



ALUMEX PLC
Annual Report 2017/18

A better world



AS WE MAKE GREAT STRIDES IN THE ECONOMY WITH A WORLD CLASS PLANT WHICH INCORPORATES THE BEST IN INNOVATION, INCLUDING CUBE TECHNOLOGY AND GREEN PROCESSES, WE ARE LOOKING TO CREATE A BETTER WORLD THAT WILL HELP OUR TEAM GROW TO NEW HEIGHTS. IT IS THEIR SUPPORT AND UNITY THAT MOTIVATES US TO GO FURTHER AND THEY WILL CONTINUE TO BE THE IMPASSIONED FORCE THAT WILL DRIVE US TO MAKE ALUMEX A LOCAL AND REGIONAL PRESENCE THAT IS DEFINED BY QUALITY AND EXCELLENCE.

A better world

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About Us



VISION

TO BE THE PREMIER
ALUMINIUM EXTRUSION
MANUFACTURER IN THE
SOUTH ASIAN REGION.

MISSION

We will
Create customer intimacy with
innovative aluminium solutions through
world class sustainable manufacturing
practices

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

Global Brands and Partnerships

Alumex is an ISO 9001:2015 certified Company and is recognised globally for consistent quality of production to international standards.



USA



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

Belgium



REYNAERS ALUMINIUM

Reynaers Aluminium is a leading European specialist in the development and marketing of innovative and sustainable Aluminium solutions for windows, doors, curtain walls, sliding systems, sun screening and conservatories.

ITALY



ALUK

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

GERMANY



ORGADATA AG

A leading technology-driven company which develops analytical software systems.

UAE



JOTUN MENA

JOTUN is the premier brand in Europe and the Middle East manufacturing powder and thermal polymer alloy coatings.

EMIRATES GLOBAL ALUMINIUM COMPANY

The most productive single-site Aluminium smelter in the world, and the fifth largest Aluminium producer in the world.

INDIA



AKZO NOBEL INDIA LTD

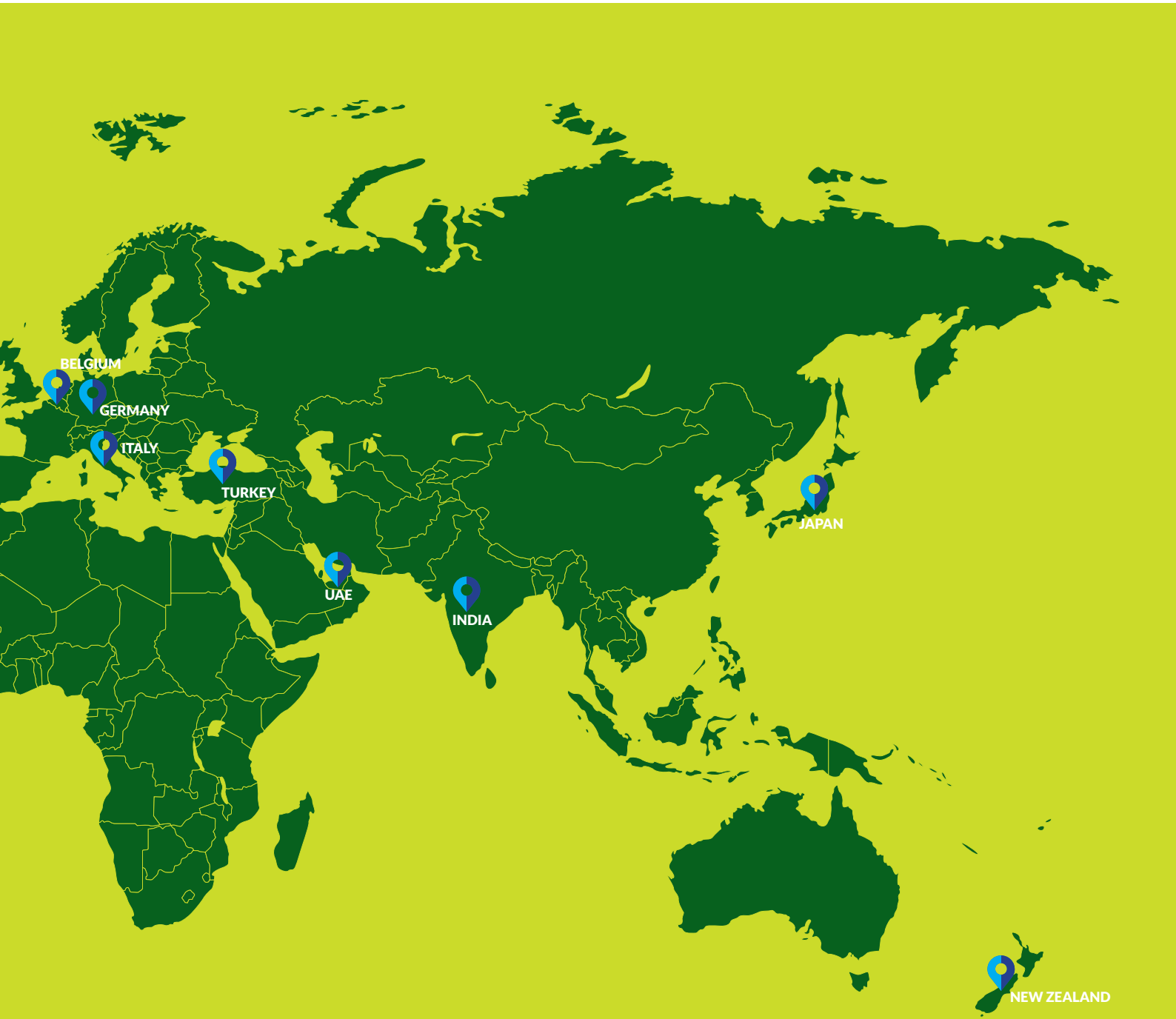
The largest global manufacturer of powder coatings and a world leader in powder coatings technology.

TURKEY



NISAN MAKINA

Nisan Makina makes punching machineries used in Aluminium fabrication.



NEW ZEALAND



ALTUS (FLETCHER) ALUMINIUM
One of the largest conglomerates in New Zealand which supplies Aluminium proprietary systems.



DGL INTERNATIONAL
A leading manufacture of powder and thermal polymer alloy coatings.

JAPAN



mitsubishi plastics inc.
Manufacture and supply of Aluminium composite panels.



^
A COMMERCIAL BUILDING AT NUGEGODA RAISED
WITH ALUMEX CURTAIN WALL SYSTEMS

Our Projects



^
A HOME LIGHTENED WITH WOOD EFFECT
EXTRUSION SOLUTIONS BY LUMIN CONCEPTS

Our Projects



^
THE BANK OF CEYLON BUILDING LOCATED IN NUGEGODA WAS MODERNISED WITH ALUMINIUM EXTRUSIONS AND ALPOLIC COMPOSITE PANELS FROM ALUMEX.



**SRI JAYEWARDENEPURA UNIVERSITY BUILT WITH
DOOR AND WINDOW SOLUTIONS BY ALUMEX** ✓



^
**A RESIDENCE COMPLETED WITH POWDER COATED
COLOUR SOLUTIONS BY LUMIN CONCEPTS**

Year at a Glance

NEW TECHNOLOGIES ADOPTED

- ↑ Die manufacturing process was upgraded by introducing a new simultaneous 5-Axis CNC machine.

CAPACITY UPGRADING

- ↑ Anodising capacity was increased by adding the third anodising tank to the existing plant. This increased the monthly operational capacity by 100MT.
- ↑ ETP Capacity increased by 120m³ during the year due to a new filter press system.
- ↑ DI Plant was introduced to the anodising plant to increase process capacity by 200%.
- ↑ Production capacity of powder coating plant 03 was increased by 75 MT after introducing the second bridge crane.

NEW CAPACITY LEAD-INS

- ↑ Our new extrusion plant located at Ekala will cater to increasing demand in future. During the year it was built using the latest state-of-the-art technology available in the industry.
- ↑ Shifting of distribution system to a new centralised warehouse at Maguruwila by increasing the handling efficiency of products.

ALUMEX'S MOST VALUED ASSET

We have initiated total productive maintenance and management training programmes to develop the knowledge of our human capital.

THIRD LUMIN CENTRE – JAFFNA

- ↑ We opened our third Lumin Concept Centre in Jaffna to introduce our household/residential range of products to the Northern region.

SATHDIYAWARA WATER PROJECT

- ↑ The company launched its second water purification project to provide purified drinking water at Meegassegama, off Thalawa, providing benefits to 590 families in Meegassegama.

SYSTEM PROGRESSION

- ↑ The overall manufacturing and production planning process were improved by introducing the manufacturing module of the ERP system.

DEALERSHIP AND DISTRIBUTION HUB

- ↑ 10 new dealerships were added to the network to increase the total dealer distribution strength.

WINNING SPIRITS

- ↑ Alumex won the Silver Award , in the Overall Champions Category, at the National Business Excellence Awards – 2017 conducted by the National Chamber of Commerce.

QUALITY SYSTEM UPGRADE

- ↑ Upgraded production quality system to ISO 9001:2015 from 9001:2008

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 'AlumexTS'. 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 main factory premises are located at Pattiwila Road, Sapugaskanda, Makola. The Company has seven distribution centres, three concept centres and 82 dealerships spread throughout the island in all nine 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 0.5% of the total revenue, mainly

to the Maldives. Alumex has a total workforce of 571 employees, of which 100 employees are executives and 471 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. However, with the completion of the expansion project in Ekala, manufacturing capacity will increased to 1,800 MT per month. During the year, Alumex recorded 4.4 Bn net sales with a capital base of Rs. 3.7 Bn of which 60% 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, the construction of the centralised warehouse in Makola and the new state-of-the-art extrusion

“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.”

and powder coating plants in Ekala, made steady progress. By the end of the year, both projects had reached near-completion. These projects were financed with term loans obtained from banks.

Alumex upgraded its ISO certification from 9001:2008 to ISO 9001:2015 during the year, which will further contribute towards global recognition 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, ALTUS (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.

Achievement and Awards



National Business Excellence Awards - 2017
Silver Award - Over all Champions Category 2017
National Chamber of Commerce

National Business Excellence Awards - 2017
Winner - Manufacturing (Engineering) Sector 2017
National Chamber of Commerce

National Business Excellence Awards - 2017
Gold Award - Large Business Category 2017
National Chamber of Commerce

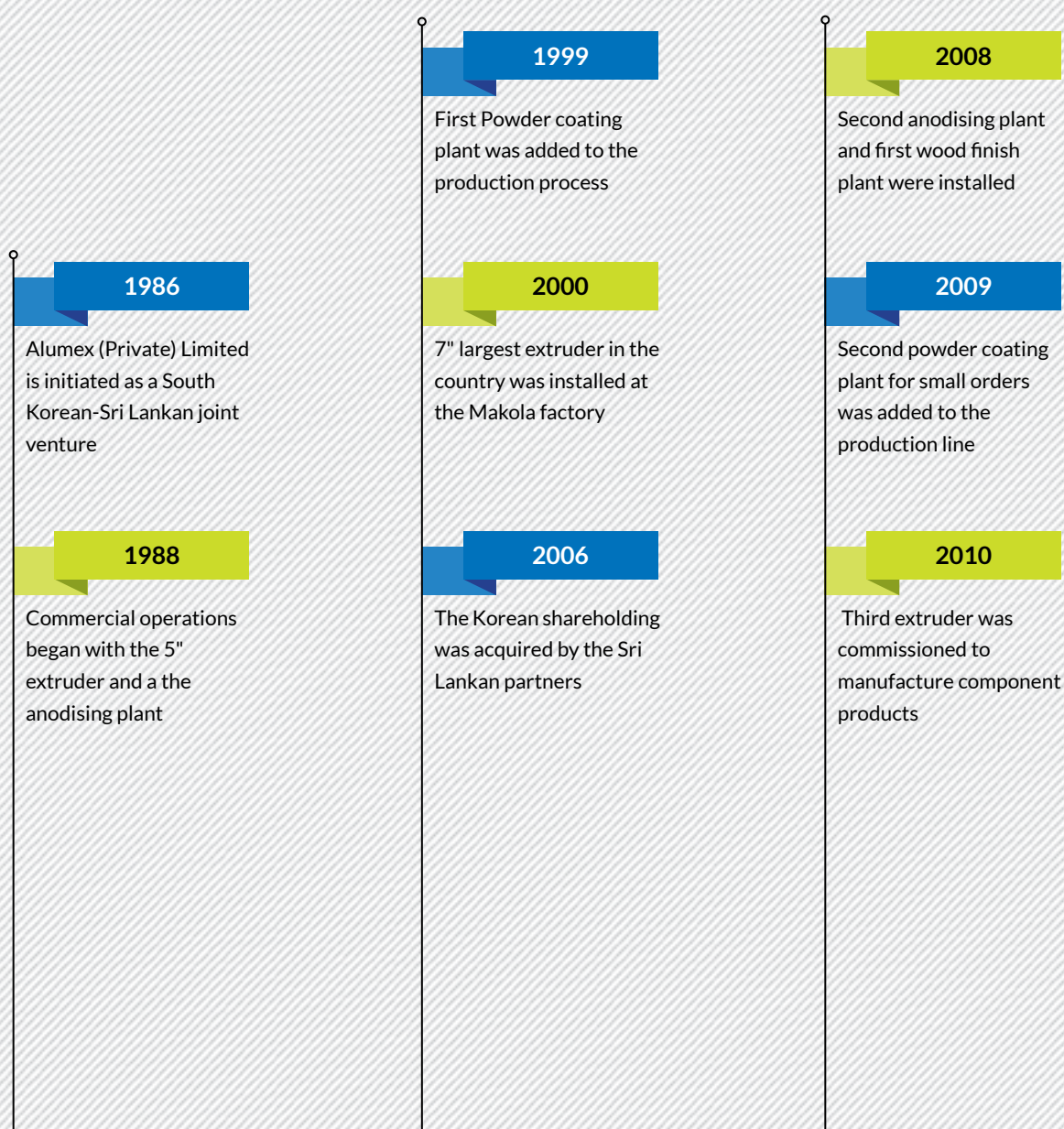


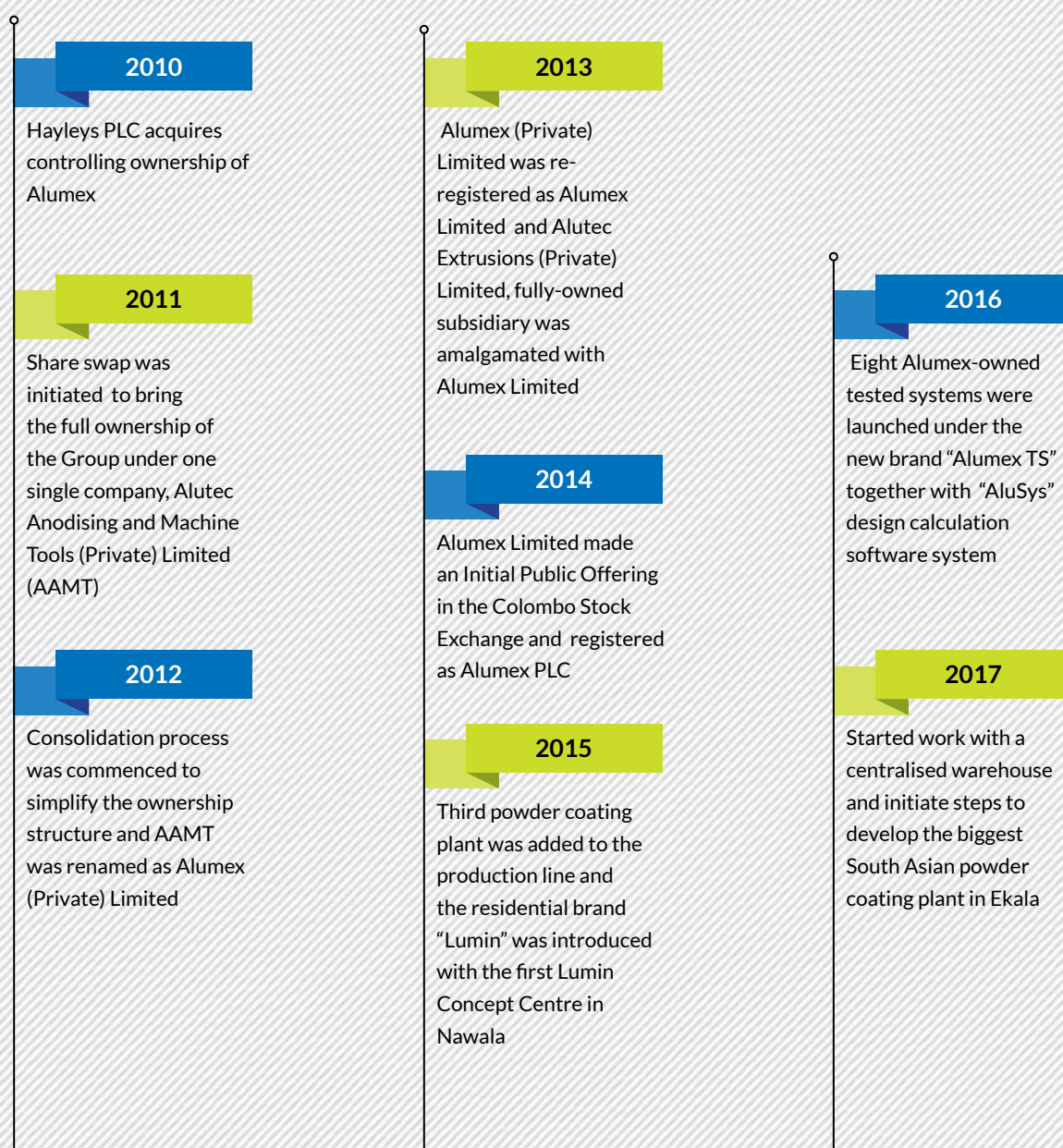
Annual Reports Awards 2017
Gold award - Manufacturing sector less than
5 Bn revenue 2017 - CA Sri Lanka

SAFA Best Presented Annual Reports awards
2016 Merit Award - Manufacturing Sector 2017
The South Asian Federation of Accountants

ACCA Sri Lanka Sustainability Reporting Award 2017
Runner-up - Retail and Trading Category
2017 ACCA Sri Lanka

Historical Milestones





About This Report

This year we present our third 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 the Alumex strategy, governance, performance and future outlook, 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's economic, environmental and social impacts and stakeholders as determined by the process described in pages 30 to 40 of this report. The report has been prepared in accordance with the GRI Standards 'In accordance' – Core option. The Report covers the performance of the businesses of Alumex PLC and one subsidiary "Alco Industries Pvt Ltd". As discussed in page 17 Alumex adopts a 12-month annual reporting cycle and this year's report covers the period from 1st of April 2017 to 31st of March 2018. Our last report was for the year ended 31 March 2017 and released on 29 May 2017.

REPORTING CHANGES

There is no restatement of information included in previous reports except the Cost of Sales, Selling and Distribution Cost and Administrative Expenses (Page no 142), which were restated to provide more accurate information resulting from re-classification. However, such restatements do not have any material impact on prior financial or non-financial performance.

Further we have upgraded the sustainability reporting method with G4 to GRI standards method and there are no reporting changes in material topics made during the year of reporting.

GUIDING PRINCIPLES

We subscribe to and report under several domestic and international regulations, standards and frameworks. This year, our reporting is aligned to the following standards and practices Integrated Reporting Framework issued by the IIRC:

"International" Financial Reporting Standards and Sri Lanka Accounting Standards, Global Reporting Initiative- GRI Standards 'In accordance' – Core option, Companies Act No. 7 of 2007 Regulatory requirements under 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.

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 139, 140 and 141 page 195 of this report.

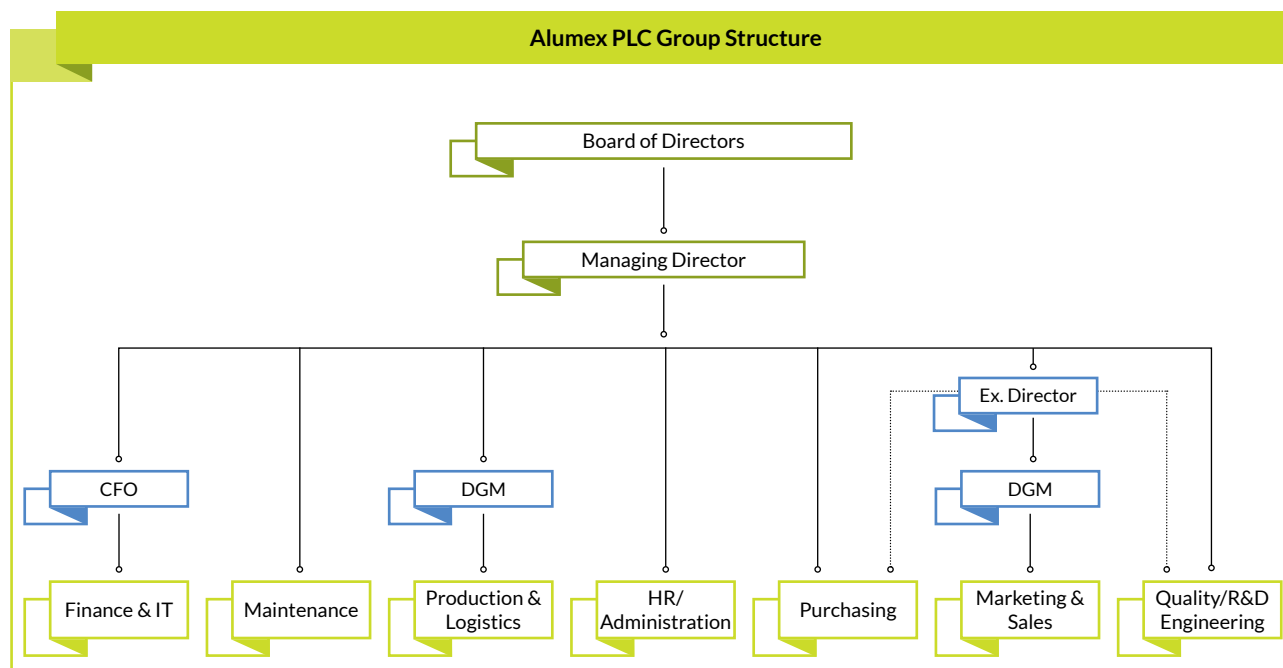
FEEDBACK

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

Chief Financial Officer, Alumex PLC,
Pattiwila Road, Sapugaskanda, Makola
Tel: 94 11 2400332
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 centralised management team led by the Managing Director.



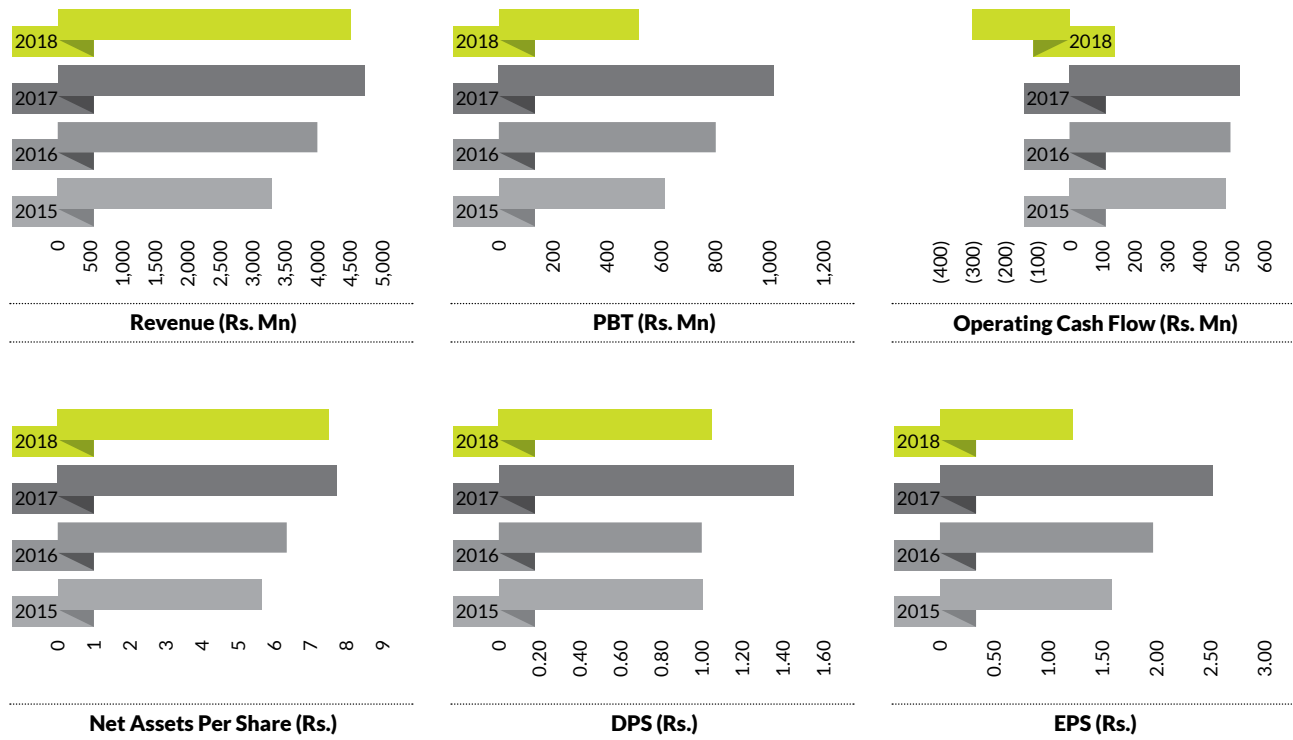
About the Alumex Group

Company	% of Ownership	Nature of Business
Alumex PLC	Parent	The premier manufacturer of Aluminium extrusions in Sri Lanka. The manufacturing operation comprises 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, anodised, powder-coated and wood effect profiles. In addition, it holds the agencies for Mitsubishi Alpolc 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.

Key Performance Indicators

	2017/2018 Rs. Mn	2016/2017 Rs. Mn	Change %	2015/2016 Rs. Mn	Change %
Operating Result					
Group profit before tax	515	1,016	-49%	801	27%
Tax	150	263	-43%	212	24%
Group profit after tax	364	753	-52%	589	28%
Dividend	314	434	-28%	299	45%
Retained profit	50	316	-84%	284	12%
Financial Sectorial Analysis					
Turnover	4,512	4,728	-5%	3,995	18%
Operating profit	646	1,050	-39%	813	29%
Capital Structure					
Equity	2,253	2,316	-3%	1,898	22%
Debt	1,514	512	>100%	3	>100%
Profitability, Dividends and Investors					
Information profitability Ratios					
Gross Profit Margin	24%	30%	-23%	30%	4%
Operating Profit Margin	15%	23%	-36%	21%	9%
Net profit Marging	8%	16%	-49%	15%	8%
Return on Assets	7%	21%	-68%	21%	0%
Return on Capital	20%	44%	-56%	45%	-1%
Liquidity Ratios					
Working Capital	381	1,067	-64%	731	46%
Current Ratio (Times)	1.14	1.86	-39%	1.90	-2%
Quick Assets Ratios	0.48	0.93	-49%	0.84	11%
Equity Ratios					
Net Asset Value Per Share (Rs.)	7.53	7.74	-3%	6.34	22%
Earnings Per Share (Rs.)	1.22	2.52	-52%	1.97	28%
Dividend Per Share (Rs.)	1.05	1.45	-28%	1.00	45%
Effective Dividend Rate (Dividend Yield)	6%	8%	0%	6%	0%
Dividend Cover (Times)	1.16	1.74	-33%	1.97	-12%
Market Value Per Share (Rs.)	16.90	19.00	-11%	15.40	23%
Highest Market Price Per Share (Rs.)	25.50	22.00	16%	19.70	12%
Lowest Market Price Per Share (Rs.)	16.60	15.50	7%	13.50	15%
Value as at end of Financial Year	5,058	5,687	-11%	4,609	23%
Debt Ratios					
Debt to Equity	67%	22%	>100%	0.16%	>100%
Interest cover (Times)	5	166	-97%	948	-82%
Equity Assets Ratio	35%	54%	-35%	66%	-18%
Interest rate of comparable Government security					
Treasury bill (1 year)	9.69%	10.98%	-12%	10.64%	3%
Treasury bond (5 year)	10.68%	12.89%	-17%	11.75%	5%

Financial Highlights



Rs. 4,512 Mn

TURNOVER



Rs. 515 Mn

PROFIT BEFORE TAX



Rs. 381 Mn

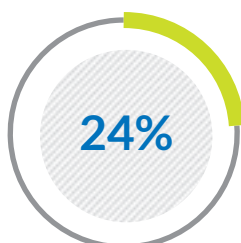
LIQUIDITY



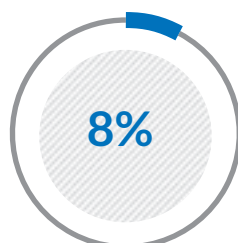
Rs. 6,403 Mn

TOTAL ASSETS

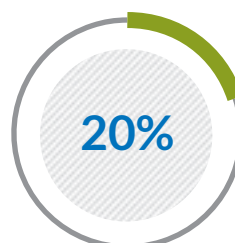
Gross Profit Margin



Net Profit Margin



ROCE



PE Ratio







The new Ekala factory with its additional capacity, higher quality products will spur Alumex to move towards its vision of being the premier manufacturer in the region. In doing so we will be able to meet and satisfy shareholder expectations in terms of both profitability and growth in the future.

The Chairman's Statement



“OUR STRATEGY ALSO INCLUDES OTHER FOCUS AREAS THAT ARE CRUCIAL TO SECURING THE FUTURE OF OUR BUSINESS. THESE ARE BEING ENVIRONMENTALLY AND SOCIALLY SUSTAINABLE, INVESTING IN THE TRAINING AND DEVELOPMENT OF OUR PEOPLE, HEALTH AND SAFETY, AND SYSTEMS DEVELOPMENT AND IMPLEMENTATION.”

Dear Shareholder,

I am pleased to present the Annual Report and Audited Financial Statements for the year ended 31 March 2018. The Group recorded a turnover of Rs. 4.5 billion, a decline of 5% compared to the previous year. Profit before tax was Rs. 515 million, a decrease of 49% and profit after tax was Rs. 364 million compared to Rs. 753 million in the previous year.

The Company's financial results were below target in terms of both revenue and profits due to the identification of a fault on the main extrusion line during the annual plant refurbishment programme at the beginning of the financial year. This resulted in a loss of 750 metric tonnes of production capacity. Despite production returning to normalcy within a short time period, sales did not recover at the same pace as the overall demand for aluminium products in the construction industry declined in the latter half of 2017. In this backdrop, our marketing strategy had to be reassessed to suit the competitive environment. These changes, together with an increased demand, saw a return to profitability in the last quarter of the financial year.

Alumex continued with its long-term strategy of enhancing capacity and improving product quality. The Company forged ahead with its proposed expansion program by purchasing and installing equipment with the latest technological advances in the industry at its new location in Ekala. The program is expected to be completed by June 2018. We will soon have a state-of-the-art plant which will have an additional output of 1,000 metric tonnes. This will undoubtedly enhance the Company's position as the leading aluminium extruder in Sri Lanka, both with a higher capacity and higher quality of products, enabling the Company to capture the premium market segments in both Sri Lanka and in the South East Asian region.

Our strategy also includes other focus areas that are crucial to securing the future of our business. These are being environmentally and socially sustainable, investing in the training and development of our people, health and safety, and systems development and implementation.

In the next few years the GDP from construction is expected to grow by 7-8% and industry experts predict this growth to continue over a five-to 10-year period. The prediction is justified by the public and private sector infrastructure projects that are underway and those in the planning stage. Projects coming under the National Housing Policy, private sector-owned condominium projects, CEB-sponsored solar projects, etc. will create a consistent demand for aluminium extruded products in the years to come.

