mr.R.P.Pathirana	243,949	233,949
Mr. S.C.Ganegoda	Nil	Nil
Mr. A A Akbarally	Nil	Nil
Dr. H Cabral,PC	Nil	Nil
Mr. S Munaweera	20,000	Nil
Mr A J Hirdaramani (Alternate Director to Mr R P Pathirana)	Nil	Nil
Mr. T Akbarally (Alternate Director to A A Akbarally)	Nil	Nil

Hayleys PLC holds 154,144,500 shares (51.50%) in Alumex PLC in which Mr. A M Pandithage, Mr. S C Ganegoda and Dr .H.Cabral, PC are Directors.

Dean Foster (Pvt) Ltd holds 14,213,900 shares(4.75%) in Alumex PLC in which Mr. A M Pandithage and Mr.S C Ganegoda are Directors.

Akbar Brothers (Pvt) Ltd holds 40,217,782 shares (13.44%) in Alumex PLC in which Mr. A A Akbarally and Mr T Akbarally are Directors/shareholders.

Rosewood (Pvt) Ltd holds 29,340,300 shares (9.80%) in Alumex PLC in which Mr. R P Pathirana and Mr A J Hirdaramani are Directors.

1,500,000 shares were purchased by Hayleys PLC during the year.

(Mr. A M Pandithage, Mr. S C Ganegoda and Dr .H.Cabral, PC are Directors of Alumex PLC and also are Directors of Hayleys PLC

16,500,000 shares were disposed by Star Pack Investments (Pvt) Ltd during the year.

(Mr. H.H Abdulhusein , who was a Non-Executive Director of Alumex PLC is also a Director of Star Pack Investments (Pvt) Ltd.)

2,000,000 shares held by Mr. H.H Abdulhusein , who was a Non-Executive Director of Alumex PLC were disposed off during the year.

Mr. H.H Abdulhusein reigned from the board on 6th June 2016.

Corporate Donations

The donations made during this year by the Company amounted to Rs 1,131,000.00 (2015/16–Rs 1,108,863.00). This exceed the amount of Rs.1,000,000.00 approved by the shareholders at the last annual general meeting.

Ratification of the additional amount of Rs 131,000.00 made as donations for 2016/17 will be sought at the annual general meeting.

While Donations made by the Group amounted to Rs 1,157,000.00 (2015/16 – Rs.1,108,863.00)

Directorate

The names of the directors who held office at the end of the financial year are given below and their brief profiles appear on page 100 and 101.

Mr. A. M.Pandithage (Chairman)

Mr. R. P. Peris (Managing Director)

Mr. S C Ganegoda*

Mr. D W P N Dediwela

Mr. R P Pathirana*

Mr. A A Akbarally*

Annual Report of the Board of Directors on the Affairs of the Company

Dr. H Cabral, PC**

Mr. S Munaweera**

Mr A J Hirdaramani* (Alternate Director to Mr. R P Pathirana)

Mr. T Akbarally * (Alternate Director to A A Akbarally)

* Non Executive

** Independent Non Executive

Mr. H H Abdulhusein who served as a Non-Executive Director resigned on 6th June 2016.

Messrs. S. Munaweera and R. P. Pathirana, retire by rotation and being eligible offer themselves for re-election in terms of Article 28(6) of the Articles of Association of the Company.

Directors' Meeting

The number of Directors' meetings comprises Board meetings, Audit Committee meetings & Remuneration Committee meetings and the attendance of Directors at these meetings are given on page 126 of the Annual Report. Furthermore, the Directors contributed towards policy advocacy and direction by participating in the deliberations of the Board appointed sub committees on Strategic Review, Procurement and Disposal of Assets

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to present a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No 7 of 2007, Sri Lanka Accounting and the Listing Rules of the Colombo Stock Exchange. The Statement of Directors' Responsibility for Financial Reporting is given on page 137 which forms an integral part of the Annual Report of the Board of Directors.

Significant Accounting Policies

Preparation of the Financial Statements of the Company have been consistent with the previous financial year that adopted in new SLFRS and LKAS. The significant Accounting policies adopted in the Financial Statement are given on pages 152 to 164 of this annual report.

Auditors

The financial statements for the year have been audited by Messrs Ernst & Young, Chartered Accountants who are deemed to have been re-appointed as auditors in terms of Section 158 of the Companies Act No.7 of 2007.

A resolution proposing the Directors be authorized to determine their remuneration will be submitted at the Annual General Meeting.

The Auditors, Messrs. Ernst and Young & Co., was paid Rs 946,948 (2015/16 - Rs 775,172) and Rs 364,500 (2015/16 - Rs 354,349) as audit fees by the Company and its subsidiaries respectively. In addition, they were paid Rs 663,143 (2015/16 - Rs 1,625,984) and Rs 225,537 (2015/16 - Rs 505,510) respectively by the Company and its subsidiaries for non-audit related work, which consisted mainly of tax consultancy services.

As far as the Directors are aware, the Auditors do not have any relationships (other than that of an auditor) with the company and the Group companies other than those disclosed above. The Auditors also do not have any interests in the company or in the Group.

Future Developments

Information on future developments are contained in the Chairman's report (page 20) Goals and strategies referred in pages 38 to 40.

Turnover

The turnover of the Group was Rs 4,728 Mn (2015/16 - Rs. 3,995 Mn) in the year under review. A detailed analysis of the Group's turnover is given in Note 5 to the financial statements.

Results and Dividends

The Group's Profit before tax amounted to Rs 1,016 Mn (2015/16 - Rs 801 Mn). After charge of Rs 263 Mn. (2015/16 - Rs 212 Mn) for taxation, net Profit for the year was Rs 753 Mn (2015/16 - Rs 589 Mn) In addition, Group's total Comprehensive Income net of tax was Rs 851 (2015/16 - Rs 583 Mn).

First interim dividend of Rs.1.00 per share paid on 30 March 2017 and declared a second interim dividend of cents 50 per share payable on 6 June 2017.

The Directors have confirmed that the Company satisfied the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the interim dividends and the solvency certificates were obtained from the Auditors in respect of the interim dividends.

Ratios and Market Price Information

Ratios relating to equity and debt and the market price information are given on page 195.

Property, Plant and Equipment

The capital expenditure of the Group on property, plant and equipment during the year under review amounted to Rs 644 Mn(2015/16 - Rs 142 Mn). Information relating to movement in property, plant and equipment during the year is given in note 12 to the Financial Statements.

Market Values of the Properties

The free hold land in the group has in general been subject to routine revaluation by independent qualified valuers. The most recent valuation was conducted during the year and results have been incorporated in the financial statements.

Stated Capital and Reserves

The issued and paid up stated capital of the Company is Rs.283,735,400.00 (299,302,840 shares).

Total Group reserves as at 31st March 2017 amounted to Rs 2,032 Mn (2015/16 - Rs 1,615 Mn) comprising capital reserve of Rs 780 Mn (2015/16 - Rs 685Mn) and revenue reserve of Rs 1,252 Mn (2015/16 - Rs 930Mn). Movements are shown in the Statement of Changes in Equity in the Financial Statements.

Employment

The Group has a structure and a culture that recognizes the aspirations, competencies and commitment of its employees. Career growth and advancement within the Group is promoted. Details of the Group human resource practices and employees are given in the Human Capital section of the Capital Report. The number of persons employed by the group at the year end was 526. The Group does not operate any share option scheme.

Shareholders

It is the Group's policy to endeavor to ensure equitable treatment to its shareholders. Details of the major shareholders are given on page 196.

Events Occuring After the Reporting Period

No circumstances have arisen since the reporting date that would require adjustment to or other disclosure in the Financial Statements.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due, in relation to employees and the Government have been made promptly and are up to date.

Environmental Protection

The Company's business activities can have direct and indirect effects on the environment. It is the policy of the Company to conduct its activities in an environmentally responsible manner in order to keep adverse effects to a minimum and to ensure compliance with the relevant regulations.

Corporate Governance/ Internal Control

Adoption of good governance practices has become an essential requirement in today's corporate culture. The Company has complied with the Corporate Governance rules laid down by the Colombo Stock Exchange. The practices carried out by the Company are explained in the Corporate Governance statement on pages 104 to 131.

The Directors acknowledge their responsibility for the Group's system of internal control. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board, having reviewed the system of internal controls, is satisfied with its effectiveness for the period up to the date of signing of the Financial Statements.

Exposure to Risk

The group has a structured risk management process in place to support its operations. The audit committee plays a major role in this process. The risk management section referred in pages 127 to 131 elaborates these practices and the risk factors.

Annual Report of the Board of Directors on the Affairs of the Company

Going Concern

The Directors, after making necessary inquiries and reviews including reviews of the Group's budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

Annual General Meeting

The Annual General Meeting will be held at Hayleys PLC, No.400, Deans Road, Colombo 10, Sri Lanka at 3.00 p.m. on 23rd June 2017. The notice of the Annual General Meeting appears on page 212.

For and on behalf of the Board



A.M. Pandithage
Chairman



R. P. Peris
Managing Director



Hayleys Group Services (Pvt) Ltd
Secretaries
15th May, 2017

Statement of Directors' Responsibility

The Directors are responsible under Sections 150 (1), 151, 152 (1), and 153 of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss of the Company and the Group for the financial year.

The Directors are also responsible, under Section 148, for ensuring that proper accounting records are kept to enable, determination of financial position with reasonable accuracy, preparation of Financial Statements and audit of such statements to be carried out readily and properly.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange. Further, the Financial Statements provide the information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the Company, key operations and specific inquiries, that adequate resources exist to support the Company on a going concern basis over the next year. These Financial Statements have been prepared on that basis.

The Directors have taken reasonable measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

As required by Section 56 (2) of the Companies Act, the Board of Directors has authorised distribution of the dividends. Based on information available to it that the Company satisfied the solvency test after such distributions in accordance with Section 57 of the Companies Act, and obtained the Certificates of Solvency from the Auditors.

The external Auditors, Messrs Ernst & Young who were deemed reappointed in terms of Section 158 of the Companies Act No. 07 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on page 145 sets out their responsibilities in relation to the Financial Statements.

Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its Subsidiaries as at the Balance Sheet date have been paid or where relevant, provided for.

By order of the Board,



HAYLEYS GROUP SERVICES (PVT) LTD.
Secretaries

15th May, 2017

Responsibility Statement of Chairman, Managing Director and Chief Financial Officer

The financial statements of Alumex PLC and the consolidated financial statements of the Group, as at 31st March 2017, are prepared and presented in conformity with the requirements of the following:

1. Sri Lanka Accounting Standards, issued by the Institute of Chartered Accountants of Sri Lanka
2. The Companies Act No. 07 of 2007
3. The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
4. Listing Rules of the Colombo Stock Exchange
5. The Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accounts of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

We confirm that the significant accounting policies used in the preparation of the financial statements are appropriate, and are consistently applied, unless otherwise stated in the Notes to the Financial Statements. The significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and our external auditors.

We have also taken proper and sufficient care in installing systems of internal control and accounting records to safeguard assets and to prevent and detect fraud as well as other irregularities. These have been reviewed, evaluated and updated on an ongoing basis. Reasonable assurances that the established policies and procedures of the Company have been consistently followed were provided by periodic audits conducted by the Group's internal auditors. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the internal auditors and the independent auditors to review the effectiveness of audits, and to discuss auditing, internal control and financial reporting issues. The independent auditors and the internal auditors have full and free access to the Audit Committee to discuss any matter of substance.

The financial statements were audited by the independent external auditors, Messrs Ernst & Young, Chartered Accountants. The Audit Committee approves the audit and non-audit services provided by the external auditor, in order to ensure that the provision of such services do not impair their independence.

We confirm that

- » the Company and its subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- » there are no material non compliances; and
- » there are no material litigations that are pending against the Group



A. M. Pandithage
Chairman



R. P. Peris
Managing Director



R. P. P. K. Rajapaksha
Chief Financial Officer

15th May, 2017

Audit Committee Report

Composition of the Audit Committee

The audit committee of Alumex PLC, appointed by and responsible to the Board of Directors, comprises two independent Non-Executive Directors, namely, Mr. Somasiri Munaweera, Chairman of the Committee and Dr. Harsha Cabral, PC; and a Non-Executive Director, Mr. Ranil Prasad Pathirana.

Brief profiles of each member are provided on page 100 to 101.

The Company Secretary acts as the Secretary to the Audit Committee. The Chairman of the Audit Committee is a senior qualified Accountant.

Meeting of the Audit Committee

The committee met 4 times during the year. The attendance of the members at these meetings is stated in the table on page 126.

Other members of the board, external auditors, internal auditors and the Chief Financial Officer were present at discussions as required. The proceedings of the Audit Committee are regularly reported to the Board of Directors.

Tasks of the Audit Committee & Role

The Audit Committee assists the Board of Directors in fulfilling effectively its responsibility of oversight of the group accounting and financial reporting process and audit of the financial statement of the group. The responsibilities of the committee are:

- » Review the financial reporting process of Alumex Group in order to ensure that an accurate and effective financial reporting process is in place.
- » Review the effectiveness of the company's internal control system.

- » Review the adequacy of the scope, functions and resources of internal auditors.
- » Recommend to the board of appointment or continuing engagement of the external auditors.
- » Review the effectiveness of the system with a view to monitoring compliance with laws and regulations.
- » Report to the board its findings based on the reports of the external auditor.

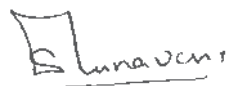
Other responsibilities include holding discussions with the management about the major policies with respect to risk assessment and risk management.

Appointment of External Auditor

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young continue as auditors for the financial year ending 31st March 2018.

Conclusion

The Audit Committee is satisfied that the effectiveness of the financial reporting process, group's accounting policies and operational controls provide reasonable assurance that the affairs of the group are managed in accordance with group policies and that group assets are properly accounted for and adequately safeguarded.



S. Munaweera
Chairman- Audit Committee

15th May, 2017

Remuneration Committee Report

Composition of the Remuneration Committee

The Remuneration Committee of Alumex PLC consists of two (02) Independent Non-Executive Directors, namely, Dr. Harsha Cabral, PC - Chairman of the Committee, and Mr. Somasiri Munaweera.

Brief profiles of each member are given on page 100 to 101.

The Managing Director of the Company, who is responsible for the overall management of the company, provides information to the Committee in all deliberations except in relation to those matters where the outcome has an impact on him.

Scope of Duties

Led by the objective of attracting and retaining high calibre individuals in a competitive environment, in line with business performance and stakeholder expectations, the Remuneration Committee shall be responsible for the following:

- » Setting the overall Hayleys PLC group remuneration policies after taking into consideration the current industrial norms; laying down guidelines and parameters for the compensation structure of the Managing Director, Executive Directors and other key managerial staff. To set goals and targets for the Managing Director, Executive Directors and key management personnel.
- » To monitor and review the performance of the Managing Director, Executive Directors and other key management personnel

- » To periodically evaluate the performance of the Managing Director, Executive Directors and other key management personnel against the set targets and goals, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.

Remuneration Policy

The remuneration policy is to attract and retain a highly qualified and experienced workforce, and reward performance accordingly against the backdrop of industry norms. These compensation packages provide compensation appropriate for the Group and are commensurate with each employee's level of expertise and contribution, bearing in mind business performance and shareholder returns.

Disclosure

Apart from the two Executive Directors who are involved with the operations of the company on a full-time basis, only Independent Directors receive a fee for attending board meetings and serving on sub-committees. Details of Directors' emoluments are disclosed on page 166.



Dr. Harsha Cabral, PC
Chairman - Remuneration Committee

15th May 2017

Related Party Transactions Review Committee Report

The Related Party Transaction review Committee of Hayleys PLC, the parent Company functions as the Committee of the Company in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange.