We are confident that with the growing demand, the strategies we have in place and the leadership of the Board and the Senior Management team, we are well

positioned to restore the momentum of our business, with a guarantee of long-term sustainable growth in the future.

DIVIDENDS

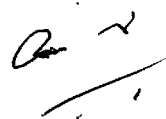
The Company declared an interim dividend of Rs. 0.55 per share during the year and the Board recommends a final dividend of Rs. 0.45 per share from the profits of the financial year 2017/18.

CHANGE OF DIRECTORATE

In the course of the year, Mr. Pramuk Dediwela was appointed as the Chief Operating Officer and we welcome Mr. Prageeth Rajapaksha to the Board of Alumex PLC as an Executive Director.

I wish to thank the Board of Directors for their guidance and advice at Board meetings, which enabled Alumex to overcome the setbacks during the year and return to expected performance levels.

On behalf of the Board, I would like to take this opportunity to thank our people, the leadership team, all of our distributors, suppliers and shareholders for your continued support as we navigate this period as the country's leading aluminium extruder.



A M Pandithage
Chairman



**"WE WILL SOON HAVE
A STATE-OF-THE-ART
PLANT WHICH WILL
HAVE AN ADDITIONAL
OUTPUT OF 1,000
METRIC TONNES"**

Managing Director's Review



“DURING THE YEAR WE ALSO INTRODUCED THE TOTAL PRODUCTIVE MAINTENANCE (TPM) PROGRAMME TO THE MAKOLA FACTORY AND PROVIDED TRAINING TO ALL THE EXECUTIVE AND SUPERVISORY STAFF.”

The year 2017/'18 was highly challenging for Alumex. Due to the slowdown in construction industry growth, Alumex was unable to achieve its expected performance in line with the results it has delivered in previous years. Compounding the unfavourable market situation, we had to keep the main extrusion line out of production for a two-month period due to a fault identified during the annual plant refurbishment program in the first quarter of the financial year.

This setback resulted in a substantial reduction in our production capacity, causing delays in the completion of orders and delivery. Limitations in maintaining the usual service levels resulted in reduced sales in the subsequent quarters as well, reflected in the drop in market share, although we continued to be the market leader accounting for a major share in the industry.

The unforeseen downturn in the growth of the construction industry during the year prevented the recovery of sales until the last quarter of the financial year. Raw material price increases and rupee depreciation pushed the cost of sales above budgets. Despite these drawbacks, Alumex was able to finish the year with a PBT of Rs. 515 million.

In the last five years, Alumex has continuously increased its manufacturing output and sales to meet the growing demand in the construction industry. During this period, capacity utilisation increased from 45% to reach a peak of 85%, with some machineries running on 24-hour shifts. Our strategy with the expansion program was to bridge the demand gap foreseen in the market for future periods. The objectives of this programme are outlined below.

The first was to provide Alumex with enhanced extrusion and powder coating capacity to cater to the increase in demand forecasted for the next three to five years.

The second was to introduce the latest technology available to enable Alumex to have control over its processes and manufacture high quality products which can be marketed internationally.

This third was to manufacture the world's best aluminium proprietary systems under license.

To achieve these objectives, Alumex needed to purchase equipment in order to provide a combination of high capacity and precision during manufacture. After careful analysis, Alumex selected machinery from two leading Italian manufacturers for the supply of an extrusion press and a vertical powder coating plant. The extrusion press will be coupled with downstream equipment from China for post processing of the profiles.

With the installation of the equipment at our Ekala site, Alumex will be geared to supply aluminium extrusions for upcoming large-scale infrastructure projects that are ongoing or in the pipeline such as the Megapolis Project, Port City Project, multi-storey luxurious

hotel/residential apartment projects, and commercial and mixed development projects to be constructed around the country.

The expansion project at the Ekala site is nearing completion with the new seven-inch extrusion press already commissioned and the downstream equipment installed and in the final stages of testing. The vertical powder coating plant is under installation and will be completed by June 2018.

PERFORMANCE OVERVIEW – FY 2017/18

Group turnover reached Rs. 4.5 billion, a 5% decrease compared to Rs. 4.7 billion in the previous year. Profit before tax was Rs. 515 million, a decrease of 49% compared to Rs. 1,016 million in the previous year. Profit after tax was Rs. 364 million compared to Rs. 753 million in the previous year. Earnings per share reduced to Rs. 1.22 compared to Rs. 2.52 whilst net assets per share showed a marginal decrease to Rs. 7.53 compared to the previous year of Rs. 7.74.

SALES AND MARKETING

Sales suffered due to the reduction in production output in the first and second quarters. Orders could not be serviced and fabricators looked for alternative suppliers to complete their projects on time. We continued our marketing efforts by participating in several exhibitions such as the Build SL 2017 exhibition held in May 2017, the Construct 2017 exhibition held in August 2017 and the Architects 2018 exhibition held in February 2018; by introducing a range of new products such as lift and slide door systems, parallel arm curtain wall windows, kitchen cabinet profiles, mosquito mesh door and security door profiles; and by adding to the solar component range.

The third Lumin Concept Centre located at the Dimo Complex in Jaffna was opened in July 2017. The new centralised warehouse located two km from our Makola factory was opened in December 2017 to provide dealers with an efficient supply system and reduced vehicle turnaround times.

MANUFACTURING/PROCESS DEVELOPMENT

With the refurbishment of the extrusion press and other machinery, a new software system and a third rectifier was introduced to the anodising section to enhance capacity and to have more precise control of the process. We introduced the latest technology to the die manufacturing section by purchasing and commissioning a new five-axis CNC milling machine. This machine will not only improve machining quality of the dies but also increase our die manufacturing capacity. The compact powder coating plant capacity was also enhanced by a further 50 metric tonnes per month by purchasing and installing a second hoist crane in the pre-treatment section.

Manufacturing also received a significant boost with the implementation of the manufacturing module of the ERP system in September 2017. This system will give management control over the entire process, enabling the accurate forecast of delivery times and cost management. The Company successfully transitioned from the ISO 9000 – 2008 system to the latest ISO 9000 – 2015 system in June 2017.

During the year we also introduced the Total Productive Maintenance (TPM) programme to the Makola factory and provided training to all the executive and supervisory staff. We identified several TPM projects that will, over a period of time, bring in discipline and savings

Managing Director's Review



"THE NEW EKALA FACTORY, WITH ITS ADDITIONAL CAPACITY AND HIGHER QUALITY PRODUCTS, WILL PROPEL ALUMEX TOWARDS ITS VISION OF BEING THE PREMIER MANUFACTURER IN THE REGION"

to the Company through increased efficiencies of machinery, labour, energy, etc. The results of these projects will only be seen in the ensuing financial years.

RAW MATERIAL – ALUMINIUM BILLETS

The price of aluminium on the London Metal Exchange at the beginning of the fiscal year was at USD 2,121/MT. Prices rose gradually throughout the year, reaching USD 2,521/MT by the end of the financial year, an increase of 16%. Together with the increase in aluminium prices, the exchange rate too depreciated against the dollar by 2.4% during the year, adding to the cost of raw materials.

CORPORATE SOCIAL RESPONSIBILITY

Once again floods affected our employees living near the Kelani River in the month of May. These employees were helped by the Company, which provided packs of dry rations. Alumex also sponsored its second reverse osmosis water treatment plant under the Puritas Sath Diyawara scheme at Meegaswewa, Thalawa, which was

opened on 14 July 2017. We also donated a library with 2,650 books and three computers to the same village. In December, we distributed schoolbags, books and other stationery items to the pupils attending the Meegaswewa village school.

Meanwhile, 3,000 foldable white canes made out of aluminium were donated to the blind community in the month of October 2017.

AWARDS

At the National Business Excellence Awards ceremony held by the National Chamber of Commerce in December 2017, Alumex did exceptionally well and won the Silver Award for Overall Performance. We were also awarded Gold in the Large Business category and in the Manufacturing Engineering sector. Alumex also won the Gold award in the Manufacturing sector at the CA Sri Lanka Awards ceremony and received further accolades for our Annual Reports at the South Asian Federation of Accountants awards ceremony in January and at the ACCA Sri Lanka Sustainability Reporting Awards ceremony 2017.

OUTLOOK

The demand for aluminium windows and door systems is expected to recover to its previous growth levels during the first half of the new financial year. However, the volatility in the price of aluminium due to sanctions imposed by the USA and supply fluctuations in China needs to be monitored closely to ensure that the impact on product pricing in Sri Lanka is kept to a minimum.

The new Ekala factory, with its additional capacity and higher quality products, will propel Alumex towards its vision of being the premier manufacturer in the region. In realising this vision, we will

be able to meet and satisfy shareholder expectations in terms of both profitability and growth in the future.

My sincere thanks to the Chairman, the Board of Directors, shareholders, employees, customers and industry partners for your dedication and support during the financial year 2017/2018. We remain committed to achieving our vision of being the leading provider of aluminium extruded products to the construction industry both in Sri Lanka and overseas.

Thank you

R. P. Peris
Managing Director

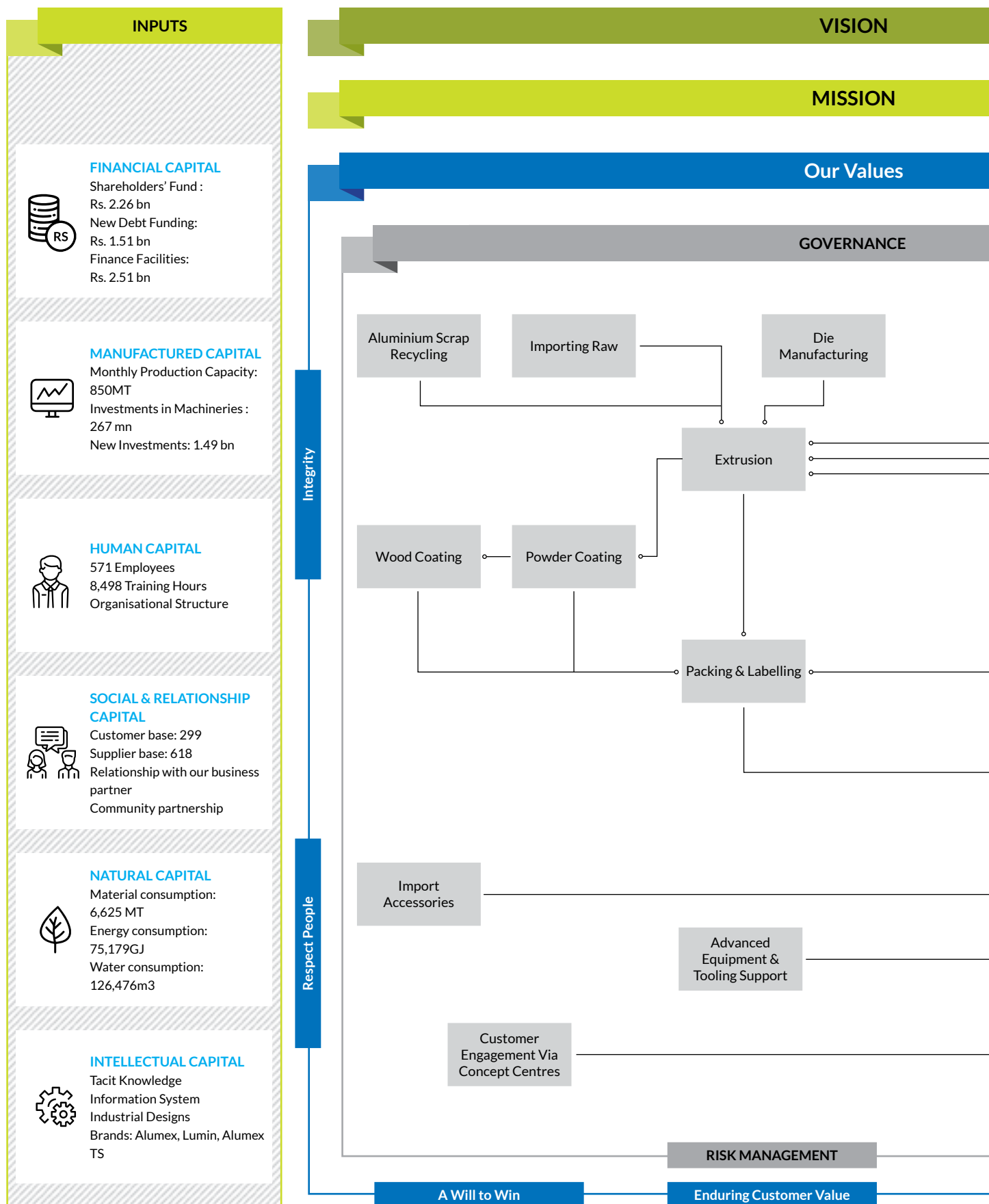


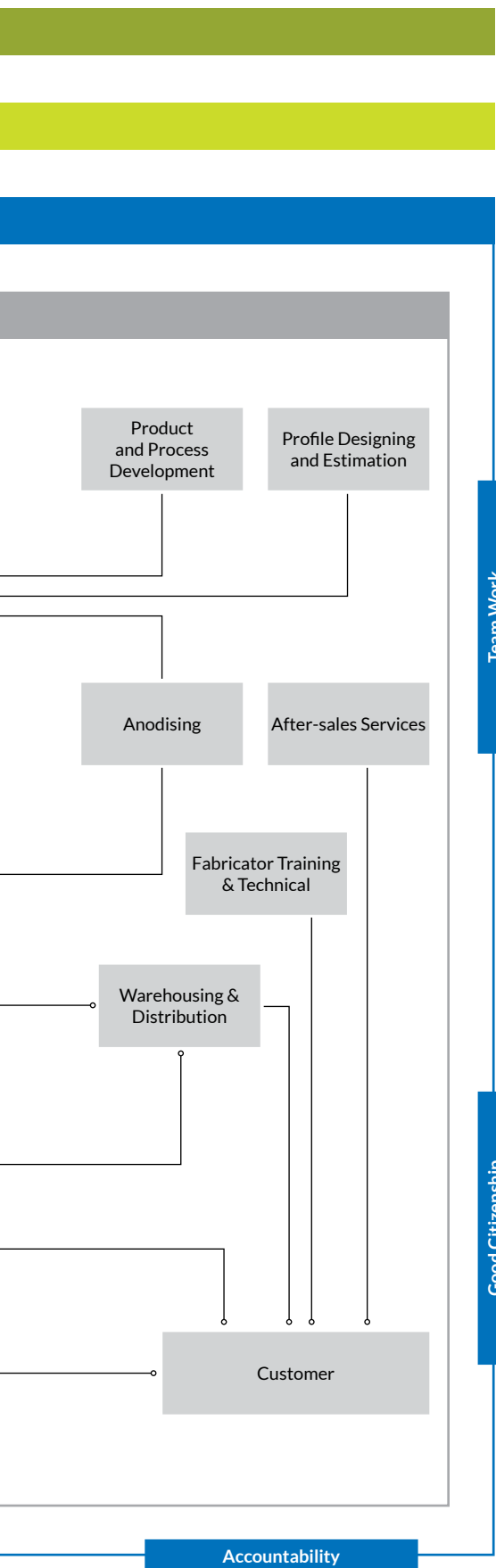
Working towards a common goal

EXCELLENCE IS IN OUR SIGHTS AS WE GROW FROM STRENGTH TO STRENGTH

**CREATING VALUE FOR
STAKEHOLDERS**

Value Creation Model



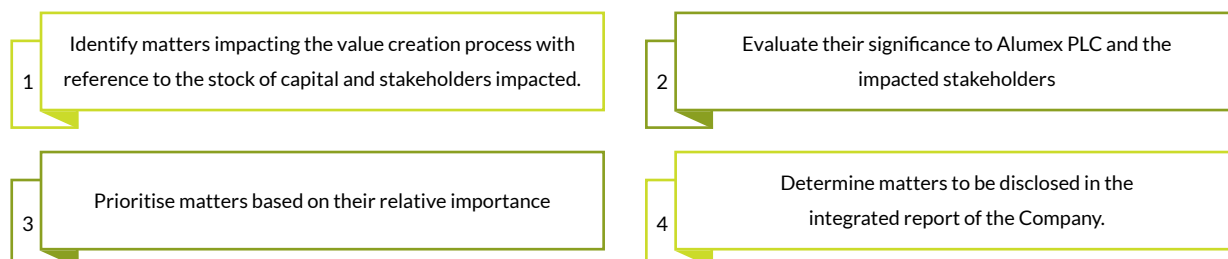


Identifying Material Issues

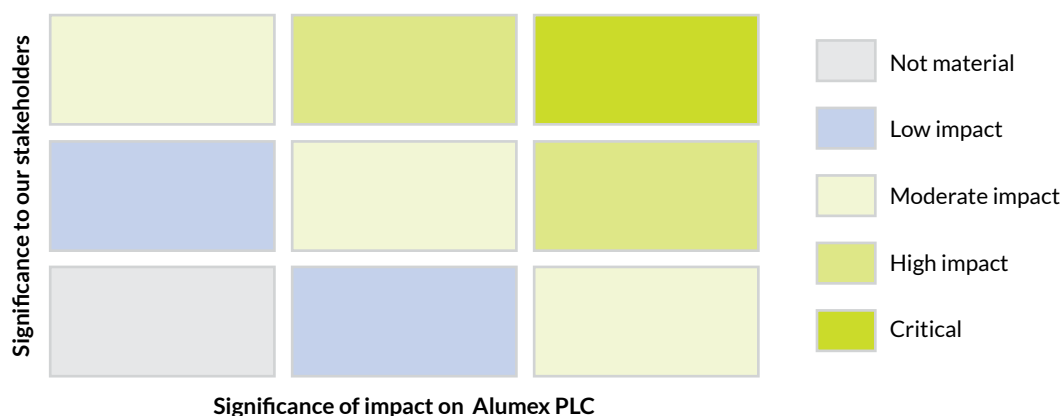
MATERIALITY ASSESSMENT PROCESS

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 prioritising 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 below and addressed in detail in the subsequent sections of the report.

Topic	Significance	Topic Boundary		Entity Impacted
		Internal	External	
GRI 200 ECONOMIC				
201 - Economic - Performance	Critical	✓		Alumex & Alco
202 - Market - Presence	Moderate	✓		Alumex & Alco
203 - Indirect - Economic - Impacts	Moderate		✓	Dealers & Suppliers
204 - Procurement - Practices	Moderate	✓		Alumex & Alco
205 - Anti - Corruption	High	✓		Alumex & Alco
GRI 300 ENVIRONMENTAL				
301 - Materials	High	✓		Alumex & Alco
302 - Energy	High	✓		Alumex & Alco
303 - Water	High	✓		Alumex & Alco
304 - Biodiversity	High	✓		Alumex & Alco
305 - Emissions	High	✓	✓	Alumex, Alco & Community
306 - Effluents-and-Waste	Critical	✓	✓	Alumex, Alco & Community
307 - Environmental - Compliance	Moderate			
GRI 400 SOCIAL				
401 - Employment	Critical	✓	✓	Alumex, Alco, Customers, Suppliers & Community
402 - Labour - Management - Relations	High	✓		Alumex & Alco
403 - Occupational-Health-and-Safety	High	✓		Alumex & Alco
404 - Training-and-Education	High	✓	✓	Alumex, Alco & Customers
405 - Diversity-and-Equal-Opportunity	Moderate	✓		Alumex & Alco
406 - Non-Discrimination	Moderate	✓		Alumex & Alco
407 - Freedom-of-Association- and - Collective - Bargaining	High	✓		Alumex & Alco
408 - Child - Labour	High	✓		Alumex & Alco
409 - Forced- or-Compulsory - Labour	High	✓	✓	Alumex, Alco & Suppliers
410 - Security - Practices	Moderate			
413 - Local - Communities	Critical		✓	Community
416 - Customer - Health-and-Safety	High	✓	✓	Alumex, Alco & Customers
417 - Marketing and labeling	Moderate	✓		Alumex, Alco
418 - Customer - Privacy	High	✓		Alumex & Alco
419 - Sociol Economic - Compliance	Moderate			

Material Topics

201-Economic-Performance

Reason for Materiality	Economic performance entails the organisation's considerations towards its stakeholders in terms of strategic decision making, which in turn enable the stakeholders to make long term employment decisions, investment decisions and partnering decisions with the organisation. This would generate impacts on both internal and external stakeholders and hence, the significance and relevance of economic performance being materialistic to Alumex.
Management Strategy	Measurement of performance would be through evaluation of annual goals and objectives set based on the budgeted performance for the year reviewed. Quantitative measures of this aspect are presented through the Key Performance Indicators, illustrated in page 18 The Alumex continues to place high significance to this aspect as it impacts the Alumex's long term sustainable growth, and the performance is reported in line with the Sri Lanka Accounting Standards.
Evaluation Mechanism	Annual internal and external audits provide in-depth analysis on the performance of Alumex, and the assurance provided following the audit proceedings ensures that Alumex stands in accordance with statutory and regulatory compliance requirements and facilitates a space to recognise the Alumex's achievement against the comparative competitor performances during the reporting year.

202-Market-Presence

Reason for Materiality	To recruit and retain employees in a competitive labour market, it is essential to pay the employees competitive remuneration.
Management Strategy	Alumex pays a total remuneration package on par with the market rates and above par the legal requirements. In addition, conducted a HR Climate Survey covering most of areas in HR participants of all employee. Further, internal audits are led to review the regulatory functions are implemented and conducted. Top management is being reviewed quarterly, the employees' performance and other indicators.
Evaluation Mechanism	Over the years Alumex has shown a positive trend in employee value creation.

203-Indirect-Economic-Impacts

Reason for Materiality	Other than the salary and other benefits paid to employees and direct payments made to the suppliers and service providers, there is a bigger community in the area benefitted by Alumex in various means.
Management Strategy	Alumex to serve its stakeholders better and through several means, has increased its socio-economic impact to its wider community. Special infrastructure development programmes and community development programmes are arranged by the Alumex Group specified under page 83 same process will be executed by the senior management of Alumex.
Evaluation Mechanism	Total take home income of the employees, total value paid to local suppliers and service providers, Total donations made to communities.

204-Procurement-Practices

Reason for Materiality	Procurement practices involve the process of selecting vendors, establishing payment terms, strategic vetting, selections, the negotiation of contracts and actual purchasing of goods. Procurement is concerned with acquiring (procuring) all of the goods, services and work that is vital to the organisation. Procurement practices ensure all purchases (material and services) are carried out in an efficient and effective manner to assure the smooth and continuous operation of the organisation by ensuring that the organisation is sourcing materials that are not environmentally hazardous.
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Management Strategy	Supplier relationship management, also known as SRM, is a strategic and segmented approach, executed on the entire supply base, to maximise value and minimise risks. Separate evaluation method is executed prior to registering the suppliers and the new suppliers are screened with several criteria whether the supplier is align to the Alumex business environment.
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Evaluation Mechanism	All supplier (materials and services) will be evaluated by the organisation annually, based on their delivery quality, product quality, financial quality and service quality in order to ensure a portfolio of best-in-class suppliers are available for use and reduce purchasing risks and maximise the overall value of the purchase.
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205-Anti-Corruption

Reason for Materiality	Alumex deals with a large number of suppliers/customers to purchase its day-to-day needs and raw materials, etc., so there might be an enforce or tiny map to involve in anti-corruptive activities.
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Management Strategy	Encouraging employees to observe ethical business practices at all times and not attempt to improperly influence others or be influenced by others (directly or indirectly) by paying or accepting bribes or kickbacks in any form.
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Evaluation Mechanism	Arrange regular communications flows to prevent such influences, and the new supplier/customer onsets are monitored and an evaluation process is carried out.
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301-Materials

Reason for Materiality	Sustainable materials management is a systemic approach to using and reusing materials more productively over their entire life cycles. At Alumex, considering the sustainable factors, a scientific approach is adopted on optimum use of the material used in its processes. This would result in increased yields of input resources in terms of use and reuse.
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Management Strategy	In order to maintain the required quality standards as well as output yields of the final finished product, depending on the Finished Product group, input of material as well as processing plants have been segregated. Testing and implementing of different alloy formulas in the recycling process is another strategy of saving cost and upgrading product quality. And the company internal and external audits are conducted, reports issued of the audit will be closely monitored by the senior management.
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Evaluation Mechanism	(i) Preparation of statement of rejects, and yield analysis for every individual process and compare them with pre-determined standards in quantitative and value terms. (ii) Preparation of process costing statements individually for every main and sub processes, and comparison variances against historical cost elements of same processes.
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302-Energy

Reason for Materiality	Sustainable energy management is a key issue for all companies today. Energy is recognised as an essential requirement to maintain uninterrupted, efficient organisational performance at pre-determined levels. The significance is high from both internal and external stakeholder perspectives, as the absence of energy would disrupt production operations and thus impact its performance while limiting its on-time deliveries.
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Material Topics

Management Strategy

Energy audit was performed to identify usage of energy by each process wise. Analysis on consumption can be performed to identify priority areas. Then the initiatives on efficiency improvement are decided to reach the industry benchmarks.

Calculation of energy is performed by using following formula guides adopted by the Group:

Related Emission Factors and Densities

Densities	Diesel	0.89	kgs./liter
	Petrol	0.87	kgs/liter
	Kerosene	0.89	kgs/liter
	Furnace Oil	0.97	kgs/liter
NCVs	Diesel	44.3	MJ/kg
	Petrol	43	MJ/kg
	Kerosene	43.8	MJ/kg
	LPG	47.3	MJ/kg
	Firewood	8	MJ/kg
	Furnace Oil	40.4	MJ/kg
	Electricity	3.6	MJ/kWh

Evaluation Mechanism

Plant wise consumption targets have been set to analyse the actual performance. Actual consumption details are obtained through plant wise meter readings.

303-Water

Reason for Materiality

Water is one of the most important substances on earth. All plants and animals must have water to survive. Given the increasing scarcity of water, as a responsible corporate citizen Alumex has always focused on efficient use of water through reduction and recycling approaches.

Management Strategy

Water consumption of entity has been identified process wise to highlight the processes with highest requirement. To minimise the water footprint, when there is possibility certain water streams have been reused within same process.

Evaluation Mechanism

Plant wise water consumption is monitored against budgeted figures. Any deviation is addressed immediately. In the long-term the water footprint is evaluated against industry averages.

304-Biodiversity

Reason for Materiality

Biodiversity, and its associated benefits, eternally supports our society. One hundred years from now, most of us will most likely no longer be living. Nevertheless, the wealth and well-being of the people of future generations will depend on the decisions and actions taken by our generation.

Management Strategy

- ↑ Adopting precautionary action plans and continuous improvements to our systems and procedures.
- ↑ Employees are being duly educated on conservation and sustainable use of biodiversity and development and training programmes are being conducted to update their knowledge on due diligence, specially that 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 improving and maintaining conformity with global requirements and to ensure statutory requirements are complied with.

Evaluation Mechanism	<p>↑ Licenses issued by Central Environmental Authority.</p> <p>↑ Alumex has obtained ISO 9001:2015 for quality management systems and due standards are maintained accordingly and conformity with such standards is audited periodically during ISO audits.</p> <p>↑ SLS 1410:2011 Specification for Extruded Aluminium Alloy Profiles for Architectural Applications SLS 1411:2011 Powder Organic Coatings for Application & Stoving to Aluminium Alloy Extrusions for Architectural Purposes</p>
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305-Emissions

Reason for Materiality	Increasing emissions from industrial and transportation sources have resulted in high risk of inhalation related diseases and global warming. Alumex is focusing on cutting back green house and hazardous gas emissions continuously.
Management Strategy	All the emission sources have been identified and controlled within the regulatory limits. To maintain the standards regular service of burners and other related equipment have been performed. More efficient machinery are used at the end of life of existing equipment on continuing basis. Emission figures reflected in the report are calculated by the "Group Sustainability and Safety team and all the emission factors are monitored by the mentioned team.
Evaluation Mechanism	If there is possible deviation in emissions, it would be noticed as utility consumption is monitored in monthly basis. Further, emissions from the scrubber is tested by third parties like the Industrial Technology Institute (ITI), to ensure operability within the safe range.

306-Effluents-and-Waste

Reason for Materiality	Sustainable waste management is using material resources efficiently to cut down on the amount of waste produced, and, where waste is generated, dealing with it in a way that actively contributes to the economic, social and environmental goals of sustainable development.
Management Strategy	The priority in which wastes should be managed need to firstly "reduce the amount of waste created, then re-use waste, then recover (via recycling, composting or waste-to-energy facilities) and finally, as a last resort to dispose of waste to landfill".
Evaluation Mechanism	<p>Hazardous Waste</p> <p>Effluent water treatment plant at Alumex is capable of cleaning the factory waste in conformity with the standards set by environmental laws. Adherence to such standards are monitored and evaluated periodically by the Central Environmental Authority prior to renewing relevant licenses.</p> <p>Non-Hazardous Waste</p> <p>Daily basis quantification of food waste at the cafeteria.</p>

307-Environmental-Compliance

Reason for Materiality	The natural environment and its resources support the well-being of our society. One hundred years from now, most of us will most likely no longer be living. Nevertheless, the wealth and well-being of the people of future generations will depend on the decisions and actions taken by our generation.
Management Strategy	<p>Alumex has identified four main areas that require proper planning, organising and controlling to minimise impacts on the environment:</p> <p>(i) Material Management</p> <p>(ii) Energy Management</p> <p>(iii) Water Resource Management</p> <p>(iv) Waste Management</p>

Material Topics

Evaluation Mechanism	Calculation and analysis of performances of every area (Material, Energy, Water and Waste) individually with relevant comparatives and their intensities.
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401-Employment

Reason for Materiality	Alumex values its employees as vital assets, as the experience and skills to provide required services to customers is of paramount importance to the Alumex's performance. Alumex believes in selecting the right person for the right job, be it through internal or external resources.
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Management Strategy	The annual head count planning exercise, which is aligned to Alumex's strategy, provides direction regarding the roles that need to be resourced either internally or externally. The Alumex Group follows a meticulous recruitment process to ensure that it provides career development opportunities to internal candidates through transfers and promotions. Further, the recruitment process is geared to select the best suited candidates with the required knowledge, skills and abilities. The management has established sound processes and policies to ensure that employment is provided to the most suited candidates whilst constant efforts are made to ensure that all employees are rewarded and compensated in par with industry standards. The Alumex's HR policy guides the direction in respect to this aspect and the HR department stands responsible for successful implementation of specific HR activities of Alumex Group.
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Evaluation Mechanism	The policies relevant to the selection of employees are periodically reviewed by the audit and compliance teams and recommendations are provided to address gaps, if any. The Alumex HR also conducts an employee engagement survey and remunerations surveys periodically, to gauge employee sentiment and evaluate the positioning of the Alumex against the market.
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402-Labour-Management-Relations

Reason for Materiality	The level of labour management relations in an organisation is a key factor in determining of employee engagement and employee productivity. Alumex has taken various measurements to improve its labour management relations and is in the process of going further depths of the labour management relations
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Management Strategy	The management of Alumex is in the belief that better labour management relations can always deliver better results to the organisation. Therefore, members of the management in all levels have been empowered and trained to maintain healthy employee relations and always provides its best support to resolve the possible disputes at the source. Also all important changes in the business and management are communicated to the employees and management practices open door policy at all levels. Further the management meetings are promptly executed to discuss the employees' matters and day to day issues arise in the working environment.
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Evaluation Mechanism	The HR department takes action to communicate all key changes of the business. Similarly, divisional executives communicate the operational changes to the employees through various means. A grievance handling mechanism is in place to address possible employee issues.
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403-Occupational-Health-and-Safety

Reason for Materiality	Providing a safe and healthy environment for employees to work is of utmost importance to the Alumex. The Alumex Group has thus established systems and processes across all locations to ensure employees are confident of the security provided, so that they are able to perform at their best in their respective roles.
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Management Strategy	The management has taken steps to fully comply all regulatory requirements pertaining to employee health and safety. Employees are provided with necessary PPEs and safe working practices. Alumex maintains a 24*7 operated first aid centre and transport facility to address any first aid treatment or possible hospitalisation at any time. Management has taken actions to eliminate, control access or provide PPEs as far as applicable.
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Evaluation Mechanism	Alumex presents monthly occupational health and safety data at the monthly performance review meeting. Health and safety has also been a part of the performance evaluation process of all employee grades. A detailed Accident evaluation is in place in terms of any accident.
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404-Training-and-Education

Reason for Materiality	The Alumex Group believes in equipping its employees with the skills and tools necessary to perform in their respective job roles at an optimum, to gear them towards delivering an extraordinary product to its customers. Hence, the Alumex Group invests significantly in providing opportunities for employees to learn and grow within the organisation. The Alumex Group further ensures that employees receive sufficient training and upgraded knowledge on product information, operational procedures and regulatory compliance.
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Management Strategy	The scope for learning and development initiatives are reviewed annually and aligned to the Alumex Group's strategy as well as regulatory requirements. The annual training budget is optimised to provide specific staff development interventions throughout the year. These interventions include internal training, external forums as well as selected overseas exposures. Annual training requirements are decided upon following the evaluation process which identifies trainings needed by the employees.
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Evaluation Mechanism	The effectiveness of internal training interventions is assessed by obtaining spot- feedback from employees subsequent to each training programme. The annual employee performance review exercise also allows the employee and line manager to highlight any particular training requirements needed during the year. This information is considered at the time of deciding on nominating employees for programmes or when designing learning interventions. Overall sentiments of employees regarding learning and development is also obtained through the feedback of the employee engagement survey.
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405-Diversity-and-Equal-Opportunity

Reason for Materiality	Alumex is committed to providing equal opportunities throughout an employee's career and encourages diversity in the workplace at all times. This enables a healthy work environment where diverse individuals bring in different skill sets and experiences.
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Management Strategy	Alumex consistently encourages equal opportunity and diversity throughout the employee life-cycle, and ensures that appropriate policies and processes are in place to provide employees an environment in which they are comfortable.
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Evaluation Mechanism	Alumex has inbuilt diversity and equal opportunity in all its employment advertisements and selection process. Other than certain manual grade jobs which are by nature performed by men, gender equality is witnessed in all departments and functions of the Company.
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406-Non-Discrimination

Reason for Materiality	Alumex PLC, a Company with a wide shareholder base of 2,206 shareholders, has ensured non- discriminatory policy at its utmost importance. Alumex considers non-discriminatory policy as a part of its social responsibility.
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Material Topics

Management Strategy	Alumex, as a Company with multiple diversities in several fronts such as national, religious, provincial etc., consistently takes actions to maintain harmony and unity among the diverse groups. And also Alumex group conducts several training programmes to educate the employees on non-discriminations.
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Evaluation Mechanism	The recruitment, promotions and other key HR procedures have been developed through objective based decision-making. In the decision-making process senior management team is always guided by Hayleys values.
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407-Freedom-of-Association-and-Collective-Bargaining

Reason for Materiality	Alumex PLC, a Company with a unionised workforce, is bound by the relevant legislations to ensure the freedom of association.
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Management Strategy	The Company works in line with the guidelines and advice of the Employers Federation of Ceylon. At the same time the management maintains a very professional and cordial relationship with the branch unions and the parent union. Management conducts negotiations with the union on an open, legal and professional platform.
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Evaluation Mechanism	The Company allows the union to hold committee meetings on the Company premises and provides duty leave to attend main committee meetings at the parent union office as well. The Company annually engages in wage negotiations with the branch unions.
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408-Child-Labour

Reason for Materiality	Alumex PLC, as a legal, ethical and value-based business entity, does not advocate the use of child labour in any of its operations. Any person who intends to be employed at Alumex is checked against the age and should be over 18 years old.
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Management Strategy	In all Company advertisements age is mentioned and is always above 18 years. In terms of outsourced employees, deployment of employees over 18 years is an important clause in the service agreement and it is well monitored.
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Evaluation Mechanism	At the interview process the age of the candidates is verified against the NIC or birth certificate. In terms of outsourced labour, age is verified at the Company entrance by the security personnel.
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409-Forced-or-Compulsory-Labour

Reason for Materiality	Alumex PLC, as a legal, ethical and value-based business entity, does not advocate the use of forced or compulsory labour in any of its operations.
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Management Strategy	The Company's employee work arrangements comprise eight- hour shift arrangements. Employees granted leave above the legal requirements. Floor level supervisors and executives are empowered to approve employee leave requests.
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Evaluation Mechanism	The Company has published a roster pattern well in advance and employees report to work according to the roster pattern. Employees are retained for overtime with prior notice and with their consent
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410-Security-Practices

Reason for Materiality	The Company has deployed an outsourced security service and their security personnel man the main entrance. They are empowered to carry out to body checks and checking of luggage of the employees. Such checks have to be carried out in an appropriate manner without causing any damage to privacy or dignity of the employees.
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Management Strategy	All security personnel are trained to carry out body checks while ensuring the privacy and dignity of the employees. Training programs are conducted periodically in this regard by the service provider. Further security personnel have been advised not to engage in manhandling.
Evaluation Mechanism	Employee complaints on improper approaches by the security personnel indicate the opinion and response of the employees about body checking. So far no such complaints have been received.

413-Local-Communities

Reason for Materiality	Community development is of high importance at Alumex. The Company objective is to have a positive impact on the community through sustainable initiatives which give long-term benefits to the local community.
Management Strategy	Our management team's continuous strategy of developing skills, providing occupational opportunity and carrying out exercises to mitigate any significant impacts to the community have resulted in many training programs being carried out to upgrade skills among Alumex's community, further in providing occupational opportunities.
Evaluation Mechanism	Having realised the importance of this, the company has established a mechanism to address possible complaints/grievances which might be raised by the community on social and environmental impacts and to implement long-term sustainable solutions acceptable to both parties.

416-Customer-Health-and-Safety

Reason for Materiality	Ensuring customer satisfaction in a sustainable manner is the mission of the Alumex group. While satisfying the customer requirement, releasing a product that secures the customer health and safety is an utmost responsibility of us.
Management Strategy	Developing methodologies to convey a safety product to the customer is a continuous process of the Alumex. Research and development team works in a target of creating such improvements to the Alumex's products to be a safeties product to the customer.
Evaluation Mechanism	Customer feedback for the products are generously accepted and prompt actions will take. Further, Aluminium holds an environmental and green friendly product it doesn't give unhealthy impacts to the end users. Our designing team works on further implementing new processes to deliver a healthy and safety product to the customer.

417-Marketing-and-Labeling

Reason for Materiality	Labelling is essential as it is used for the identification of the products in marketing and enhances the appearance of the product being promoted. This is the major importance of labelling in marketing. In addition, labelling helps provide information about a product to prospective customers.
Management Strategy	Alumex System Designs Handbook and Alumex Tested System Book are available as guides for fabricators and contractors as well as end users. These booklets provide technical information required for the correct use of Alumex products, including the recommended accessories to be used with our products.
Evaluation Mechanism	Conducting training programmes for dispersion of new technologies with the customers, dealers and fabricators while gathering information on their further requirements and weaknesses of our products. Such trainings conducted by Alumex are specified on the page 81.

Material Topics

418-Customer-Privacy

Reason for Materiality	We value customer service as a high priority matter and Alumex has been engaged with customers very positively since its inception to build very strong relationships. Alumex Group is committed to protect customer confidentiality as enshrined in the Company's corporate policy.
Management Strategy	To enhance the customer privacy policy, management has taken steps to monitor each customer separately and complaints received are monitored by the management to resolve them hastily. Further there is an evaluation method activated to evaluate the customer closely.
Evaluation Mechanism	An evaluation mechanism is being processed for each new customer and existing customers. Customer complaints are monitored separately by the management. To ensure customer privacy various steps are taken by Alumex.

419-Social Economic-Compliance

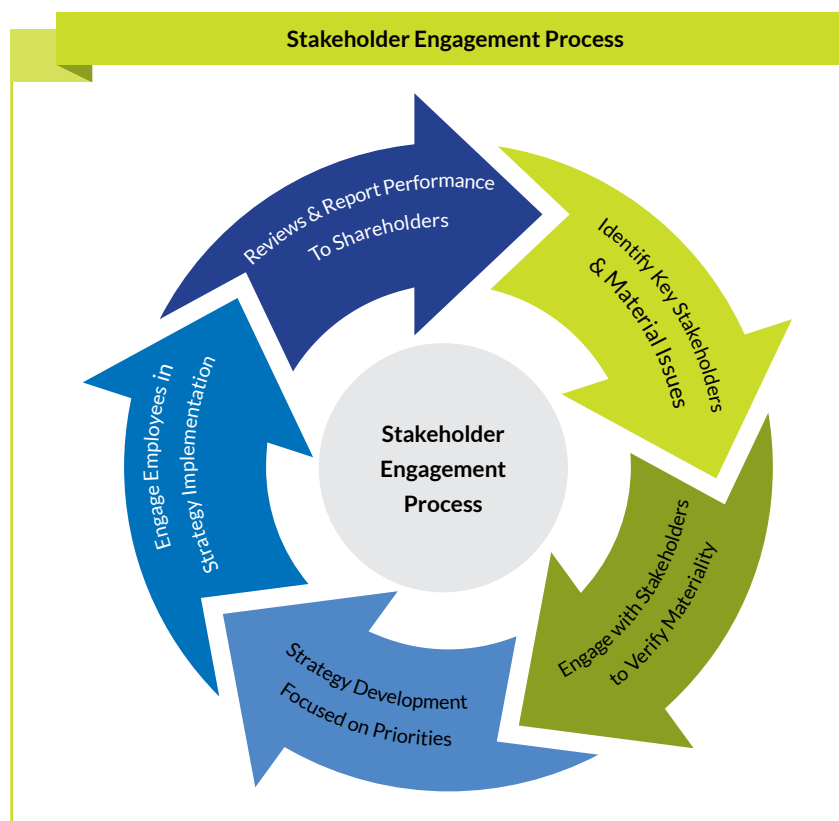
Reason for Materiality	Seeking sustainable development is a key goal of Alumex Group. As a sustainable factor, social economic matters become a material topic to a Company who follows sustainable measures.
Management Strategy	The company maintains a strict policy on compliance with all laws and regulations relating to social economic factors. Internal and external compliance audits are conducted periodically to review the regulatory activities are in lined.
Evaluation Mechanism	Close relationships are maintained with all social economic factors and are monitored. Breaches of any economic non-compliance activities being processed and the grievances hearing from the local communities.

Stakeholder Engagement

A person, group or organisation that has interest or concern in our organisation is considered as a stakeholder of Alumex. In the context of sustainable development it is paramount that we engage with internal as well as external stakeholders.

Our stakeholder identification process is internally-driven. The senior management team of Alumex is involved in discussions during the stakeholder identification process in order to discover how best they could integrate stakeholder concern into the decision-making process. 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 take 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			
⬆ Annual General Meeting	⬆ Annually	⬆ Sustainable growth in earnings	⬆ Provide our shareholders with transparent, reliable and timely information for effective decision-making
⬆ Performance review meetings	⬆ Quarterly	⬆ Corporate governance and ethics	
⬆ Annual Report	⬆ Annually	⬆ Risk management	
⬆ Company website	⬆ Ongoing	⬆ Growth opportunities and future outlook	
⬆ CSE Website	⬆ Ongoing	⬆ Transparency and disclosure	
⬆ Press conferences and releases	⬆ As required		
Refer Social And Relationship Capital given on page 72.			
2. Customers			
⬆ Customer satisfaction surveys	⬆ Quarterly	⬆ Architectural designs and estimations	We value the long-term relationship with our customers by offering 22 New product designs 10 New dealerships Opening Concept Centers Providing 48 technical training Programmes
⬆ Annual Dealer Awards Night	⬆ Annually	⬆ Product and service quality	
⬆ Dealer and fabricator training	⬆ Ongoing	⬆ Product innovations	
⬆ Company website & social media	⬆ Ongoing	⬆ Ease of transactions	
⬆ Regular customer visits	⬆ Regularly	⬆ Timely delivery	
⬆ Exhibitions & trade shows	⬆ Annually	⬆ Technical training	
Refer Social And Relationship Capital given on page 72.		⬆ After-sales services	

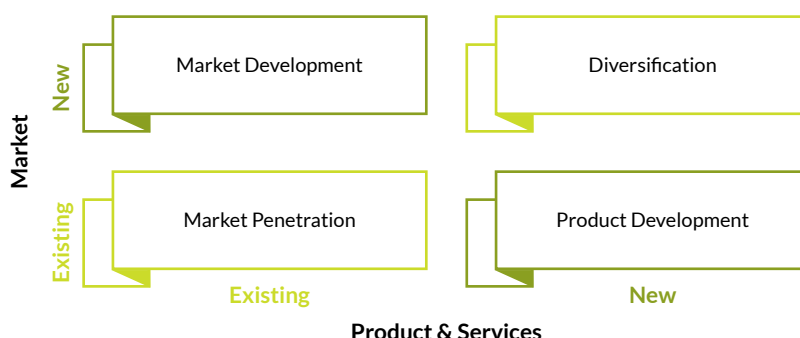
Stakeholder Engagement

Stakeholder Engagement Method	Frequency of Engagement	Key Issues arising from Engagement.	Our Responses and Outcomes
3. Employees and Trade Unions			
⬆ Management meetings	⬆ Monthly	⬆ Organisational developments.	We treat our employees as our most precious asset.
⬆ Review meetings	⬆ Regular	⬆ Workplace improvements	
⬆ Communications via circulars, memos and e-mails	⬆ Ongoing	⬆ Review of remuneration policies and practices	We provide reasonable remuneration and benefits, and training in a continuously improving working environment
⬆ Annual get-together, cricket tournament and religious events	⬆ Annually	⬆ Training and development	
⬆ Ongoing dialog with trade unions	⬆ Ongoing		
⬆ Performance appraisals	⬆ Bi-annually		
⬆ Workplace improvement meetings	⬆ Once in two months		
⬆ Executive meeting to review goals and achievements	⬆ Annually		
Refer Human Capital given on Page 66			
4. Suppliers and Business Partners			
⬆ On-site visits of supplier locations	⬆ Regularly	⬆ Discussions on ease of transaction and procurement	Providing the necessary background to maintain long-term supplier relationships incorporating best practices
⬆ Meetings with suppliers	⬆ Regularly		
⬆ Annual reports	⬆ Annually	⬆ Policies	
⬆ Regular dialogues and interactions	⬆ Annually	⬆ Agreements of long-term partnerships	
Refer social and relationship capital given on page 78		⬆ Quality of service	
5. The Government			
⬆ Annual reports/returns	⬆ Annually	⬆ Compliance with all regulations and legislations	Maintain a good relationship with the Government authorities and timely payment of taxes and submission of specific reports
⬆ Submission of special reports/ returns	⬆ Ad hoc Basis	⬆ Payment of statutory dues	
⬆ Meetings and workshops with Government authorities and departments	⬆ Regularly	⬆ Corporate governance	
Refer Social And Relationship Capital given on page 80.			
6. Society and Environment			
⬆ Focus group discussions	⬆ Regularly	⬆ Discussions on environmental and social impact of our business	The Company has increased the contribution towards community development projects in order to uplift the standards of living of the people.
⬆ Training for undergraduates	⬆ Regularly		
⬆ Fabricator training for school leavers	⬆ Regularly		
⬆ Written and oral communications initiated by stakeholders	⬆ Ongoing	⬆ Discussions on sponsorships and donations	Over 1,545 students and teachers were trained during the year
⬆ Company website and social media	⬆ Ongoing	⬆ Creation of direct and indirect job opportunities.	
⬆ Donations and community Development projects			
⬆ Social and relationship capital and natural capital on page 80 and Page 86 respectively			

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 60% of total revenues. The private residential housing market is also developing rapidly and we hope to develop it further 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 islandwide, throughout the year.

However, due to the breakdown in the main plant which impacted operations for two months, Alumex experienced a setback in the last financial year. Our market share was curtailed and margins were affected. The Company is looking at short-term strategies to overcome this situation which are discussed in the below paragraph.

Achievement of objectives for 2017/18

Objectives set for 2017/18	Achievement
Capacity improvements with advanced technology-based machinery to cater to the rapidly-growing demand.	Ongoing-All buildings are complete and machineries are being installed.
New dealerships and regional warehouses.	Partially achieved - 10 new dealers were appointed and two new regional warehouses were opened. Agreements signed to start one more regional warehouse.
Complete the construction of the centralised warehousing system to enhance logistical efficiencies and increase our responsiveness to customers.	Achieved - Building construction and equipment installation was completed and ready for commercial operations.
Focus on garnering 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.	Ongoing - SLS certification was obtained for part of the selected products and Qualanod certification is being attended to.

Goals and Strategies

Plans for 2018/19

- ↑ Continue to open new dealerships, distribution centres and develop a widespread sub dealer network to enhance access and availability in the market of our products.
- ↑ Conduct fabricator training and development program to enhance their knowledge and skills while developing our customer relationships.
- ↑ Maximise the usage of the new plant after its completion in the first quarter to bring new and advanced technology to the operation 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 complete SLS certification for all selected products.
- ↑ Concentrate on preventive maintenance activities of the production plants with newly-acquired talents to ensure uninterrupted order delivery process to all customers.
- ↑ Implement a business intelligence tool and maximise the usage of the ERP manufacturing module to improve the service levels to customers.

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.

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 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 2017/18

Objectives set for 2017/18	Achievement
Promotional campaigns for dealers, fabricators and end users.	Ongoing - Lumin was promoted via exhibitions, advertising campaigns and other promotional campaigns.
Opening three dedicated "Lumin Concept" Centres.	Partially achieved - A new centre was opened in Jaffna.
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.	Partially achieved - Project was started and the number of evaluations to be increased.
Introducing advanced technology to improve quality of Aluminium fabrication in Sri Lanka.	Not completed with other challenges.

Plans for 2018/19

- ↑ Continue with promotional campaigns for Dealers and fabricators.
- ↑ Further develop the post-construction Lumin customer visit programme to evaluate customer satisfaction.
- ↑ Implement two 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.

Achievement of objectives for 2017/18

Objectives set for 2017/18	Achievement
Establish a dealership in Bangladesh.	Due to operational difficulties in the production process this was not pursued.
Open up new dealerships and expand in South India.	Due to operational difficulties in the production process this was not pursued.

Plans for 2018/19:

- ↑ Establish a dealership in Bangladesh.
- ↑ Open up new dealerships and expand to South India.
- ↑ Explore possibility of exporting to Africa and Nepal.

Long term plans

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

New Product Development

Our New Product Development Division continues to design and introduce new products requested by customers, working towards enhancing product quality and performance to meet 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 Industry Development Authority (CIDA), the Sri Lanka Standards Institution (SLS) and other relevant international organisations. Further, we engage in process improvements while introducing environmental-friendly materials and processes.

During the current year, a new wrapping system was introduced to bronze anodised products. Further, 26 new Alumex dies were designed and tested. Most of the orders for these designs were completed and delivered within the year.

Achievement of objectives for 2017/18

Objectives set for 2017/18	Achievement
Launch of high performance unitised curtain wall/Façade system.	Activity was postponed to next year.
Launch of Lift and Sliding System.	Activity was postponed to next year.
Launch of Heavy Duty Doors.	Activity was postponed to next year.

Goals and Strategies

Plans for 2018/19:

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

- ↑ Launch of high-performance unitised Curtain wall/Façade system
- ↑ Launch of Lift and Sliding System
- ↑ Launch of Heavy Duty Doors

Long-term plans

Develop a complete Alumex proprietary façade, Window and Door system which includes all extrusions and accessories manufactured under the Alumex brand. With the support of different strengths acquired by Alumex over time such as islandwide 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:

Achievement of objectives for 2017/18

Objectives set for 2017/18	Achievement
Promoting Alpolic composite panels made by Mitsubishi Plastics, Japan.	Ongoing – New set of fabricators were trained and a couple of projects won.
Promoting Corian Solid Surface material made by Dupont, USA.	Ongoing – New set of fabricators were trained and a couple of projects won.
Promoting IMAX fabrication support machinery made by IMAX, Turkey.	Ongoing – Initial shipment was distributed and proceeding with the second shipment.

Plans for 2018/19:

- ↑ Going ahead, we plan to continue promoting these products to customers islandwide 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 and support services.



Spearheaded by great ideas

OUR LINE OF THINKING TRULY REVOLUTIONISES
THE INDUSTRY

**MANAGEMENT DISCUSSION
AND ANALYSIS**

Overview of Aluminium Industry



“Sooner or later, aluminium would replace the wood, probably stone too. And how luxurious that is Aluminium and aluminium everywhere”

Nikolay Chernyshevsky
(*What is to be done* - 1863)

MATERIAL OF THE PLANET

Aluminium is light-weight, strong, conductive, durable, flexible and easy to fix into any desired shape. Amongst a lot of other super qualities, recycling is another 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.

Therefore, it is no wonder this material full of surprises inspires architects, engineers, artists and many more to see new and exciting possibilities. An increasing number of industries are becoming aware of how aluminium can solve challenges and benefit different applications, and new areas of uses are still being discovered. In other words, aluminium is truly the material of today – and tomorrow.

As more companies look for energy-saving innovations in their products and manufacturing methods, the aluminium industry is assured even greater success. aluminium is truly the metal of modern life and it is what the planet has ordered.

GLOBAL ALUMINIUM INDUSTRY

Geography-wise, the global aluminium market has been classified into North America, Asia Pacific, Europe, Latin America, and the Middle East and Africa. Of them, in 2016, Asia Pacific led the market with a more than 60% share. Going forward, the region is expected to hold dominance over the forecast period according to a report by TMR

(Transparency Market Research). The global aluminium market is expected to grow 6.4% CAGR for the forecast period between 2017 and 2025.

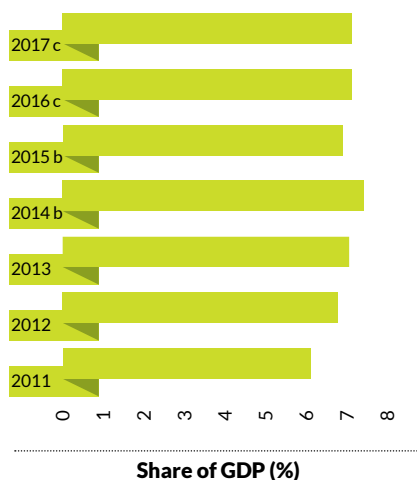
The growth of the Asia Pacific aluminium market is attributed to a few factors. The booming construction sector in countries such as India, China, Malaysia, and Vietnam as a result of rapid industrialisation and urbanisation is indirectly benefiting the aluminium industry. This is mainly because of high durability and strength and low self-weight of aluminium and aluminium alloys that make them suitable for residential and commercial buildings as well as infrastructure such as bridges and flyovers. Another key factor driving growth of the Asia Pacific aluminium market is growth of the automobiles industry.

The aluminium market consists of producers of primary aluminium and its alloys – the upstream segment, the producers of aluminium products – the downstream segment, and the producers of aluminium out of processed raw material (aluminium recycling)

Every year aluminium production grows in the world as a result of the ever-increasing demand for this metal.

ALUMINIUM IN CONSTRUCTION INDUSTRY

Aluminium has firmly established itself in the construction industry as well: No skyscraper, metal frame building or regular residential house can do without it. Window and door panels, roofing, frameworks, façades and load-carrying structures, elements of external decoration, sidings, staircases, conditioning and heating systems – all of these are manufactured today using aluminium and aluminium-base alloys.



We can thank aluminium for 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 present-day metropolises. The glass faces of office skyscrapers are supported by lightweight and sturdy aluminium frames. Entertainment, trade and exhibitions centres literally rest on aluminium frameworks. Stadiums, pools and other sports facilities are also built using aluminium structures. This metal became one of the most popular materials among builders, architects and designers for the following reason.

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.

Opportunities in the construction industry include strong economic growth in developing nations, such as China, India, and the Middle East countries, which is expected to further drive infrastructure development, and growth due to the positive impact of new green/environmental standards in first world countries. Global population growth means an increase in the urbanisation rate.

SRI LANKAN ALUMINIUM INDUSTRY

Today, the growth of Sri Lanka's construction industry has become a hot topic. The housing construction sector in particular has seen rapid growth due to the rise in housing demand as well as Government incentives for new housing projects. Colombo skyscraper is progressing speedily is to mainly cater to hotels, apartments and commercial buildings. Similarly cities around Colombo are also showing similar

expansion level with small and middle sized buildings.

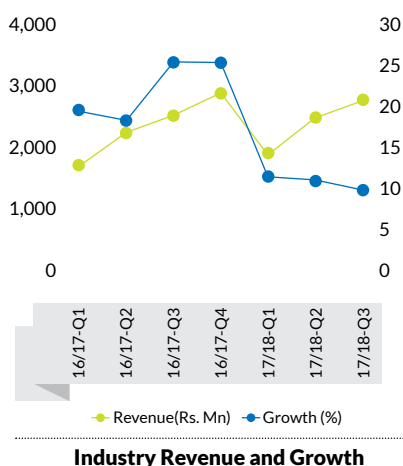
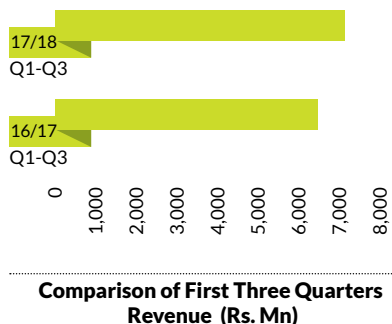
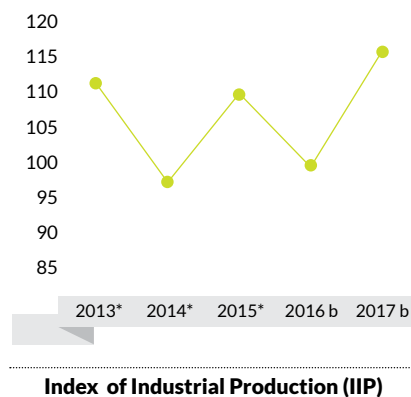
With the countrywide expansion of infrastructural development which includes the massive US\$ 40 billion megapolis development plan, the construction industry is heading for a revolutionary change. Further, the new Financial City project is also progressing rapidly and this too will contribute immensely to the development of the construction industry in the country.

In Budget 2018, there are several massive projects which can generate a huge number of opportunities for the local construction industry. It allocates Rs. 17.5 Bn for housing projects to boost construction and infrastructure facilities in Sri Lanka. Further, the initiative to generate 200 MWs of power by way of Soorya Bala Sangramaya, domestic solar power project, and 90 MWs by way of 1MW each from solar farms, are directly contributing to the development of the industry.

All these construction projects are directly linked with the aluminium industry and hence there will be continuous development in the usage of aluminium-related products in the country.

In order to develop an industry, it is imperative to satisfy several key factors such as incorporating high quality raw material supply, cutting-edge technology, skilled labour and a proper regulatory body, to constantly maintain highest quality and standards. Accordingly, the Government-sponsored Construction Industry Development Authority (CIDA) is now drawing standards of Aluminium imports and products manufactured in Sri Lanka. Further, SLS certification has been introduced for aluminium products manufactured in Sri Lanka by the

Overview of Aluminium Industry



Sri Lanka Standards Institution. These initiatives will enhance the quality of aluminium products and the industry in the country. Further, the Government has launched a programme to train 2,000 aluminium fabricators to increase the supply of skilled labour to the market.

In line with the above trends, Alumex has developed a variety of new products to cater to the changing demands of our customers. We have already introduced eight different systems (Façades/ curtain walls, Casement windows, Sliding doors/windows) tested in Dubai in a world-recognised United Kingdom Accreditation Services (UKAS) testing laboratory to capture the demand for aluminium products required for high-rise buildings. Further, we have developed a series of accessories and components required for solar power projects and offered to the market. Our “Lumin” brand specially developed for the residential segment is being further strengthened with other new products such as Aluminium Cabinet system, and variety of accessories such as Corner joints, etc.

SHARE OF GDP AND CONSTRUCTION SECTOR GROWTH

The development of the construction industry in the country and its contribution to the Gross Domestic Products (GDP) over the last few years shows that there has been a slow-down in the recent past.

INDEX OF INDUSTRIAL PRODUCTION (IIP)

The index of factory industry production which is calculated by department of census statistic in Sri Lanka is based on the monthly survey details of quantity of output of industry production. Factory production of aluminium extrusion manufacturing is classified under fabricated metal products, which shows an upward movement in the year 2017.

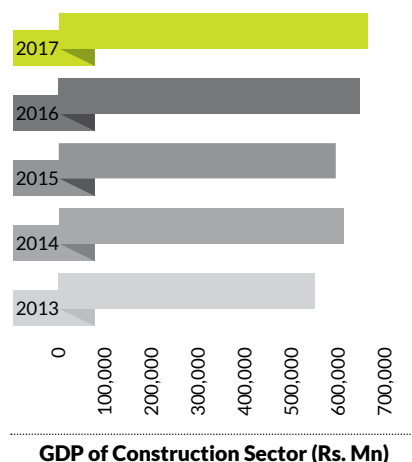
ALUMINIUM EXTRUSION MARKET GROWTH

Four Sri Lankan manufacturers are involved in aluminium manufacturing in Sri Lanka.

In addition, large-scale contractors import architectural extrusion profiles for BOI projects and small-scale importers import general items to cater to the 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, the aluminium extrusion industry has recorded continual growth in the last few years. Further, the growth recorded by these manufacturers in the first three quarters of last year (2016/2017) compared to this year (2017/2018), is 10%.

The industry revenue and growth graph shows the total sales by the three manufactures and quarterly growth rates or revenue in comparison with the revenue of respective previous quarters. Accordingly, growth rates have reduced substantially compared to the previous year.

Review of the Operating Environment



ECONOMIC REVIEW

The Gross Domestic Product for Sri Lanka for the year 2017 (January to December) at constant (2010) price has reached Rs. 9,315 billion. The GDP value reported for the year of 2016 was Rs. 9,034 billion. 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 7.7%, 27.2%, 55.8% and 9.3% respectively for the year 2017. During the year 2017, highest growth rate of 3.9% was reported for overall Industrial activities. Meanwhile, Services activities have grown by 3.2%, compared to the previous year. However, the Agricultural activities reported a 0.8% negative growth rate.

The Sri Lankan economy has grown at a slower rate of 3.1% in real terms in comparison to the GDP growth rate of 4.5% in the previous year.

INDUSTRIAL SECTOR REVIEW

A lower growth rate of 3.9% has been recorded in Industrial activities this year. Among the industrial activities, Construction activity, which corresponds to a considerably higher share of industrial activities, increased only by 3.1%. In addition, the sub activity of Mining and quarrying also

recorded a lower growth rate of 5.9%. Manufacturing activity, which comes under the Industrial sector, has grown by 3.9%. Among Manufacturing activities, the manufacture of basic metals and fabricated metal products has grown by 8.6% compared with year 2016.

In analysing this further, manufacturing of basic metals witnessed a growth of 11.7% in 2017, compared to the expansion of 8.1% reported during the previous year. Increased production of lead, aluminium extruded products, aluminium bars and steel bars fuelled this enhanced output. Furthermore, fabricated metal products too showed a higher output, with a growth of 16.7%, compared to the negative growth of 0.7% in 2016. Higher demand from construction activities provided impetus for this improved performance.