Composition of the Committee

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director. The Committee comprised of the Following members;

Dr. H. Cabral, PC (IND/NED) - Chairman

Mr. M. Y. A. Perera (IND/NED)

Mr. S. C. Ganegoda (ED)

(ED- Executive Director, IND- Independent Director, NED- Non-Executive Director)

Mr. M. D. S. Goonatilleke resigned from the committee on 12/05/2016.

Mr. M. Y. A. Perera appointed to the Committee on 12/09/2016.

The duties of the Committee

- » To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- » Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party.
- » Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary, including obtaining appropriate professional and expert advice from suitably qualified persons.
- » To recommend, where necessary, to the Board, and obtain their approval prior to the execution of any related party transaction.
- » To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.

- » Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.
- » To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- » To review the economic and commercial substance of both recurrent/non recurrent related party transactions
- » To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

Task of the Committee

The Committee reviewed the related party transactions and their compliance of Alumex PLC and communicated the same to the Board.

The Committee in its review process recognized the adequate content and quality of the information forwarded to its members by the management.

Meetings

The Committee Meetings were held four times during the year under review on 18th May 2016, 5th August 2016, 4th November 2016 and 9th February 2017. The attendance at the meetings is given in table on page 126 of the Annual Report.

Disclosures

A detailed disclosure of all the related party transactions including Recurrent and Non Recurrent related party transactions which are required to be disclosed under section 9.3.2 of the listing rules of the Colombo Stock Exchange has been made in Note 27 to the financial statements given in page 187 to this report.



Dr. Harsha Cabral, PC.
Chairman

Related Party Transactions Review Committee of Hayleys PLC
17th May 2017

Financial Reports

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Financial Calendar 2016/17

01st Quarter Report	3rd August 2016
02nd Quarter Report	26th October 2016
03rd Quarter Report	1st February 2017
04th Quarter Report	16th May 2017
Annual Report 2016/2017	29th May 2017
10th Annual General Meeting	23rd June 2017
Interim Dividend Paid	30th March 2017
02nd Interim Dividend Payable	06th June 2017

Independent Auditor's Report



Ernst & Young
Chartered Accountants
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Sri Lanka

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Independent Auditor's Report To The Shareholders Of Alumex PLC Report on the Financial Statements

We have audited the accompanying financial statements of Alumex PLC, ("the Company"), and the consolidated financial statement of the Company and its Subsidiaries ("Group"), which comprise the statement of financial position as at 31 March 2017, statement of profit or loss, statement of comprehensive income, statement of changes in equity and, Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information. (set out on pages 152 to 194)

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No. 7 of 2007, we state the following:

- The basis of opinion, scope and limitations of the audit are as stated above.
- In our opinion :
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - the financial statements of the Company give a true and fair view of the financial position as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards and
 - the financial statements of the Company and the Group comply with the requirements of Section 151 and 153 of the Companies Act No. 07 of 2007.

15 May 2017
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Statement of Profit or Loss

Year ended 31 March 2017	Notes	Group		Company	
		2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Revenue	5	4,728,319	3,995,449	4,115,268	3,465,854
Less - NBT		(93,559)	(79,781)	(81,300)	(69,015)
Net Revenue		4,634,760	3,915,668	4,033,968	3,396,839
Cost of Sales		(3,188,336)	(2,738,835)	(2,918,086)	(2,455,959)
Gross Profit		1,446,424	1,176,833	1,115,882	940,880
Other Income /(Expenses) and Gains	6	26,048	13,213	205,200	206,589
Selling and Distribution Cost		(105,081)	(90,426)	(103,070)	(87,720)
Administrative Expenses		(317,114)	(286,508)	(301,713)	(265,880)
Operating Profit		1,050,277	813,112	916,299	793,869
Finance Cost	7.1	(48,184)	(34,944)	(60,769)	(45,857)
Finance Income	7.2	14,307	23,092	8,958	18,730
Profit Before Tax	8	1,016,400	801,260	864,488	766,742
Income Tax Expenses	9	(262,904)	(212,137)	(201,319)	(170,082)
Profit for the Year		753,496	589,123	663,169	596,660
Profit Attributable to Shareholders		753,496	589,123	663,169	596,660
		753,496	589,123	663,169	596,660
Diluted and Basic Earnings per Share	10	2.52	1.97	2.22	1.99
Dividend Per Share	11			1.45	1.00

Notes from pages 152 to 194 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Comprehensive Income

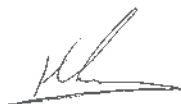
Year ended 31 March 2017	Notes	Group		Company	
		2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Profit for the Year		753,496	589,123	663,169	596,660
Other Comprehensive Income					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial gains/ (Losses) on defined benefit plans	23.1	(4,295)	(8,632)	(3,777)	(7,897)
Income tax effect on actuarial gains and Losses	9	1,161	2,358	1,057	2,211
		(3,134)	(6,274)	(2,720)	(5,686)
Revaluation of Land	21.3	101,105	-	86,613	-
Total other comprehensive income for the year, net of tax		97,971	(6,274)	83,893	(5,686)
Total Comprehensive Income for the Year, Net of Tax		851,467	582,849	747,062	590,974
Total Comprehensive Income Attributable to Shareholders		851,467	582,849	747,062	590,974

Notes from pages 152 to 194 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Financial Position

Year ended 31 March 2017	Notes	Group		Company	
		2017	2016	2017	2016
		Rs.000	Rs.000	Rs.000	Rs.000
Assets					
Non-current Assets					
Property, Plant and Equipment	12	1,915,818	1,293,137	1,704,715	1,069,096
Intangible Assets	13	42,121	39,421	42,121	39,421
Investments in Subsidiaries	14	-	-	30,000	33,264
		1,957,939	1,332,558	1,776,836	1,141,781
Current Assets					
Inventories	16	1,149,079	861,686	907,919	711,096
Trade and Other Receivables	17	864,221	507,937	715,534	455,820
Advances and Prepayments	18	126,014	38,101	124,827	34,973
Other Current Financial Assets	15	1,233	1,133	1,233	1,133
Cash and Cash Equivalents	19	165,332	138,450	154,774	117,503
		2,305,879	1,547,307	1,904,287	1,320,525
Total Assets		4,263,818	2,879,865	3,681,123	2,462,306
Equity and Liabilities					
Stated Capital	20	283,735	283,735	283,735	283,735
Reserves	21	780,323	684,503	754,806	673,478
Retained Earnings		1,251,876	930,218	758,333	526,711
Total Equity		2,315,934	1,898,456	1,796,874	1,483,924
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	15.2	512,000	-	512,000	-
Retirement Benefit Liability	23	91,248	79,522	82,638	72,180
Deferred Tax Liabilities	8	106,139	85,948	102,395	86,322
		709,387	165,470	697,033	158,502
Current Liabilities					
Trade and Other Payables	24	1,106,676	669,617	1,107,504	699,908
Interest Bearing Loans and Borrowings	15.2	47,703	3,084	16,821	3,084
Other current financial liabilities	15.2.5	-	553	-	553
Provisions	22	9,355	6,954	7,715	5,704
Income Tax Liabilities		74,763	135,731	55,176	110,631
		1,238,497	815,939	1,187,216	819,880
Total Equity and Liabilities		4,263,818	2,879,865	3,681,123	2,462,306

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

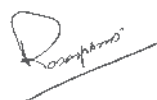


R.P.K. Rajapaksha
Chief Financial Officer

The Directors are responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board,



A.M. Pandithage
Chairman



R.P. Peris
Managing Director

Notes from pages 152 to 194 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

15 May 2017
Colombo

Statement of Changes in Equity - Group

Year ended 31 March 2017	Notes	Attributable to Equity Holders of the Parent					Total Equity Rs. 000
		Stated Capital	Revaluation Reserve	Capital Reserve	Retained Earnings	Total	
		Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	
Balance as at 01 of April 2015		283,735	510,228	228,056	667,586	1,689,605	1,689,605
Super Gain Tax	9.4	-	-	-	(74,695)	(74,695)	(74,695)
Adjusted balance as at 01 of April 2015		283,735	510,228	228,056	592,891	1,614,910	1,614,910
Profit for the Year		-	-	-	589,123	589,123	589,123
Depreciation Transfer for Building		-	(53,781)	-	53,781	-	-
Other Comprehensive Income		-	-	-	(6,274)	(6,274)	(6,274)
Total Comprehensive Income		283,735	456,447	228,056	1,229,521	2,197,759	2,197,759
Dividends to Equity Holders		-	-	-	(299,303)	(299,303)	(299,303)
Balance as at 01 April 2016		283,735	456,447	228,056	930,218	1,898,456	1,898,456
Profit for the Year		-	-	-	753,496	753,496	753,496
Revaluation of Land	12.4	-	101,105	-	-	101,105	101,105
Depreciation Transfer for Building	12.6	-	(5,285)	-	5,285	-	-
Other Comprehensive Income		-	-	-	(3,134)	(3,134)	(3,134)
Total Comprehensive Income		283,735	552,267	228,056	1,685,865	2,749,923	2,749,923
Dividends to Equity Holders		-	-	-	(433,989)	(433,989)	(433,989)
Balance as at 31 March 2017		283,735	552,267	228,056	1,251,876	2,315,934	2,315,934

Notes from pages 152 to 194 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Changes in Equity - Company

<i>Year ended 31 March 2017</i>	Notes	Stated Capital	Revaluation Reserve	Capital Reserve	Retained Earnings	Total
		Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Balance as at 01 April 2015		283,735	499,203	228,056	254,120	1,265,114
Super gain tax	9.4	-	-	-	(72,861)	(72,861)
Adjusted balance as at 01 April 2015		283,735	499,203	228,056	181,259	1,192,253
Profit for the Year		-	-	-	596,660	596,660
Depreciation Transfer for Building		-	(53,781)	-	53,781	-
Other Comprehensive Income		-	-	-	(5,686)	(5,686)
Total Comprehensive Income		283,735	445,422	228,056	826,014	1,783,227
Dividends to Equity Holders (2014/2015 Final)		-	-	-	(74,826)	(74,826)
Dividends to Equity Holders (2015/2016 Interim)		-	-	-	(224,477)	(224,477)
Balance as at 01 April 2016		283,735	445,422	228,056	526,711	1,483,924
Amalgamation Reserve - Alumex System (Pvt) Ltd *		-	-	-	(124)	(124)
Depreciation Transfer for Building	12.6	-	(5,285)	-	5,285	-
Profit for the Year		-	-	-	663,169	663,169
Revaluation of Land	12.4	-	86,613	-	-	86,613
Other Comprehensive Income		-	-	-	(2,720)	(2,720)
Total Comprehensive Income		283,735	526,750	228,056	1,192,322	2,230,862
Dividends to Equity Holders (2015/2016 Final)		-	-	-	(134,686)	(134,686)
Dividends to Equity Holders (2016/2017 Interim)		-	-	-	(299,303)	(299,303)
Balance as at 31 March 2017		283,735	526,750	228,056	758,333	1,796,874

* The adjustment arose as a result of the amalgamation with Alumex Systems (Private) Limited on 31 March 2017.

Notes from pages 152 to 194 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Cash Flows

	Notes	Group		Company	
		2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Cash Flows from Operating Activities					
Profit Before Taxation		1,016,400	801,260	864,488	766,742
Adjustments for,					
Finance Cost	7.1	6,314	859	24,664	17,868
Finance Income	7.2	(9,028)	(10,442)	(4,164)	(6,558)
Provision for Gratuity	23	11,769	9,007	10,720	8,116
(Profit) / Loss on Disposal of Property, Plant and Equipment	6	2,038	(4,766)	2,038	(32,360)
Provision for Bad Debts		(8,480)	12,767	(4,731)	9,295
Provision for Impairment of Investment		-	-	-	3,127
Depreciation and Amortization	12	109,629	107,498	96,904	93,758
Operating Profit Before Working Capital Changes		1,128,642	916,182	989,919	859,988
(Increase) / Decrease in Inventories		(294,983)	(104,508)	(206,951)	(77,824)
(Increase) / Decrease in Trade and Other Receivables		(366,452)	(179,373)	(269,227)	(200,450)
(Increase) / Decrease in Advances and Prepayments		(87,913)	(10,614)	(89,855)	(12,076)
Increase / (Decrease) in Trade and Other Payables		438,908	74,024	409,189	113,112
Cash Generated from Operating Activities		818,202	695,711	833,076	682,750
Finance Cost Paid	7.1	(6,314)	(859)	(24,664)	(17,868)
Income Tax Paid		(283,870)	(198,263)	(224,809)	(174,961)
Retirement Benefit Liability Paid		(4,338)	(2,396)	(3,217)	(1,760)
Net Cash From Operating Activities		523,680	494,194	580,386	488,161
Cash Flows from Investing Activities					
Acquisition of Property, Plant and Equipment	12	(643,998)	(142,180)	(656,162)	(182,340)
Proceeds from Sale of Property, Plant and Equipment		15,642	5,185	15,642	150,685
Proceeds from Short Term Investments	15.1	(100)	(70)	(100)	(70)
Finance Income Received	7.2	9,028	10,442	4,164	6,558
Net Cash Flows Used In Investing Activities		(619,428)	(126,623)	(636,456)	(25,167)
Cash Flows from Financing Activities					
Repayment of Interest Bearing Loans and Borrowings	15.2	(553,084)	(14,417)	(553,084)	(14,417)
Proceeds from Interest Bearing Loans and Borrowings	15.2	1,092,882	-	1,062,000	-
Principal Payments Under Finance Lease Liabilities		-	(174)	-	(174)
Dividend Paid	11	(433,989)	(425,010)	(433,989)	(425,010)
Net Cash Flows from / (Used in) Financing Activities		105,809	(439,601)	74,927	(439,601)
Net Increase in Cash and Cash Equivalents		10,061	(72,030)	18,857	23,394
Cash and cash equivalents of Alumex Systems (Private) Limited as at 31 March 2017		-	-	1,593	-
Cash and Cash Equivalents at the Beginning of the Year	19	138,450	210,480	117,503	94,109
Cash and Cash Equivalents at end of the Year	19	148,511	138,450	137,953	117,503

Notes from pages 152 to 194 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Notes to the Financial Statements

1. Corporate information

1.1 General

Alumex PLC is a public limited liability Company incorporated and domiciled in Sri Lanka. The Ordinary Shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka on 31 March 2014.

The registered office of the Company and the principal place of business are situated at Sapugaskanda, Makola.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of Alumex PLC, as at and for the year ended 31 March 2017 encompass the Company and its subsidiaries (together referred to as the "Group"). All subsidiaries in the Group are limited liability Companies namely Alco Industries (Pvt) Ltd, Avro Enterprises (Pvt) Ltd* and Alumex Systems (Pvt) Ltd* and incorporated and domiciled in Sri Lanka.

1.3 Principal Activities and Nature of Operations of the Company and the Group

During the financial year, principal activities of the Company is manufacturing and selling dies and aluminum extrusions. Principal activities of the subsidiaries are;

Alco Industries (Pvt) Ltd	Manufacturing and selling aluminium components and Industrial tools
*Avro Enterprises (Pvt) Ltd	Buying and selling aluminium components and accessories (The company amalgamated with Alumex PLC with effect from 20th April 2016)
*Alumex Systems (Pvt) Ltd	Manufacture and sale of extruded Aluminium profiles and related Products using advance technology. (The company amalgamated with Alumex PLC with effect from 31st March 2017)

There were no significant changes in the nature of principal activities of the Company and the Group during the financial year under review.

1.4 Immediate and Ultimate Parent Entity

In the opinion of the Directors, the Company's immediate and ultimate Parent undertaking and controlling party is Hayleys PLC which is incorporated in Sri Lanka.

1.5 Date of Authorization for Issue

The Consolidated Financial Statements of the Group for the year ended 31 March 2017 were authorized for issue in accordance with a resolution of the Board of Directors on 15 May 2017.

1.6 Responsibility for Financial Statements

The responsibility of the Directors in relation to the Financial Statements is set out in the Statement of Directors' Responsibility Report in the Annual Report.