INTEREST RATES

The Average Weighted Prime Lending Rate (AWPLR), the rate at which the prime customers borrow from the banking sector, slightly increased to 11.55% (11.52% during last year) while Average Weighted Fixed Deposit Rate (AWFDR) rose by 100 basis points to 11.48% during the last 12 months. Meanwhile, the growth in credit extended to the private sector for construction activities by Licensed Commercial Banks (LCBs) slowed down

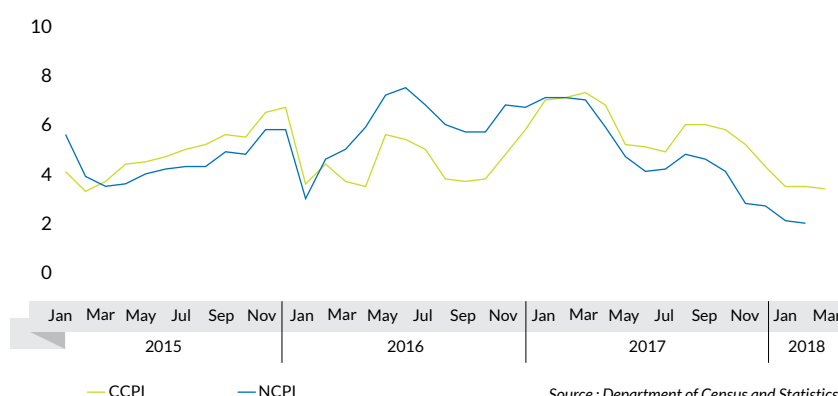
to 22.5% as at end December 2017, compared to 26.9% growth recorded as at end December 2016. Further, credit granted for personal housing construction activities by LCBs grew by 22.3% as at end December 2017, reflecting the private sector involvement in construction activities.

Interest rates remaining at higher levels were not favourable to Alumex as it had borrowed substantially for the expansion project and working capital requirements.

However, the increase in credits granted to personal housing projects has favourably affected the operations of Alumex as it raised the demand for construction materials by domestic users.

INFLATION

Inflation, measured by the CCPI (Base year 2013), reflected an upward trend of 7.1% in December 2017 compared to 4.5% in December 2016. The increase in inflation in the latter part of the year was mainly attributed to the impact of tax adjustments and supply disruptions caused by adverse weather conditions. The Central Bank is targeting inflation between 4-6% this year.



Source : Department of Census and Statistics

Movements in Year-on-Year Core Inflation (%)

Review of the Operating Environment

Headline inflation in the second half of the financial year 2017 reached its highest level of 7.8% and remained around 7% until December 2017. The decrease started in January 2018 and by April 2018 it had reached 3.8%. The low level of inflation rates can expect increased investments and improved returns for the savers may lead to higher growth in the long-term.

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 which were relatively unstable during the year 2017. At the beginning of the year the Euro was Rs.157.76 and at the end of December 2017, it was raised up to 182.48 recording a 13.5% depreciation but with several fluctuations during the year. The US Dollar rate, which was Rs. 149.97 at the beginning of the year, closed at Rs. 152.85 at the end of the December 2017. This depreciation (2%) of our main currency made import material prices more expensive for the Company.

The adverse impact of exchange rate movements together with increased prices of aluminum, the key raw material, in London Metal Exchange (LME) affected Alumex's cost of production which increased drastically.

On the other hand, the Rupee depreciation against the US Dollar is favourable for us, as it increases the import prices of extruded Aluminium profiles brought into the country by other importers, and it creates higher competition among aluminium producers in the market in delivering a quality output to the market.

POLITICAL AND REGULATORY ENVIRONMENT

The Alumex Group serves the entire community with 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, 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.

The Sri Lanka Government has formulated a three-year Economic Delivery Programme to increase per capita income to US\$ 5,000, create one million new jobs, and increase FDI to US\$ 5 billion per year. In line with the Government's action plan to achieve these, many reforms were implemented and a multitude of policies put into effect to stabilise the economy and create conducive economic climate for both domestic and foreign investors.

The Colombo Port City project, a Government mega project and is one of the key projects initiated towards greater urbanisation, advanced rapidly throughout 2017. It is expected to be completed by mid-2019. The construction of the Colombo International Financial Centre building complex is expected to commence before end 2018. We can expect a positive impact from these ongoing projects on the success of our business.

With rapid urbanisation, the demand for and supply of condominiums has increased substantially within the past decade, which is favourable for increased



demand of our construction materials. The Governments continued study of current housing needs of the country, to introduce a new National Housing Policy while implementing numerous programmes to provide decent housing facilities for all, will boost the construction sector further.

TECHNOLOGICAL ENVIRONMENT

Around the globe, digital technologies have evolved into a powerful economic tool that has improved quality of life of citizens and transformed the way that governments, businesses, and citizens connect, engage, and access information and services. Many societies are now dependent on digital technologies which has led these technologies to be considered as a fundamental social infrastructure. It was visible that Sri Lanka is catching up these developments faster. Use of social media networks for business activities has increased substantially, from which Alumex has benefited.

Technology and innovation offer great opportunities to improve, even if the industry finds it challenging to adapt. Sri Lanka is yet to upgrade our

technology utilisation in line with the latest technologies available in the world such as 3D printing and Internet of Things. Although there has not been much technological development in the Aluminium extrusion industry during the year, it was visible that the local Aluminium extrusion manufacturers had taken initiatives to increase their production capacities. This move will certainly bring new technology to the industry and to the country. Alumex's state-of-the-art extrusion plant and powder coating plant use the latest technologies in the world.

SOCIAL AND NATURAL ENVIRONMENT

Changes in beliefs and values of people, towards green buildings is a prime concern in the construction industry. Green buildings increase the efficiency of resources while sustaining natural resources for future generations and reduce the impact on people and the environment. In this backdrop, construction of green buildings is widely popular in Sri Lanka as well. Green building literally does not mean that they are completely 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 for Alumex as Aluminium is considered a 'green' metal in construction.

On the other hand, natural disasters such as floods and landslides had adverse consequences on Sri Lankan economy last year. Apart from direct negative impact on agricultural production, it increased public expenditure for drought relief programmes and flood damages, strained public finances and slowed economic growth.

OUTLOOK

The construction sector has been making vast strides in projects such as the Colombo Port City project, Colombo International Financial City, Southern Expressway extension, Colombo Outer Circle Highway, Colombo Metropolis and suburban housing projects which are progressing rapidly and will contribute immensely to the development of the construction industry in Sri Lanka.

In Budget 2018, there are several massive projects which can generate a huge number of opportunities for the local construction industry. It allocates Rs. 17.5 Bn for housing projects to boost construction and infrastructure facilities in Sri Lanka. Further, the initiative to generate 200 MWs power by way of Soorya Bala Sangramaya domestic solar power project and a further 90 MWs by way of the 1MW each from solar farms, are directly contributing to the development of the industry.

As per CBSL, Sri Lanka's economic growth in 2018 will bounce back between 5 to 5.5% from less than 4% growth in 2017. The weather-affected economy is expected to turnaround in the next year. With the global economic recovery Foreign Direct Investment is expected to flow in larger values in the year 2018 - especially to the Industrial Zone in Hambantota and the Financial City in Colombo. The Board of Investment expects FDI to reach \$1.5 billion (USD) in 2018 and in the medium term Sri Lanka needs FDI of \$2 to 3 billion (USD) a year to reach a higher growth envisaged in the Vision 2020 policy document. The improved reserves position and stability will enable the Central Bank to consistently pursue a flexible exchange rate framework.

Mindset changes of people, more favourable to the use of Aluminium for house constructions, continuously tightening legal framework for cutting trees and protecting forests and implementing new standards for the use of aluminium will enhance the confidence of customers to use aluminium extrusions more than ever.



Letting our products do the talking

THOUSANDS OF SATISFIED CUSTOMERS ALL
OVER THE ISLAND WHO ATTEST TO OUR
STRENGTH AND SOLIDITY

CAPITAL REPORTS





Financial Capital

Effective management of financial capital will require sound management of financial value creation and careful utilisation and preserving of stores of financial capital, supported by a sound management approach and management actions. Therefore, this review of financial capital has been grouped accordingly.

The following table summarises the success in financial capital management

Criteria	Performance Indicator	31.3.2018	31.3.2017	31.3.2016	31.3.2015	31.3.2014
Capital structure	Debt : Equity (%)	40:60	18:82	0.2: 99.8	1 : 99	4 : 96
	Cash flows from operations (Mn)	(300)	524	494	482	301
	Dividend payout ratio (%)	86	58	51	63	40
Liquidity	Current assets ratio	1.14	1.85	1.90	1.72	2.12
	Quick assets ratio	0.48	0.94	0.84	0.75	1.08
	Finance facilities - LC and import loans (Mn)	1770	1770	1620	1390	700
	Finance facilities - Bank OD (Mn)	310	310	310	270	102.5
	Finance facilities - Remaining long-term loans (Mn)	430	1,288	300	310	200
Solvency and reserves	Interest cover (Times)	5	166	948	220	48
	Net reserve position (Mn)	1,969	2,033	1,615	1,406	1,163
	No. of financial institutions providing funds	7	6	6	5	4

The subdued trend in financial gearing continued into the year under review from the last financial year owing to further infusion of debt capital for capacity expansion project at Ekala. Focusing on levered capital will optimise average cost of capital to the Company. In an operating backdrop experienced in the reporting year, the cash flow position of Alumex has dropped in the reporting period. However well versed and proactive decision-making has helped to managing cash flow efficiently.

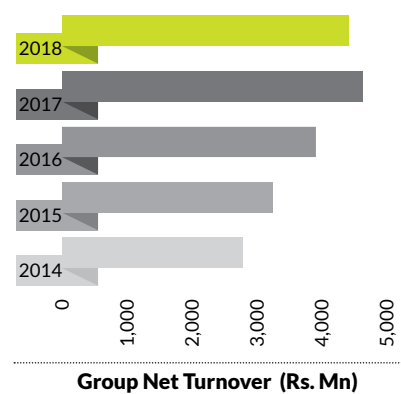
Adverse trading conditions enabled the Company to maintain its short -and -long -term solvency and liquidity with effective balancing way while facilitating funding of its growing operation.

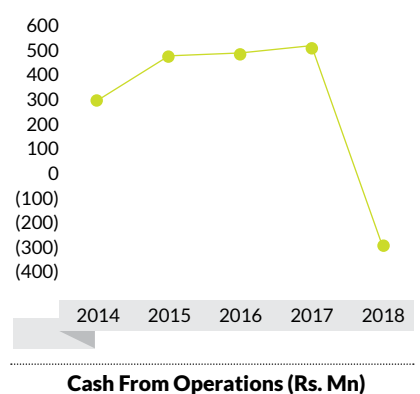
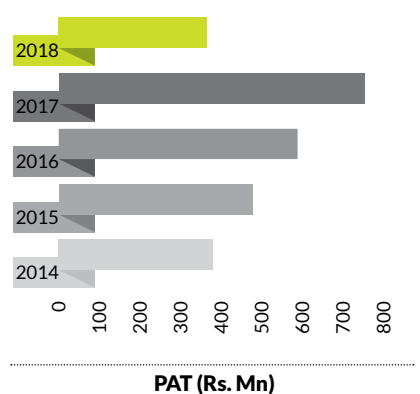
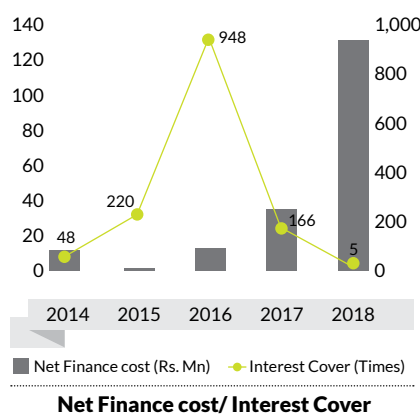
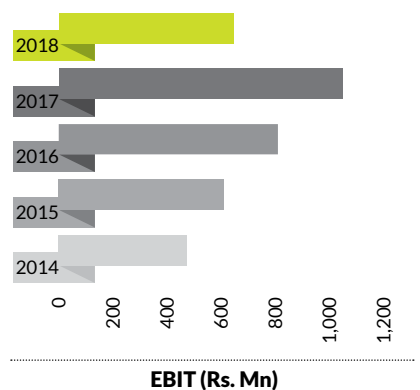
We are disciplined and principled in the way we deliver on our corporate targets and goals, ensuring that we follow prescribed best practices and standards in accounting, auditing and management whilst complying with the rules and regulations set out by the relevant statutory and regulatory bodies.

FINANCIAL REVIEW

Revenue

Given the impact of the challenging internal and external environments, including the sudden shutdown of the main extruder machine experienced over two months in the first half of the financial year and the marginal business growth in the construction sector of the country, the annual turnover of the current year remained at Rs. 4.4 billion compared to Rs. 4.6 billion in the previous year, recording a 4.6% decrease. The situation was further triggered since the Group had to offer an additional discount to customers in order to preserve the market share. Turnover of Powder Coated Aluminium profiles contributed the majority of Groups turnover, seconded by Anodised Aluminium Profiles. Substantial demand was seen from the value-added products range used in the renewal energy sector. The Group export turnover marginally dropped as the Group focused more on domestic sales in the reporting period. Group export turnover recorded 20 million in the current financial year compared with the previous financial year of Rs. 47 Mn. Forecasted strategies are underway to capture the overseas market in line with expanded capacity.





Earnings Before Interest and Tax

The gross profit margin has moved downwards to 24% from 30% in the financial year 2016/17, while gross profit has dropped by 24% to 1.1 Bn from 1.4 billion in the proceeding year. The continuous upward movement of raw aluminium prices in the global market, which reached its highest in the recent past, and the substantial expenditure on machinery maintenance negatively contributed to gross profit of the Group. Despite the above, results of cost reduction initiatives especially reduction in energy consumption, together with operational efficiency, have mitigated to some extent the impact of a decline in gross profit.

The Group's EBIT is an indicator of operating level profitability. In line with dropped gross profit and other income EBIT decreased by 39% to Rs. 646 Mn while maintaining an EBIT margin of 15% during the year under review. Administration expenses increased by 14% mainly due to inflationary effect and increased staff cost, while Group distribution expenses also increased by 17% due to expenditure incurred to retain the market share of the Company.

Net Finance Cost and Interest Cover

Group net finance cost of Rs. 131 Mn significantly increased from the previous year of Rs. 34 Mn owing to infusion of debt capital for the expansion project as well as construction of the warehouse complex. Further, the Group had to fund the working capital requirement through short-term borrowing despite relatively high interest rates prevailing in the country throughout the financial year as a result of tightening of monetary policy.

Higher rate of depreciation of the US Dollar and Euro against the rupee during the financial year resulted in a net exchange loss of Rs. 27.1 Mn in the reporting period in comparison to Rs. 36.5 Mn recorded in the preceding year.

The pattern continued in the interest cover of the Group, which resulted in 5 times the interest cover from 166 times in the previous year led by an increase in total borrowing.

Profit After Tax

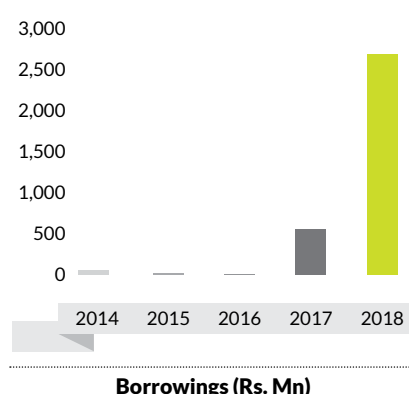
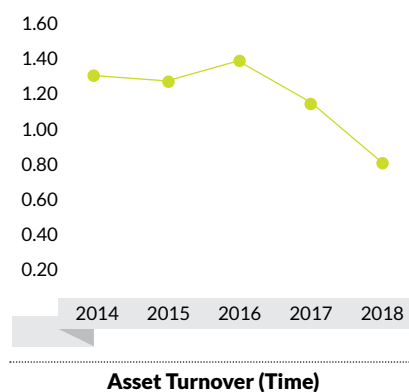
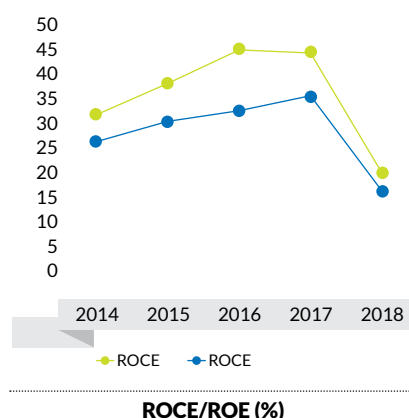
The reduction in the top line has aggravated the bottom line result of the Group which recorded PAT of Rs. 364 Mn, a decline of 52% compared to the previous year's PAT of Rs. 753 Mn. The Group tax charge has also declined in line with profit and recorded Rs. 150 Mn, consisting of Income Tax of Rs. 143 Mn and Deferred Tax of Rs. 7 Mn. Further, the tax expenses comprised Rs. 21 Mn of Withholding Tax paid on subsidiary company dividend payment.

Cash Flow and Liquidity Position

The increased level of activity has placed demands on the management of the liquidity position and this received due attention. The Group's free cash flow from operating activities declined to Rs. 300 Mn a negative figure compared with Rs. 524 Mn in the previous year, owing to cash which increased working capital especially in the raw material inventory compared to the last year. As a result of the sudden machinery break down, the inventory level increased by 55% owing to the scheduled import raw material purchases buildup.

The frail liquidity situation of was further intensified with an extended debtor collection period. Consequently, the current ratio was 1.14 times from 1.86 times in the previous year.

Financial Capital



ROCE and ROE

Reduction in EBIT with the infusion of debt capital for the capacity expansion project, has contributed to a declining trend in both ROCE and ROE in the reporting period. The Group ROCE has declined to 20% from 44% recorded in the preceding year. Again lower profitability has resulted in a decline of ROE to 16% from 36% as recorded in the previous year. The focused strategy is already in place with the expanded capacity to turn the situation around.

Asset Turnover

The Group asset base has substantially increased during the year with the investment in machinery and buildings in the capacity expansion project and the new warehouse complex. An amount of Rs. 1,479 Mn (Rs. 644 Mn in 2016/17) was incurred on acquisition of Property, Plant & Equipment (PP&E) during the year. Out of this, Rs. 1,129 Mn was spent on a capacity expansion project in Ekala and Rs. 160 Mn for the new warehouse complex. Accordingly, the declining trend of the Group's asset turnover has continued this year as well and recorded 0.69 times from 1.09 times in the preceding year. The same trend is continued in non-current asset turnover ratio, as it decreased to 1.33 times in the year under review from 2.37 times in the previous year. Generating of economic returns from both investments is expected to be realised in the coming financial year.

Borrowing

Borrowings consist of long-term interest bearing borrowing, import loans, short-term loans and overdraft. The total amount of long-term interest bearing borrowing outstanding as at the year-end amounted to Rs. 1,513.75 Mn (Rs. 512 Mn 2016/17), indicating an increment of 196%. The term loan consists of two loans, one of Rs. 1,370

Mn which has been obtained for a five-year period including a one-year-grace period to finance PP&E for capacity expansion projects and other one of Rs. 143.75 Mn (original loan amount is Rs. 150 Mn) which has been obtained for four-year period to finance PP&E for the new warehouse complex. The outstanding balance as at 31st March 2018 on account of interest bearing borrowing was Rs. 1,170 Mn which consisted of short-term loans, import loan and overdraft (2016/17 - Rs. 47.7 Mn). Short-term borrowings were obtained to finance working capital requirements.

Interest on short-term loan, import loans and overdrafts are determined based on money market rates and reviewed periodically by the Group's centralised treasury function.

Details of borrowings appear in Note 15.2 to the Financial Statements.

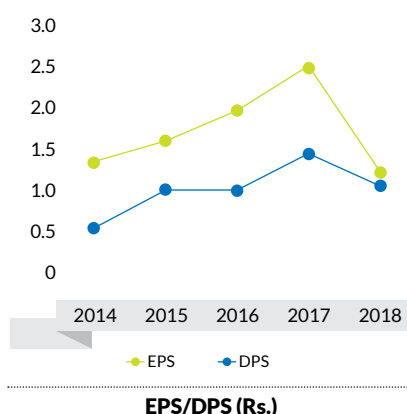
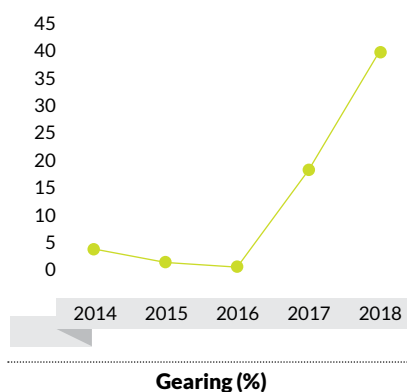
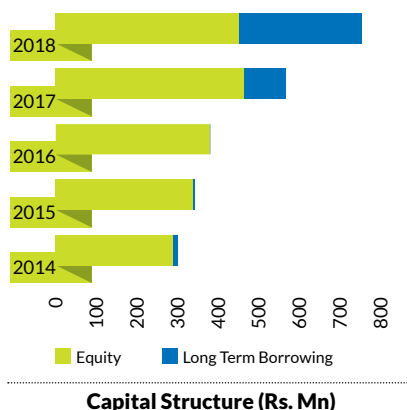
Capital Structure and Gearing

The capital structure consists of both equity (60%) and debt (40%). Equity includes stated capital, capital and revenue reserves and debt consists of loan term interest bearing borrowings. The Group debt to equity ratio stood at 0.67 : 1 in the reporting period compared to 0.22 : 1 in the preceding year. The change combination capital structure is mainly due to the infusion of debt to finance the investments.

The subdued trend in financial gearing continued into the year under review from the last financial year which stood at 40.19% at the year-end.

Earnings Per Share (EPS) and Dividend Per Share (DPS)

The Group dividend policy is formulated taking into consideration the Group's overall performance and growth plans



as well as economic and market dynamics. Owing to the lower bottom line results, both EPS and DPS declined in the year under review. EPS has decreased by 52% to Rs. 1.22 per share from Rs. 2.52 in the previous year, while DPS also decreased by 28% to Rs. 1.05 per share from Rs. 1.45 in the previous year. However, dividend payout ratio increased 87% in the current year from 58% in the preceding year.

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 two solvency tests prior to the interim dividend for the financial year 2016/17 and the payment of interim dividends in the financial year 2017/18. 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 the year end.

As at 31 March	2017/18 Rs '000"	2016/17 Rs '000"
Non-current assets	3,166,311	1,776,836
Current assets	2,540,955	1,904,287
Total assets	5,707,267	3,681,123
Non-current liabilities	1,446,974	697,033
Current liabilities	2,548,027	1,187,216
Total liabilities	3,995,001	1,884,249
Assets less liabilities	1,712,265	1,796,874
Stated capital	283,735	283,735
Net position	1,428,530	1,513,139

Financial Strength

As at year-end, the Group comprises below financial facilities from local and international banks for its import and working capital requirement. Interest rate and commission for these facilities are reviewed periodically, while rate changes on facilities are determined based on market rates.

- ↑ Facilities for Letter of Credit and Import Loan – Rs. 1,770 Mn
- ↑ Facilities for Bank Overdraft – Rs. 310 Mn
- ↑ Remaining long term loan facilities – Rs. 430 Mn

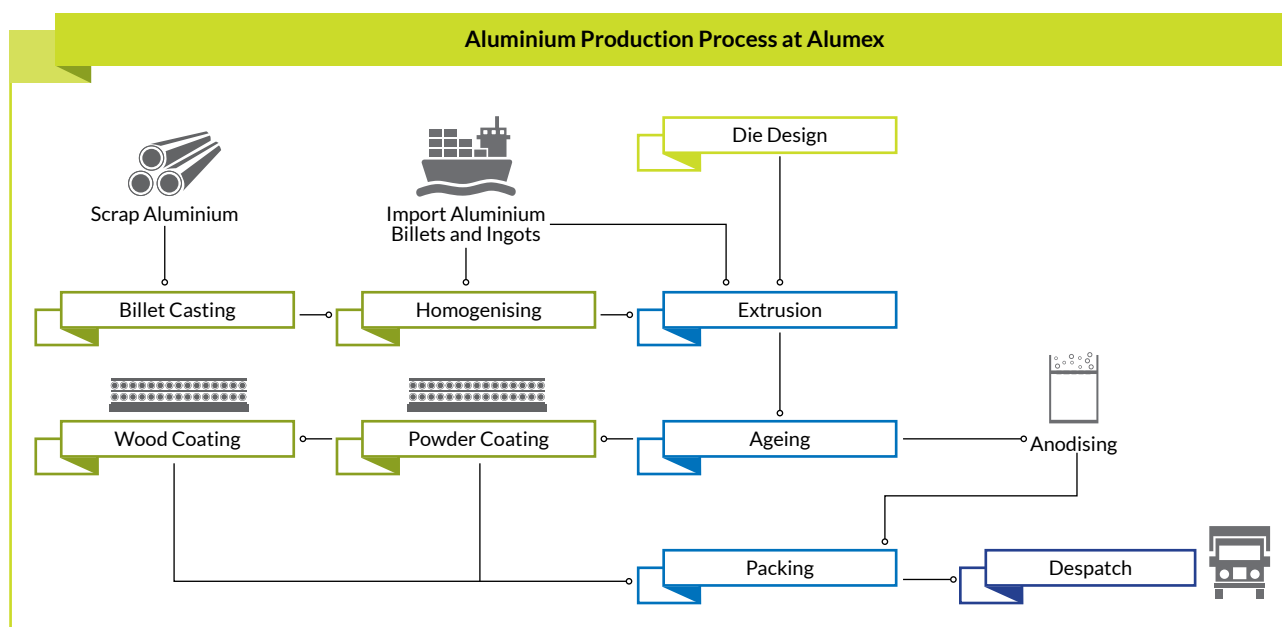
Furthermore, there is no direct financial assistance received from the government during the period

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 124. 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 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 can be converted into different shapes using various production methods.



The production of aluminium extrusions starts with a billet, which is cut either from a log produced in-house using Aluminium scrap, or imported Aluminium logs. In the extrusion process pressure is applied on a heated billet through a die to produce a long profile. The die forms a crucial part of the production process to provide the correct flow pattern and accurate dimensions. The extruded profile is then cooled using chilled water or air. It's then stretched to achieve straightness, and cut into standard lengths. These profiles are then aged at elevated temperatures to improve their mechanical strengths. Once completed, the basic extrusion form of 'Mill Finished' is achieved.

Decorative/protective finishes such as anodised, powder coated and wood effect finished are value-added forms of Mill Finish profiles. Colour, coating thickness and type of finishes are decided according to customer requirements.

ALUMEX PRODUCTION CAPACITY AND UTILISATION

Product/Plant	Capacity (per Annum)	Current Utilisation
Extrusion	10,200 metric tonnes	70%
Anodising	5,400 metric tonnes	50%
Powder Coating	4,600 metric tonnes	80%
Wood Effect finishing	360 metric tonnes	70%
Die Manufacturing	2,400 units	40%
Aluminium Melting	4,800 metric tonnes	50%

ENHANCED CAPACITY

During the year under review powder coating capacity was increased by 50MT per month with the introduction of second bridge crane hoist for automated plant. Anodising capacity was increased by commencing operations in the third anodising tank for the existing plant. This led to an increase in monthly operational capacity by 100MT. With the introduction of new profile racking and un-racking stations in anodising plant, efficiency and ergonomics of those process were improved.

The effluent treatment plant capacity also increased by 120m³ during the year. This was an essential requirement with the increase of production capacities in powder coating and anodising plants.



FACTORY LOCATION

Alumex manufacturing plants are currently centralised in a factory located in LINDEL Industrial Zone in Sapugaskanda, Makola. During last financial year a new centralised warehouse was added to the operation. The new warehouse is located in close proximity to the factory and this resulted in improved logistic efficiencies and increased customer responsiveness. The new production facility in Ekala has reached the commissioning level, and is currently undergoing test runs for the extrusion process.

TECHNOLOGICAL UPGRADE

To accommodate the increased demand for Aluminium products, production and support functions were upgraded. Die manufacturing process was upgraded by installing a new 5-Axis CNC machine, which is capable of reducing die manufacturing lead time considerably. In view of improving health and safety of employees by minimising manual handling online chemical dosing pumps were installed to the powder coating plants. This also helps to improve accuracy in current chemical adding processes. The overall manufacturing and production planning process were improved by introducing manufacturing module of the ERP system.

Anodising rectifier control system was upgraded using latest technology available, which led to improvement of quality in anodised layer. The Old De-ionising Plant was replaced with a new unit, which is able to achieve better product quality with lower energy consumption.

Extrudability of local billets was increased by introducing online feeding of Ti boron rod, hence resulting in an increased extrusion rate for extrusion plants. During the year the melting plant scrubber was upgraded to improve the quality of emissions from the plant.

The Alumex extrusion process was upgraded by installing a new container, which can operate at a higher temperature than the old one. The replacement resulted in better surface quality extrusions being produced and less rejects being passed onto finishing plants. Extrusion was equipped with an infrared die furnace, which is capable of generating constant heat for dies, and consumes less than half of the previous time to reach specified temperatures.

In order to improve the quality of treated water released from effluent treatment plant, a semi-automated filter press unit was installed. This was helpful in increasing treatment speed and reducing moisture content in sludge emitted by plant.

INVESTMENT IN NEW BUSINESS

As demand for Aluminium products is increasing, business need is to keep on investing in its capacity improvements. At present, we are reaching maximum capacity utilisation levels in the usage of machinery and space availability in the existing factory premises at Makola. Our new plant located at Ekala will cater to increasing demand in the future. During the year it was built using the latest state-of-the-art technology available in the industry. The first phase will consist of extrusion and vertical powder coating units, and will be fully operational in 18/19 financial year.

DISTRIBUTION NETWORK

Alumex products are distributed through an exclusive dealer network widespread throughout the country. Two Alumex-owned outlets designated for both selling and distribution and five other regional distribution centres at Anuradhapura, Jaffna, Wariyapola, Kalmunai and Badulla cater to orders placed by the dealers in the respective areas of the country.

Main customer contact points: Alumex dealers are located in all nine provinces. During the year under review, 10 new dealerships were added to the network to increase the total dealer distribution strength to 82 dealer points. Details of all such dealer points are detailed on page 203.

Manufactured Capital

ALUMEX PRODUCT PORTFOLIO

The Alumex Group is renowned for its 29 years of industry expertise in designing and developing Aluminium profiles. Innovative products offered by Alumex can be found in various industries, from architectural to engineering, including customised 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
 - ALTUS (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 customised designs to suit individual requirements. During the year solar component segment was expanded rapidly due to increasing demand for solar energy installations in the country.

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 and surface hardness. These products are widely used for pipes and hardware items.

Natural anodised 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. It is extremely durable for exterior applications including sea-side environments, particularly with a 'high-micron' coating.

Bronze anodised products: Has the natural anodised 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 ionised through a pressure gun and sprayed onto the chemically pre-treated

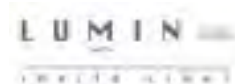
mill finish profiles, which are earthed and hung on a conveyor. The profiles which pass through the polyester powder 'cloud' are then subjected to deposits of powder onto the profile in a controlled manner to give a uniform layer. This profile with the dry powder on its surface is then passed through 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 wrapped in a textured film and passed through an oven to print the wood finish surface texture. This process is called sublimation. Currently Alumex offers three type of wood finish products, which resemble oak, teak and mahogany wood surfaces.

Intellectual Capital



VALUBALE BRANDS



Our intellectual capital stands as our significant value driver, generating enormous value to the business by way of the knowledge of our employees, value inherent in our relationships and our systems, processes and procedures. We nurture these invisible assets to support our value creation process and thereby strive to position Alumex as the top tier Aluminium manufacturing company in the South Asian region.

TACIT KNOWLEDGE

Alumex has been in the business for over 29 years and leads the market with close to 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 22 new products to the market. In addition 26 customer-specific die designs were

successfully completed and offered to customers.

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 ISO 9001:2015 system upgraded from 9001-2008 during the year 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 independent parties.

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 the implementation of manufacturing module of the ERP system which provides further value to the business by

way of production planning, production information analysis, cost analysis, etc. The implementation of the Business Intelligence tool also progressed further and has reached its final stage.