2. Basis of preparation

2.1 Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and with the requirements of the Companies Act No. 7 of 2007.

2.2 Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position.

- Lands are measured at cost at the time of the acquisition and subsequently lands are carried at fair value
- Financial instruments reflected as fair value through profit or loss are measured at fair value

These financial statements have been prepared, except for cash flow information using the annual accrued basis of accounting.

Where appropriate, the specific policies are explained in the succeeding notes.

No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

2.3 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional currency.

All financial information presented in Sri Lankan Rupees has rounded to the nearest thousand (Rs'000), except when otherwise indicated.

2.4 Comparative Information

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year. Previous year's figures and phrases have been re-arranged wherever necessary to conform to current year presentation.

2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.6 Amalgamations During the Year

As at 20 April 2016, Avro Enterprises (Pvt) Ltd, amalgamated with Alumex PLC.

The balances were amalgamated by adding line by line item to the financial statements of Alumex PLC.

Amalgamated balances as at 20 April 2016	Rs. "000"
Trade and Other Receivables	2,913
Income Tax Receivables	149
Deferred Tax Assets	55
Cash and Cash Equivalents	219
	3,336
Accumulated profits	3,265
Trade and Other Payables	71
	3,336

As at 31 March 2017, Alumex Systems (Pvt) Ltd, amalgamated with Alumex PLC

The balances were amalgamated by adding line by line item to the financial statements of Alumex PLC.

Amalgamated balances as at 31 March 2017	Rs. "000"
	Rs. "000"
Property, Plant and Equipment	34,550
Trade and Other Receivables	20
Cash and Cash Equivalents	1,593
	36,163
Accumulated Loss	(124)
Trade and Other Payables	36,287
	36,163

Closing cash balance as at 31 March 2017 amounted to Rs. 1,593 mn was added as a separate line item to the Company cash flow statement as at 31 March 2017.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the Consolidated Financial Statements.

The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future, and they do not foresee a need for liquidation or cessation of trading.

3.1 Basis of Consolidation

Subsidiaries

Subsidiaries are those entities controlled by the Group. Control achieved when the Group is exposed, or rights to variable returns from its involvement with the investee and when it has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- » Power over the investee (i.e; existing rights that give it the current ability to direct the relevant activities of the investee)
- » Exposure, or rights, to variable returns from its involvement with the investee
- » The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it recognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in

Notes to the Financial Statements

the Statement of Profit or Loss. Any investment retain is recognised at fair value.

The Consolidated Financial Statements of the Company for the year ended 31 March 2017 comprise of the Company and its Subsidiaries. The details of Subsidiaries are as follows:

Company Name	Year of Incorporation	Ownership Percentage
Alco Industries (Pvt) Ltd	2010/2011	100%
Avro Enterprises (Pvt) Ltd	2008/2009	100%
(Amalgamated with Alumex PLC with effect from 20th April 2016)		
Alumex Systems (Pvt) Ltd	2015/2016	100%
(Amalgamated with Alumex PLC with effect from 31st March 2017)		

The Consolidated Financial Statements incorporating all subsidiaries in the Group are using uniform Accounting Policies for like transactions and in similar circumstance are applied consistently.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

3.2 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

3.3 Foreign Currency Transactions

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the Statement of Profit or Loss.

3.4 Current versus non-current classification

The Group presents assets and liabilities in Statement of Financial Position based on current/non-current classification. An asset as current when it is:

- » Expected to be realised or intended to sold or consumed in normal operating cycle
- » Held primarily for the purpose of trading
- » Expected to be realised within twelve months after the reporting period

Or

- » Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- » It is expected to be settled in normal operating cycle
- » It is held primarily for the purpose of trading
- » It is due to be settled within twelve months after the reporting period

Or

- » There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.5 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as land, at fair value at Sufficient frequent. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- » Disclosures for valuation methods, significant estimates and assumptions Notes 12 & 13
- » Property (land) under revaluation model Notes 12 & 13

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption

that the transaction to sell the asset or transfer the liability takes place either:

- » In the principal market for the asset or liability

Or

- » In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- » Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- » Level 2 -Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- » Level 3 -Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's Senior Management determines the policies and procedures for both recurring fair value measurement, such as land and unquoted AFS financial assets, and for non-recurring measurement.

External valuers are involved for valuation of significant properties (land) and AFS financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the Senior Management after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The Senior Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Senior Management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Senior Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Senior Management, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.6 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, with the Group retaining neither continuing managerial involvement to the degree usually

Notes to the Financial Statements

associated with ownership, nor effective control over the goods of sold.

Rendering of Services

Revenue from services rendered is recognized in profit and loss in proportion to the stage of completion of the transaction at the reporting date.

Interest

Interest Income is recognized as the interest accrues unless collectability is in doubt.

Rental Income

Rental income is recognised in profit or loss as it accrues.

Dividend

Dividend income is recognised in profit or loss on the date the entity's right to receive payment is established.

Other Income

Other Income is recognized on an accrual basis.

Gains and Losses

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and are recognised net within "other income/(expenses) and gains" in the Statement of Profit or Loss.

3.7 Tax Expenses

Tax expenses comprises current tax and deferred tax are recognised in the Statement of Profit or Loss except to the extent that it relates to item recognised directly in Equity or in Other Comprehensive Income

Current Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Taxation Authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act at the following rates per annum.

Local Sales, Export Sale and Other Income are subject to tax rates of 12% and 28%.

Alco Industries (Pvt) Ltd

Pursuant to agreement dated 15 July 2010 entered in to with the Board of Investment under Section 17 of the Board of Investment Law No. 04 of 1978, the Company had been granted a tax exemption period of five (5) years under Inland Revenue Act No. 10 of 2006 relating to the imposition payment and recovery of income tax in respect of profits and income of the Company. The above period will commence from the year in which enterprise make profits or any year of assessment not later than two (02) years from the date of commencement of commercial operations which ever year is earliest.

The concessionary rate of 10% tax charges is applicable on profits and income for two years immediately succeeding the last date of the tax exemption period. Thereafter, 20% tax rate is applicable on profit and income.

Alco Industries (Pvt) Ltd commences making profit in 2010/2011 and hence tax exemption has been ended from year of assessment 2014/2015.

Deferred Tax

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets are made to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

3.8 Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

Receivables and payables that are stated with the amount of sales tax. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

3.9 Property, Plant and Equipment

The group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services, for rental to other or for administration purpose and are expected to be used for more than one year.

Recognition and measurement

All Items of property, plant & equipment are measured at cost except for land which is measured at fair value, less accumulated depreciation and accumulated impairment losses, if any.

Owned Assets

The cost of property, plant & equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1st April 2011.

Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment.

Revaluation of land is done with sufficient frequency to ensure that the fair value of the land does not differ materially from its carrying amount, and is undertaken by professionally qualified valuers.

Any revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Profit or Loss, in which case, the increase is recognised in the Statement of Profit or Loss.

A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Subsequent Costs

The cost of replacing a component of an item of property, plant & equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised in accordance with the de-recognition policy given below.

The costs of the day-to-day servicing of property, plant & equipment are recognised in the Statement of Profit or Loss as incurred.

De-recognition

The carrying amount of an item of property, plant & equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Gains and losses on de-recognition are recognised in profit and loss and gains are not classified as revenue. When revalued assets are sold, any related amount included in the Revaluation Reserve is transferred to Retained Earnings.

Depreciation

Depreciation is recognised in the Statement of Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Notes to the Financial Statements

Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Building	20 years
Plant & machinery	05 – 20 years
Motor vehicles	04 – 05 years
Furniture, fittings and office equipment	02 – 13 years
Tools and Equipment	10 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is de-recognized.

A reconciliation of the carrying amount at the beginning and end of the period is presented in Note 12 to this financial statements.

Capital Work in Progress

Capital work in progress represents the cost of civil construction work not completed and Property, Plant and Equipment that are not ready for their intended use.

3.10 Leases

Operating Leases

Operating lease payments are recognized as an operating expenses in the statement of Profit or Loss on a straight line basis over year lease term.

3.11 Intangible Assets

An Intangible asset is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

Basis of Measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is incurred.

Useful Economic Lives and Amortisation

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

De-recognition of Intangible Assets

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is de-recognised.

Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the Statement of Profit or Loss as incurred

Research and Development Cost

Research Costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- » The technical feasibility of completing the intangible asset so that the asset will be available to use or sale

- » Its intention to complete and its ability to use or sell the asset
- » How the asset will generate future economic benefit
- » The availability of recourse to complete the asset
- » The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

A summary of the policies applied to group intangible assets are as follows.

	Development cost	Software & website development	Patents and licenses
Useful lives	Finite (10 years)	Finite (7 years)	Finite (7 years)
Amortization method used	Amortized on a straight line basis over the period of expected future sales from the related project.	Amortized on a straight line basis over the period of useful life.	Amortized on a straight line basis over the period of useful life.
Internally generated or acquired	Internally generated	Acquired	Acquired

3.12 Expenses

Expenses are recognized in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to profit and loss in the year in which the expenditure is incurred.

3.13 Finance Income and Finance Costs

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in the Statement of Profit or Loss. Interest income is recognised as it accrues in the Statement of Profit or Loss.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in the Statement of Profit or Loss.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.14 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing cost that are distributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of that asset.

3.15 Inventories

Inventories are valued at the lower of cost or net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formula:-

Raw Materials	At purchase cost on first-in first-out
Finished Goods and Work-in-progress	At the cost of direct materials, direct labour and an appropriate proportion of Manufacturing overheads based on normal operating capacity, but Excluding Borrowing Costs.
Consumables and Spares	At purchase cost on first-in first-out
Goods in Transit	At purchase cost on first-in first-out

Notes to the Financial Statements

3.16 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

3.17 Financial Instruments initial recognition and subsequent measurement

Financial Assets

Initial Recognition

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and cash equivalents, trade and other receivables and short term investments which have been classified as other current financial assets in the statement of financial position.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification at initial recognition.

Loans and Receivables

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment.

Other Investments

Other investment include Fixed Deposits which are stated at amortised cost.

De-recognition

A financial asset is de-recognized when:

- » The rights to receive cash flows from the asset have expired
- » The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) The Group has transferred substantially all the risks and rewards of the asset, or
 - (b) The Group has neither transferred nor retained substantially all the risks and rewards of The asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Group's continuing involvement in it.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed

for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Profit or Loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Statement of Profit or Loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Statement of Profit or Loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near Term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss. Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of LKAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Profit or Loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the

Notes to the Financial Statements

present obligation at the reporting date and the amount recognised less cumulative amortisation.

De-recognition

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the Statement of Profit or Loss.

Impairment of non- financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

3.18 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

3.19 Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of possible outcomes against their associated probabilities.

3.20 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.21 Trade and other payables

Trade and other payables are stated at their cost.

3.22 Capital commitments and contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the respective Note 25 to the Financial Statements.

3.23 Employee Benefits

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group contributes to the following Schemes:

Employees' Provident Fund

The Group and employees contribute 12% and 8% respectively of the employee's monthly gross salary to the Provident Fund.

Employees' Trust Fund

The Group contributes 3% of the employee's monthly gross salary to the Employees' Trust Fund maintained by the Employees' Trust Fund Board.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of

factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 23. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefit. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The valuation was carried out as at 31 March 2017 by Messer's NMG Consulting a qualified actuary. Further details are disclosed in Note 23.

Recognition of Actuarial Losses / Gains

Actuarial gains and losses are recognized in full in the Other Comprehensive Income in line with the LKAS 19 – Employee Benefits (Revised 2013).

Funding Arrangements

The Gratuity liability is not externally funded.

Short Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.24 Statement of Cash Flows

The Cash Flow Statement is prepared using the indirect method, as stipulated in LKAS 7- "Statement of Cash Flows".

3.25 Critical Accounting Estimates and Judgments

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards which requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are

revised if the revision affects only that period and any future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes.

Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

Transfer Pricing regulation

The Company is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations, necessitated using management judgment to determine the impact of transfer pricing regulations. Accordingly critical judgments and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulation.

Measurement of the Defined Benefit Obligations

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 23. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Revaluation of Land

The Group measures lands at revalued amount with change in value being recognized in the Statement of Other Comprehensive Income in Financial year 2016/2017. The valuer has used valuation techniques such as open market value. Refer Note 12 to the financial statements.

Notes to the Financial Statements

Inventories

Group reviews the existence and usability of inventories based on a perpetual inventory count. Provisions are made when Management determines obsolete stock and/or assesses a reduction in recoverable value. Provision is made in full when the goods aged over three months with regard to Die used in the production process based on group policy.

Allowance for Doubtful Debts

Group reviews at each reporting date all receivables to assess whether an allowance should be recorded in the Statement of Profit or Loss. Management uses judgment in estimating such allowance considering the duration of outstanding and any other factors management is aware of that indicates uncertainty in recoverability. Refer Note 17 for more details.

Provision for Warranties

The provision is based on historical data and Group reviews adequacy of provision at each reporting date.

3.26 Events occurring after the Reporting date

All material post occurred after the reporting date events have been considered and where appropriate adjustments or disclosures have been made in the Note 26 to the Financial Statements.

3.27 Earnings per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

SLFRS 9 – Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Pending the completion of the detailed impact analysis, possible Impact from SLFRS 9 and SLFRS 15 is not reasonably estimable as of the reporting date.

SLFRS 16 - Leases

SLFRS 16 provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 Leases, IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases- Incentives; and SIC 27 Evaluating the substance of Transactions Involving the Legal form of a Lease. Earlier application is permitted for entities that apply SLFRS 15 Revenue from Contracts with customers.

SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

5. Revenue

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Local Sales - Extrusions	3,824,784	3,242,884	3,824,845	3,243,156
Export Sales - Extrusions	46,539	5,672	46,539	5,672
Local Sales - Aluminium Components	817,302	696,499	-	-
Export Sales - Aluminium Components	130	715	-	-
Finished Die Sales	5,153	-	9,050	7,050
Powder Coating , Anodizing ,Wood Effect and Billets Conversion Charges	-	-	124,929	122,336
Aluminium Accessories, Cladding & Corian	24,626	14,091	23,239	13,759
Other Material Sales and Service Charges	9,785	35,588	83,497	71,703
Other Sales	-	-	3,169	2,178
	4,728,319	3,995,449	4,115,268	3,465,854

6. Other income /(expenses) and gains

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Profit /(Loss) on Disposal of Property, Plant and Equipment	(2,038)	4,766	(2,038)	32,360
Dividend Income	-	-	179,604	164,813
Rent Income	-	-	-	1,200
Income from sale of discarded items	25,742	7,955	25,291	7,724
Insurance Claim Received	2,344	492	2,344	492
	26,048	13,213	205,200	206,589

7. Finance cost and income

7.1 Finance Cost

Year ended 31 March 2017	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Interest Expense on Loans and Borrowings	6,045	752	24,396	17,776
Interest Expense on Finance Leases	-	3	-	3
Interest Expense on Bank Overdrafts	269	104	268	89
Exchange Loss	41,870	34,085	36,105	27,989
	48,184	34,944	60,769	45,857

Notes to the Financial Statements

7.2 Finance Income

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Interest Income on Deposits	9,028	10,442	4,164	6,558
Exchange Gain	5,279	12,650	4,794	12,172
	14,307	23,092	8,958	18,730

8. Profit Before Tax Stated after deducting

Year ended 31 March 2017	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Included in Cost of Sales				
Employee Benefits Including the Following	367,412	334,345	331,414	303,718
- Defined Benefit Plan Costs - Gratuity	8,694	4,955	8,037	4,290
- Defined Contribution Plan Costs - EPF and ETF	16,680	13,811	14,279	11,738
Depreciation	85,356	93,601	74,156	81,194
Provision/ (Reversal) for Inventory	(4,805)	29,961	2,067	12,736
Research & Development Expenses	737	1,238	737	1,238
Included in Administrative Expenses				
Employee Benefits Including the Following	197,808	157,303	187,617	150,391
- Defined Benefit Plan Costs - Gratuity	3,075	4,051	2,683	3,803
- Defined Contribution Plan Costs - EPF and ETF	16,595	12,899	15,676	12,137
Provision/ (Reversal) for Bad Debts	(8,480)	12,862	(4,731)	9,295
Unclaimed Tax	151	49	151	33
Audit Fees	1,311	1,130	947	775
Non - Audit Fee	889	2,131	663	1,626
Depreciation and Amortization	16,023	13,897	14,498	12,565
Gifts , Donation and CSR	1,157	5,374	1,131	5,335
Directors Fees (NED)*	905	705	905	705
Directors Emoluments (ED)**	33,101	24,829	33,101	24,829
Included in Selling and Distribution Expenses				
Advertising Costs	11,475	27,400	11,475	27,370

* NED -Non Executive Directors

** ED -Executive Directors

9. Income tax

The major components of income tax expense for the years ended 31 March 2017 and 2016 are :

Income Statement	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Current Income Tax :				
Current Income Tax	222,516	204,661	184,583	177,698
Adjustments in Respect of Current Income Tax of Previous Year	(920)	(479)	(450)	(471)
WHT on Dividends	19,956	18,313		-
Deferred Tax :				
Relating to Origination and Reversal of Temporary Differences	21,352	(10,358)	17,185	(7,145)
Income Tax Expense Reported in the Income Statement	262,904	212,137	201,319	170,082

A reconciliation between tax expense and the product of accounting profit multiplied by domestic tax rate for the years ended 31 March 2017 and 2016 is as follows :

Consolidated Statement of OCI	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Deferred Tax Related to Items Recognized in OCI During the Year				
Net Loss/(Gain) on Actual Gains and Losses	(1,161)	(2,358)	(1,057)	(2,211)
Deferred Tax Charged to OCI	(1,161)	(2,358)	(1,057)	(2,211)

Notes to the Financial Statements

9. Income tax (Contd.)

9.1 A Reconciliation Between Tax Expense and the Product of Accounting Profit

Income Statement	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Accounting Profit Before Income Tax	1,016,400	801,260	864,488	766,742
Aggregate Disallowable Items	154,686	252,750	140,387	215,541
Aggregate Allowable Expenses	(204,679)	(200,164)	(345,460)	(342,646)
Exempt Profit	-	-	-	(11,025)
Interest Income	9,028	10,442	4,164	6,558
Taxable Income	975,435	864,288	663,579	635,170
Dividend Tax @ 10%	19,956	18,813		
Income Tax @ 10%	27,434	20,644		-
Income Tax @ 12%	919	135	914	112
Income Tax @ 28%	194,163	183,882	183,669	177,586
Income Tax on Current Year Profit	242,472	222,974	184,583	177,698
Tax on Temporary Difference Tax @ 20%	4,166	(3,241)		-
Tax on Temporary Difference Tax @ 28%	17,186	(7,117)	17,185	(7,145)
Adjustments In Respect of Current Income Tax of Previous Year	(920)	(479)	(450)	(471)
Income Tax Expenses Reported in the Consolidated Income Statement	262,904	212,137	201,319	170,082

9.2 Deferred Tax

Deferred Tax Relates to the following

Income Statement	Statement of Financial Position		Income statement	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Company				
Accelerated Depreciation for the Tax Purposes	(140,447)	(121,676)	18,770	2,400
Retirement Benefit Obligations	23,139	20,210	(1,871)	(1,780)
Provision for Bad Debts	1,809	3,182	1,428	(2,602)
Other Provisions	13,104	11,962	(1,142)	(5,163)
			17,185	(7,145)

	Statement of Comprehensive Income	
Income Tax Effect on Actuarial Gains	(1,057)	(2,211)
	(1,057)	(2,211)
Deferred Tax Expense / (Income)	16,128	(9,357)
Net Deferred Tax Assets / (Liabilities)	(102,395)	(86,322)

	Company	
	2017	2016
	Rs.000	Rs.000

Company

Reflected in the Statement of Financial Position as follows,

Deferred Tax Assets	38,052	35,354
Deferred Tax Liabilities	(140,447)	(121,676)
Deferred Tax Liabilities Net as at 31 March 2017	(102,395)	(86,322)

	Company	
	2017	2016
	Rs.000	Rs.000
Reconciliation of Deferred Tax Liabilities		
Balance as at 01 April	(86,322)	(95,678)
Amalgamated Balance as at 31 April 2017	55	
Tax Income/(Expense) Recognized in Profit & Loss	(17,185)	7,145
Tax Income/(Expense) Recognized in Other Comprehensive Income	1,057	2,211
Balance as at 31 March	(102,395)	(86,322)

9.3 Group

	Statement of Financial Position		Income statement	
	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000
Accelerated Depreciation for the Tax Purposes	(149,056)	(127,794)	21,262	3,618
Retirement Benefit Obligations	24,861	21,679	(2,021)	(1,831)
Provision for Bad Debts	4,415	4,195	(220)	(3,287)
Other Provisions	13,641	15,972	2,331	(8,858)
			21,352	(10,358)

		Statement of Comprehensive Income	
		2017	2016
		Rs.000	Rs.000
Income Tax Effect on Actuarial Gains or Losses		(1,161)	(2,358)
		(1,161)	(2,358)
Deferred Tax Expense /(Income)		20,191	(12,716)
Net Deferred Tax Assets / (Liabilities)	(106,139)	(85,948)	

Deferred Tax is computed at 28% and 20% tax rates, as the effect of other rates do not significantly impact on the Financial Statements of the Company as at 31 March 2017.

Notes to the Financial Statements

9. Income tax (Contd.)

Group

Reflected in the Statement of Financial Position as Follows,

	2017 Rs.000	2016 Rs.000
Deferred Tax Assets	42,917	41,846
Deferred Tax Liabilities	(149,056)	(127,794)
Deferred Tax Liabilities Net as at 31 March 2017	(106,139)	(85,948)

Reconciliation of Deferred Tax Liabilities

	2017 Rs.000	2016 Rs.000
Balance as at 01 April 2016	(85,948)	(98,664)
Tax Income/(Expense) Recognized in Profit & Loss	(21,352)	10,358
Tax Income/(Expense) Recognized in Other Comprehensive Income	1,161	2,358
Balance as at 31 March 2017	(106,139)	(85,948)

Super Gain Tax

As per provisions of part III of the Finance Act No 10 of 2015 which was certified on 30 October 2015, the Company and the Group are liable for super gain tax of Rs.72.82 mn and Rs. 74.7 mn respectively. According to the Act, the Super Gain Tax shall be deemed to be an expenditure in the Financial Statements relating to the year of assessment which commenced on 01 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

10. Notes to The Financial Statements

10.1 Basic Earning per Share

Basic Earnings Per Share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as an Initial Public Offering of shares.

Diluted Earning per share

The calculation of diluted earning per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effect of all diluted ordinary shares.

There were no potentially dilutive ordinary shares outstanding at any time during the year/Previous year

10.2 The following reflects the income and share data used in the Basic & Diluted Earnings Per Share computation.

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Amounts Used as Numerator:				
Net Profit Attributable to the Equity Holders of the Company	753,496	589,123	663,169	596,660

Numbers of Ordinary Shares Used as Denominator:

	2017 Number	2016 Number	2017 Number	2016 Number
Weighted Average Number of Ordinary Shares in Issue	299,302,840	299,302,840	299,302,840	299,302,840
Basic & Diluted Earning per Share	2.52	1.97	2.22	1.99

11. Dividends Paid and Proposed

	Company	
	2017 Rs.000	2016 Rs.000
Declared and paid during the year:		
Dividends on Ordinary Shares:		
Final Dividend for 2015/2016 -Rs.0.45/- per Share (Final Dividend for 2014/2015 -Rs.0.25/- per Share)	134,686	74,826
Interim Dividend for 2016/17 - Rs.1.00/- per Share (Interim Dividend for 2015/2016 - Rs. 0.75/- per Share)	299,303	224,477
	433,989	299,303
Number of Shares	299,302,840	299,302,840
Dividend per Share	1.45	1.00

All dividend proposed and declared before the financial statement were authorized for issue have been recognized as a distribution to owners.

Notes to the Financial Statements

12. Property, Plant and Equipment

12.1 Group

	Land Rs. 000	Building Rs. 000	Construction In Progress Rs. 000	Plant and Machinery Rs. 000	Motor Vehicles Rs. 000	Office Equipment Rs. 000	Furniture and Fittings Rs. 000	Tools and Equipment Rs. 000	Total Rs. 000
Cost or Valuation									
At 1 April 2016	426,455	476,127	38,377	818,634	65,245	41,003	18,791	16,110	1,900,742
Additions	417,040	20,218	110,811	73,922	6,600	6,333	8,317	8,236	651,478
Revaluation	101,105	-	-	-	-	-	-	-	101,105
Disposals	-	(17,679)	(4,927)	(30)	(8,117)	-	-	-	(30,753)
Transfer	-	4,350	(25,226)	19,987	-	-	-	-	-
At 31 March 2017	944,600	483,016	119,924	912,513	63,728	47,336	27,108	24,346	2,622,572
Depreciation and Impairment									
At 1 April 2016	-	98,335	-	427,800	42,998	20,328	10,396	7,747	607,605
Charge for the Year	-	25,257	-	65,110	7,945	4,746	2,101	2,135	107,294
Disposals	-	-	-	(30)	(8,115)	-	-	-	(8,145)
At 31 March 2017	-	123,592	-	492,880	42,828	25,074	12,497	9,882	706,754
Net Book Value									
At 31 March 2017	944,600	359,423	119,924	419,633	20,901	22,262	14,611	14,464	1,915,818
At 31 March 2016	426,455	377,792	38,377	390,834	22,247	20,676	8,395	8,363	1,293,137

12.2 Company

	Land Rs. 000	Building Rs. 000	Construction In Progress Rs. 000	Plant and Machinery Rs. 000	Motor Vehicles Rs. 000	Office Equipment Rs. 000	Furniture and Fittings Rs. 000	Tools and Equipment Rs. 000	Total Rs. 000
Cost or Valuation									
At 1 April 2016	359,947	387,586	5,077	715,396	58,612	40,849	18,241	15,180	1,600,889
Additions	417,040	20,218	144,111	57,075	6,600	6,333	8,317	6,488	666,182
Revaluation Surplus	86,613	-	-	-	-	-	-	-	86,613
Disposals	-	(17,679)	(4,927)	(30)	(8,117)	-	-	-	(30,753)
Transfer	-	4,350	(24,337)	19,987	-	-	-	-	-
At 31 March 2017	863,600	394,475	119,924	792,428	57,095	47,183	26,558	21,668	2,322,931
Depreciation and Impairment									
At 1 April 2016	-	75,523	-	380,916	37,271	20,248	10,251	7,584	531,793
Charge for the Year	-	20,706	-	57,774	7,321	4,715	2,038	2,014	94,568
Disposals	-	-	-	(30)	(8,115)	-	-	-	(8,145)
At 31 March 2017	-	96,229	-	438,660	36,477	24,963	12,289	9,598	618,216
Net Book Value									
At 31 March 2017	863,600	298,247	119,924	353,768	20,618	22,220	14,269	12,069	1,704,715
At 31 March 2016	359,947	312,063	5,077	334,480	21,341	20,601	7,990	7,596	1,069,096

During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs.644 mn. (2016- Rs.142 mn) for cash.

During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.656 mn (2016- Rs.182 mn) for cash.

The net carrying amount at temporarily idle Property, Plant and Equipment as at 31st March 2017 was Rs. 6 mn (2016 Rs. 5 mn)

The gross carrying amount of fully depreciated property, plant and equipment that are still in use as at 31 March 2017 was Rs.79 mn (2016 -Rs.63 mn).

During the financial year, the Group and Company reassessed the estimated life of the Property, Plant and Equipment. The changes in estimated useful life has an favourable impact of Rs 11 mn and Rs 10 mn in the current period for the Group and Company respectively.

12.4 Revaluation of Land & Building

Fair value of the properties was determined using the market comparable method. This means that valuation performed by the value are based on market based evidence, significantly adjusted for difference in the nature, location or condition of the specific property.

As at the date of revaluation on 31 March 2017, the fair value of land are based on valuation performed by Mr. P. B. Kalugalgedara, an independent chartered valuer who has valuation experience for similar lands since 1969. The fair value of Freehold Buildings were determined by means of a revaluation during the year 2010 by Messrs. SGS Lanka (Pvt) Ltd, an independent valuer in reference to market based evidence. The results of such revaluation were incorporated in these financial statements from its effective date which was 31 March 2011. The surplus arising from the revaluation net of deferred taxes was transferred to a revaluation reserve and it's transferred back to equity over the period of time.

The group changed the accounting policy with respect of measurement of building during 2012, therefore the fair value of building was not measured thereafter.

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows:

Class of Asset	Cost	Cumulative Depreciation if Assets were Carried at Cost	Net Carrying Amount 2017	Net Carrying Amount 2016
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Group				
Freehold Land	56,682	-	56,682	21,210
Building	273,410	(104,210)	169,201	174,119
	330,092	(104,210)	225,883	195,329
Company				
Freehold land	54,572	-	54,572	21,210
Building	191,317	(78,293)	113,024	114,870
	245,889	(78,293)	167,596	136,080

Notes to the Financial Statements

12. Property, Plant and Equipment (Contd...)

12.4 Revaluation of Land & Building (Contd.)

Fair Value of Land

Fair Value measurement disclosure for revalued land based on un-observable inputs are as follows,

	Date of Valuation	Fair Value measurement using Significant unobservable inputs (Level 3)	
		Group Rs.000	Company Rs.000
Revalued Property, Plant and Equipment			
Land -Makola	31 March 2017	469,560	388,560
Land -Gonawala	31 March 2017	58,000	58,000
		527,560	446,560

Significant unobservable input :	Range
Price per perch	Rs. 000
Land -Makola	400-450
Land -Gonawala	200

Significant increases / (decreases) in estimated price per perch in isolation would result in a significantly higher (lower) fair value.

12.5 Value of Real Estate

Ownership	Location	Extent (Acres)	No of buildings in each location	Buildings Sq.ft	Rs. 000 Market Value of Land
Alumex PLC	Makola	6.07	10	104,647	388,560
Alumex PLC	Gonawala	1.82	2	10,441	58,000
Alumex PLC	Ekala	6.30	1	2,000	417,040
Alco Industries (Pvt) Ltd	Makola	1.13	2	34,638	81,000

12.6 Depreciation Transfer for Building

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

13. Intangible assets

	Group / Company			
	Development Cost	Software Development	Patents and licenses	Total
	Rs.000	Rs.000	Rs.000	Rs.000
At 1 April 2016	25,986	11,322	11,420	48,728
Additions	-	2,129	2,906	5,035
At 31 March 2017	25,986	13,451	14,326	53,763
Amortization				
At 1 April 2016	805	-	8,502	9,306
Amortization Charge for the Year	1,206	-	1,130	2,336
At 31 March 2017	2,010	-	9,632	11,642
Net Book Value				
At 31 March 2017	23,976	13,451	4,695	42,121
At 31 March 2016	25,181	11,322	2,918	39,421

- 13.1 Intangible asset consist of patent and licence of ERP software (Microsoft Navision) purchased during 2009 and amortize by 31 December 2018.

Development cost represent the cost incurred to develop and test three door and window systems.