INDUSTRIAL DESIGNS

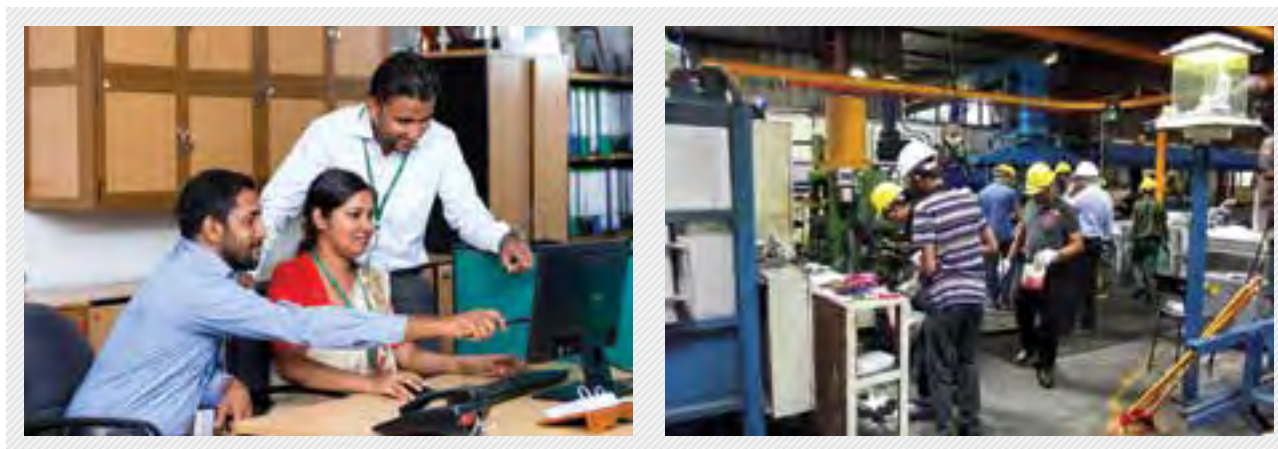
In order to prevent copying of the unique profile designs that Alumex has developed to suit the local environment, our designs have been registered with the National Intellectual Property Office of Sri Lanka under the Intellectual Property Act of Sri Lanka No. 52 of 1979. These industrial design rights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

During the year we proceeded with registering 21 new designs to secure value of such designs to Alumex.

BRAND VALUE

Alumex owns two brands. The 'Alumex' brand has an equity created over 29 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' assist Engineers, Consultants, Contractors, Architects, Fabricators and Quantity Surveyors in preparing BOQs, elevation and structural design calculations.

Human Capital



The competition today among competitive business entities is a world apart from how it was in the past. In today's business context leading today's competition would not necessarily determine the long-term success of any organisation. Surpassing customers' expectations and the value addition the organisation offers to its customers over and above its competitors would make an organisation successful in today's context. But in order to achieve long-term market leadership the organisation has to necessarily be innovative, creative and lead the change in the product market as well as perceptual market in the customer's mind. In such organisations, they have adopted their most valuable asset, their human capital, which offers superior products and services to achieve customer satisfaction in future markets. At Alumex, we firmly believe that such organisations are driven to greater heights in their journey towards success via 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.

Sourcing and retention of quality HR together with building loyalty and integrity amongst all employees remains as a key 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 loyal and experienced workforce has been with us for decades and is capable of meeting any operational and product market challenge by gaining new knowledge, expertise and operational excellence. The talent pool of new generation employees has continually delivered well beyond expectations in terms of technical knowhow and adoptability. Such valued employees have progressively contributed directly towards retaining market leadership status in the industry, while at the same time maintaining the superior quality of our products over the years and more particularly introducing globally certified and benchmarked new products to the industry.

The HR management process of the Company is planned and designed to recruit the right talent for the right fit, equipping individuals with appropriate tools and skills in order to deliver an optimum performance both in today's and future contexts in a conducive work environment, while at the same time recognising and rewarding them for their performance, innovations, breakthrough solutions and thereby preparing them for future challenges as their career progresses both in terms of vertical and horizontal directions. The entire senior management team of the company consists of

Sri Lankans (local) and are well capable and experienced in managing Alumex towards greater heights in the industry.

OUR HR POLICY

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

Equal Opportunity Employer

We at Alumex always ensure equal employment opportunities in the work environment while adopting non-discriminatory policies in all our processes. 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 health and safety measures are ensured and operational tools and equipment are used, which is due to the nature of the industry. The Company's employees are comprised of multinational and multi-religious members coming from all regions of the country.

The remuneration structure of Alumex is designed to reward and recognise 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. The remuneration levels are periodically revised and adjusted on par with the market rates and the Company future directions.

All recruitment selection and placement activities are carried out 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, code of conduct and Alumex's values, etc. A detailed factory visit covering all operational departments is included in the orientation programme. Placement of any newcomer is followed by an "on-the-job training" by the respective departments.

Whilst promoting internal candidates to go up the career ladder by applying to various vacancies arising from time to time, we 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. At the end of the internship period, interns who are found suitable for permanent placements are directly placed in the available cadre vacancies.

Recruitment details

Gender	Executive	Clerical	Manual	Casual	Total
Male	38	14	10	175	237
Female	1	4	0	0	5
Total	39	18	10	175	242

Age Group	Executive	Clerical	Manual	Casual	Total
Below 30	27	13	9	131	180
30 - 50	11	4	1	42	58
50 Above	1	1	0	2	4
Total	39	18	10	175	242

Province	Executive	Clerical	Manual	Casual	Total
Western Province	19	16	7	108	150
Central Province	3	1	1	3	8
North Central Province	4	0	0	7	11
Eastern Province	1	0	0	3	4
North Western Province	2	0	0	12	14
Southern Province	4	1	2	9	16
Uva Province	2	0	0	22	24
Sabaragamuwa Province	1	0	0	8	9
Nothorn Province	3	0	0	3	6
Total	39	18	10	175	242

No Child Labour, Forced Labour or Unethical Employment Practices

In principle, Alumex is committed to 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 or forced labour or any form of unfair/unethical labour practices. Alumex monitors the labour management practices and legal compliances of its outsourced labour suppliers.

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. In addition no specific training on human rights programmes was conducted by Alumex Group.

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

Human Capital

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 grade workforce is unionised. The respectful and cordial relationships we have maintained over the years with the union has built trust and understanding and thereby 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 concluded the annual salary increment negotiations with the two branch unions of our Clerical, Supervisory and Manual grade employees within the same day and is a clear indicator of the trust and relationship both parties have towards each other party. Being a member of the Employer's Federation of Ceylon (EFC), we always recognise 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 and it covers 67% (Clerical and Supervisory, manual) of the employees of Alumex Group.

The minimum notice period regarding operational changes are informed in advance depending on the requirement and operated as a matter of practice.

VALUE ADDED PER EMPLOYEE

Value added per employee is an outstanding measure of the extent to which Alumex utilises its employees'

strengths. It is worked out as operating profit plus salaries, wages and payroll expenses, divided by the average number of employees as reflected in the table.

Description	2017/18 (Rs.)	2016/17 (Rs.)
Value added per employee per month	161,136	236,988

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 having complied to all the statutory requirements and introduced many welfare schemes in order to enhance the value created for them.

Description	2017/18 (Rs.)	2016/17 (Rs.)
Average remuneration per employee	62,485	58,694

OUR WORKFORCE

The Alumex Group's workforce stood at 481 permanent employees and 90 casual (Fixed term) employees as at 31st March 2018.

Total employees in the Alumex Group

Category	Male	Female	Total
Executives	93	7	100
Clerical and Supervisory	98	16	114
Manual	267	0	267
Casual	90	0	90
Total	548	23	571

Carder	Male	Female	Total
Permanent	458	23	481
Temporary	90	0	90
Total	548	23	571

Province	Permanent		Temporary
	Male	Female	Male
Central	18	1	1
Eastern	5	0	4
North	3	0	2
North Central	9	0	1
North Western	7	0	9
Sabaragamuwa	13	0	4
Southern	21	0	5
Uva	14	0	10
Western	368	22	54
Total	458	23	90

EXPERIENCED EMPLOYEE BASE

One of our key strengths is our experienced human capital. A majority of our employee base, at all levels, have an extensive knowledge and experience of the Aluminium Extrusions 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 have directly contributed towards Alumex being licensed as an accredited manufacturer of Aluminium proprietary systems for three global leaders in the Aluminium industry, namely, ALTUS (Fletcher) Aluminium, AluK and Reynaers Aluminium.

Summary of employee experience

Service Group	Executive	Clerical	Manual	Casual	Total
Less Than 01 Year	30	20	10	83	143
01 - 05 Years	32	48	108	7	195
06 - 10 Years	8	6	28	0	42
11 - 15 Years	4	12	36	0	52
16 - 20 Years	11	10	36	0	57
21 - 25 Years	3	10	40	0	53
26 - 30 Years	11	8	9	0	28
More Than 30 Years	1	0	0	0	1
Total	100	114	267	90	571

EMPLOYEE BREAKDOWN BY AGE

At Alumex, another significant aspect of our employee base is the sound 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 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 enables the Company to surpass many of its operational milestones during the year under review.

Age Analysis

Age Group	Executive	Clerical	Manual	Casual	Total	Cumulative Percentage
Below 30	32	53	76	59	220	39%
30 - 50 Years	60	52	176	29	317	56%
Above 50	8	9	15	2	34	6%
Total	100	114	267	90	571	

HR FLOW

Our HR flow report witnesses 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, which is due to personal/higher educational reasons and market influences both locally and internationally, we have been able to retain our skilled manual employees through the years as is evident. The Company conducts an exit interview for all employees who resign and key findings of the exit interviews are summarised 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. There were no parental leave records in the year 2016, therefore retention rate cannot be calculated.

Human Capital

HR Flow

Category	1-Apr-2017	New Join	Leavers	31-Mar-2018
Executives	86	38	24	100
Clerical and Supervisory	100	30	16	114
Manual	235	52	20	267
Total	421	120	60	481

Employee Turnover details by Gender

Gender	Executive	Clerical	Manual	Casual
Male	24	11	20	137
Female	0	5	0	0
Total	24	16	20	137

Employee Turnover details by Age

Age Group	Executive	Clerical	Manual	Casual
Below 30	13	11	9	99
30 - 50	9	3	8	36
50 Above	2	2	3	2
Total	24	16	20	137

Employee Turnover details by Province

Province	Executive	Clerical	Manual	Casual
Western Province	6	14	14	77
Central Province	2	1	2	4
North Central Province	5	0	0	8
Eastern Province	1	0	1	3
North Western Province	2	0	1	6
Southern Province	2	1	0	14
Uva Province	2	0	2	14
Sabaragamuwa Province	2	0	0	9
Northern Province	2	0	0	2
Total	24	16	20	137

HUMAN RESOURCES DEVELOPMENT

We at Alumex, believe Human Resources development is an important area of HR management. We have been increasing the investment in training and development year-on-year to add value to our employees. During the current year, the Company emphasised more on enriching the operational policy procedures, work standards and practices in line with ISO 9001:2015 requirements and simultaneously enhancing employee knowledge of the same. Another key area we provided training was on

the principles and concepts of Total Productive Maintenance which is used as the key driver for increasing plant performance. 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 8498 hours of training.

The Alumex training process starts with a formal identification of training needs on a yearly basis, along with the annual performance appraisal process of the employees. In addition to the said requirements, each year heads of divisions estimate their divisional training needs as well simultaneous with annual performance appraisal. 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 training needs assessment 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 behavioral / 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

During the year, training and development programmes were conducted with coverage off several areas,

- ↑ Skill development
- ↑ Leadership
- ↑ Engineering
- ↑ First aid and Fire training
- ↑ Induction
- ↑ Quality Assurance
- ↑ Health and safety

Training detail category wise

Category	Training Hours		
	Male	Female	Total
Executives	4,476.0	215.0	4,691.0
Clerical and Supervisory	2,344.5	144.5	2,489.0
Manual	1,316.0	2.0	1,318.0
Total	8,136.5	361.5	8,498.0
Average Training Hrs	14.8	15.7	14.9

Employee Category	Average Training Hours
Executive Category	46.9
Clerical Category	21.8
Manual Category	3.7

PERFORMANCE EVALUATION AND PERFORMANCE MANAGEMENT

Performance evaluations are implemented through periodic reviews accompanied by comprehensive feedback on performance and conduct, matched against set KPIs and realised levels of achievements. The performance evaluation mechanism for executives consists of KPIs and performance/behavioural criteria, whilst non-executive performance evaluation mechanism contains only performance/behavioural criteria.

Alumex has a well-established reward structure to recognise 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, as Alumex believes, is equally important, not only in the senior management team, but also in the middle management and executive levels. 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 centre operating 24X7, employee loan schemes, such as distress loans etc., meals at subsidised 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 employees who have successfully passed the grade 5 scholarship exam, GCE Ordinary Level exam with nine Distinctions and those students qualifying to enter national universities are awarded at the annual get-together. Employees who complete 25 years of service are also recognised 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. on a monthly basis.

WORKPLACE IMPROVEMENT MEETINGS

Alumex recognises and encourages employee participation in shop floor improvements. One of the most important events in the HR calendar is the workplace improvement meetings which are organised 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

Human Capital

Department follows up on the progress and submits a weekly report to the senior management.

EMPLOYEE VOLUNTEER INITIATIVES TOWARDS SOCIETY

Employees of the Alumex Group donated books for the newly-established library at Meedassagama, at Thalawa. The library was set up at the purification plant. The activity was rolled out with the participation of many employees covering all the categories of employees and included a donation of books and helping to index, register and put the donated books in book covers.

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 time and attendance module to the 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. Executive level performance management system is also running in the HRIS.

EMPLOYEE REMUNERATION AND BENEFITS

Remuneration packages of non-executive grade employees in Alumex are well above the revised statutory wage limits in 2017 and annual salary increments are granted in a transparent manner for all employees, based on

performance for 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 and attendance incentives with a view to getting a more productive output from employees and improve their attendance 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.

Benefit	Executive	Clerical	Manual
Life Insurance	✓	✓	✓
Healthcare	✓	-	-
Disability 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.)

Gratuity is given by the employer to an employees' for the services rendered by him. It is usually paid at the time of retirement but it can be paid before provided certain conditions are met.

Further, we are happy to announce that the entry level wage is being kept at a higher level compared to the minimum entry level wage as below

Employee Category	Men	Women
Entry level wage %	1.19	1.19



ALUMEX GO BEYOND INITIATIVE

During the financial year 15/16, 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. Based on the areas of improvements disclosed at the survey, the management started this initiative under the leadership of the senior management team. Under this initiative several actions and projects were launched and are being continued. Senior management periodically review the progress of the initiatives.

OCCUPATIONAL HEALTH AND SAFETY

As employees are our primary resource, several measures have been introduced to ensure their safety, health and well-being. We work closely with the regulatory bodies in improving our safety standards and we are happy to report that our progress on employee safety and health has been recognised 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.

An informal Safety Committee has been established, including all employees under the leadership of a 'Safety Champion.' All matters pertaining to safety are implemented through the safety champion and monitored by the senior management team once such matters arise. There is no formal agreement with the union covering health and safety matters. However formal communications are exchanged with the union on improving the health and safety level of the Company.

During the year under review, there were 24 accidents and 2190 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 were no high risk operations as such in the Company operations.

INJURY RATE - 0.23%

LOST DAY RATE - 0.02%

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

OUTSOURCED SERVICES

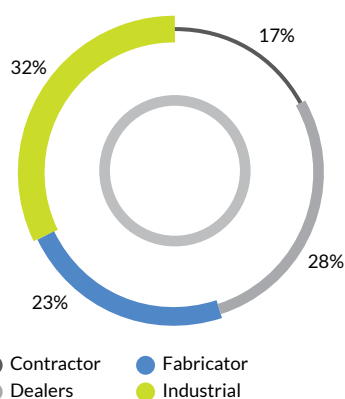
Suppliers involved in non-core activities of Alumex Group, such as security, tea services, cleaning and janitorial services, have been outsourced. In addition, a relatively small number of outsourced employees are working in the manufacturing and logistics areas as helpers in non-routine and non-value adding jobs. The Company has taken adequate steps to ensure the legitimate rights of such outsourced employees and monitors on a monthly basis on the regulatory compliance with respect to payments by the service providers of all new and existing suppliers. 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

With Aluminium being a metal used for different purposes by a vast range of customers, Alumex has made an attempt to service them by deploying different strategies. We have identified four customer categories and they range from individual to business and Government entities. The customer categories consist of:

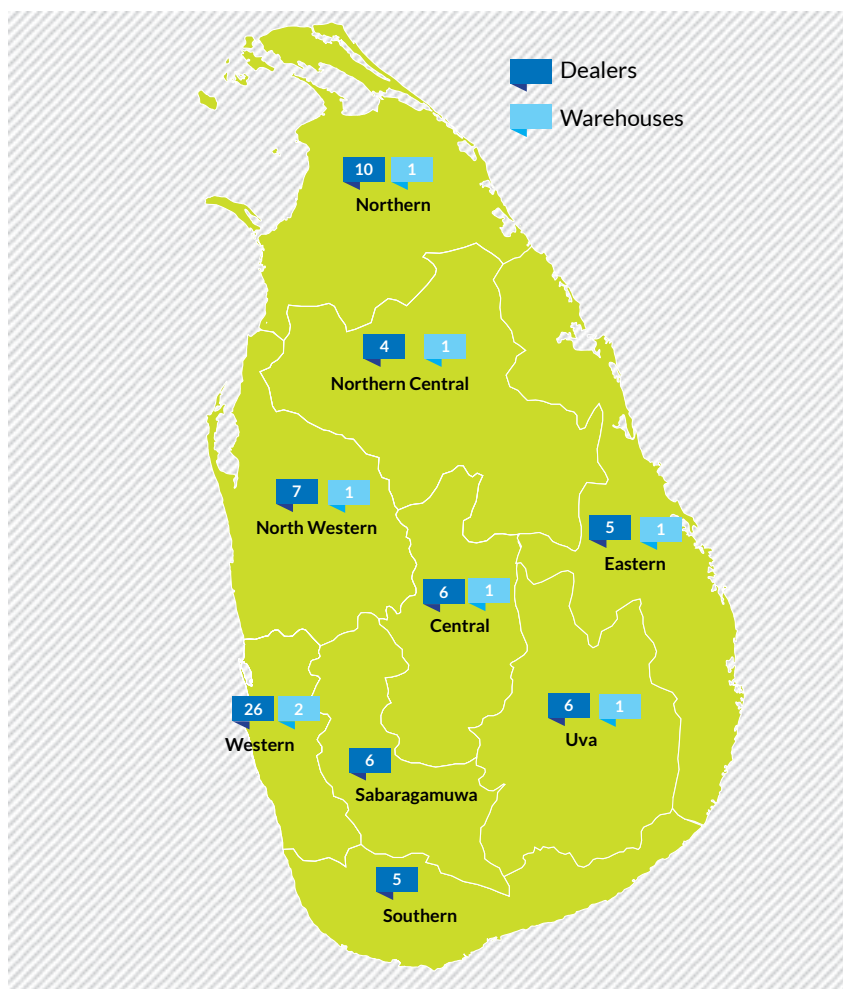
Alumex customer categories as at March 31st, 2018.



Proportion of Customer Categories

DEALERS

Dealers have been the key factor for Alumex to have a large percentage of local sales as they actively promote the brand by stocking Alumex aluminium profiles and relevant accessories. The dealers are the stockists of the Company. By end of the financial year, Alumex has appointed 10 more new dealers increasing the dealer outlets to 82 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 organise 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, Wariyapola and Jaffna in addition to the central warehouse in Sapugaskanda. The new warehouse built will increase the service levels of delivery to the dealers reducing the time taken for loading by a large percentage.

Note: The detailed distribution system is shown on page 203.

FABRICATORS

This customer group has the close relationship with the end users as well as with the consultants. 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 13,000 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 products and speed of supply which will satisfy the end users. Some of them are specialised in market segments such as

1. Commercial segment- façades, high-rise buildings Doors and Windows tested proprietary systems and external wall cladding systems.
2. Domestic segment – Doors and Windows, Wardrobes

Alumex provides shop drawings and technical support for fabricators to deliver a quality certified product to end-users. We have introduced punch press machines for them to deliver high quality products at a low cost by increasing productivity.

CONTRACTORS

The contractors are the first customer category out of the four above to win a project. Aluminium portion is too included in the most of the tenders they bid for and use the brand name of Alumex at the beginning of the tendering process. 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 specialised fabrication companies. Contractors have recognised 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. Alumex has conducted several awareness sessions to contractors for them to understand and differentiate good quality products in the market.

INDUSTRIAL CUSTOMERS

For industrial customers our products will be the raw material and therefore services like on-time delivery with the highest quality is of high priority. 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 has over 400 exclusive profile designs to cater to different industrial requirements. Manufacturing these industrial profiles at Alumex will help local industries to grow and save millions of rupees on imports. During the year under review too, 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.

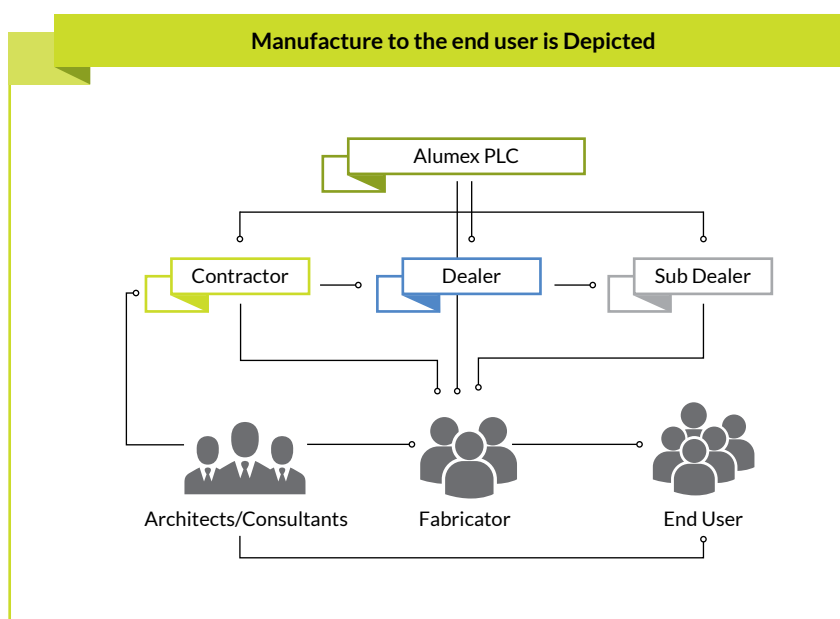
MARKET STRUCTURE

It is our responsibility to understand the market structure well in order to develop relationships and increase the service levels to each of them. With the different strategies employed, we were able to manage the below-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

During the 30 years of operation, Sri Lanka has been the main market for Alumex. Our main market, which is the domestic market, 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. During the year we approached Nepal strongly and have been able to build strong relationship with important parties to develop business.

CUSTOMER ENGAGEMENT



Social and Relationship Capital

Customers

Alumex has been engaged with customers very positively over the period of its existence to build strong relationships important to the Company. We engage 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. Such engagement methods are summarised below.

CUSTOMER SERVICES

We value customer service as a high priority matter. This is one of the key factors for Alumex retaining and growing its customers during the span of 30 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. The marketing and technical team have been very supportive of all customers who need our service.

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

Lumin Concept Centres

The third Lumin Concept Centre was launched at Ariyalai in Jaffna during the year under review. Lumin Concepts Centres in Nawala, KCC and Jaffna will bridge the knowledge gap that existed among end users about aluminium and also their fear about using aluminium for their houses. This will help fabricators also increase knowledge about the LUMIN product range. Many architects and consultants in the private sector as well as Government sector have benefited in their designs by Lumin Concept Centres. 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 Centre visitors, it was

confirmed that over 200 Lumin houses have been completed by now.

Showrooms at dealer and fabricator locations

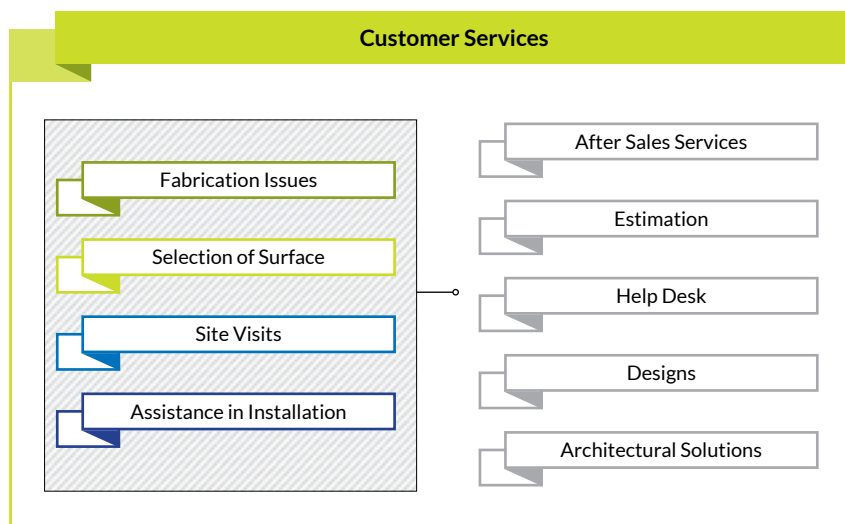
End users who are unaware of aluminium doors and windows have been given the opportunity to touch and feel and select the most suitable products for their houses via this concept. One of the most difficult exercises for the customer is to select suitable profiles for fabrication based on strength, size of the opening, cost and appearance. We were able to complete four 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

Alumex values customer satisfaction at all times. 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 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, introduced last year to the market helped 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 a





Lumin Centre can obtain this service free of charge. Some of the customers bought the Alusys software due to the importance and convenience it has offered in aluminium-related work. The Government sector is very interested in the software system and several training sessions were conducted to educate them on their request.

TRAINING PROGRAMMES

This year too, the Training Centre provided training for more than 1,000 fabricators and technocrats by conducting over 80 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.

Under the beginners' course conducted we have trained over 200 new fabricators. Significant interest was shown by the other professions like welders and carpenters to learn aluminium fabrication.

After the theory all participants engaged in the practical part of the training till they get the confidence in every design taught. At the end of the course a certificate was awarded to the participants.

Lumin training was conducted for the experienced fabricators who can manage the high-end product range. The dealers were informed about the course and recommend good fabricators to train the Lumin product range which is the key for housing segment fabrication. A certificate was awarded to the participants. It was significant the interest shown by the fabricators on Lumin Training programmes conducted at Alumex and in outstations was significant. The outstation training programmes were organised by the area sales executives in order to ensure that they have Lumin qualified fabricators in their provinces.

Alumex continued to train 1,000 school teachers under the programme organised by the National Institute of Education. Training is provided at the Alumex Training Centre at Sapugaskanda and there are around 20 teachers in a batch. These teachers provide education to children in Ordinary and Advanced level stages under the technical education programme at their respective schools.

MARKETING COMMUNICATIONS

Customer awareness is of high importance for Alumex. We believe that customers should be aware of our products as well as other services offered and therefore Alumex values communication as a key factor in our marketing activities. Alumex creative ads have been well appreciated by all customer segments and commended as world class. All our products are customer friendly and we do not market any product which is banned or not sustainable to the environment. All our marketing communications conform to industry ethics and regulatory requirements. All marketing and promotional communications are measured against a checklist of regulatory and ethical criteria prior to public release, to ensure that marketing practices of the Alumex Group do not violated such conditions. Our sales staff is trained in the Company's marketing and communications principles to ensure ground level compliance.

Social and Relationship Capital

Customers

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, catalogues, brochures, 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)

In order to improve the customer relationship management, we included a channel distribution service as well. 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 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 ORGANISED 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:

- ↑ We launched the “MahaYanthra Suthra Thagi Tharangaya” where fabricators of the dealers can win over Rs. 10 million worth of machinery which will help them improve quality of fabrication.
- ↑ Organising business meetings with all the dealers to understand the issues they face and to clear the path for the future of Alumex dealers.
- ↑ Our marketing staff regularly visits dealers to discuss products/market issues and any difficulties faced by dealers.
- ↑ Conducted fabricators' seminar and get-together programmes through dealers to educate fabricators on new technology in the industry.

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 339 (2016/17 – 159) customer complaints.

“ALUMEX CONTINUED TO TRAIN 1,000 SCHOOL TEACHERS UNDER THE PROGRAMME ORGANISED 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.”

EXHIBITIONS AND SPONSORSHIPS

Alumex, as a part of its marketing and branding strategy, provides sponsorships to relevant and important events on regular basis. Our sponsorships during 2017/18 are listed below:

Event	Period and Location	Organiser	Nature of Sponsorship	Goals of engagement
TECHNO exhibition	January 2017, BMICH	Institute of Engineering Sri Lanka	Main Sponsor	To build a good relationship with customers and increase awareness levels of end users, professionals on new products
Architect 2018	February 2018 BMICH	Sri Lanka Institute of Architects (SLIA)	Strategic Sponsor	To build relationships with architects as a new stakeholder group
Construct 2017	August 2017 BMICH	National Construction Association of Sri Lanka (NCASL).	Principal Sponsor	To build relationships with the contractors
NCASL AGM	In 7 provinces	National Construction Association of Sri Lanka (NCASL)	Main Sponsor	To introduce new Alumex systems to participants and to build relationships with the contractors
Building Specifiers Conference	June, September and November in Cinnamon Grand Colombo	Colombo School of Technology & Futurex India	Main Sponsor	To enhance the knowledge of professionals involve in projects decision-making
Sri Lanka Institute of Structural Engineers Conference	June, Cinnamon Grand Colombo	Sri Lanka Institute of Structural Engineers	Main Sponsor	To enhance the knowledge of professionals

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

Proportion of Spending on Local Suppliers at significant location of operations

SUPPLIER MANAGEMENT

As the strategic partners, our suppliers provide material or services to Alumex in order to improve our products while working toward achieving responsible and sustainable development goals even in the face of challenges resulting from globalisation.

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 development practices. These practices help limit exposure to unexpected events and supply disruption, while building long-term core competence that can drive sustainable growth over time.

In this context, environmental and social policies of suppliers are not evaluated as an essential factor and there were no any significant environmental and social grievances recorded through our suppliers

Supplier Engagement Process

With a view to fostering long-term business relations 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. Alumex engages with suppliers on a regular basis with face-to-face meetings, supplier site visits, frequent communications via electronic and social media and exhibitions and annual conventions.

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. These teams include Supplier Quality, Supplier Relations and Product Development.

Types of suppliers and payments to them

Payments to local suppliers	Rs.1,356 Mn.	31%
Payments to international suppliers	Rs.2,955 Mn.	69%
Total	Rs.4,311 Mn	100%

Note – Local suppliers refers to Sri Lankan suppliers

Supply Category	No. of Suppliers
Advertising and promotions	22
Aluminium billets and Ingots	3
Aluminium scraps	89
Chemical	18
Contractors	26
Die steel material	6
Fixed assets	3
Fuel, lubricant oil & electricity	6
Machinery and parts	65
Other	335
Outsourced labour	5
Packing material	16
Powder	3
Support services	20
Wood finish material	1
Grand total	618

Alumex has a total of 618 suppliers of which 546 are Sri Lankan and, 72 are foreign suppliers.



Foreign Suppliers

Australia - 3	India - 9	Netherlands - 5	Thailand - 1
Bahrain - 1	Italy - 12	S. Korea - 1	Turkey - 1
Canada - 1	Korea - 1	Singapore - 6	UAE - 5
China - 14	Luxembourg - 1	Spain - 1	UK - 2
Germany - 2	Malaysia - 2	Switzerland - 1	USA - 2

SCREENING SUPPLIERS FOR ENVIRONMENTAL AND SOCIAL COMPLIANCES

As a Company are committed to social obligations we cannot successfully minimise environmental impacts connected to our operations by considering our entire supply chain factors. Good supplier relations and building on mutual trust are of utmost important 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.

Compared to the previous year there has no significant change in the supply chain.