Software development cost represent the cost incurred for implementing finance and manufacturing modules of ERP Software (Microsoft Navision). Manufacturing module implementation is still in progress

14. Investments In Subsidiaries

	Holding %		Company	
	2017	2016	2017	2016
			Rs.000	Rs.000
Alco Industries (Pvt) Ltd	100%	100%	30,000	30,000
Avro Enterprises (Pvt) Ltd (Note 14.1)(Amalgamated with Alumex PLC with effect from 20 April 2016)	100%	100%	-	3,264
Alumex Systems (Pvt) Ltd (Amalgamated with Alumex PLC with effect from 31 March 2017)	100%	100%	-	0.01
			30,000	33,264

(Initial investment in Alumex Systems (Pvt) Ltd is one share at a nominal value of Rs.10/-)

Notes to the Financial Statements

14. Investments In Subsidiaries (Contd...)

14.1 Avro Enterprises (Pvt) Ltd.

	Company	
	2017 Rs.000	2016 Rs.000
Balance as at 01 April	3,265	6,392
Impairment	-	(3,127)
Disposal due to Amalgamation	(3,265)	
Balance as at 31 March	-	3,265

15. Financial assets and financial liabilities

15.1 Financial Asset

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Fixed deposit	1,233	1,133	1,233	1,133
Total Financial Asset	1,233	1,133	1,233	1,133
Total Current Asset	1,233	1,133	1,233	1,133
Total Non Current Asset	-	-	-	-

Loans and receivables are non-derivative financial assets carried at amortized cost which generate a fixed or variable interest income for the Group.

15.2 Financial Liabilities

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Current Interest Bearing Loans and Borrowings				
Long Term Loans	-	3,084	-	3,084
Short Term Loans	30,882	-	-	-
Bank Overdraft	16,821	-	16,821	-
Total Current Interest Bearing Loans and Borrowings	47,703	3,084	16,821	3,084
Non Current Interest Bearing Loans and Borrowings				
- Loan Term Loans	512,000	-	512,000	-
Total Non Current Interest Bearing Loans and Borrowings	512,000	-	512,000	-

15.2.3 Long-Term Borrowings

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
As at 01 April	3,084	17,501	3,084	17,501
New Loans Obtained	512,000	-	512,000	-
Repayments	(3,084)	(14,417)	(3,084)	(14,417)
As at 31 March	512,000	3,084	512,000	3,084
Transfer to Current Liability (Repayable Within One Year)	-	-	-	-
Repayable After One Year	512,000	3,084	512,000	3,084

15.2.4 Analysis of Long-Term Borrowings by year of Repayment

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Long-Term Loans Repayable Between 1 and 2 Years from Year-end	-	-	-	-
Long-Term Loans Repayable Between 2 and 5 Years from Year-end	512,000	-	512,000	-
Long-Term Loans Repayable later than 5 Years from Year-end	-	-	-	-
	512,000	-	512,000	-

Term loan was obtained from Standard Chartered Bank for the period of 5 years at a variable rate of interest and no securities are pledged in respect of such loans.

15.2.5 Short-Term Borrowings

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
As at 01 April	-	-	-	-
New Loans Obtained	580,882	-	550,000	-
Repayments	(550,000)	-	(550,000)	-
As at 31 March	30,882	-	-	-

15.2.6 Other Current Financial Liability

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Financial instruments at fair value through profit or loss	-	-	-	-
Foreign exchange forward contracts	-	553	-	553
Total Other current financial liability	-	553	-	553

The Group enters in to foreign exchange forward contracts with the intention of reducing the foreign exchange risk of purchases, these contracts are measured at fair value through profit or loss.

Notes to the Financial Statements

15. Financial assets and financial liabilities (Contd...)

15.2.7 Fair Value of Financial Assets and Liabilities not Carried at Fair Value

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying Amount		Fair value	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Group				
Financial Assets				
Trade and Other Receivables	864,221	507,937	864,221	507,937
Fixed Deposits	1,233	1,133	1,233	1,133
Total	865,454	509,070	865,454	509,070
Financial Liabilities				
Trade and Other Payables	1,106,676	669,617	1,106,676	669,617
Loans and Borrowings- Current	47,703	3,084	47,703	3,084
Loans and Borrowings- Non Current	512,000	-	512,000	-
Foreign exchange forward contracts	-	553	-	553
Total	1,666,379	673,254	1,666,379	673,254

	Carrying Amount		Fair value	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Company				
Financial Assets				
Trade and Other Receivables	715,534	455,820	715,534	455,820
Other Investments	1,233	1,133	1,233	1,133
Total	716,767	456,953	716,767	456,953
Financial Liabilities				
Trade and Other Payables	1,107,504	699,908	1,107,504	699,908
Loans and Borrowings- Current	16,821	3,084	16,821	3,084
Loans and Borrowings- Non Current	512,000	-	512,000	-
Foreign exchange forward contracts	-	553	-	553
Total	1,636,325	703,545	1,636,325	703,545

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values.

Loans and advances granted to customers with a variable rate are also considered to be carried at fair value in the books.

16. Inventories

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Raw Material	622,442	428,323	497,603	333,250
Work In Progress	70,223	44,666	56,242	39,824
Finished Goods	314,529	215,612	259,593	177,343
Other Materials	49,895	34,856	41,281	27,852
Goods In Transit	91,990	138,229	53,200	132,827
	1,149,079	861,686	907,919	711,096

The provision/ (reversal) of the group for obsolete inventory was amounting Rs. (4.8 mn) (2016 - Rs. 21 mn) which was recognized in Cost of Sales.

16.1 Movement in the Provision for Obsolete Inventory

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
As at 1 April	57,379	36,813	37,017	24,280
Provision Made During the Year	10,015	37,684	9,505	20,460
Provision Reversed During the Year	(14,821)	(17,117)	(7,439)	(7,723)
As at 31 March	52,573	57,379	39,083	37,017

17. Trade and Other Receivables

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Trade Receivables	827,184	486,804	689,040	412,281
Less: Provision for Doubtful Debts	(7,047)	(16,349)	(6,461)	(11,366)
	820,137	470,455	682,579	400,915
Receivables from Subsidiaries (Note 17.2)		-		35,023
Amounts Due from Related Parties (Note 17.1)	2,704	15,946	2,630	1,271
Other Receivables	41,380	21,536	30,325	18,611
	864,221	507,937	715,534	455,820

Notes to the Financial Statements

17. Trade and Other Receivables (Contd...)

17.1 Amounts Due from Related Parties

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Dipped Products PLC	904	-	904	-
Logiventures Ltd	1,064	613	1,064	613
Hayleys Industrial Solution (Pvt) Ltd	-	14,424	-	-
Alufab PLC	736	909	662	658
	2,704	15,946	2,630	1,271

17.2 Receivables from Subsidiaries

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Alumex Systems (Pvt) Ltd	-	-	-	35,023
	-	-	-	35,023

Trade receivables are non- interest bearing and are generally on 30-90 days terms.

17.3 Movement in the Provision for Doubtful Debts.

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
As at 1 April	16,349	3,590	11,366	2,071
Provision Made During the Year	19,350	20,120	18,777	14,487
Write-off Against the Provision	(890)	(2,075)	(378)	(1,542)
Provision Reversed During the Year	(27,762)	(5,286)	(23,304)	(3,650)
As at 31 March	7,047	16,349	6,461	11,366

17.4 As at 31 March , the ageing analysis of trade receivables is as follows:

	Neither Past Due nor Impaired	< 60 days	Past Due but not Impaired 61-120 days	121-180 days	> 180 days	Total (Gross)	Provision for Doubtful Debts	Total (Net)
Group								
2017	591,681	192,745	25,020	8,913	8,825	827,184	(7,047)	820,138
2016	369,883	69,923	20,197	19,243	7,558	486,804	(16,349)	470,455
Company								
2017	480,190	168,807	22,876	8,731	8,411	689,015	(6,461)	682,554
2016	314,330	59,071	17,904	17,401	3,575	412,281	(11,366)	400,915

See Note 28 on credit risk of trade receivables which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

18. Advances and Prepayments

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Advances	101,852	31,572	101,632	31,542
Receivables from Related Parties (Note 18.1)	18,000	-	18,000	-
Prepayments	6,162	6,529	5,195	3,431
	126,014	38,101	124,827	34,973

18.1 Receivables from Related Parties

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Hayleys Industrial Solution (Pvt) Ltd	18,000	-	18,000	-
	18,000	-	18,000	-

19. Cash and Short Term Deposits

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Cash at Banks and on Hand	154,746	55,534	152,025	35,738
Short-Term Deposits	10,586	82,916	2,749	81,765
	165,332	138,450	154,774	117,503

For the purpose of statement of cash flows, cash and cash equivalents comprise the followings.

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Cash at Banks and on Hand	154,746	55,534	152,025	35,738
Short-Term Deposits	10,586	82,916	2,749	81,765
Bank Overdraft	(16,821)	-	(16,821)	-
Cash and Cash Equivalents for the Purpose of Cash Flow Statement	148,511	138,450	137,953	117,503

20. Stated Capital

	Company			
	2017 Number	2016 Rs.000	2017 Number	2016 Rs.000
Ordinary Shares	299,302,840	283,735	299,302,840	283,735

All authorized ordinary shares are issued and fully paid

Notes to the Financial Statements

21. Reserves

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Revaluation Reserve (Note 21.1)	552,267	456,447	526,750	445,422
Capital Reserve	228,056	228,056	228,056	228,056
	780,323	684,503	754,806	673,478

21.1 Revaluation Reserve

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
As at 1 April	456,447	510,228	445,422	499,203
Revaluation Surplus During the Year	101,105	-	86,613	-
Excess Depreciation Transfer on Revaluation Surplus	(5,285)	(53,781)	(5,285)	(53,781)
As at 31 March	552,267	456,447	526,750	445,422

21.2 Capital Reserve

Capital reserve was made with funds transferred from retained earnings in previous years with the purchase of capital nature assets.

21.3 OCI items, Net of Tax

The disaggregation of charges of OCI by each type of reserve on equity is shown below.

	Revaluation Reserve Rs. 000	Retained Earnings Rs. 000	Total Rs. 000
Group			
As at 31 March 2017			
Remeasurement of Defined Benefit Plan	-	(3,134)	(3,134)
Revaluation of Land	101,105	-	101,105
	101,105	(3,134)	97,971
As at 31 March 2016			
Remeasurement of Defined Benefit Plan	-	(6,274)	(6,274)
	-	(6,274)	(6,274)
Company			
As at 31 March 2017			
Remeasurement of Defined benefit Plan	-	(2,720)	(2,720)
Revaluation of Land	86,613	-	86,613
	86,613	(2,720)	83,893
As at 31 March 2016			
Remeasurement of Defined benefit Plan	-	(5,686)	(5,686)
	-	(5,686)	(5,686)

22. Provisions

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Maintenance Warranty				
As at 01 April	6,954	4,810	5,704	3,968
Provisions During the Year	2,401	2,144	2,011	1,736
As at 31 March	9,355	6,954	7,715	5,704

Maintenance warranty provision is recognized for expected warranty claims on Wood Finished products sold.

23. Retirement Benefit Liability

The Group measures the present value of Defined Benefit Obligation (PVDBO) which is a defined benefit plan with the advice of an actuary using Project Unit Credit Method.

Changes in the present value of the Retirement Benefit Plan as follows:

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
As at 1 April	79,522	64,279	72,180	57,927
Interest Cost	8,499	6,302	7,754	5,704
Current Service Cost	3,270	2,705	2,966	2,389
Benefit Paid	(4,338)	(2,396)	(3,217)	(1,760)
Actuarial (Gain) / Loss	4,295	8,632	3,777	7,897
Due to Employee Transfers	-	-	(822)	23
As at 31 March	91,248	79,522	82,638	72,180

23.1 Expense Recognized during the year in Income Statement

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Interest Cost	8,499	6,303	7,754	5,704
Current Service Cost	3,270	2,705	2,966	2,389
	11,769	9,007	10,720	8,093
Actuarial (gains)/losses recognized in Other Comprehensive Income	4,295	8,632	3,777	7,897

Messer's NMG Consulting , carried out an actuarial valuation of the defined benefit plan gratuity on 31 March 2017. The principal financial assumptions underlying the valuation are as follows.;

23.2 The key assumptions used in determining the cost of employee benefits were:

Discount rate	12% (2016 - 11%)
Rate of Salary Increase	11% (2016 - 10%)
Retirement Age	55-60 Years as specified by the Company (2016 - 55-60 Years)
Staff Turnover	7%
Mortality	Based on A1967/70 Mortality Table (Institute of Actuaries , London)

Notes to the Financial Statements

23. Retirement Benefit Liability (Contd...)

23.3 In order to illustrate the significance of the salary escalation rates and discount rates assumed in this valuation a sensitivity analysis for all employees assuming the above is as follows;

Group				Company			
Salary Increment Rate	Discount Rate	PVODBO	Net Benefit (Expense)	Salary Increment Rate	Discount Rate	PVODBO	Net Benefit (Expense)
11%	11%	98,207	(6,958)	11%	11%	88,654	(6,016)
11%	13%	85,486	5,763	11%	13%	77,239	5,399
10%	12%	85,395	5,854	10%	12%	77,156	5,482
12%	12%	98,192	(6,944)	12%	12%	88,643	(6,005)

23.4 Average future working life time as per the assumptions made is 7.4 years as of 31 March 2017.

23.5 Maturity Profile of the Defined Benefit Obligation as at 31 March 2017

	Defined Benefit Obligation			
	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Expected Future Working Life				
Within the Next Twelve Months	8,216	8,740	7,723	7,557
Between One to Five Years	28,461	18,950	25,321	16,873
Between Five to Ten Years	23,277	21,003	21,930	19,885
More than Ten Years	31,295	30,829	27,664	27,865
	91,248	79,522	82,638	72,180

24. Trade and Other Payables

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Trade Payables	720,490	436,235	536,965	403,576
Payable to Subsidiaries (Note 24.2)	-	-	210,959	78,938
Amounts Due to Related Parties (Note 24.1)	9,787	6,500	9,756	6,399
Other Payables	166,192	78,261	205,736	69,269
Accruals and Sundry Creditors	210,207	148,621	144,088	141,726
	1,106,676	669,617	1,107,504	699,908

24.1 Amounts Due to Related Parties

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Hayleys PLC	4,200	5,739	4,200	5,665
Civaro Lanka (Pvt) Ltd	-	11	-	11
Hayleys Business Solutions International (Pvt) Ltd	147	134	116	106
Logiwise Limited	14	20	14	20
MIT Cargo (Pvt) Ltd	-	492	-	492
Hayleys Electronic Lighting (Pvt) Ltd	-	68	-	68
Hayleys Industrial Solutions (Pvt) Ltd	143	-	143	-
Hayleys Travel & Tours (Pvt) Ltd	-	36	-	37
Hayleys Consumer Products Ltd	4	-	4	-
Hayleys Leisure Holdings (Pvt) Ltd	5,279	-	5,279	-
	9,787	6,500	9,756	6,399

24.2 Payable to subsidiaries

	Group		Company	
	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Avro Enterprises (Pvt) Ltd	-	-	-	2,913
Alco Industries (Pvt) Ltd	-	-	210,959	76,025
	-	-	210,959	78,938

Group / Company

Terms and conditions of the above financial liabilities:

- » Trade payables are non-interest bearing and are normally settled on 30-120 day terms
- » Accrued expenses are non-interest bearing and are normally settled on 30 day terms

Other payables are non-interest bearing and hence on average term of six months. For explanation of group credit risk management process, refer to Note No 28.

Notes to the Financial Statements

25. Commitments and Contingencies

25.1 Capital Expenditure Commitments

The "Group" has following capital commitments as at 31 March 2017.

Company	Nature of transaction	Capital Commitment Rs.000
Alumex PLC	Construction of warehouse at Maguruwila	138,536
Alumex PLC	Purchase of CNC Milling Machine	32,946
Alumex PLC	Purchase of Automatic Bridge Crane	14,152
Alumex PLC	Purchase of QR container for Extruder	7,453
Alumex PLC	Purchase of stainless steel blower	3,865
Alumex PLC	Purchase of Infra-Red Die oven	3,198
Alumex PLC	Fabrication Work for Lumin Concepts Centre- Jaffna	2,673
Alumex PLC	Purchase of Screw type air compressor	1,035
Alumex PLC	Iron Racks for Wariyapola Warehouse	953
Alumex PLC	Purchase of Electric chain hoist	690
Alumex PLC	Purchase of Samsung Channe Stanalone NVT System	510
Alumex PLC	Implementation of Time and attendance module	459
Alumex PLC	Purchase of Dot Net On line UPS	440
Alumex PLC	Purchase of Drilling Machine - RF 400HS	434
Alco Industries (Pvt) Ltd	Upgrading Power Distribution	1,294
		208,638

25.2 Litigation, Disputes and Contingent Liabilities

There are no material legal, arbitration or mediation proceedings pending against the Company that would materially affect the current financial position of future operations or profits of the Company. The Company was not involved in any legal, arbitration or mediation proceedings in the recent past which had any significant effects on the company's financial position or profitability.

As at 31 March 2017, there are no penalties imposed by any regulatory or state authority against the Company.

The contingent liabilities as at 31 March 2017 on guarantees given by group to third parties amounted to Rs.0.04 mn (2016 - Rs.0.7 mn).

Company has received a claim from the Department of Labour for surcharge payments on the grounds of delayed EPF contributions made to the Central Bank of Sri Lanka 10 years before, for a value of Rs. 2 mn and its still being discussed with Department of Labour and the Central Bank of Sri Lanka.

There are no material contingent liabilities, except the above mentioned items, that would affect current and future profits of the Company as at 31 March 2017.

26. Events Occurring after The Reporting Date

There were no events that has occurred as at 31 March 2017 which require adjustment to or disclosure in the Financial Statements.

27. Related Party Disclosures

27.1 Transactions with the key management personnel

(A) Loans to Directors

No loans have been given to the Directors of the Company/Group.

(B) Key Management Personnel Compensation

Key management personnel comprises the Directors of the Company and details of compensation are given in Note 08 to the Financial Statements. There were no other transactions with key management personnel during the year.

27.2 Transaction with parent, subsidiaries and other related companies

The Financial Statements include the Financial Statements of the Group and the subsidiaries listed in the following table:

Name	Country of Incorporation	% Equity Interest	
		2017	2016
Alco Industries (Pvt) Ltd	Sri Lanka	100	100
Avro Enterprises (Pvt) Ltd	Sri Lanka	100	100
Alumex Systems (Pvt) Ltd	Sri Lanka	100	-

The following table provides the total amount of transactions that the Company have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at 31 March 2017, 31 March 2016, refer to Notes 18 and 24):

*Purchases from Alco Industries (Pvt) Ltd during the year included interest paid amounting to Rs. 18 Mn (2016 - Rs 17 Mn)

		Sales to Related Parties	Purchases from Related Parties	Net Funds Transfer from / (to) Related Parties	Amounts Due from Related Parties	Amounts Due to Related Parties
		Rs. 000	Rs. 000	Rs. 000	Rs. 000	2016
Parent :						
Hayleys PLC	2017	-	40,252	-	-	4,200
	2016	-	33,265	-	-	5,665
Subsidiaries :						
*Alco Industries (Pvt) Ltd	2017	248,317	226,673	156,579	-	210,959
	2016	355,349	211,768	107,319	-	76,024
Avro Enterprises (Pvt) Ltd	2017	-	-	-	-	-
	2016	-	-	(2,600)	-	2,913
Alumex Systems (Pvt) Ltd	2017	-	-	1,264	-	-
	2016	35,023	-	-	35,023	-
Entities with significant influence over the Group						
Hayleys Business Solutions International (Pvt) Ltd	2017	-	1,183	-	-	116
	2016	-	1,157	-	-	106
Hayleys Consumer Products Ltd	2017	-	29	-	-	4
	2016	-	34	-	-	-

Notes to the Financial Statements

27. Related Party Disclosures (Contd...)

		Sales to Related Parties	Purchases from Related Parties	Net Funds Transfer from / (to) Related Parties	Amounts Due from Related Parties	Amounts Due to Related Parties
		Rs. 000	Rs. 000	Rs. 000	Rs. 000	2016
Hayleys Travels & Tours (Pvt) Ltd	2017	-	2,412	-	-	-
(Now known as Hayleys Travels (Pvt) Ltd)	2016	-	1,987	-	-	36
Hayleys Electronics Lighting (Pvt) Ltd	2017	-	215	-	-	-
	2016	-	731	-	-	68
Hayleys Industrial Solutions (Pvt) Ltd	2017	-	14,294	(18,000)	18,000	143
	2016	-	94	-	-	-
The Kingsbury PLC	2017	-	2,679	-	-	-
	2016	-	2,360	-	-	-
Puritas (Pvt) Ltd	2017	-	28	-	-	-
	2016	-	1,993	-	-	-
Logiventures (Pvt) Ltd	2017	3,849	-	-	1,064	-
	2016	3,241	-	-	-	-
Civaro Lanka (Pvt) Ltd	2017	-	148	-	-	-
(Now known as Advantise Freight (Pvt) Ltd)	2016	-	444	-	-	11
Sampath Bank PLC	2017	-	1,137	-	-	-
	2016	-	433	-	-	-
Alufab PLC	2017	18,235	626	-	662	-
	2016	46,235	35,626	-	-	-
Logiwiz Limited	2017	-	143	-	-	14
	2016	-	119	-	-	20
COSCO Lanka (Pvt) Ltd	2017	-	709	-	-	-
	2016	-	844	-	-	-
MIT Cargo (Pvt) Ltd	2017	-	-	-	-	-
	2016	-	607	-	-	492
Hayleys Agriculture Holdings Ltd	2017	-	1,654	-	-	-
	2016	-	509	-	-	-
Kandyan Resorts (Pvt.) Ltd.	2017	-	-	-	-	-
	2016	-	873	-	-	-
Logiwiz NW (Pvt) Ltd	2017	-	-	-	-	-
	2016	-	129	-	-	-
Mountain Hawk Express (Pvt) Ltd	2017	-	699	-	-	-
	2016	-	-	-	-	-
D P L Universal Gloves Limited	2017	-	1,077	-	-	-
	2016	-	-	-	-	-
Hayleys Fibre PLC	2017	5,000	420,000	-	-	-
	2016	-	-	-	-	-
Hayleys Leisure Holdings (Pvt) Ltd	2017	-	5,279	-	-	5,279
	2016	-	-	-	-	-
Dipped Products PLC	2017	904	-	-	904	-
	2016	-	-	-	-	-

There were no non recurrent related party transactions which aggregate value exceeds 10% of Equity or 5% of total Assets and there were no recurrent related party transactions which aggregate value exceeds 10% of gross revenue. Except mentioned below.

* Non recurrent related party transactions which aggregate value exceeds 10% of Equity or 5% of total Asset

Purchase of a freehold property owned by Hayleys Fibre PLC situated at 138/4, Minuwangoda Road, Ekala, Ja-Ela. Extent of the property - 06 Acres - 01 Rood - 7.3 Perches

Name of the Related Party	Value of the Related Party Transaction Entered into During the Financial Year Rs. 000	Value of the Related Party Transaction as a % of Equity	Value of the Related Party Transaction as a % of Total Assets	Term and Condition of the Related Party Transaction	The Rationale for entering into the Transaction
Hayleys Fibre PLC	420,000	23%	11%	Arm's length Transaction on normal commercial terms. A valuation of the property has been carried out by an independent valuer.	To accommodate a capacity expansion of manufacturing facilities.

The immediate and ultimate parent

The immediate and ultimate parent of the Group is Hayleys PLC.

The Entity with significant influence over the Company

Hayleys Business Solutions International (Pvt) Ltd, Haycarb PLC, The Kingsbury PLC, Hayleys Travels (Pvt) Ltd, Logiventures (Pvt) Ltd, Puritas (Pvt) Ltd, Hayleys Electronics Lighting (Pvt) Ltd, Hayleys Industrial Solutions (Pvt) Ltd, Advantise Freight (Pvt) Ltd, Hayleys Consumer Products Ltd, Alufab PLC, Dean Foster (Pvt) Ltd, Logiwiz Limited, CMA CGA Lanka (Pvt) Ltd, Maritime Agencies (Pvt) Ltd, COSCO Lanka (Pvt) Ltd, MIT Cargo (Pvt) Ltd, Mountain Hawk Express (Pvt) Ltd, D P L Universal Gloves Limited, Hayleys Fibre PLC, Hayleys Leisure Holdings (Pvt) Ltd, Dipped Products PLC are subsidiaries of Hayleys PLC and Mr. R. P. Pathirana is a Director of Sampath Bank PLC as well as Alumex PLC.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016 - Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Notes to the Financial Statements

28. Financial Management Objectives and Policies

Financial Risk Management

The Company has exposure to the following risks from financial instruments:

- 1 Credit Risk
- 2 Liquidity Risk
- 3 Operational Risk
- 4 Market Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board has delegated this responsibility to the Audit Committee which is supported by the senior management of the of the Group in identifying, measuring and managing the risks of the Company.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group senior management has established a credit policy under which each new customer is analysed individually for creditworthiness before the group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the senior management; these limits are reviewed quarterly. Customers that fail to meet the group's benchmark creditworthiness may transact with the company only on a prepayment basis. Outstanding customer receivables are regularly monitored.

More than 75% of the Group's customers have been transacting with the company for over five years, and no impairment loss has been recognized against these customers. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific provision that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs. 864 mn (2016-Rs. 508 mn) which is disclosed in Note 18. The Company evaluates the concentration of risk with respect to trade receivables as low.

Cash and Cash Equivalents

The Group/Company held cash and cash equivalents of Rs. 165 mn and Rs.154 mn respectively as at 31 March 2017 (2016-Rs.138mn and Rs.118 mn) which represents its maximum credit exposure on these assets.

Respective credit ratings of banks which group cash balances held are as follows;

- » Commercial Bank of Ceylon PLC – AA(Ika)
- » Sampath Bank PLC – A-(Ika)
- » Bank of Ceylon – AA+(Ika)
- » DFCC Bank – AA-(Ika)
- » Hatton National Bank PLC– AA-(Ika)
- » Lanka Orix Leasing Finance PLC -A(SL)
- » Deutsche Bank -A+
- » Standard Chartered Bank-AAA(Ika)

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Group maintains a portfolio of short-term liquid assets, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units and subsidiaries are met through short-term loans from intercompany fund transfers to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

The monthly liquidity position is monitored. All liquidity policies and procedures are subject to review and approval by Chief Financial Officer. Daily reports cover the liquidity position of both the parent and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to Chief Financial Officer.

The table below summarizes the maturity profile of the Group/ Company financial liabilities based on contractual undiscounted payments.

Group

Year ended 31 March 2017	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	>5 years	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Interest-Bearing Loans and Borrowings	-	47,703	-	512,000	-	559,703
Other Liabilities	9,355	-	-	-	-	9,355
Trade and Other Payables	321,961	528,666	256,049	-	-	1,106,676
	331,316	576,369	256,049	512,000	-	1,675,734

Company

Year ended 31 March 2017	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	>5 years	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	2016	Rs. 000
Interest-Bearing Loans and Borrowings	-	16,821	-	512,000	-	528,821
Other Liabilities	7,715	-	-	-	-	7,715
Trade and Other Payables	310,357	642,558	154,589	-	-	1,107,504
	318,072	659,379	154,589	512,000	-	1,644,040

Notes to the Financial Statements

28. Financial Management Objectives and Policies (Contd...)

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The company's objective is to manage operational risk, so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:

- » Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- » Requirements for the reconciliation and monitoring of transactions.
- » Compliance with regulatory and other legal requirements.
- » Documentation of controls and procedures.
- » Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- » Requirements for the reporting of operational losses and proposed remedial action.
- » Development of contingency plans.
- » Training and professional development.
- » Ethical and business standards.
- » Risk mitigation, including insurance when this is effective.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest Rate Risk

The Company adopts a policy of ensuring that 11.81 % floating interest rate on borrowings, taking into account assets with exposure to changes in interest rates. This is achieved by maintaining proper mix of interest rate on borrowings based on the market.

The following table demonstrate the sensitivity to a reasonably possible change in the interest rate on the portion of loan and borrowing affected, with all other variables held constant. The Group's and Company's Profit before tax is affected through the impact on long term floating rate borrowings as follows;

	Increase/ Decrease in Interest Rate	Effect on Profit Before Tax	
		2017	2017
		Group	Company
	Rs.000	Rs.000	Rs.000
Only Using	+ 1%	(39)	(39)
Long term Loans and Borrowings	- 1%	39	39

Foreign Currency Risk

The Group is exposed to currency risk on sales and purchases. The Company manages its foreign currency risk by hedging transactions that are expected to occur within a maximum period of 4 months by using foreign currency forwards contracts.

The following table demonstrate the sensitivity to a reasonably possible change in the US Dollar rate with all other variables held constant. The impact on the Group's and Company's Profit before tax due to the change in the exchange rate is as follows;

	2017	
	Group	Company
	Rs.'000	Rs.'000
Liability -Creditor	642,471	462,554
Assets -Deposit in \$	(14,142)	(14,142)
Net Position	628,329	448,412
<hr/>		
If Rupee Depreciated by 5%	659,746	470,833
Impact to the PBT	(31,416)	(22,421)
<hr/>		
If Rupee Appreciated by 5%	596,913	425,991
Impact to the PBT	31,416	22,421

Commodity Price Risk

The Group is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase of Aluminium. Due to the significantly increased volatility of the price of the underlying, the company's Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation.

Based on 03 months forecast of required aluminium supply, the group hedges the purchase price using forward commodity purchase controls. The forecast is deemed to be highly probable.

Forward contract with a physical delivery that qualify for normal purchase, sale or usage and that are therefore not recognised as derivatives.

Notes to the Financial Statements

28. Financial Management Objectives and Policies (Contd...)

The following table shows the effect of price changes in raw Aluminium on the profit before tax.

	Change in Year-End Price	Effect on Profit Before Tax	
		2017	2017
		Group	Company
		Rs. 000	Rs. 000
Raw Aluminium	+5%	(85,144)	70,418
	-5%	85,144	70,418

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group's net debt to adjusted equity ratio at the reporting date was as follows;

	Group		Company	
	2017	2016	2017	2016
	Rs.000	Rs.000	Rs.000	Rs.000
Interest Bearing Loans and Borrowings	528,821	3,084	528,821	3,084
	528,821	3,084	528,821	3,084
Equity	2,315,935	1,898,456	1,796,997	1,483,923
Equity and Net Debts	2,844,756	1,901,540	2,325,818	1,487,007
Gearing Ratio	18.59%	0.16%	22.74%	0.21%

Investor Information

ALUMEX PLC ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2017

No. of shares held	RESIDENTS			NON RESIDENTS			TOTAL		
	No. of Share holders	No. of Shares	%	No. of Share holders	No. of Shares	%	No. of Share holders	No. of Shares	%
1 – 1,000	1,061	436,991	0.1460	5	1,830	0.0006	1,066	438,821	0.1466
1,001 – 10,000	727	2,951,980	0.9863	9	54,714	0.0183	736	3,006,694	1.0046
10,001 – 100,000	324	10,862,866	3.6294	14	728,794	0.2435	338	11,591,660	3.8729
100,001 – 1,000,000	77	26,412,236	8.8246	6	1,732,485	0.5788	83	28,144,721	9.4034
OVER 1,000,000	9	256,120,944	85.5725	9			9	256,120,944	85.5725
	2,198	296,785,017	99.1588	34	2,517,823	0.8412	2,232	299,302,840	100.0000
CATEGORY									
Individuals	2,058	35,434,405	11.8390	27	1,270,329	0.4244	2,085	36,704,734	12.2634
Institutions	140	261,350,612	87.3198	7	1,247,494	0.4168	147	262,598,106	87.7366
	2,198	296,785,017	99.1588	34	2,517,823	0.8412	2,232	299,302,840	100.0000

DIRECTORS SHAREHOLDING AS AT 31.03.17

Name of Director	No of Shares
Mr.A.M.Pandithage	10,000
Mr.R.P.Peris	70,000
Mr.D.W.P.N.Dediwela	10,669,200
Mr.R.P.Pathirana	243,949
Mr.S.Munaweera	20,000
Total	11,013,149

SHARE TRADING INFORMATION -THREE MONTHS ENDED 31.03.2017 from 01/01/2017 to 31/03/2017

Highest Price	Rs.21.50
Lowest Price	Rs. 18.40
Closing Price	Rs.19.00

SHARE TRADING INFORMATION -TWELVE MONTHS ENDED 31.03.2017 from 01/04/2016 to 31/03/2017

Highest Price	Rs.22.00
Lowest Price	Rs. 15.50
Closing Price	Rs.19.00

No. of Transactions	11,242
No. of shares traded	70,417,936
Value of shares traded	Rs. 1,325,384,124.00

PERCENTAGE OF PUBLIC HOLDING AS AT 31.03.2017	16.83%
Total number of shareholders representing the public holding	2,223

Investor Information

DIVIDEND

Second interim dividend declared - Cents 50 per share payable on 06th June, 2017.