In this context, Alumex managers make annual reviews 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 a yearly basis on 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 Aluminium extrusions from foreign suppliers and evaluated machinery suppliers for our expansion projects. For this purpose, we made supplier evaluation visits to UAE, China and Italy.

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 applicator certifications to Alumex following an evaluation process. This certification process has confirmed high quality standards of our processes and products by adding value to the end customer.

"DURING THE YEAR, WE SOURCED ALUMINIUM EXTRUSIONS FROM FOREIGN SUPPLIERS AND EVALUATED MACHINERY SUPPLIERS FOR OUR EXPANSION PROJECTS."

Social and Relationship Capital

Community Development

Objective : To develop skills and knowledge on fabrication

OUR OBJECTIVES

The community at large is a major concern for Alumex and therefore we have developed several programmes for the wellbeing 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

Alumex Training School

One of the key community development programmes at Alumex is the fabricator training centre which was established in 1998. This state-of-the-art training centre has been established 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 centres and providing course materials. During the current financial year, Alumex conducted 13 training programmes for 225 participants and issued certificates. The total cost incurred in conducting the training programmes was over Rs. 1.2 million.

Government institutions

National Institute of Education, Industrial Development Board, Sri Lanka Army, Sri Lanka Navy, Central Engineering Consultancy Bureau & Central Engineering Services Limited are some of the institutions that have benefitted from 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 programmes on proper use of Aluminium profiles for window, door and façade systems fabrication. During the year under review, Alumex completed two programmes and trained 226 personnel from Government institutions, at an investment of Rs. 0.79 Mn.

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 islandwide with dealer collaboration. During the year, we conducted 26 training programmes for 784 participants islandwide. 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. 4.2 Mn.

Professional and Private Institutions

The Central Engineering Consultancy Bureau, Department of Buildings, 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 three of such programs for 246 professionals with an investment of Rs. 0.77 Mn.

Objectives:

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

Technical Colleges

In order to develop educational capacities and self-employment opportunity for school leavers, Alumex has engaged with the Government Technical Colleges islandwide 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 four training programmes for 64 participants and provided course materials to two Technical Colleges with a total investment of over Rs. 0.34 Mn.

NVQ certification

We provided the training centre free of charge on behalf of training institutes that have no resources to conduct exams and assess students for such certificates. Alumex facilitates skilled fabrication technicians applicants to obtain NVQ certification by facilitating their fabricating skills. Fabricators 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 facilities provided by Alumex to conduct such two programmes to assess technicians.

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 recognised by Sri Lanka's engineering community. Over the past few years, we have trained more than over 15,000 fabricators and technocrats. During financial year 2017/18, we upgraded the skill levels of 1,545 fabricators and technocrats by conducting 48 training events, with a total investment of Rs. 7.3 Mn

Training programme	2017/18		2016/17	
	No. of Programmes	Participants	Amount (Rs)	Amount (Rs)
VTA training	13	225	1,221,383	1,666,612
Government institutions	2	226	791,137	1,506,456
Dealers & Fabricators' Training	26	784	4,267,331	2,753,523
CPD programs	3	246	771,123	645,464
Technical College	4	64	347,415	2,500,650
Total	48	1,545	7,398,391	9,072,705

DEVELOPING THE SOCIAL AND PHYSICAL INFRASTRUCTURE OF THE COMMUNITY AND ENHANCING QUALITY OF LIFE

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. Hence we do not followed up any trainings regarding anti-corruption. 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 incidents of discriminations
- ↑ Any legal actions taken by, or against the company on anti-competitive behaviour, anti-trust and monopolistic practices.
- ↑ Incident of non-compliance with laws and regulations in the social and economic area

Further, any complain or information on violation of values, principles, standards and polices would be taken up at the top management and the setting up of all these are taken part by senior management of Alumex.

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.

Social and Relationship Capital

Community Development

Objectives:

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

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 environmentally-friendly manner. Further, Alumex has not received any complaints from the society with regard to environmental issues during the year under review.

Tax and other statutory payments

Taxes and all other statutory payments were paid on time, and during the year under review, Alumex contributed Rs. 309 Mn(2016/17 – Rs. 430 million) by way of taxes and other duties to the Government which is expected to be utilised 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 realised the importance of this, the company has established a mechanism to address possible complaints/grievances which might be raised by the community on social and environmental impacts and to implement long-term sustainable solutions acceptable to both parties. During the year, there was no significant negative impact to the local community due to our operations. However, Alumex has implemented strong preventive measures for areas susceptible to such complaints/grievances such as effluent management, noise controls, etc. as discussed in this report under natural capital. Further we do not carry out specific community assessments related to development projects, and we delivered indirect economic benefits to the community around the factory such as employment opportunities; the total workforce consists 55% people from around the factory and supports scrap suppliers on purchasing of scraps by prioritising the suppliers who are around the factory.

Donations and Sponsorships for Community Development

Some donations and sponsorships made by Alumex in the financial year 2017/18 are highlighted below:

Donation of white canes

Continuing from the last four financial years, Alumex has persisted with this invaluable 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, 3000 white canes were distributed across the country. Alumex provided aluminium worth Rs. 145,694 to manufacture the white canes. The canes were manufactured by a group of visually-impaired workers at Kadawatha. Alumex also paid the workers the total manufacturing charges of Rs. 904,162. In total, the value of the total contributions to the visually-impaired community came to Rs.1,049,856.

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 2017. 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. 1,030,737/-



Sathdiyawara water purification project

The company launched 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 2,500 as to the information received from CBO. The project was opened to the public in August 2017. The project consists of a water purification pump house, 10 of docking stations and a tractor and a trailer-mounted bowser to distribute water to the docking stations. Total project cost was Rs. 5,334,716.

Sathdiyawara Library project

As an extension of the Sathdiyawara water treatment project, a library facility was launched at Meegassegama, off Thalawa. The total value of the books donated was Rs. 474,295. The cost of library furniture was Rs. 145,729.

School book donation to Thalawa/Anandodaya Primary School at Meegassegama

The Company donated 212 school bags, stationery items and school uniforms to all students of the school amounting to 212 students. The total value of this donation was Rs. 272,476.

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 organised by Employee Societies of the Government and private institutions. The total contribution by Alumex for such social events was Rs. 115,000 in the current financial year.

Social and Relationship Capital

Product Responsibility

Upholding our product responsibility, we are consistent in ensuring that 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 9001:2015 guidelines which was upgraded during the year from ISO 9001:2008 system practiced in the previous years. Accordingly, all the production processes are strictly monitored to ensure high quality standards. Further, our products are qualified by the SLS certification to support high quality standards required in the local environment. 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. In addition, our sales team is well equipped and organised 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 the health of our customers. Therefore, we do not carry out specific product assessments for health and safety

Alumex products have another distinctive advantage. 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 was 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 eight doors and windows systems to cater to multi storey 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 anodised 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 our profiles to enhance the safety levels of our products which represent all of our product categories. During the year under review, there were no complaints reported regarding product quality relating to safety features. There were no warnings or penalties imposed on any of our products due to poor safety.



PRODUCT PACKAGING AND LABELLING

All Alumex products are packed with a label for easy identification of the products. Bar codes pasted with each profile 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 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 year we introduced a sticky paper wrapping system for our anodised products to give them more protection in handling.

During the year under review, there were no incidents of non-compliance with regulations concerning information 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.

Social and Relationship Capital

Product Responsibility

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 ALTUS (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
ALTUS (Fletcher) Aluminium New Zealand 	ALTUS (Fletcher) Aluminium is a subsidiary of the ALTUS (Fletcher) Group, which is one of the largest conglomerates in New Zealand. ALTUS (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 ALTUS (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 authorised agent to import and distribute DuPont Corian® in Sri Lanka.
DGL International Powder and Thermal Polymer Alloy Coatings New Zealand 	Alumex Group is recognised 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.

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.

ORGANISATION

- ↑ 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
- ↑ Futorex Trade Fair and Event (Pvt) Ltd.

Natural Capital

ALUMINIUM: THE ETERNAL MATERIAL OF CHOICE FOR A GREENER WORLD

What does it mean to be green? For a material or product to be considered green, it should have a low impact on the environment and, favour environmentalism the practice of protecting and conserving the natural environment and its resources. Aluminium is one such material.

What makes aluminium a green material? Aluminium is recyclable, sustainable, and versatile; three key qualities for any material being used to construct a green building. Historically, aluminium has proven to be one of the most important materials in successful recycling programs. Aluminium offers high scrap value, widespread consumer acceptance, and aluminium recycling enjoys significant industry support. In addition to recyclability, other eco-friendly qualities that aluminium touts while meeting green building requirements include its light weight-to-strength ratio, which allows for the reduction in weight of materials, and its extrudability, which accommodates off-site fabrication. Thus, inherently sustainable characteristics combined with the extrusion process make extruded aluminium the green building industry's eternal material of choice. However, when introducing a new product using the same aluminium material, as environmentally friendly material, it is not necessarily consider the impact on the environment or in other words Precautionary Principle or approach.

How does the aluminium extrusion process fit into the green building movement? Use of extruded aluminium as an environmentally-responsible approach within the green building industry and in the manufacture of innovative products and equipment used to harness alternative energy

resources. The sustainable benefits of using aluminium extrusions within the commercial building and construction sector are many, further to as a substitution to wood.

OUR ENVIRONMENTAL POLICY

Biodiversity and its associated benefits eternally support our society. One hundred years from now, most of us will most likely no longer be living. Nevertheless, the wealth and well-being of the people of future generations will depend on the decisions and actions taken by our generation.

Alumex PLC, committed to conservation and sustainable use of biodiversity, 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 the employees and to mitigate the harmful impact on possible biodiversity and habitats. In fulfilling conservation obligations, we always make sure to operate over and above compliance with all environmental standards and relevant laws.

MITIGATING HARMFUL IMPACT ON THE ENVIRONMENT

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

- ↑ Adopting precautionary action plans and continuous improvements to our systems and procedures.
- ↑ Employees are being duly educated on conservation and sustainable use of biodiversity and, development and training programmes are being conducted to update their knowledge on due diligence especially 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 improve and maintain conformity with global requirements and to ensure statutory requirements are complied with.

- ↑ Alumex has obtained ISO 9001:2015 for quality management systems and due standards are maintained accordingly and, maintenance of such standards if in conformity are being audited periodically during ISO audits.
- ↑ SLS 1410:2011 Specification for Extruded Aluminium Alloy Profiles for Architectural Applications SLS 1411:2011 Powder Organic Coatings for Application & Stoving to Aluminium Alloy Extrusions for Architectural Purposes

Our specific commitments initiated during the year under review to mitigate environmental impacts,

- 1) **New DI plant for the Anodising process:**
Introduction of new Deionised (DI) Water Plant in the Extrusion Anodising process is with the objective of improving the efficiency of the Anodising Process: upgrading the quality and the productivity of the finished anodised output as well as saving of water resource. This new plant has the ability of processing sixty cubic metres of water per day (60m³) which is a 200% increase of existing processing capacity.



2) Chemical Dosing system in the Powder Coating Process-03 (PC-03):

Introduction of Chemical Dosing system resulted in saving 1kg of chemicals used in the etching bath for processing 1MT of aluminium profiles and saving of cost of production is about Rs.1.5mn per annum.

3) Hoist for PC-03 process

Introduction of new Hoist system in the PC-03 plant has increased the processing speed from 190MT to 240MT per month. This is about 28% increase of productivity.

4) Simultaneous 5-Axis Computer Numerical Control (CNC) Machine.

Introduction of CNC machine improved the efficiency and effectiveness of the extrusion Die manufacturing process as well as extrusion manufacturing process. In particular,

- ↑ Reduction of die manufacturing lead time from 14 days to 10 days and as a result of which, more number of extrusion dies with high accuracy level would be manufactured.
- ↑ Owing to the accuracy of the finished extrusion die, number of testing rounds, done in the extrusion manufacturing process, has been reduced from three times to two times.

- ↑ Reduction of process interruptions during the extrusion manufacturing process has resulted in saving process idle time as well as process rejects.

5) Tibon Rod feeding system

Introduction of Tibon Rod feeding system in the local aluminium billet manufacturing/recycling process has the following advantages,

- ↑ Grain structure of the locally manufactured aluminium billets was improved.
- ↑ This improved grain structure of the billet has resulted in increasing the local billet processing productivity in the extrusion manufacturing process from 600kg/hr. to 630kg/hr.

6) New anodising software

Introduction of new anodising software control system of coating thickness has resulted in improving the product quality and perfect in product specifications.

7) Sticking Machine to paste protective Sticking Tape

Introduction of a new sticker machine for anodising process has resulted in keeping product surface handling damages at a bare minimum.

MANAGING ENVIRONMENTAL IMPACT

In continuous terms, Alumex has identified four main areas that require proper planning, organising and controlling accordingly to minimise impact on the environment.

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

Material Management

Sustainable Material Management (SMM) is a systemic approach to using and reusing materials more productively over their entire life cycles. It represents a change in how our society thinks about the use of natural resources and environmental protection.

Use of recycled aluminium material in our manufacturing process contributes invaluable to minimise impact, in particular caused as a result of industrial waste, on the environment. The other factor of advantage resulted when recycled material is used, is saving of manufacturing cost.

Natural Capital

Type of Material	Unit of Measure	2017/18	2016/17	2015/16
Total Aluminium Logs Used	MT	6,625	7,083	6,286
Aluminium Logs (Recycled & Reused)	MT	2,045	1,554	1,749
Percentage of Recycled Material Used		31%	22%	28%

As the prime raw material, aluminium logs, which is a non-renewable resource, are used to manufacture finished goods –Aluminium Extrusions and no renewable resources are used for the production. During the year under review, 31% of the inputs were recycled raw material which is 9% higher when compared to immediate previous year. Use of recycled aluminium material has saved US\$ 4Mn (Rs. 629 Mn) worth of foreign exchange for the country and saved global energy of nearly 113,380GJ.

ENERGY MANAGEMENT

Sustainable Energy Management (SEM) is a key issue for companies today. As a long-term strategy, energy management is a collective term for all the systematic practices to minimise and control both the quantity and cost of energy used.

In processing raw material, Alumex used direct and indirect sources to generate its energy requirements and, during the year under review such energy was consumed under the following composition and compared with previous year consumption which reflect a reduction of indirect energy consumed or in other words saving of national electricity supply. Reduction in energy requirement of individual products in the Alumex product range cannot be specifically calculated or measured separately.

Energy Source	Percentage
Electricity	32.4%
Diesel	46.0%
F/oil	20.2%
Petrol	1.3%

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.

Source of Consumption	unit	2017/18	2016/17
Petrol for Vehicles	de MJ	1,000,887	1,104,680
Diesel for Vehicles	de MJ	2,907,893	818,071
Diesel for Generators - Plant	de MJ	1,092,207	1,576,804
Diesel for Plant	de MJ	30,576,758	32,518,455
Furnace oil for Plant	de MJ	15,215,454	12,237,158
Electricity for Plant	ie MJ	22,718,824	24,419,152
Electricity for Admin. Areas	ie MJ	1,667,058	1,772,817
		75,179,081	74,447,137

de - Direct energy. ie - Indirect energy.

Consumption Base	Unit of Measure	2017/18	2016/17	2015/16
Total Energy Consumed	MJ	75,179,081	74,447,137	62,737,174
Total Material Consumed	MT	6,625	7,083	6,286
Average Consumption of Energy	MJ/MT	11,348	10,511	9,981

When compared to last year, it reflects, on average, an 8% increase of energy consumption in the current year. This deviation was caused by the individual factors of,

- Increase in transportation/delivery of goods and employees.
- 24% increase in recycling of waste raw material.

Energy Consumption Outside the Organisation

The main purposes of using external transport facilities by the Company are for carriage inward: Raw material imports from port and carriage outward transport: Finished goods transported to own warehouses as well as customer warehouse locations at seldom occasions, and staff transport.

Energy consumption for this purpose was estimated based on the pre-determined distances to each location to which the transport facility provided multiplied at average fuel consumption rate.

Source of Consumption		Unit	2017/18	2016/17
Petrol for Vehicles	de	MJ	153	1,723
Diesel for Vehicles	de	MJ	2,128,987	2,154,686
Total	de	MJ	2,129,140	2,156,409

Significant Environmental Impacts of Transportation using the mode of land

Type of Transport	tCO2e	MJ
Staff Transport	459	2,894,148
Goods Transport	161	1,014,631
Total	619	3,908,780

We transport (outward) products only to our seven warehouses scattered over the island using third party transport facilities. All other regular customers are not provided with outward transport where they are collecting goods from our factory premises and from said warehouses. Further, the Company provides pool transport to its employees and all of the other material is transported (inward) using third party transport facilities.

For the purpose of transportation of finished goods, other goods and workforce, only a 5% of the total energy consumed is used, comprising 8% of total GHG emission at Alumex.

ENERGY INTENSITY

Consumption Base	Unit of Measure	2017/18	2016/17	2015/16
Total Energy Consumed	MJ	75,179,081	74,447,137	62,737,174
Total Production Output	MT	5,573	6,050	5,292
Average Consumption of Energy	MJ/MT	13,490	12,305	11,855

The increase in consumption of energy was due to increase in furnace oil based energy requirement for recycling of waste aluminium as well as increasing of marketing promotional and development programs during the course of the year.

WATER RESOURCES MANAGEMENT

The Integrated Water Resources Management (IWRM) approach is defined as a process that promotes the coordinated development and management of water, land and related resources in order to maximise the resultant economic and social welfare in an equitable manner without compromising the sustainability of vital ecosystems.

Natural Capital

Water is life. Growing pressure on water resources – from population and economic growth, climate change, pollution and other challenges – has major impacts on our social, economic and environmental well-being.

The world's water is increasingly becoming degraded in quality, threatening the health of people and ecosystems and increasing the cost of treatment. Some millions of people around the globe still lack access to clean water and thousands perish daily for lack of it.

Alumex purchases its main water requirement from Lanka Industrial Estate Ltd (LINDEL). LINDEL sources this water from the Kelani river and sends it through a purification process before consuming so that no national water supplying system is affected. This purchased water is used in our Anodising and Powder Coating processes and cooling towers and also for the consumption of 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. Hence, there is no significant impact on water sources caused by water withdrawal from our in-house well.

During the current year, consumption of water resource within Alumex,

Consumption Base	Unit of Measure	2017/18	2016/17	2015/16
Water Used in Plants	m3	98,307	102,245	93,018
Water Consumed by Employees	m3	28,169	24,378	24,131
	m3	126,476	126,623	117,149

According to the consumption of water, it reflects that the consumption of in-plant water has a decreasing trend when compared to last year. This decreasing trend is as a result of lesser consumption of in-plant water in parallel to decreasing volume of quantities of process inputs.

Increasing of water consumption of employees in this year is as a result of the expansion of the logistic operation in a new location acquired during the year further to the existing location.

WATER INTENSITY AT ALUMEX

Consumption Base	Unit of Measure	2017/18	2016/17	2015/16
Total Water Consumed	m3	126,476	126,623	117,149
Total Production Output	MT	5,573	6,050	5,292
Average Consumption of Water	m3/MT	23	21	22

Recycled water

Consumption Base	Unit of Measure	2017/18	2016/17
Total Water Consumed	m3	126,476	126,623
Total Water Recycled/Reused	m3	7,887	10,248
Total Water Recycled/Reused		6%	8%

WATER BODIES AFFECTED BY WATER DISCHARGES AND /OR RUNOFFS

Industrial pollution is a severe threat to water resources around the world. The only way to address these hidden dangers in our water is through a preventative approach. It is not possible to reduce water pollution without public cooperation, and cooperation of industrial units. In this context, Alumex is being extra careful as well as responsible of discharging its treated water to the environment with no impact on water bodies in the environment, nationally or globally.

Since the water discharged through our effluent water treatment plant is tested and certified, impact on fauna and flora in the national red list in Sri Lanka (prepared based on IUCN red list) is not significant. Apart from the water discharge, impact from other discharges and emissions has not been assessed yet.

Further, at Alumex we maintain process control and conditions to ensure that no hazardous spill-offs take place.

EMISSIONS

Emission of Ozone Depleting Substances (ODS)

The ozone layer act as the natural 'shield' in the upper atmosphere that protects all life on Earth from the Sun's harmful ultra-violet rays. The ozone layer is depleting rapidly due to the release of substances like Chlorofluorocarbons (CFCs), Halon, Carbon tetrachloride (CCl₄), Methyl chloroform (CH₃CCl₃) and Hydro chlorofluorocarbons (HCFCs), which are commonly known as Ozone Depleting Substances (ODSs).

In order to reduce the impact of global warming, health hazards and other negative impacts of ozone layer depletion, The Vienna Convention for the Protection of the Ozone Layer was

agreed in 1985. It established global monitoring and reporting on ozone depletion. It also created a framework for the development of protocols for taking more binding action.

The Montreal Protocol under the Vienna Convention (the protocol) was agreed in 1987. It facilitates global cooperation in reversing the rapid decline in atmospheric concentrations of ozone. Under the protocol, countries agreed to phase out the production and consumption of ODSs. Phase out of these substances is required by specific deadlines.

Sri Lanka's accession to the Vienna Convention was on 15th December 1989. From then onwards, Sri Lanka has been an active participant of the global Ozone protection efforts. The Government later also ratified all the amendments to the Montreal Protocol.

The ODS are split into two groups under the Class I ODS, such as chlorofluorocarbons (CFCs), and Class II ODS, such as Hydro chlorofluorocarbons (HCFCs), where Class I has higher Ozone depletion potential.

Main activities with possible use of ODSs related to the aluminium industry are metal cleaning in laboratory, motor vehicle & office air-conditioning, fire extinguishing and chillers. Apart from a few instances, Alumex has been able to avoid use of Ozone depleting substances in its' day-to-day processes.

Stringent incoming inspection adopted by the Company could recognise, if ODSs are being used directly for day to day operations. In the Company, impact of all chemicals are assessed continuously to minimise the impact on the environment, therefore its viable to identify probable ODSs in case they are used indirectly (inbuilt machinery units, contract parties) in support functions associated with operations. In case of detection of ODSs during such inspection, it will be disposed with approved parties, which will ensure avoidance of releasing them into the atmosphere. However, so far Alumex has not been measuring emission of CFC to the environment.

NOx, SOx and Other Significant Air 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 reducing emitting toxic gases globally, the Alumex research and development team was further concerned about pollutants emitted into the air from this recycling process. To find a solution, last year, in liaison with Industrial Technology Institute (ITI), a scrubber was built through which toxic gas emitted to the environment from recycling process was further minimised and waste water generated through this scrubber is treated in our effluent water treatment plant, out of which cleaned water is released to the environment.

**"ALUMEX HAS
OBTAINED
ISO 9001:2015
FOR QUALITY
MANAGEMENT
SYSTEMS AND
DUE STANDARDS
ARE MAINTAINED
ACCORDINGLY AND,
MAINTENANCE OF
SUCH STANDARDS
IF IN CONFORMITY
ARE BEING AUDITED
PERIODICALLY DURING
ISO AUDITS."**

Natural Capital

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 2017/2018	Test Result 2016/2017
NOx (mg/dNm3)	500	213	146
SO2 (mg/dNm3)	800	24	129
Particulate Matter (mg/Nm3)	50	55	14

Although we were able to maintain air emissions within the proposed Sri Lanka emission standard levels, such emissions could generate an unmeasured indirect impact on the environment.

OUR CARBON FOOTPRINT

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

GHG Emission		2017/18 tCO2e	%	2016/17 tCO2e	%
Scope 1	Diesel for Generators & Plant and Furnace Oil for Plant	3,621	45	3,565	42
Scope 2	Purchased Electricity	3,850	47	4,135	49
Scope 3	Air Travel and Others	651	8	691	8
Total		8,122	100	8,392	100

Scope 1 Emission increased by 2% as a result of furnace oil increase

Scope 2 Emission decreased by 7% due to electricity consumption decrease with production drop

Scope 3 Emission decreased by 6% due to electricity consumption reduction

GHG Emission per Input

Particulars	Unit of Measure	2017/18	2016/17
GHG Emission	tCO2e	8,122	8,392
Material Consumed	MT	6,625	7,083
GHG Emission per Input	tCO2e / MT	1.2	1.2

Although the production is comparatively low, emission rate was able to maintain almost similar that of previous year.

WASTE MANAGEMENT

Sustainable waste management can be defined as using material resources efficiently to cut down on the amount of waste produced and where waste is generated, dealing with it in a way that actively contributes to the economic, social and environmental goals of sustainable development.

The priority in which wastes should be managed is detailed in the waste hierarchy. This hierarchy stresses the need to firstly “reduce the amount of waste created, then re-use wastes, then recover (via recycling, composting or waste-to-energy facilities) and finally, as a last resort to dispose of waste to landfill”.

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.

In parallel to reduce, re-use and recovery ways of waste, as effective controlling methods, monitoring and due sample tests are carried out within our in-house laboratories and externally at LINDEL Industrial Laboratories Limited to ensure that waste discharged out of our mechanisms are in order where no harmful effect on habitats and biodiversity in the environment and there is no internal transport of hazardous waste during the period.

Waste by Type (MT)	2017/18	2016/17
Composting (Non-hazardous)	5.80	4.88
Incineration-mass burn (Hazardous)	1593	995
Total	1599	1000

HAZARDOUS WASTE

Waste discharged from Plant

WATER TREATMENT PLANT

The effluent water treatment plant at Alumex is capable of cleaning the factory waste in conformity with the standards governed in the environmental laws policies. Adherence to such standards is monitored and evaluated periodically by The Central Environmental Authority.

The content of solid waste/wet sludge is segregated through the effluent water treatment process and as a practice, such solid waste is separately disposed. During the year, 98,307m³ of purified water was released, incurring a cost of Rs. 32 Mn, to the environment from our effluent water treatment plant.

Sludge generated from the waste/effluent water treatment plant is dispatched, for incineration, to "INSEE ECOCYCLE", an organisation that provides waste management solutions through co-processing and use our waste as a source/fuel of energy for the kilns and raw material for cement manufacturing. Alumex has invested Rs. 13.7 Mn to safely dispose 1,593MT of hazardous solid waste (sludge) during the year.

Further to disposing wet sludge, we co-process wet solid waste through a "Sludge Drier". This plant can convert high moisturised solid waste to 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 is used as raw materials in the refractory industry, heat insulation material manufacturing industry, earth bricks industry, roofing tile industry and textile manufacturing industry, etc.

Disposal of E-waste

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

Think Green (Pvt.) Ltd., that provides innovative nature friendly solutions in disposing e-waste is the organisation, with which we entered into a contract.

Non-Hazardous Waste

Food Waste

The option of disposing food waste as animal feed is available in the area we are located and such waste is disposed of through daily pick-ups.

General Waste Management

General waste collecting bins are placed at identified locations to collect different types of waste such as organic waste and recyclable waste. Organic waste and e-waste are disposed of through the reliable authorised agents of the "Pradeshiya Sabha". Recyclable waste, such as iron scrap, paper, polythene, plastic cups and cans, wood pallets are disposed through organisations that reuse, recycle and co-process wastes. However, except recycling of process rejects (Aluminium Materials), waste generated within the Company is not reused for own purposes.

Natural Capital

Total Environmental Protection Expenditure/Investments

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

Type of Service	Amount (Rs.) 2017-2018	%
Market Value of Scrap Aluminium Recycled	541,828,491	92
Purifying Cost of Waste Water	32,043,528	7
Disposal Cost of Solid Waste (*)	13,729,132	3
	587,601,151	100

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

Considering the nature of our production, climate change does not have a significant impact on our business. However, during the reporting period no records were maintained to catalogue the effect of climate change on our business.

Savings made by Recycling Aluminium

Alumex is contributing to minimise 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 aluminium produces such as Sulfur Oxide (SOx) and Nitrogen Oxide (NOx), two toxic gases that are key elements in acid rain. Our emission of these two toxic gas levels are described under the heading of "NOx & SOx and Other Significant Air Emissions"

At the Alumex recycling foundry, on average, during years before the current year, about 1,500 metric tonnes (MT) of finished aluminium billets/logs, which is the main raw material used at our extrusion manufacturing plant, produced annually. Alumex consumes 100% of its self-generated/in-plant waste/scraped aluminium as well as collected from the environment as reclaims and otherwise. In the current year, Alumex was able to increase this recycling process up to production of 2,000MT for own usage together with a yield increasing of 5% when compared to the last year.

RECLAIMED PRODUCTS

We have established an effective recycling system which processes 100% of in-house aluminium process rejects/waste as well as aluminium scrap collected from all over the country and converted to aluminium logs which is our prime raw material consumed in the extrusion manufacturing process.

During the last two years Alumex has reclaimed, out of the products sold, 10 % on average. This year we were able to increase this up to 12%.

Product Category	2017/2018	2016/2017	2015/2016
Aluminium Extrusions Sold (MT)	5628	6063	5286
Reclaimed (MT)	699	578	561
Reclaimed (%)	12%	9.5%	11.0%

(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 rejects generated during handling.)

Biodiversity

Alumex is located in the LINDEL industrial zone in Sapugaskanda. Therefore, our business does not pose a direct threat to any natural habitats, fauna or flora. However, Alumex continues to be concerned about protecting biodiversity assets of the country. So far Alumex has not been led any natural habitats restoring area. 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, monetary fines or non-monetary sanctions were encountered by Alumex.



Committed to impeccable standards

DEDICATION AND PASSION GO HAND IN HAND
IN DETERMINING OUR QUALITY

GOVERNANCE

Board of Directors



Mr. Mohan Pandithage
Chairman

Mr. Ali Asghar Akbarally
Non-Executive Director

Mr. Rohan Peris
Managing Director

Mr. Sarath Ganegoda
Non-Executive Director



Dr. Harsha Cabral, PC
Independent Non-Executive Director

Mr. Pramuk Dediwela
Chief Operating Officer/Executive Director

Mr. Prageeth Rajapaksha
Executive Director/Chief Financial Officer

Mr. Somasiri Munaweera
Independent Non-Executive Director

Mr. Ranil Pathirana
Non-Executive Director

Board of Directors

Mr. Mohan Pandithage

Chairman

Chairman & Chief Executive of Hayleys PLC since July 2009. 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 Advisory Council of the Ceylon Association of Ships' Agents.

Mr. Rohan 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. Pramuk Dediwela

Chief Operating Officer/Executive Director

Mr. Dediwela started his career in January 1989 and has over 29 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 and appointed as the Chief Operating Officer in November 2017.

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 of 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 Ganegoda

Non-Executive Director

Appointed to the Board of Alumex PLC in September 2009. 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. Rejoined Hayleys in March 2007. Appointed to the Group Management Committee in 2007. Has responsibility for the Strategic Business Development Unit and the Fentons Group of Hayleys.

Mr. Ranil Pathirana

Non-Executive Director

Mr. Pathirana was appointed to the Board of Alumex PLC in November 2010. He is a Director of Hirdaramani Apparel (Private) Limited, Hirdaramani Leisure Holdings (Private) Limited and Hirdaramani Investments Holding (Private) Limited which are the holding companies of the Hirdaramani Group. He is the Managing Director for Hirdaramani International Exports (Pvt) Limited, a Director of Star Packaging (Private) Limited and Windforce (Private) Limited.

Mr. Pathirana is a Non-Executive Director of Sampath Bank PLC, Ceylon Hotels Corporation PLC, BPPL Holdings PLC, ODEL PLC & Taprobane Holdings PLC. He is a Fellow Member of the Chartered Institute of Management Accountants, UK and holds a Bachelor of Commerce Degree from the University of Sri Jayewardenepura.

Mr. Ali Asghar Akbarally

Non-Executive Director

Mr. Ali Asghar Akbarally was appointed as a Director of the Alumex Group of Companies in 2010, and is a Director of the Akbar Brothers Group of Companies since 1981, and heads the Administration and new Projects Division of the Akbar Brothers Group, under whose leadership a number of major new projects including Wind and Hydro and Solar Power projects have been launched.

He holds a degree in Mechanical Engineering from the University of California, and is a fellow Member of the Institute of Chartered Management Accountants of Sri Lanka.

Mr. Akbarally is the Honorary Consul of Heshemite Kingdom of Jordan in Sri Lanka, and is a past President of the Rotary Club of Colombo.

Dr. Harsha Cabral, PC
Independent Non-Executive Director

Dr. Cabral is a President's Counsel in Sri Lanka with thirty years experience in the field of Company Law, Intellectual Property Law, Commercial Law, International Trade Law & Commercial Arbitration. He has been a President's Counsel for twelve years and commands an extensive practice in the Commercial High Courts and the Supreme Courts of Sri Lanka. He holds a doctorate in Corporate Law from the University of Canberra, Australia and is a sitting member of the International Chamber of Commerce (ICC) International Court of Arbitration in Paris. Dr. Cabral is a member of the Law Commission of Sri Lanka, a Council Member of the University of Colombo, University Grants Commission (UGC) Nominee on the Post Graduate Institute of Medicine (PGIM), member of the Board of management of the NSBM Green University and a member of UGC Committee on high education. As a member of the Advisory Commission on Company Law in Sri Lanka he has contributed heavily to the corporate sector and the legal fraternity and has been one of the architects of the Companies Act No. 7 of 2007, the current Act. He is the course Director for the Diploma in commercial Arbitration at the institute for the development of commercial law and practice (ICLP) in Sri Lanka As a member of the Council of Legal Education in Sri Lanka, as a member the Ministerial Committee appointed to reform Commercial Arbitration in Sri Lanka, as a Founder Board Member of the Senate Aquinas

University College, as a member of the Corporate Governance Committee of the Institute of Chartered Accountants of Sri Lanka and as the current Vice President of BRIPASL (Business Recovery & Insolvency Practitioners Association of Sri Lanka) Dr. Cabral has contributed immensely to the legal academia.

He serves as the Chairman of the Tokyo Cement Group, which commands the largest market share for cement in Sri Lanka. He was the immediate past Chairman of LOLC Finance PLC one of the largest Finance Companies in Sri Lanka. He serves as Independent Non-Executive Director of DIMO PLC, Hayleys PLC, Alumex PLC, Tokyo Cement Company (Lanka) PLC, Tokyo Super Cement Company Lanka (Private) Limited, Tokyo Cement Power Lanka (Private) Limited, Tokyo Eastern Cement Company (Private) Limited, Tokyo Super Aggregate (Private) Limited, Tokyo Supermix (Private) Limited & World Export Centre Limited and serves on several Audit Committees, Nomination Committees, Remuneration Committees and Integrated Risk Management Committees, chairing most of them.

Dr. Cabral is a visiting lecturer at several Universities and is a regular speaker at public seminars, author of several books and has presented several papers on Corporate Law, Intellectual Property Law, International Trade Law & Commercial Arbitration here and abroad. In addition to his active practice in courts and lecturing, he has been counsel for either the Claimant or the Respondent in many a Arbitration and has served as Sole-Arbitrator, Co-Arbitrator, Chairman in a large number of Arbitrations domestic and international here and abroad. Dr. Cabral has published several books on corporate law.

Mr. Somasiri Munaweera
Independent Non-Executive Director

Mr. Munaweera was appointed to Alumex Board in January 2014. He counts over 33 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. Prageeth Rajapaksha
Executive Director/Chief Financial Officer

Prageeth joined Alumex PLC in March 2012 as the Chief Financial Officer and appointed as an Executive Director in November 2017. He has 18 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 Master of Business Administration Degree from the

Board of Directors

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 the Institute of Chartered Accountants of Sri Lanka as well as the Institute of Certified Management Accountants of Sri Lanka.

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' Organisation 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



Left to Right (Standing)

1. Mr. Thushara Jayalath - *Deputy General Manager - Manufacturing*
2. Mr. Dilhan Jayawardena - *Deputy General Manager - Marketing & Sales*
3. Mr. Prageeth Rajapaksha - *Executive Director/Chief Financial Officer*

Left to Right (Seated)

4. Mr. Rohan Peris - *Managing Director*
5. Mr. Pramuk Dediwela - *Chief Operating Officer/Executive Director*



Corporate Management

Mr. Rohan Peris
Managing Director

Please refer page 98 for profile.

Mr. Pramuk Dediwela
Chief Operating Officer/Executive Director

Please refer page 98 for profile.

Mr. Prageeth Rajapaksha
Executive Director/Chief Financial Officer

Please refer page 99 for profile.

Mr. Dilhan Jayawardena
Deputy General Manager – Marketing & Sales

Dilhan joined Alumex PLC and was 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 22 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 the Chartered Institute of Marketing (UK).

Mr. Thushara Jayalath
Deputy General Manager - Manufacturing

Thushara joined Alumex PLC in April 2016. He has over 24 years of hands-on experience in Manufacturing and Supply Chain functions in the 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 (JIPM) and Japan Technology Group (JTG) accredited TPM Instructor. He has been intensively trained on 5S, Kaizen, TQM, TPM, Operations Excellence and Lean Manufacturing, and has mastered problem-solving techniques and Continuous Improvement Initiatives.

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

Management Team



Mr. Tissa Jayatilake
Group Manager - Marketing



Mr. Sardha Perera
Group Manager - Sales



Mr. Sanjaya Kumarasekara
Group Manager - Production



Mr. Indrasiri Abeykoon
Group Manager - Special Projects



Mr. Dharmasiri Namal
Group Manager - HR & Administration



Mr. Jebendran Indran
Group Manager - Business Development



Mr. Kumudu Gamage
Group Manager - Engineering



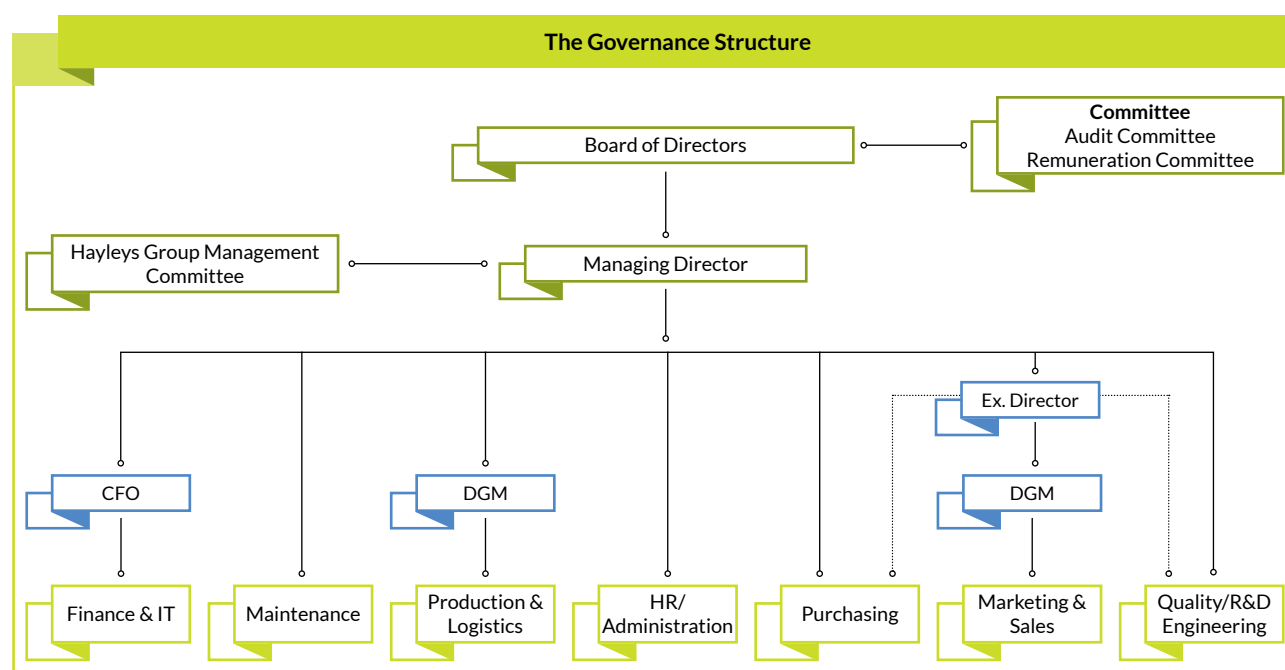
Mr. Sudath Gamage
Group Manager - Logistics

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 Board of Directors of Alumex PLC comprises of nine (09) Directors of which four (04) 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 Hayleys 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 organisation, 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 summarised into four sections, purely for the convenience of our stakeholders.

SECTION 01 and **SECTION 02** cover 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 eight fundamental aspects:

Section 01

- A. Directors
- B. Directors' Remuneration
- C. Relations with Shareholders
- D. Accountability and Audit

"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 SUMMARISED INTO FOUR SECTIONS, PURELY FOR THE CONVENIENCE OF OUR STAKEHOLDERS."

Section 02

- E. Institutional Investors
- F. Other Investors
- G. Internet of Things and Cyber-security
- H. Environment, Society and Governance (ESG)

SECTION 03 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 04 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 2017/2018
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 98 and 99.</p>			
Board Meetings	A.1.1	Complied	<p>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 123.</p>
Board Responsibilities	A.1.2	Complied	<p>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.</p> <p>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.</p> <p>The Board also ensures effective systems are in place to secure integrity of information, internal controls and risk management.</p> <p>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.</p>
Compliance with Laws and access to independent professional advice	A.1.3	Complied	<p>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.</p>
Company/Board Secretary	A.1.4	Complied	<p>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.</p>
Independent judgment	A.1.5	Complied	<p>All Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation and the conduct of business.</p>

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2017/2018
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.
Call for a Resolution to be presented to the Board	A.1.7	Complied	One third of the Directors can call for a resolution to be presented to the board where they feel it is in best interest of the Company .
Training for new and existing Directors	A.1.8	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 recognised 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)

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.

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.

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>
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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 98.

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> <p>Ensuring the new Board members are given an appropriate induction, covering terms of appointment,</p> <p>The effective participation of both Executive and Non-Executive Directors;</p> <p>All Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company;</p>
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Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2017/2018
			<p>A balance of power between Executive and Non-Executive Directors is maintained;</p> <p>The views of Directors on issues under consideration are ascertained:</p>
A.4 FINANCIAL ACUMEN			
<p>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.</p>			
Financial acumen and knowledge	A.4	Complied	<p>The Board comprises three 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.</p>
A.5 BOARD BALANCE			
<p>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.</p> <p>The Board consists of four (04) 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.</p>			
Presence of Non-Executive Directors	A.5.1	Complied	<p>Five (5) of the nine (9) Directors are Non-Executive Directors, which is well above the minimum number prescribed by this Code.</p>
Independent Non-Executive Directors	A.5.2	Complied	<p>Two (2) out of Five (5) Non-Executive Directors are independent as defined by the Code.</p>
Criteria to evaluate Independence of Non-Executive Directors	A.5.3	Complied	<p>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.</p>
Signed declaration of independence by the Non-Executive Directors	A.5.4	Complied	<p>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 K of the Code of Best Practices on Corporate Governance.</p>
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> <p>Dr. H Cabral, PC</p> <p>Mr. S Munaweera</p>

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2017/2018
Alternate Directors	A.5.6	Complied	Two alternate Directors have been appointed by two Non-executive Directors and they are not executives of the Company: A.J. Hirdaramani T. Akbarally No alternate Directors were appointed during the year. Please refer page 100 for the profiles of the alternative directors.
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)
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.
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.
Recording of concerns in Board Minutes	A.5.10	Complied	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.

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.
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.

Nomination Committee	A.7.1	Complied	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. The Nomination committee of Hayleys PLC consists of following members: A.M. Pandithage – Chairman K.D.D. Perera Dr. H. Cabral, PC
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Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2017/2018
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.
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>Mr.R.P.P.K.Rajapaksha was appointed to the Board since the last Annual General Meeting and in terms of Article No 27(2) of the Articles of Association.</p> <p>The profiles of the above Directors are given on pages 98,99 and 100.</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.			
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 Messrs. A.A.Akbarally and D.W.P.N.Dediwela retire by rotation and being eligible offer themselves for re-election</p>
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 at the annual general meeting .
Prior communication of resignation of a Director	A.8.3	Complied	<p>In the event of a Director resigning prior to his appointed term, written communication should be provided to the Board of his reasons for resignation.</p> <p>No Directors have resigned as such during the year.</p>

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2017/2018
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.			
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>
Evaluation at re-election	A. 9.3	Complied	Board reviews the participation , contribution and engagement of each director at the re election.
Disclosure on performance evaluation criteria	A.9.4		<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 134 and 135.</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.			
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 – pages 98,99 and 100.</p> <p>(b) Directors' interest in transactions and shareholding - Page 129 and 182</p> <p>(c) Attendance to the Board meetings held during the year page 123</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			
Targets for Managing Director	A.11.1	Complied	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.
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.

Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2017/2018
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.			
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 135 for the Remuneration Committee report.
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.
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
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.
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.
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.			
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.
Executive Directors' remuneration	B.2.2	Complied	Executive Directors' remuneration have been designed to promote the long term success of the Company.
Competitiveness of levels of Remuneration	B.2.3	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.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2017/2018
Comparisons of remuneration with other companies in the Group	B.2.4	Complied	The Remuneration Committee reviews data concerning executive pay among the Group Companies.
Designing the performance-based Remuneration for Executive Directors	B.2.5	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.
Executive share options	B.2.6	N/A	Presently the Group does not have an executive Share Option Schemes.
Designing the Performance Related Remuneration of Executive Director	B.2.7	Complied	The Remuneration Committee follows the provisions set out in Schedule E of the Code as required.
Early termination of Executive Directors	B.2.8 B.2.9	N/A	Termination of Executive Directors are governed by their contracts of service/employment.
Levels of Remuneration of Non-Executive Directors	B.2.10	Complied	Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices.

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.

Disclosure of Remuneration	B.3.1	Complied	Please refer page 128 for the total Directors' remuneration
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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.

Adequate notice of the AGM to Shareholders	C.1.1	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.
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.
Use of proxy votes	C.1.3	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.

Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2017/2018
Availability of all Board Sub Committee Chairmen at the AGM	C.1.4	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.
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.

C.2 COMMUNICATION WITH SHAREHOLDERS

The Code requires the Board to implement effective communication with shareholders.

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>
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>
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.
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.
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>
Response to the shareholders matters	C.2.7	Complied	The process for responding to shareholder matters have been formulated by the Board and disclosed. Such matters are responded at the shareholder meetings, publications at the Colombo Stock Exchange or communication by the Company Secretary to the Shareholders.

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.

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.
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Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2017/2018
Shareholders approval by special resolution	C.3.2	Complied	During the year there were no transactions/events which require approval by way of a special resolution. Complied with the disclosure requirements and approval by special resolution as required by the rules and regulations by SEC and CSE.
D. ACCOUNTABILITY AND AUDIT			
D.1 FINANCIAL AND BUSINESS REPORTING			
The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.			
Board's responsibility for Statutory and Regulatory Reporting that is true and fair, balance and understandable	D.1.1 and D.1.2	Complied	The Board has recognised 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 and Sri Lanka Financial Reporting Standard . The Company has complied with the reporting requirements prescribed by the Colombo Stock Exchange.
Declaration by Chief Executive Officer and Chief Financial Officer on the financial reporting	D.1.3	Complied	Chief Executive Officer and Chief Financial Officer have made all required declarations in the "Responsibility Statement of Chairman, Managing Director and Chief Financial Officer" and appears on page 133. The Statement of Directors Responsibility is given on page 132. See the Auditors Report on pages 139 to 141 for the reporting responsibility of Auditors.
Declaration by Board	D.1.4	Complied	Directors have made all necessary declarations. Refer the Directors' Report in Annual Report pages 128 to 131.
Statement of Boards and Auditor's responsibility and Statement of Internal Control	D.1.5	Complied	This is given in the 'Annual Report of the Board of Directors' on pages 128 to 131 and the 'Statement of Directors' Responsibility' on page 132 and pertains to required declarations.
Management Discussion and Analysis	D.1.6	Complied	See Management Discussion and Analysis on pages 48 to 51.
Summon an EGM to notify serious loss of capital	D.1.7	Complied	Reason for such an EGM has not risen as yet but would be complied with if such a situation arises.
Disclosure of related party transactions	D.1.8	Complied	The Directors have instituted an effective and comprehensive system of internal control for identifying, recording and disclosing related party transactions. 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.

Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2017/2018
D.2 RISK MANAGEMENT AND INTERNAL CONTROL			
The Board should have a sound system of internal controls to safeguard shareholders' investments and the Company's assets.			
Annual evaluation of the internal controls system	D.2.1	Complied	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.
Assessment of principle risks facing the Company.	D.2.2	Complied	A robust assessment on risks involved in company has been carried out review the status on every meeting. Mitigating actions have been identified and continuously review the progress. Refer page 186 to 189 for Risk Management.
Need for internal audit function	D.2.3	Complied	This is not applicable as the Hayleys Management Audit & System Review Department (MA & SRD) is responsible for the internal audit function of the Company.
Review of the process and effectiveness of risk management and internal controls	D.2.4	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.
Directors' responsibility of maintaining of a sound internal control system	D.2.5	Complied	Please refer statement of Directors' Responsibilities on page 132.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2017/2018
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.			
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 Dr. H. Cabral, PC - Member R. 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>
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 134 for the duties.
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 136.
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 five 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.

Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2017/2018
D.4 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE			
The Company should establish a procedure that it is not engaged in "related party transactions" which is more favourable treatment than with third parties in the normal course of business.			
Adhere to LKAS 24	D.4.1	Complied	Related Party transactions are defined as in LKAS 24
Related party Transactions committee	D.4.2	Complied	Related Party Transactions Review Committee of the Parent Company, Hayleys PLC, act as the Related Party Transactions Review Committees for the Company and make recommendations and give directions to the Board.
Terms of references of RPT Committee	D.4.3	Complied	Written terms of reference of the Committee are available. Please refer Related Party Transactions Review Committee Report on page 136.
D.5 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.			
Code of Business Conduct and Ethics	D.5.1	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.
Material and Price sensitive information	D.5.2	Complied	Material and price sensitive information is promptly identified and reported to the shareholders via Colombo Stock Exchange notices .
Policy and disclosures on share purchases by Directors	D.5.3	Complied	Company has a policy and process for monitoring and disclosure of shares purchased by any Director, key Management personnel or any other employee involved in financial reporting. All disclosures are duly made in the Colombo Stock Exchange.
Affirmative Statement by the Chairman	D.5.4	Complied	See the 'The Chairman's statement' on page 22 for required details.
D.6 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.			
Disclosure of Corporate Governance	D.6.1	Complied	This requirement is met through the presentation of this report.

SECTION 02

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.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2017/2018
Communication with shareholders	E.1.1	Complied	In order to avoid conflicts of interest by nurturing 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.

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.
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F. OTHER INVESTORS

F.1 INVESTING/ DIVESTING DECISIONS

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.
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F.2 SHAREHOLDER VOTING

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.
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G. INTERNET OF THINGS AND CYBER-SECURITY

Internal and external IT devices connected to the Business Model.	G.1	Complied	Connection of internal and external IT devices to the organisation network has been allowed with necessary access controls and firewalls to safeguard the integrity of information.
Cyber Information Security officer and Cyber security risk management policy	G.2	Complied	Hayleys Group Chief Information Security officer (CISO) continuously monitor and review the security requirements of the Company's information system and has introduced and implemented a Cyber-security risk management policy.
Discussions on Cyber risk management	G.3	Complied	This is a regular agenda item of the risk management discussion of the Board and have given due attention.
Independent periodic reviews and assurance	G.4	Complied	Periodic review are carried out by the external auditors and consultants and observations are submitted to the Board for review and actions.
Disclosure on Cyber security risk management	G.5	Not Complied	A detailed disclosure has not been made on the Cyber security process in this Annual report.

H. ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)

H.1 ESG REPORTING

The Code requires the Company to include the ESG factors in building its Business model, Strategy, governance and risk management framework. Company ESG activities are not governed by specific ESG Committee appointed, rather the ESG activities are overlooked by the Executive Directors and ensure that effective environmental, social and governance, best practices are implemented properly.

Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2017/2018
Provision of information on ESG	H.1.1	Complied	The Company has included the environmental, social and governance factors in its business models and provided sufficient information on all aspects in the Annual Report. Refer pages 28 to 29 for business model page 126 for Risk management, pages 96 to 123 for governance and pages from 56 to 94 for capital management.
The Environment	H.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 pollution prevention, sustainable resource use, protection of environment and restoration of natural resources. Refer to natural capital on page 86 to 94 in this Annual Report.
Social Factors	H.1.3	Complied	The Company adopts an integrated approach to building relationship with the community in order to build a strong relationship and strives towards sustainable development. Refer social and relationship capital on pages 72 to 85 in the Annual Report for information.
Governance	H.1.4	Complied	The Company establish a governance structure to support its ability to create value and manage risks on all pertinent aspects of ESG. Refer corporate governance on pages 104 to 123 and risk management on page 124 to 127 in this Annual Report for related information.
Board's role on ESG Factors	H.1.5	Complied	Company has followed the Integrated Reporting Framework and The Global Reporting Initiative Guidelines in presenting this Annual Report.

SECTION 3 : 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 nine (9) Directors were Non-Executive Directors as at 31st March 2018	Complied	Corporate Governance
7.10.2(a)	Independent Directors	Two (2) of the Five (5) Non-Executive Directors were independent as at 31st March, 2018.	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

Rule No.	Subject	Alumex Extent of Adaption	Compliance Status	Reference in this report
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 Pages 98 to 100.
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 2018.	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 112 . The disclosure of the Remuneration Committee is given on page 135 and the Remuneration paid to Directors is given in Note 8 to the Financial Statement on page 161.	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	Audit Committee functions are stated in the Audit Committee Report on page 134.	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 are given on page 134 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

Corporate Governance

SECTION 4: 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 & 9.2.2	Related Party Transactions Review Committee	<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 Review Committee report in page 136.</p>	Complied	<p>Annual Report of Board of Directors - pages 128 to 131</p> <p>Related Party Transactions Review Committee Report - page 136</p>
9.2.3	Composition of the Related Party Transactions Review Committee	<p>The RPTRC consists of the following directors:</p> <p>Dr. H. Cabral - Chairman (Independent Non-Executive Director - Hayleys PLC)</p> <p>Mr. M. Y. A. Perera - (Independent Non-Executive Director - Hayleys PLC)</p> <p>Mr. S. C. Ganegoda - (Executive Director - Hayleys PLC)</p>	Complied	<p>Annual Report of Board of Directors - pages 128 to 131</p> <p>Related Party Transactions Review Committee Report - page 136</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 2017/2018	Complied	Annual Report of Board of Directors - pages 128 to 131
9.3.1	Immediate disclosures	The 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 - pages 182 to 185
9.3.2 (a)	Disclosure - Non-recurrent Related Party Transactions	The Company has involved with a 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 - pages 182 to 185

Rule No.	Subject	Alumex Extent of Adaption	Compliance Status	Reference in this report
9.3.2 (b)	Disclosure - Recurrent Related Party Transactions	The 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 - pages 182 to 185
9.3.2 (c)	Report by the Related Party Transactions review Committee	Refer page 136 for the Related Party Transactions review Committee report	Complied	Related Party Transactions Review Committee Report - page 136
9.3.2 (d)	A declaration by the Board of Directors	Refer pages 128 to 131 the Annual Report of Directors for an affirmative statement of compliance of the Board	Complied	Annual Report of Board of Directors - pages 128 to 131

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*	2/4
Mr. A.A.Akbarally*	1/4
Mr. D.W.P.N.Dediwela	3/4
Dr. H.Cabral,PC **	3/4
Mr. S.Munaweera**	4/4
Mr. R. P. P. K. Rajapaksha	1/1

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

The Alumex Enterprise Risk Management conceptual framework is based on its COSO Risk Management Industry approach. 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 contributes towards directing scarce resources towards business opportunities that generate maximum returns, with minimum risks. Further, this method allows assessment of risk observations to prioritise risk management.

Enterprise Risk Management Framework

Objective Setting	Alumex Group defines 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 or the Chief Operating Officer 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 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

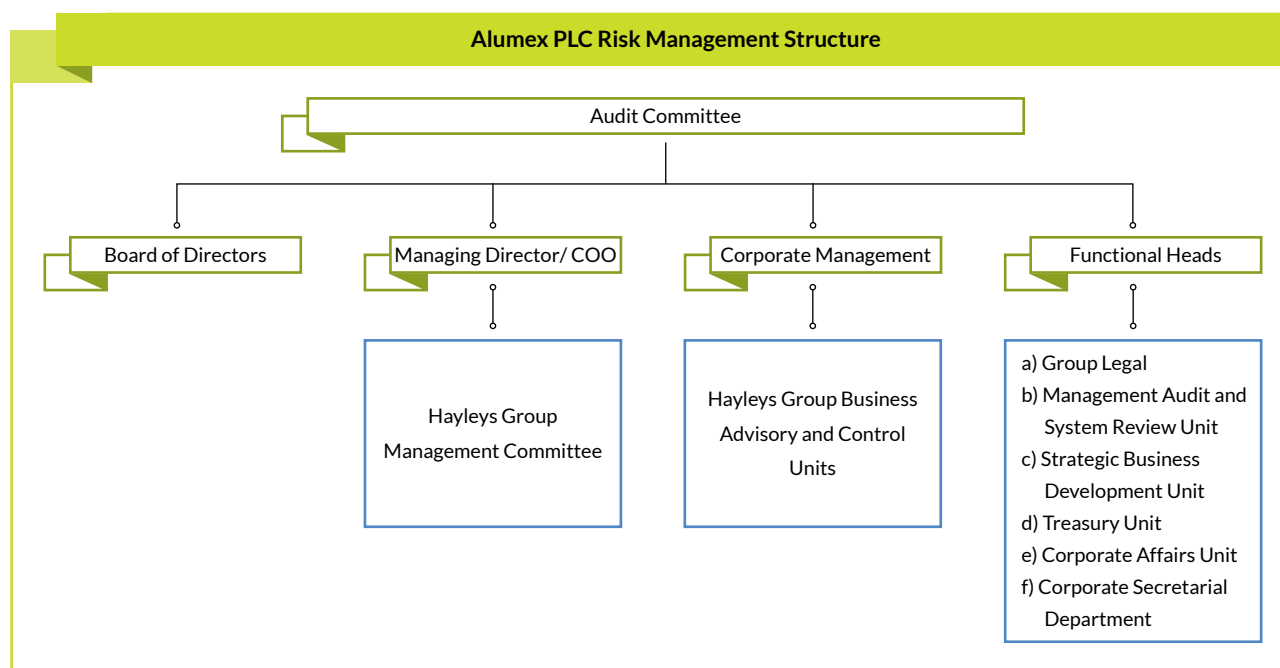
The Board is primarily responsible for ensuring that the risks are identified and appropriately managed across the Group. The Board has delegated this responsibility to the Audit Committee to review the effectiveness of the Group risk management framework, including the systems established to identify, 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 specialised 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 following table 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 Management

Risk Category	Risk Element	Implications	Mitigating Measures	Risk Level
Risk of Financial Capital	Commodity Price Risk	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 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
	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
	Labour Shortages Reduction in skilled and unskilled labor	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
Risk of Human Capital	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 risk. 	Medium

Risk Category	Risk Element	Implications	Mitigating Measures	Risk Level
Risk of Intellectual capital	Confidentiality of Information	Short-term and Long-term	<ul style="list-style-type: none"> Extensive controls and reviews to maintain security of IT infrastructure and data 	Medium
	Loss of confidential data through security breaches in the IT systems	Loss of the unique profile designs of Alumex to competitors.	<ul style="list-style-type: none"> Regular back-up of data and off-site storage of data backup system 	
			<ul style="list-style-type: none"> Disaster recovery plan 	
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 	High
			<ul style="list-style-type: none"> Productivity increase and reduction in cost of production 	
	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 network 	
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 shutdowns	<ul style="list-style-type: none"> Investment in new machinery. Upgrading knowledge on maintenance. 	Medium
	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 	
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 scare 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 	

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 2018. 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 142 to 190.

AUDITOR'S REPORT

The Auditor's Report on the Financial Statements is given on pages 139 to 141.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of Financial Statements are given on pages 148 to 159.

There were no changes in the accounting policies adopted.

INTERESTS REGISTRER

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 2017/18.

Attendance

Meetings held on 17th May 2017, 4th August 2017, 2nd November 2017 and 7th February 2018.

Dr. H Cabral PC**	4/4
Mr. M. Y. A. Perera**	4/4
Mr. S C Ganegoda*	1/4

**Independent Non-Executive

*Executive

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 28 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 on page 191 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 2018 was Rs. 33.484 million (2016/17 – Rs. 33.100 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 2018 was Rs. 970,000 (2016/17 – Rs. 905,000) 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. 5.4 million per annum.

DIRECTORS' SHAREHOLDINGS

Name	No of shares As at 31/03/18	No of shares As at 01/04/17
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	243,949
Mr. S. C. Ganegoda	Nil	Nil
Mr. A. A. Akbarally	Nil	Nil
Dr. H. Cabral, PC	Nil	Nil
Mr. S. Munaweera	20,000	20,000
Mr. R. P. P. K. Rajapaksha	Nil	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 157,413,032 shares (52.59%) 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 40,417,782 shares (13.50%) 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.

3,268,532 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 Directors of Hayleys PLC)

200,000 shares were purchased by Akbar Brothers (Pvt) Ltd during the year. (Mr. A. A. Akbarally, Director and Mr. T. Akbarally Alt. Director are Directors of Alumex PLC are also Directors/Shareholders of Akbar Brothers (Pvt) Ltd)

CORPORATE DONATIONS

The donations made during this year by the Company amounted to Rs. 1,050,000 (2016/17-Rs. 1,131,000).

Donations made by the Group amounted to Rs. 1,050,000 (2016/17 - Rs.1,157,000).

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 pages 98 to 100.

Mr. A. M. Pandithage (Chairman)

Mr. R. P. Peris (Managing Director)

Mr. D. W. P. N. Dediwela
(Chief Operating Officer)

Mr. S. C. Ganegoda*

Mr. R P. Pathirana*

Mr. A. A. Akbarally*

Dr. H. Cabral, PC**

Mr. S. Munaweera**

Mr. R. P. P. K. Rajapaksha
(Appointed w.e.f. 06/11/2017)

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. R. P. P. K. Rajapaksha was appointed to the Board since the last Annual General Meeting and in terms of Article No 27(2) of the Articles of Association the shareholders are requested to re-elect him at the Annual General Meeting.

Messrs. A.A.Akbarally and D.W.P.N.Dediwela 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 123 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

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

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 132 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 148 to 159 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 authorised to determine their remuneration will be submitted at the Annual General Meeting.

The Auditors, Messrs Ernst and Young & Co., was paid Rs. 921,883 (2016/17 - Rs. 946,948/-) and Rs. 394,694 (2016/17 - Rs. 364,500) as audit fees by the Company and its subsidiaries respectively. In addition, they were paid Rs. 821,748 (2016/17 - Rs. 663,143) and Rs. 281,050 (2016/17 - Rs. 225,537)

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 22) Goals and strategies are referred in pages 43 to 46.

TURNOVER

The turnover of the Group was Rs. 4,512 Mn (2016/17 - Rs. 4,728 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. 515 Mn (2016/17 - Rs. 1,016 Mn). After charge of Rs. 150 Mn. (2016/17 - Rs. 263 Mn) for taxation, net Profit for the year was Rs. 364 Mn (2016/17 - Rs. 753 Mn) In addition, Group's total Comprehensive Income net of tax was Rs. 251 (2016/17 - Rs 851 Mn).

Interim dividend of cents 55 per share was paid to the shareholders on 29th March, 2018. The Board of Directors has recommended the payment of a final dividend of cents 45 per share payable on 29th June 2018 to the shareholders of the issued ordinary shares of the Company as at the close of business on 19th June 2018.