Interim Dividend 2016/17 - Rs.1.00 per share paid on 30th March, 2017.

Final Dividend 2015/16 - Cents 45 per share paid on 4th July, 2016

FIRST TWENTY SHAREHOLDERS AS AT 31.03.2017

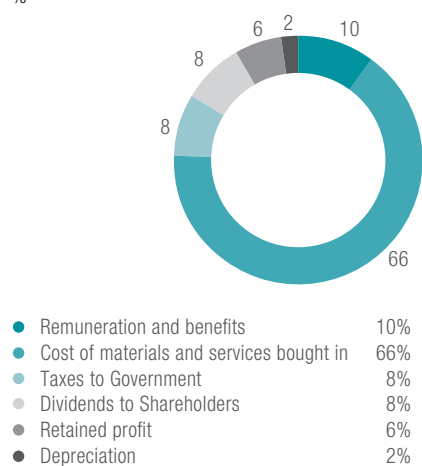
	Name of the Shareholder	No. of Shares as at 31.03.2017	%	No. of Shares as at 31.03.2016	%
1	Hayleys PLC	154,144,500	51.50	152,644,500	51.00
2	Akbar Brothers Pvt Ltd A/C No.1	40,217,782	13.44	40,217,782	13.44
3	Rosewood (Pvt) Ltd - Account No.01	29,340,300	9.80	29,340,300	9.80
4	Dean Foster (Pvt) Ltd A/C No.1	14,213,900	4.75	14,213,900	4.75
5	Mr. D.W.P.N.Dediwela	10,669,200	3.56	10,669,200	3.56
6	Union Assurance PLC /Account No.5 (Unit-Linked Life Insurance Fund-Equity Fund)	3,044,222	1.02	---	---
7	Ceylon Investment PLC A/C No.1	2,260,000	0.76	---	---
8	The Ceylon Chamber of Commerce Account No.02	1,150,000	0.38	---	---
9	Mr.T.H.D.I.U.Thrimanne	1,081,040	0.36	1,111,040	0.37
10	Arunodhaya (Private) Limited	1,000,000	0.33	---	---
	Arunodhaya Industries (Private) Limited	1,000,000	0.33	---	---
	Arunodhaya Investments (Private) Limited	1,000,000	0.33	---	---
	Insite Holdings (Pvt) Ltd	1,000,000	0.33	---	---
	Mr.K.D.H.Perera	1,000,000	0.33	1,000,000	0.33
	Mr.A.G.S.Swaminathan	1,000,000	0.33	---	---
11	Hatton National Bank PLC A/C No.4 (HNB Retirement Pension Fund)	900,000	0.30	---	---
12	Deutsche Bank AG As Trustee for Guardian Acuity Equity Fund	800,000	0.27	---	---
13	Hatton National Bank PLC A/C No.5 (Trading Portfolio)	740,000	0.25	---	---
14	Commercial Bank of Ceylon PLC A/C No.01	714,200	0.24	714,200	0.24
	Mr. M.L.Hirdaramani	714,200	0.24	714,200	0.24
	Mr.S.J.Hirdaramani	714,200	0.24	714,200	0.24
15	Mr.N.P.De A.Samaranayake	700,000	0.23	---	---
16	People's Leasing & Finance PLC/Hi Line Trading (Pvt) Ltd	690,750	0.23	292,301	0.10
17	East India Holding (Pvt) Ltd	668,515	0.22	---	---
18	Guardian Fund Management Limited/The Aitken Spence & Associate Companies Executive Provident Fund	600,000	0.20	---	---
19	Waldock Mackenzie Ltd/Hi Line Trading (Pvt) Ltd	599,794	0.20	---	---
20	Peoples Bank	537,500	0.18	---	---
	Total	270,500,103	90.35	251,631,623	84.07

Statement of Value Added

	Share %	2017 Rs. Mn	2016 Rs. Mn	Share %
Gross Revenue		5,411	4,479	
Value added	-	5,411	4,479	
Distribution of Value Added				
Cost of Materials and Services Bought in	66%	3,506	2,858	64%
Remuneration and Benefits	10%	553	487	11%
Taxes to Government	8%	430	421	9%
Dividends to Shareholders	8%	434	299	7%
Interest on Borrowings	1%	34	12	0%
Community Investment	0%	11	16	0%
Retained in the business			-	
Retained Profit	6%	320	290	6%
Deferred Tax	0%	21	(10)	0%
Depreciation	2%	101	107	2%
	100%	5,411	4,479	100%

Distribution of Value Added - 2017

%



Five Year Summary

	2017 Rs.000	2016 Rs.000	2015 Rs.000	2014 Rs.000	2013 Rs.000
Turnover	4,634,761	3,915,668	3,241,483	2,749,348	2,429,911
Profit before Tax	1,016,400	801,260	612,800	464,067	377,788
Taxation	(262,904)	(212,137)	(135,805)	(85,113)	(71,441)
Profit after Tax	753,496	589,123	476,995	378,954	306,347
Profit Attributable to the Group	753,496	589,123	476,995	378,954	306,347
Funds Employed					
Stated Capital	283,735	283,735	283,735	283,735	33,735
Reserves	780,323	684,503	738,284	685,355	693,672
Retained Earnings	1,251,876	930,218	667,586	477,325	256,713
Assets Employed					
Non-Current Assets	1,957,941	1,332,559	1,290,118	965,371	969,374
Current Assets	2,324,382	1,548,205	1,350,736	1,209,784	730,630
Current Liability Net of Borrowings	1,209,298	813,753	770,632	536,719	415,286
Capital Employed	2,827,935	1,901,540	1,707,279	1,499,130	1,151,834
Cash Flow					
Net Cash Inflow/Outflow from Operating Activities	523,680	494,194	482,226	300,995	403,253
Net Cash Inflow/Outflow from Investing Activities	(619,429)	(126,623)	(324,065)	(70,910)	(45,659)
Net Cash Inflow/Outflow from Financing Activities	105,809	(439,601)	(208,637)	(27,541)	(259,636)
Net Increase/Decrease in Cash and Cash Equivalents	10,060	(72,030)	(50,476)	202,545	97,958
Key Indicators					
Current Ratio	1.85	1.90	1.72	2.12	1.38
Gearing Ratio	22.00	0.16	1.03	3.5	14.6
Asset Turnover Ratio	1.08	1.36	1.23	1.26	1.43
Earnings per Share	2.52	1.97	1.59	1.34	1.09
Dividends per Share	1.45	1.00	1.00	0.53	0.41
Net assets per Share	7.74	6.34	5.65	4.83	3.50
Return on Average Shareholders' Funds	0.36	0.33	0.30	0.31	0.36
Return on Capital Employed	0.44	0.45	0.38	0.32	0.36
Price Earnings Ratio	7.55	7.82	9.91	10.59	-
Interest Cover	166	948	220	48	9
Dividend Payout Ratio	0.58	0.51	0.63	0.39	0.38

Independent Assurance Report



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Independent Assurance Report to Alumex PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2016/17

Introduction and Scope of the Engagement

The management of Alumex PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting indicators in the annual report- 2016/17 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 197 of the Report.
- Limited assurance on the information presented in the Report (General Standard Disclosures and Specific Standard Disclosures of the GRI Index page 200 to page 206), prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines.

Basis of Our Work and Level of Assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI G4 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Management of the Company's Responsibility for the Report

The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustaining reporting process in line with the GRI Sustainability Reporting Guidelines.

Ernst & Young's Responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 15

March 2017. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

Key Assurance Procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Interviewing relevant the Company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2017.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative G4 'In accordance' - Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

Limitations and Considerations

Economic, Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed, as described above, we conclude that;

- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from GRI-G4- 'In accordance' Core Sustainability Reporting Guidelines.

Chartered Accountants
15 May 2017
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesunya FCA FCMA
Principal: T P M Ruberu FCA FCCA

A member firm of Ernst & Young Global Limited

GRI Content Index - In Accordance - Core

GRI Indicator	Disclosure Title	Topic Reference/Comments	Page Reference
GENERAL STANDARD DISCLOSURES			
Section: Strategy & Analysis			
G4-1	Statement from the most senior decision maker of the organization.	Chairman's Review/ Statement	Page 20
Section: Organisational Profile			
G4-3	Name of the Organization	About the Company	Page 12
G4-4	Primary brands, products, and services	About the Company	Page 12
G4-5	Location of Organizations Head Quarters	About the Company	Page 12
G4-6	Location of Organizations Operations	About the Company	Page 12
G4-7	Nature of ownership and legal form	About the Company/	Page 12
G4-8	Markets served	About the Company	Page 12
G4-9	Scale of the reporting organization	About the Company / Financial Highlights	Page 12 & 19
G4-10	Total workforce by employment type, employment region -broken down by gender	Human Capital	Page 65
G4-11	Percentage of employees covered by collective bargaining agreements	Human Capital	Page 64
G4-12	Organization's Supply Chain	Social and Relationship Capital – Suppliers	Page 76
G4-13	Significant changes during reporting period regarding size, structure and ownership.	Chairman's Statement / Managing Director's Review	Page 20 & 24
G4-14	Explanation about whether and how precautionary approach is addressed by the organization	Risk Management	Page 127
G4-15	Externally developed economic, environmental and social charters and principles or other initiatives	About this Report	Page 16
G4-16	Membership associations and affiliations	Social and Relationship Capital – Product Responsibility	Page 86
Section: Identified Material Aspects & Boundaries			
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G4-19	Material aspects identified for the report content	Identifying Material Issues	Page 34
G4-20	Aspect boundaries within the organization	Identifying Material Issues	Page 34
G4-21	Aspect boundaries outside the organization	Identifying Material Issues	Page 34
G4-22	Explanation of the effect of any restatement of information provided in earlier reports and reasons for such restatements	About this Report	Page 16
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	About the Company	Page 12

GRI Indicator	Disclosure Title	Topic Reference/Comments	Page Reference
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G4-31	Contact point for questions regarding the report or its contents.	About this Report	Page 16
G4-32	Compliance with GRI G4 guidelines, GRI Content Index and External Assurance Report	About this Report	Page 16
G4-33	Policy and current practice with regard to seeking external assurance to the report	About this Report	Page 16
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SPECIFIC STANDARD DISCLOSURE			
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Distribution Channels

Central

Kandy Hardware Stores

No. 40, D.S. Senanayake Veediya, Kandy
Tele: 0812 222 598

Richard & Company

No. 23, Kings Street, Kandy
Tele: 0812 224 181

Sarasavi Enterprises (Pvt) Ltd.

No. 442/3, Gohagoda Road, Wegiriya,
Katugasthota
Tele: 0812 492 469

Almet Enterprises

No. 25/A, Kurunegala Road, Dambulla
Tele: 0718 254 658

Matale Glass Center

No. 27, Station Road, Matale
Tele: 0664 460 565

Natural Aluminium

No.144/2,Udupussallawa Road,Hawaelliya
Nuwareliya.
Tele: 07777644545

N C N Aluminium

No.222/B,Nawalapitiya Road,Gampola
Tele: 0777573318

Nuwan Tyre House

Jayaladagama,Musapitiya,Tabuttagama
Tele: 0703450651

Sabaragamuwa

New Aluroma Enterprises

No. 731, Kandy Road, Meepitiya, Kegalle
Tele: 0352 223 969

Alushan Aluminium

No. 291, Keli Weediya, Kudugalwattha,
Rathnapura
Tele: 0772 211 135

Embilipitya Glass Center (Pvt) Ltd.

New Town Road, Embilipitiya
Tele: 0472 230 760

Arcade of Aluminium

No. A, 45C, Madola, Avissawella
Tele: 0362 230 066

Arcade of Aluminium

No.125,Batugedara Road,
Angammana,Rathnapura
Tele:0454935292

Uva

Alumex Warehouse

No.46,Hingoda,Badulla
Tele: 0554 963 196

Chatura Construction Company (Pvt) Ltd.

No. 36, Bazaar Street, Badulla.
Tele: 0552 222 914

Arcade of Aluminium-Badulla

No.276A,Passara Rd,Badulla
Tele: 0554936196

Kadurata Hardware

No.26,27,Kandy Road Mahiyanganaya
Tele: 0552257473

Aluminium Gallery

No.345,Wellawaya Road,
Monaragala
Tele: 0702900702

Eastern

Eastern Trading Company

Moulana Complex, Main Street, Kattankudy
02.
Tele: 0652 247 085

Irfan Aluminium

No. 245, Central Road, Trincomalee
Tele: 0262 226 414

Lulu Aluminium Glass Fittings

84,Main Street,Akkaraipattu-15
Tele: 0770075240

Pubudu Trade Center

No.64,D.S.Senanayake Street,Ampara
Tele:0632222278

Nation Dwell (Pvt) Ltd

No-144/10,Main Street,Kattankudy-03
Tele:077227609

Najath Glass Center

No.432/A,Main Street Sainthamaruthu-15
Tele:0672229339

Nothern

Aranila Picture Palace

No. 05. Kanaka Puram Road, Killinochchi
Tele: 0212 285 478

T. Kumaraswamy & Sons

No. 248/1, K.K.S. Road, Jaffna.
Tele: 0212 228 847

A.J. Enterprises

Opposite Central Collage,
A-9 Road, Ananthapuram, Kilinochchi
Tele: 0212 285 301

Marutham Iron Ware Store

Karaveddy Centre,Karaveddy,Nelliary,Jaffna
Tele: 0212 263 210

K.T.S. Glass Centre

Main Street, Puthukkudiyiruppu
Tele: 0772 428 483

Pillayar Picture Palace

Mullaithevu Road,Muliyawalai,Mulathevu
Tele: 00772466405

Fine Aluminium Fabricators

No. 51/1, E.S. Fernando Mawatha,
Wellawatte, Colombo 06
Tele: 0112 363 423

North Central

Rajarata Glass House

No. 561/8, Maithreepala Senanayake
Mawatha,
Anuradhapura
Tele: 0252 223 741

New Vision Construction

No.317,Mahasen Pedesa,28-
Post,Pollonnaruwa
Tele: 0771 747 559

Ananda Aluminium

No:521/56, 5th Lane, Maithreepala
Senanayaka Mw,
New Town, Anuradhapura.
Tele:025 5627810

North Western

Alulux Aluminium Fabricators

No. 465, Temple Road, Mahawewa, Chilaw
Tele: 0324 902 405

Distribution Channels

Thushara Aluminium

No. 26, Rajapihilla Road, Kurunegala
Tele: 0372 231 057

Vimarsha Traders

Dambulla Road, Udawela, Ibbagamuwa
Tele: 0372 258 511

City Picture Palace

No. 122, Main Street, Kurunegala
Tele: 0372 224 367

New Glass & Aluminium

No.63A,Tissa MW,Kuliyapitiya.
Tele: 0773839744

Kumbukulawa Glass Center

Kumbukulawa,Polpitigama
Tele: 0727737187

S.M.Glass House (Pvt) Ltd

Colombo Rd. Rathmalyaya Puttalam
Tele: 032 2269202

Western

Avro [KOTTE] Enterprises (Pvt) Ltd.

No. 278, Kotte Road, Nugegoda
Tele: 0112 817 373

Avro [MAKOLA] Enterprises (Pvt) Ltd.

No. 55/2, Makola North, Makola
Tele: 0112 910 295

Alugrow Trading Co. Ltd.

346/A1, Negombo Road,
Nagoda, Kadana
Tele: 0112 237 667

S & C Aluminium Fabricators

No. 232/1/3, Udupila Road,
Makola South, Makola
Tele: 0112 963 326

Highlevel Aluminium (Pvt) Ltd.

No. 352, Highlevel Road, Pannipitiya
Tele: 0112 746 459

Asia Trade Centre

No. 612, Galle Road, Kaluthara South,
Kaluthara
Tele: 0779574935

Glass and Aluminium

No. 32, Galle Road, Dehiwala
Tele: 0114 203 929

Alugrow Trading Co. Ltd.

No. 117, Horana Road, Mahawila,
Panadura
Tele: 0382 235 556

Asia Trade Centre

No. 542 A, Sri Sangaraja Mawatha,
Colombo 10
Tele: 0114 343 472

N. Rich (Pvt) Ltd.

No. 367, Piliyandala Road, Pepiliyana
Tele: 0114 308 059

N. Rich (Pvt) Ltd.

No. 355, Nawala Road, Nawala
Tele: 0112 805 813

New Alutec Aluminium

No. 39/1, Kandy Road, Nittambuwa
Tele: 0334 933 745

Unifab Trading (Pvt) Ltd.

No. 76D, Kandy Road, Dalugama, Kelaniya
Tele: 0112 910 686

Multi Engineering Services

No. 40/5, New Kandy Road, Naranwala
Tele: 0333 932 995

Alcon (Pvt) Ltd.

No. 647, Galle Road, Rawatawaththa,
Moratuwa
Tele: 0112 649 714

New Lanka Glass Co. (Pvt) Ltd.

No. 396/339, Main Street, Negombo
Tele: 0312 220 755

Arcade of Aluminium

No. 279/15/B, Godagama Road,
Athurugiriya
Tele: 0112 742 848

Alu Lanka (Pvt) Ltd.

No. 671, (Part) Baseline Road,
Dematagoda, Colombo 09
Tele: 0117 467 671

Gampaha Picture Palace

No. 110, Ja-Ela Road, Gampaha
Tele: 0332 222 561

Almart Aluminium

No. 131-A-1, Galle Road, Rathmalana
Tele: 0112 725 734

Lucky Hardware

No. 109, Sumanatissa Mawatha, Colombo 12
Tele: 0112 387 515

R.C. Enterprises

No. 390, Colombo Road,
Galkanda Junction, Negombo
Tele: 0314 872 367

Aluminium Gallery

No. 623, Avissawella Road,
Mulleriyawa New Town
Tele: 0112 157 887

Variety Lanka (Pvt) Ltd

No.544,Kaduvela Rd,Thalangama North
Tele: 0112 411 030

Alugrow Trading (Pvt) Ltd

No.49,Udyana Road,Minuwangoda
Tele: 0112296560

A N R Industries (Pvt) Ltd

No.545/11/C Mal Mawatha,Malwatta,
Nittambuwa
Tele:0332292770

Mammoth International (Pvt) Ltd

214/3/2/4,Camway Plaza,Srimath
Bandaranayke MW
Colombo-12
Tele:0112323516

Southern

Ruhunu Alucraft & Hardware

Baddegama Road, Gonapeenuwala
Tele: 0773 108 740

M.P.P. Trading (Pvt) Ltd.

No. 107/109, Old Tangalle Road,
Kotuwegoda, Matara
Tele: 0412 224 265

Aluroma Enterprises

No. 77B/C,
W.D.S. Abaygunawardhana Mawatha,
Pettigalawatta, Galle
Tele: 0912 227 850

Wijesooriya Enterprises

No. 158, Maha Veediya, Ambalangoda
Tele: 0779 554 373

Aluroma Enterprises (Pvt) Ltd

Walawa, Ambalantota
Tele:0777769383

Glossary of Terms

Actuarial Gains and Losses

Difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Available for Sale

Non derivative financial assets that are designated as available for sale or are not classified as loans and receivable, held to maturity investment or financial assets at fair value through profit and loss.

Absentee rate

An employee absents from work because of incapacity of any kind, not just as the result of work-related injury or disease. Permitted leave absences such as holidays, study, maternity and compassionate leave are excluded.

Borrowings

All interest bearing liabilities.

Capital Employed

Total equity, minority interest and interest bearing Borrowings.

Capital Reserves

Reserves identified for specific purposes and considered not available for distribution.

Cash Equivalents

Liquid investments with original maturity periods of three months or less.

Contingent Liability

A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.

Current Ratio

Current assets divided by current liabilities, a measure of liquidity.

Current Service

Cost Increase in the present value of the defined benefit

obligation resulting from employee's service in the current period.

Child

This term applies to all persons under the age of 14 years of age.

Community development program

Plan that details actions to mitigate, and compensate for adverse social and economic impacts, and to identify opportunities and actions to enhance positive impacts of the project on the community.

Deferred Taxation

The tax effect of timing differences deferred to/ from other periods, which would only qualify for inclusion on a tax return at a future date.

Dividend cover

Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

Dividend Payout

Dividend per share as a percentage of the earnings per share.

Dividend Yield

Dividend per share as a percentage of the market price a measure of return on investment.

Defined benefit plans

Post-employment benefit plans other than defined contribution plans.

EBIT

Abbreviation for Earnings Before Interest and Tax.

Effective Tax Rate

Income tax expense divided by profit from ordinary activities before tax.

Equity

Shareholders' funds.

Employee turnover

Employees who leave the organization voluntarily or due to dismissal, retirement, or death in service.

Glossary of Terms

Energy indirect (Scope 2) GHG emissions

Emissions that result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by the organization.

Entry level wage

Entry level wage refers to the full-time wage offered to an employee in the lowest employment category. Intern or apprentice wages are not considered.

Fair Value

The amount for which an asset could be exchanged or liability settled between knowledgeable willing parties in an arm's length transaction.

Fair Value Through Profit and Loss

A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or a derivative (except for a derivative that is a financial guarantee contract)

Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

Freedom of association

The right of workers and employers to establish and join organizations of their own choosing without the need for a prior authorization.

Formal grievance mechanisms

Systems consisting of specified procedures, roles and rules for methodically addressing complaints as well as resolving disputes. Formal grievance mechanisms are expected to be legitimate, accessible, predictable, equitable, rights-compatible, clear and transparent, and based on dialogue and mediation.

Gearing

Proportion of total interest bearing borrowings to capital employed.

Gross Profit Ratio

Gross profit divided by revenue.

Governance bodies

The committees or boards responsible for the strategic guidance of the organization, the effective monitoring of management, and the accountability of management to the broader organization and its stakeholders.

Interest cover

Profit before tax plus net finance cost divided by net finance cost, a measure of an entity's debt service ability.

IPO

The first sale of shares by a private company to public.

Injury rate

The number of work related injuries relative to the total time worked by the total workforce in the reporting period.

Infrastructure

Facilities (such as water supply facility, road, school, or hospital) built primarily to provide a public service or good rather than a commercial purpose, and from which the organization does not seek to gain direct economic benefit.

Lost day rate

Time ('days') that could not be worked (and is thus 'lost') as a consequence of a worker or workers being unable to perform their usual work because of an occupational accident or disease. A return to limited duty or alternative work for the same organization does not count as lost days

Market capitalisation

Number of shares in issue multiplied by the market value of a share at the reported date.

Net Assets Per Share

Shareholders' funds divided by the weighted average number of ordinary shares in issue, a basis of share valuation.

Non-controlling Interest

The interest of individual shareholders, in a company more than 50% of which is owned by a holding Company.

Other comprehensive Income

Items of income and expenses that are not recognised in profit

or loss as required or permitted by other SLFRS's.

Price Earnings Ratio

Market price of a share divided by earnings per share as reported at that date.

Product and service information and labelling

Information and labelling are used synonymously and describe communication delivered with the product or service describing its characteristics.

Related Parties

Parties who could control or significantly influence the financial and operating policies of the business.

Retirement Benefits Present Value of a Defined Benefit Obligation

Present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Return on Average capital employed

Profit before tax plus net finance cost divided by average capital employed.

Return on Average Shareholders' Funds

Attributable profits to the shareholders divided by average shareholders' funds.

Revenue Reserves

Reserves considered as being available for distributions and investments.

Remuneration

Basic salary plus additional amounts such as those based on years of service, bonuses, benefit payments, overtime, time owed, and any additional allowances (such as transportation and living)

Segments

Constituent business units grouped in terms of similarity of operations and location.

Supply chain

Sequence of activities or parties that provides products or services to the organization.

Stakeholders

Stakeholders are defined as entities or individuals that can

reasonably be expected to be significantly affected by the organization's activities, products, and services. Stakeholders can include those who are invested in the organization.

Total water withdrawal

The sum of all water drawn into the boundaries of the organization from all sources (including surface water, ground water, rainwater, and municipal water supply) for any use over the course of the reporting period.

Total workforce

The total number of persons working for the organization at the end of the reporting period (that is, the sum of all employees and supervised workers).

Type of non-compliance

Court judgment on failure to act in accordance with regulations or laws, categorized by the nature of the laws or regulations breached.

Value Addition

The quantum of wealth generated by the activities of the Group measured as the difference between turnover and the cost of materials and services bought in.

Working capital

Capital required to finance day-to-day operations computed as the excess of current assets over current liabilities.

Waste disposal method

The method by which waste is treated or disposed of, including composting, reuse, recycling, recovery, incineration, landfill, deep well injection, and on-site storage.

Notice of Meeting

ALUMEX PLC

Company Number PV 539 PQ

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of Alumex PLC will be held at Hayleys PLC, No.400, Deans Road, Colombo 10, Sri Lanka on Friday, 23rd June, 2017 at 3.00 p.m. and the business to be brought before the meeting will be:

1. To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2017, with the Report of the Auditors thereon.
2. To re-elect Mr.S.Munaweera, who retires by rotation at the Annual General Meeting, a Director.
3. To re-elect Mr.R.P.Pathirana, who retires by rotation at the Annual General Meeting, a Director.
4. To ratify the sum of Rs.131,000/= made as donations for the year 2016/17 in excess of the sum approved by the shareholders.
5. To authorise the Directors to determine contributions to charities for the financial year 2017/18.
6. To authorize the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been reappointed as Auditors for the financial year 2017/18 in terms of section 158 of the Companies Act No.07 of 2007.
7. To consider any other business of which due notice has been given.

NOTE :

A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No.400, Deans Road, Colombo 10, Sri Lanka by 3.00 p.m. on 21st June 2017.

By Order of the Board

ALUMEX PLC

HAYLEYS GROUP SERVICES (PRIVATE) LIMITED

Secretaries

Colombo

29th May 2017

Notes

Notes

Form of Proxy

ALUMEX PLC

Company Number PV 539 PQ

I/We*(full name of shareholder**)

NIC No./Reg. No. of Shareholder (**)

of.....

being Shareholder/Shareholders* of ALUMEX PLC hereby appoint,

1.(full name of proxyholder**)

NIC No. of Proxyholder (**)

ofor failing him/them

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our * proxy to attend, speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Tenth Annual General Meeting of the Company to be held on Friday, 23rd June 2017 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	For	Against
1. To adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2017 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr.S.Munaweera, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr.R.P.Pathirana, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To ratify the sum of Rs.131,000/= made as donations for the year 2016/17 in excess of the sum approved by the shareholders.	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorise the Directors to determine contributions to charities for the financial year 2017/18	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorize the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been reappointed as Auditors for the financial year 2017/18 in terms of section 158 of the Companies Act No.07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>

(***) The proxy may vote as he thinks fit on any other resolution brought before the Meeting of which due Notice has been given.

As witness my/our* hands this day of2017.

Witnesses: Signature :

Name :

Address :

NIC No. :

Signature of Shareholder

- Notes:**
- (a) * Please delete the inappropriate words.
 - (b) A shareholder entitled to attend and vote at the Annual General meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the company.
** Full name of shareholder/proxy holder and their NIC Nos and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed.
 - (c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
 - (d) Instructions are noted on the reverse hereof.
 - (e) This Form of Proxy is in terms of the Articles of Association of the Company.

INSTRUCTIONS AS TO COMPLETION :

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No.400, Deans Road, Colombo 10, Sri Lanka not less than 48 hours before the start of the Meeting.
2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly Sign and fill in the date of signing.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.
4. Please indicate with an X in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (***) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
5. In the Case of a Company /Corporation the proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association.

In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
7. In case of Marginal Trading Accounts (slash accounts), the form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

Corporate Information

NAME OF COMPANY

Alumex PLC
(A limited Liability company, incorporated in Sri Lanka in 2007)

COMPANY NUMBER

PV 539 PQ

STOCK EXCHANGE LISTING

The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka on 31 March 2014

REGISTERED OFFICE

Pattiwila Road,
Sapugaskanda, Makola,
Sri Lanka
Telephone : +94 11 240 0332
Facsimile : +94 11 240 0415
Website : www.alumexgroup.com

DIRECTORS

A. M. Pandithage - Chairman
R. P. Peris - Managing Director
D. W. P. N. Dediwela
S. C. Ganegoda
R. P. Pathirana
A. A. Akbarally
Dr. H. Cabral, PC
S. Munaweera
A. J. Hirdaramani (Alternate Director to R. P. Pathirana)
T. Akbarally (Alternate Director to A. A. Akbarally)

AUDIT COMMITTEE

S. Munaweera - Chairman
Dr. H. Cabral, PC
R. P. Pathirana

REMUNERATION COMMITTEE

Dr. H. Cabral, PC – Chairman
S. Munaweera

SUBSIDIARY COMPANIES

Alco Industries (Pvt) Ltd
Alumex Systems (Pvt) Ltd -
Amalgamated with Alumex PLC on 31 March 2017
Avro Enterprises (Pvt) LTD -
Amalgamated with Alumex PLC on 20 April 2016

AUDITORS

Ernst & Young
Chartered Accountants
No. 201, De Seram Place
Colombo 10, Sri Lanka

INVESTOR RELATIONS

Please contact Corporate Affairs Unit
Telephone : +94 11 262 7610
E-mail : info@cau.hayleys.com

SECRETARIES

Hayleys Group Services (Private) Limited
400, Deans Road, Colombo 10, Sri Lanka
Telephone : +94 11 262 7650
Facsimile : +94 11 262 7645
E-mail : info.sec@hayleys.com
Please direct any queries about the administration of shareholdings to the Company Secretaries

BANKERS

Commercial Bank of Ceylon PLC

Foreign Branch
Commercial House
No. 21, Sir Razik Fareed Mawatha,
Colombo 01, Sri Lanka

Sampath Bank PLC

Head Office,
No. 110, Sir James Peiris Mawatha,
Colombo 02, Sri Lanka

Bank Of Ceylon

Corporate Branch
2nd Floor, Head Office
No. 04, Bank of Ceylon Mawatha,
Colombo 01, Sri Lanka

Hatton National Bank PLC

Head office
HNB Towers
No. 479, T. B. Jayah Mawatha,
Colombo 10, Sri Lanka

DFCC Bank PLC

No. 73, W. A. D. Ramanayake Mawatha,
Colombo 02, Sri Lanka

Standard Chartered Bank

37, York Street
Colombo 1, Sri Lanka