The proposed dividend is subject to the shareholders approval at the forthcoming Annual General Meeting.

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 dividend paid and the final dividend proposed. A Solvency certificates was obtained from the Auditors in respect of the interim dividend paid and one has been sought in respect of the final dividend proposed.

RATIOS AND MARKET PRICE INFORMATION

Ratios relating to equity and debt and the market price information are given on pages 19 and 191.

PROPERTY, PLANT AND EQUIPMENT

The capital expenditure of the Group on property, plant and equipment during the year under review amounted to Rs 1,479 Mn(2016/17 - Rs 644 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 freehold land in the group has in general been subject to routine revaluation by independent qualified valuers. The most recent valuation was conducted in the financial year 2016/17 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 2018 amounted to Rs 1,969 Mn (2016/17 - Rs 2,032 Mn) comprising capital reserve of Rs 666 Mn (2016/17 - Rs 780 Mn) and revenue reserve of Rs 1,303 Mn (2016/17 - Rs 1,252Mn). Movements are shown in the Statement of Changes in Equity in the Financial Statements.

EMPLOYMENT

The Group has a structure and a culture that recognises 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 571. The Group does not operate any share option scheme.

SHAREHOLDERS

It is the Group's policy to endeavour to ensure equitable treatment to its shareholders. Details of the major shareholders are given on page 192.

EVENTS OCCURRING 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 123.

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 124 to 127 elaborates these practices and the risk factors.

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 19th June 2018. The notice of the Annual General Meeting appears on page 210.

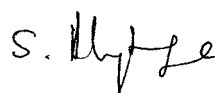
For and on behalf of the Board



A. M. Pandithage
Chairman



R. P. Peris
Managing Director



Hayleys Group Services (Pvt) Ltd.
Secretaries

10th May, 2018

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 (SLFRS/ LKAS), 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.

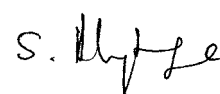
The Directors have confirmed that the Company satisfied the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the interim dividend paid and final dividend proposed. A solvency certificate was obtained from the Auditors in respect of the interim dividend paid and one has been sought in respect of the final dividend proposed.

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 pages 139 to 141 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

10th May, 2018

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 2018, 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 recognised 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 and Chief Executive



R.P. Peris
Managing Director



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

10th May, 2018

Audit Committee Report

COMPOSITION OF THE AUDIT COMMITTEE

The audit committee of Alumex PLC, appointed by and responsible to the Board of Directors, comprises three members - 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 pages 98 to 100.

The Company Secretary acts as the Secretary to the Audit Committee. The Chairman of the Audit Committee is a senior qualified Accountant and other members possess relevant knowledge, qualifications and experiences in financial reporting, control and regulatory requirements.

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 123.

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. Audit committee meeting papers, including agenda, minutes and related reports and documents are circulated to the committee members in advance.

TASKS OF THE AUDIT COMMITTEE & ROLLE

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 Statements 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 and assess the risk management process of the Company
- ↑ 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 of their scope, approach and performance.
- ↑ 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 or internal auditor.
- ↑ Attend the Annual General Meeting of the Company by the Chairman of the Committee.

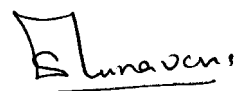
Other responsibilities include holding discussions with the management about the major policies with respect to risk assessment and risk management.

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 2019.

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

10th May, 2018

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 pages 98 to 100.

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 161.



Dr. Harsha Cabral, PC
Chairman- Remuneration Committee

10th May, 2018

Related Party Transactions Review Committee Report

The Related Party Transaction Review Committee of the parent Company, Hayleys PLC, functions as the Committee for the Company and is in line with 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)

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 recognised 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 17th May 2017, 4th August 2017, 2nd November 2017 and 7th February 2018. The attendance at the meetings is given in table on page 123 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 on pages 182 to 186 this report.

Dr. Harsha Cabral, PC.
Chairman
Related Party Transactions Review
Committee of Hayleys PLC

16th May, 2018



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THEY ARE A WAY OF LIFE.

FINANCIAL REPORTS

Financial Calendar

01st Quarter Report - 3rd August 2017

02nd Quarter Report - 1st November 2017

03rd Quarter Report - 6th February 2018

04th Quarter Report - 11th May 2018

Annual Report 2017/2018 - 23rd May 2018

11th Annual General Meeting - 19th June 2018

Interim Dividend Paid - 29th March 2018

Final dividend proposed - 19th June 2018

(Date of Payment - 29th June 2018)

Independent Auditor's Report



Ernst & Young
Chartered Accountants
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BW/JE/BAPN/TW

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALUMEX PLC

Report on the audit of the financial
statements

OPINION

We have audited the financial statements of Alumex PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2018 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled

our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

KEY AUDIT MATTERS COMMON TO BOTH GROUP AND THE COMPANY

Key audit matter	How our audit addressed the key audit matter
Capitalisation of Construction in Progress	
The Group has invested in constructing a new manufacturing plant in Ekala which commenced during the year ended 31 March 2017. Company has incurred capital expenditure of Rs. 1,119,021,637 pertaining to this project during the year ended 31 March 2018. Further as noted in note 12 to the financial statements, carrying value of Construction in Progress as at 31 March 2018 amounted to Rs. 1,272,164,568.	Our audit work included assessing the nature of expenses capitalised by the Group to test the validity of amounts capitalised on a test basis and evaluating whether assets capitalised meet the recognition criteria set out in LKAS 16.
The significant level of capital expenditure requires consideration of the nature of costs incurred to ensure that capitalization of property, plant and equipment meets the specific recognition criteria in LKAS 16, 'Property, Plant and Equipment' (LKAS 16) and LKAS 23, "Borrowing Costs" (LKAS 23)	We assessed the adequacy of the group's disclosures of its capitalisation policy and borrowing costs given in note numbers 3.9 and 3.14 to the financial statements respectively in accordance with LKAS 23

Independent Auditor's Report



OTHER INFORMATION INCLUDED IN THE 2018 ANNUAL REPORT

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ↑ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ↑ Obtain an understanding of internal control relevant to the audit 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 internal controls of the Company and the Group.
- ↑ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ↑ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ↑ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures,

and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- ↑ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

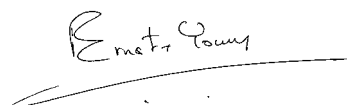
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not

be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act No. 07 of 2007, 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.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2440.



10 May 2018
Colombo

Statement of Profit or Loss

Year ended 31 March 2018	Notes	Group		Company	
		2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Revenue	5	4,512,228	4,728,319	3,945,239	4,115,268
Less - NBT		(89,766)	(93,559)	(78,339)	(81,300)
Net Revenue		4,422,462	4,634,760	3,866,900	4,033,968
Cost of Sales		(3,362,135)	(3,225,230)	(3,119,674)	(2,953,528)
Gross Profit		1,060,327	1,409,530	747,226	1,080,440
Other Income /(Expenses) and Gains	6	29,493	26,048	213,645	205,200
Selling and Distribution Expenses		(171,034)	(145,907)	(164,253)	(141,928)
Administrative Expenses		(273,017)	(239,394)	(253,950)	(227,413)
Operating Profit		645,769	1,050,277	542,668	916,299
Finance Cost	7.1	(150,560)	(48,184)	(151,632)	(60,769)
Finance Income	7.2	19,518	14,307	18,184	8,958
Profit Before Tax	8	514,727	1,016,400	409,220	864,488
Income Tax Expenses	9	(150,368)	(262,904)	(66,939)	(201,319)
Profit for the Year		364,359	753,496	342,281	663,169
Profit Attributable to Shareholders		364,359	753,496	342,281	663,169
		364,359	753,496	342,281	663,169
Diluted and Basic Earnings per Share	10	1.22	2.52	1.14	2.22
Dividend Per Share	11			1.05	1.45

Notes from pages 148 to 190 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Comprehensive Income

Year ended 31 March 2018	Notes	Group		Company	
		2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Profit for the Year		364,359	753,496	342,281	663,169
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	(5,263)	(4,295)	(4,679)	(3,777)
Income tax effect on actuarial gains and Losses	9	1,427	1,161	1,310	1,057
		(3,836)	(3,134)	(3,369)	(2,720)
Revaluation of Land	21.3	-	101,105	-	86,613
Income Tax Effect on Revaluation Surplus		(109,557)	-	(109,252)	-
Total other comprehensive income for the year, net of tax		(113,393)	97,971	(112,621)	83,893
Total Comprehensive Income for the Year, Net of Tax		250,966	851,467	229,660	747,062
Total Comprehensive Income Attributable to Shareholders		250,966	851,467	229,660	747,062

Notes from pages 148 to 190 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Financial Position

As at 31 March 2018	Notes	Group 2018 Rs. 000	2017 Rs. 000	Company 2018 Rs. 000	2017 Rs. 000
Assets					
Non-current Assets					
Property, Plant and Equipment	12	3,288,933	1,915,818	3,089,885	1,704,715
Intangible Assets	13	46,426	42,121	46,426	42,121
Investments in Subsidiaries	14	-	-	30,000	30,000
		3,335,359	1,957,939	3,166,311	1,776,836
Current Assets					
Inventories	16	1,787,477	1,149,079	1,443,879	907,919
Trade and Other Receivables	17	988,847	864,221	817,983	715,534
Advances and Prepayments	18	60,489	126,014	58,090	124,827
Income Tax Receivable		13,965	-	13,965	-
Other Current Financial Assets	15.1	-	1,233	-	1,233
Cash and Cash Equivalents	19	216,366	165,332	207,038	154,774
		3,067,144	2,305,879	2,540,955	1,904,287
Total Assets		6,402,503	4,263,818	5,707,266	3,681,123
Equity and Liabilities					
Stated Capital	20	283,735	283,735	283,735	283,735
Reserves	21	665,481	780,323	640,268	754,806
Retained Earnings		1,303,415	1,251,876	788,262	758,333
Total Equity		2,252,631	2,315,934	1,712,265	1,796,874
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	15.2	1,133,750	512,000	1,133,750	512,000
Retirement Benefit Liability	23	108,229	91,248	96,644	82,638
Deferred Tax Liabilities	9	221,551	106,139	216,580	102,395
		1,463,530	709,387	1,446,974	697,033
Current Liabilities					
Trade and Other Payables	24	1,095,402	1,106,676	1,101,508	1,107,504
Current Portion of Long Term					
Interest Bearing Borrowings	15.2	380,000	-	380,000	-
Short-term interest bearing borrowings	15.2	1,169,989	47,703	1,061,367	16,821
Provisions	22	6,251	9,355	5,152	7,715
Income Tax Liabilities		34,700	74,763	-	55,176
		2,686,342	1,238,497	2,548,027	1,187,216
Total Equity and Liabilities		6,402,503	4,263,818	5,707,266	3,681,123

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. P. K. Rajapaksha
Director/Chief Financial Officer

Board of Directors responsible for these Financial Statements. Signed for and on behalf of the Board,



A. M. Pandithage
Chairman



R. P. Peris
Managing Director

Notes from pages 148 to 190 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

10 May 2018
Colombo

Statement of Changes in Equity

Group Year ended 31 March 2018	Note	Attributable to Equity Holders of the Parent				Total Rs. 000	Total Equity Rs. 000
		Stated Capital Rs. 000	Revaluation Reserve Rs. 000	Capital Reserve Rs. 000	Retained Earnings Rs. 000		
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	12.3	-	101,105	-	-	101,105	101,105
Other Comprehensive Income, Net of Tax		-	-	-	(3,134)	(3,134)	(3,134)
Total Comprehensive Income		-	-	101,105	750,362	851,467	851,467
Transactions with Owners, Recorded Directly in Equity							
Depreciation Transfer for Building	12.5	-	(5,285)	-	5,285	-	-
Dividends to Equity Holders		-	-	-	(433,989)	(433,989)	(433,989)
Total Contributions by and Distributions to Owners		-	(5,285)	-	(428,704)	(433,989)	(433,989)
Balance as at 01 April 2017		283,735	552,267	228,056	1,251,876	2,315,934	2,315,934
Profit for the Year		-	-	-	364,359	364,359	364,359
Other Comprehensive Income, Net of Tax		-	109,557	-	(3,836)	(113,393)	(113,393)
Total Comprehensive Income			109,557		360,522	250,966	250,966
Transactions with Owners, Recorded Directly in Equity							
Depreciation Transfer for Building	12.5	-	(5,285)	-	5,285	-	-
Dividends to Equity Holders		-	-	-	(314,268)	(314,268)	(314,268)
Total Contributions by and Distributions to Owners		-	(5,285)	-	(308,983)	(314,268)	(314,268)
Balance as at 31 March 2018		283,735	437,425	228,056	1,303,415	2,252,631	2,252,631

Notes from pages 148 to 190 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Changes in Equity

Company		Stated	Revaluation	Capital	Retained	Total
Year ended 31 March 2018	Notes	Capital	Reserve	Reserve	Earnings	Equity
		Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Balance as at 01 April 2016		283,735	445,422	228,056	526,711	1,483,924
Profit for the Year		-	-	-	663,169	663,169
Revaluation of Land		-	86,613	-	-	86,613
Other Comprehensive Income, Net of Tax		-	-	-	(2,720)	(2,720)
Total Comprehensive Income		-	86,613	-	660,449	747,062
Transactions with Owners, Recorded Directly in Equity						
Amalgamation Reserve - Alumex System (Pvt) Ltd *		-	-	-	(124)	(124)
Depreciation Transfer for Building	12.5	-	(5,285)	-	5,285	-
Dividends to Equity Holders (2015/2016 Final)		-	-	-	(134,686)	(134,686)
Dividends to Equity Holders (2016/2017 Interim)		-	-	-	(299,303)	(299,303)
Total Contributions by and Distributions to Owners		-	(5,285)	-	(428,828)	(434,113)
Balance as at 01 April 2017		283,735	526,750	228,056	758,333	1,796,873
Profit for the Year		-	-	-	342,281	342,281
Other Comprehensive Income, Net of Tax		-	(109,252)	-	(3,369)	(112,621)
Total Comprehensive Income		-	(109,252)	-	382,912	229,660
Transactions with Owners, Recorded Directly in Equity						
Depreciation Transfer for Building	12.5	-	(5,285)	-	5,285	-
Dividends to Equity Holders		-	-	-	(314,268)	(314,268)
Total Contributions by and Distributions to Owners		-	(5,285)	-	(308,983)	(314,268)
Balance as at 31 March 2018		283,735	412,212	228,056	788,262	1,712,265

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

Notes from pages 148 to 190 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Cash Flows

		Group		Company	
	Note	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Cash Flows from Operating Activities					
Profit Before Taxation		514,727	1,016,400	409,220	864,488
Adjustments for,					
Finance Cost	7.1	117,956	6,314	123,049	24,664
Finance Income	7.2	(14,049)	(9,028)	(12,715)	(4,164)
Provision for Gratuity	23	18,749	11,769	16,841	10,720
(Profit) / Loss on Disposal of Property, Plant and Equipment	6	(5,533)	2,038	(1,664)	2,038
Provision for Bad Debts		10,226	(8,480)	8,532	(4,731)
Provision for Impairment of Investment	-	-	-	-	-
Depreciation and Amortisation	12	116,191	109,629	101,574	96,904
Operating Profit Before Working Capital Changes		758,267	1,128,642	644,837	989,919
(Increase) / Decrease in Inventories		(652,772)	(294,983)	(552,386)	(206,951)
(Increase) / Decrease in Trade and Other Receivables		(161,277)	(366,452)	(110,980)	(269,227)
(Increase) / Decrease in Advances and Prepayments		65,524	(87,913)	66,737	(89,854)
Increase / (Decrease) in Trade and Other Payables		(14,379)	438,908	(8,560)	409,189
Cash Generated from Operating Activities		(4,637)	818,202	39,648	833,076
Finance Cost Paid	7.1	(117,956)	(6,314)	(123,049)	(24,664)
Income Tax Paid		(170,691)	(283,870)	(130,287)	(224,809)
Retirement Benefit Liability Paid		(7,032)	(4,338)	(7,032)	(3,217)
Net Cash Used in Operating Activities		(300,316)	523,680	(220,720)	580,386
Cash Flows from Investing Activities					
Acquisition of Property, Plant and Equipment	12	(1,479,237)	(643,998)	(1,474,660)	(656,162)
Proceeds from Sale of Property, Plant and Equipment		5,536	15,642	1,667	15,642
Proceeds from Short Term Investments	15.1	1,233	(100)	1,233	(100)
Finance Income Received	7.2	14,049	9,028	12,715	4,164
Net Cash Flows Used In Investing Activities		(1,458,419)	(619,428)	(1,459,045)	(636,456)
Cash Flows from Financing Activities					
Repayment of Interest Bearing Loans and Borrowings	15.2	(6,250)	(3,084)	(6,250)	(553,084)
Proceeds from Interest Bearing Loans and Borrowings	15.2	1,008,000	512,000	1,008,000	1,062,000
Dividend Paid	11	(314,268)	(433,989)	(314,268)	(433,989)
Net Cash Flows from Financing Activities		687,482	74,927	687,482	74,927
Net Increase in Cash and Cash Equivalents		(1,071,252)	(20,821)	(992,283)	18,857
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	117,629	138,450	137,953	117,503
Cash and Cash Equivalents at end of the Year	19	(953,623)	117,629	(854,330)	137,953

Notes from pages 148 to 190 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 subsidiary (together referred to as the "Group"). The subsidiary in the Group is a limited liability Companies namely Alco Industries (Pvt) Ltd 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 aluminium extrusions. Principal activities of the subsidiary is;

Alco Industries (Pvt) Ltd -

Manufacturing and selling aluminium components and Industrial tools

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 Authorisation for Issue

The Consolidated Financial Statements of the Group for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 10 May 2018.

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.

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

The Consolidated Financial Statements of the Company for the year ended 31 March 2018 comprise of the Company and its Subsidiary. The details of Subsidiaries are as follows:

Company Name	Year of Incorporation	Ownership Percentage
Alco Industries (Pvt) Ltd	2010/2011	100%

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 is 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.

Notes to the Financial Statements

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 Note 12

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 recognised 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 recognised 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 associated with ownership, nor effective control over the goods of sold.

Rendering of Services

Revenue from services rendered is recognised in profit and loss in proportion to the stage of completion of the transaction at the reporting date.

Interest

Interest Income is recognised 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 recognised 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,

Notes to the Financial Statements

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 derecognised 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.

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 derecognised.

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. Such expenses are recognized when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

3.10 Leases

Operating Leases

Operating lease payments are recognised 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 derecognised. Subsequent Expenditure

Subsequent expenditure is capitalised 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 recognised 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 recognised as an intangible asset when the Group can demonstrate:

- ↑ The technical feasibility of completing the intangible asset so that the asset will be available for 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. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Notes to the Financial Statements

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 year)	Finite (7 years)
Amortisation method used	Amortised on a straight line basis over the period of expected future sales from the related project.	Amortised on a straight line basis over the period of useful life.	Amortised on a straight line basis over the period of useful life.
Internally generated or acquired	Internally generated	Acquired	Acquired

3.12 Expenses

Expenses are recognised 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 capitalised 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 labor 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

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 Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts and short term borrowings as they are considered an integral part of the Group's cash management.

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 recognised 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 recognised 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 amortised 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-recognised 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 recognised 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

Notes to the Financial Statements

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 recognised initially at fair value and, in the case of loans and borrowings, carried at amortised 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 derecognised 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 present obligation at the reporting date and the amount recognised less cumulative amortisation.

De-recognition

A financial liability is derecognised 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 recognised 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 asset 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 2018 by Messer's Actuarial and Management consultant (Pvt) Ltd a qualified actuary. Further details are disclosed in Note 23.

Recognition of Actuarial Losses / Gains

Actuarial gains and losses are recognised 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 Statement of Cash Flows 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.

Notes to the Financial Statements

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 recognised 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.

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.

3.28 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Refer Note 29 to the financial statements.

4.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

There were no significant changes in accounting policies and the accounting policies adopted are consistent with those of the previous financial year. Amendments to existing accounting standards effective from 01st January 2017 are stated below:

LKAS 7 - Statement of Cash Flows

The amendment requires an entity to disclose information that enables users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly an entity shall disclose the following changes in liabilities arising from financing activities:

- ↑ Changes from financing cash flows
- ↑ Changes arising from obtaining or losing control of subsidiaries or other businesses

- ↑ The effect of changes in foreign exchange rates
- ↑ Changes in fair values and
- ↑ Other changes

LKAS 12 - Income Taxes

When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, the entity shall consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference.

If tax law imposes no such restrictions, entity may assess the deductible temporary difference in combination with all of its other deductible temporary differences. However, if tax law restricts the utilisation of losses to deduction against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Further the amendment requires an entity to compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences, when evaluating whether the entity will have sufficient taxable profit in future periods. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences.

According to the amendment introduced, the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this. For example, when an asset is measured at fair value, the entity shall consider

whether there is sufficient evidence to conclude that it is probable that the entity will recover the asset for more than its carrying amount.

The Group did not have a material impact from the above amendment during the year ended 31st March 2018.

4.2 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 derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or

services to a customer. The new revenue standard will supersede all current revenue recognition requirements under SLFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group performed a preliminary assessment of IFRS 15, and determined that the impact of the standard is minimal on the business.

SLFRS 16 Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('Lessee') and the supplier ('Lessor'). SLFRS 16 will replace Sri Lanka Accounting Standard - LKAS 17 (Leases) and related interpretations.

SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

The new Standard requires a lessee to:

- recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value
- present depreciation of lease assets separately, from interest on lease liabilities in the income statement.

SLFRS - 16 substantially carries forward the lessor accounting requirement in LKAS - 17. Accordingly, a lessor continues to classify its leases as operating lease or finance lease, and to account for those two types of leases differently.

SLFRS -16 will become effective on 1st January 2019. The impact on the implementation of the above Standard has not been quantified yet.

Notes to the Financial Statements

5. REVENUE

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Local Sales - Extrusions	3,613,678	3,824,784	3,613,681	3,824,845
Export Sales - Extrusions	19,070	46,539	19,070	46,539
Local Sales - Aluminium Components	852,375	817,302	-	-
Export Sales - Aluminium Components	1,142	130	-	-
Finished Die Sales	3,019	5,153	13,052	9,050
Powder Coating, Anodising, Wood Effect and Billets Conversion Charges	-	-	137,279	124,929
Aluminium Accessories, Cladding & Corian	17,531	24,626	12,709	23,239
Other Material Sales and Service Charges	5,413	9,785	147,440	83,497
Other Sales	-	-	2,008	3,169
	4,512,228	4,728,319	3,945,239	4,115,268

6. OTHER INCOME/(EXPENSES) AND GAINS

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Profit/(Loss) on Disposal of Property, Plant and Equipment	5,533	(2,038)	1,664	(2,038)
Dividend Income	-	-	189,000	179,604
Income from sale of discarded items	15,240	25,742	14,261	25,290
Insurance Claim Received	8,720	2,344	8,720	2,344
	29,493	26,048	213,645	205,200

7. FINANCE COST AND INCOME

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
7.1 Finance Cost				
Interest Expense on Loans and Borrowings	109,127	6,045	115,349	24,396
Interest Expense on Bank Overdrafts	8,829	269	7,701	268
Exchange Loss	32,604	41,870	28,582	36,105
	150,560	48,184	151,632	60,769

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
7.2 Finance Income				
Interest Income on Deposits and Receivable	14,049	9,028	12,715	4,164
Exchange Gain	5,469	5,279	5,469	4,794
	19,518	14,307	18,184	8,958

8. PROFIT BEFORE TAX STATED AFTER DEDUCTING

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Included in Cost of Sales				
Employee Benefits Including the Following	387,867	340,961	335,341	303,186
- Defined Benefit Plan Costs - Gratuity	12,994	8,694	11,792	8,037
- Defined Contribution Plan Costs - EPF and ETF	26,017	21,406	22,596	18,818
Depreciation	97,478	85,356	82,944	74,156
Provision/ (Reversal) for Inventory	39,395	(4,805)	34,773	2,067
Research & Development Expenses	411	737	411	737
Included in Administrative, Selling and Distribution Expenses				
Employee Benefits Including the Following	188,329	160,914	175,966	152,176
- Defined Benefit Plan Costs - Gratuity	4,849	3,075	4,143	2,683
- Defined Contribution Plan Costs - EPF and ETF	13,651	11,868	12,888	11,136
Provision/ (Reversal) for Bad Debts	10,225	(8,480)	8,531	(4,731)
Unclaimed Tax	231	151	231	151
Audit Fees	1,317	1,311	922	947
Non - Audit Fee	1,103	889	822	663
Depreciation and Amortisation	18,712	16,023	18,630	14,498
Gifts , Donation and CSR	7,063	1,157	7,063	1,131
Advertising Costs	21,033	11,475	21,033	11,475
Directors Fees (NED)*	970	905	970	905
Directors Emoluments (ED)**	33,484	33,101	33,484	33,101

* NED -Non Executive Directors

** ED -Executive Directors

Notes to the Financial Statements

9. INCOME TAX

The major components of income tax expense for the years ended 31 March 2018 and 2017 are :

Year ended 31 March 2018 Income Statement - Group	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Current Income Tax :				
Current Income Tax	122,318	222,516	60,821	184,583
Adjustments in Respect of Current Income Tax of Previous Year	(232)	(920)	(124)	(450)
WHT on Dividends	21,000	19,956	-	-
Deferred Tax :	-	-	-	-
Relating to Origination and Reversal of Temporary Differences	7,282	21,352	6,242	17,186
Income Tax Expense Reported in the Income Statement	150,368	262,904	66,939	201,319

A reconciliation between tax expense and the product of accounting profit multiplied by domestic tax rate for the years ended 31 March 2018 and 2017 is as follows :

Year ended 31 March 2018 Consolidated Statement of OCI	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Deferred Tax Related to Items Recognised in OCI During the Year				
Net Gain on Actual Gains and Losses	(1,427)	(1,161)	(1,310)	(1,057)
Revaluation of Land	109,557	-	109,252	-
Deferred Tax Charged to OCI	108,130	(1,161)	107,942	(1,057)

9.1 A Reconciliation Between Tax Expense and the Product of Accounting Profit

	Group		Company	
	2018	2017	2018	2017
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Accounting Profit Before Income Tax	514,727	1,016,400	409,220	864,488
Aggregate Disallowable Items	216,471	154,686	181,050	140,387
Aggregate Allowable Expenses	(233,553)	(204,679)	(385,209)	(345,460)
Exempt Profit	-	-	-	-
Interest Income	14,049	9,028	12,715	4,164
Taxable Income	511,694	975,435	217,776	663,579
Dividend Tax @ 10%	21,000	19,956	-	-
Income Tax @ 10%	27,434	-	-	-
Income Tax @ 12%	150	919	117	914
Income Tax @ 20%	51,890	-	-	-
Income Tax @ 28%	70,278	194,163	60,704	183,669
Income Tax on Current Year Profit	143,318	242,472	60,821	184,583
Tax on Temporary Difference Tax @ 20%	1,039	4,166	-	-
Tax on Temporary Difference Tax @ 28%	6,243	17,186	6,242	17,186
Adjustments In Respect of Current Income Tax of Previous Year	(232)	(920)	(124)	(450)
Tax Expenses Reported in the Consolidated Income Statement	150,368	262,904	66,939	201,319

9.2 Deferred Tax

Deferred Tax Relates to the Following:

	Statement of Financial Position		Income statement	
Year ended 31 March 2018	2018	2017	2018	2017
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Company				
Accelerated Depreciation for the Tax Purposes	(269,960)	(140,447)	20,262	18,770
Retirement Benefit Obligations	27,060	23,139	(2,612)	(1,871)
Provision for Bad Debts	4,198	1,809	(2,389)	1,428
Other Provisions	22,122	13,104	(9,018)	(1,142)
	-	-	6,243	17,185

Notes to the Financial Statements

9.2 Deferred Tax (Contd.)

	Statement of Comprehensive Income			
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Income Tax Effect on Actuarial Gains			(1,310)	(1,057)
Income Tax Effect on Revaluation of Land			109,252	-
			107,942	(1,057)
Deferred Tax Expense / (Income)			114,185	16,128
Net Deferred Tax Assets / (Liabilities)	(216,580)	(102,395)		

Company	2018 Rs. 000	2017 Rs. 000
Reflected in the Statement of Financial Position as follows,		
Deferred Tax Assets	53,380	38,052
Deferred Tax Liabilities	(269,960)	(140,447)
Deferred Tax Liabilities Net as at 31 March	(216,580)	(102,395)
Reconciliation of Deferred Tax Liabilities		
Balance as at 01 April	(102,395)	(86,322)
Amalgamated Balance as at 31 April	-	55
Tax Expense Recognised in Profit & Loss	(6,243)	(17,185)
Tax Income/(Expense) Recognised in Other Comprehensive Income	(107,942)	1,057
Balance as at 31 March	(216,580)	(102,395)

9.3 Group

	Statement of Financial Position		Income statement	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Accelerated Depreciation for the Tax Purposes	(281,547)	(149,056)	22,934	21,262
Retirement Benefit Obligations	29,377	24,861	(3,090)	(2,021)
Provision for Bad Debts	4,654	4,415	(239)	(220)
Other Provisions	25,965	13,641	(12,323)	2,331
			7,282	21,352

	Statement of Comprehensive Income			
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Income Tax Effect on Actuarial Gains or Losses			(1,427)	(1,161)
Income Tax Effect on Revaluation of Land			109,557	-
			108,130	(1,161)
Deferred Tax Expense /(Income)			115,412	20,191
Net Deferred Tax Assets / (Liabilities)	(221,551)	(106,139)		

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 2018.

Group	2018	2017
	Rs. 000	Rs. 000
Reflected in the Statement of Financial Position as follows,		
Deferred Tax Assets	59,996	42,917
Deferred Tax Liabilities	(281,547)	(149,056)
Deferred Tax Liabilities Net as at 31 March	(221,551)	(106,139)
Reconciliation of Deferred Tax Liabilities		
Balance as at 01 April	(106,139)	(85,948)
Tax Expense Recognised in Profit & Loss	(7,282)	(21,352)
Tax Income/(Expense) Recognised in Other Comprehensive Income	(108,130)	1,161
Balance as at 31 March	(221,551)	(106,139)

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

Notes to the Financial Statements

10.2 The following reflects the income and share data used in the Basic & Diluted Earnings Per Share computation.

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Amounts Used as Numerator:				
Net Profit Attributable to the Equity Holders of the Company	364,359	753,496	342,281	663,169
Numbers of Ordinary Shares Used as Denominator:				
Year ended 31 March 2018	Group		Company	
	2018 Number	2017 Number	2018 Number	2017 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	1.22	2.52	1.14	2.22

11. DIVIDENDS PAID AND PROPOSED

Year ended 31 March 2018	Company	
	2018 Rs. 000	2017 Rs. 000
Declared and paid during the year:		
Dividends on Ordinary Shares:		
2nd Interim Dividend for 2016/2017 -Rs.0.50/- per Share (Final Dividend for 2015/2016 -Rs.0.45/- per Share)	149,651	134,686
Interim Dividend for 2017/18 - Rs.0.55/- per Share (Interim Dividend for 2016/2017 - Rs. 1.00/- per Share)	164,617	299,303
	314,268	433,989
Number of Shares	299,302,840	299,302,840
Dividend per Share	1.05	1.45

All dividend proposed and declared before the financial statements were authorised for issue have been recognised as a distribution to owners.

12. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 March 2018	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	Tool and Equipment Rs. 000	Total Rs. 000
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12.1 Group

Cost or Valuation

As at 1 April 2017	944,600	483,015	119,924	912,513	63,728	47,336	27,108	24,346	2,622,573
Additions	-	155	1,155,682	263,274	17,000	5,446	34,845	9,319	1,485,720
Revaluation	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(8,879)	-	(33)	(21)	(8,933)
Transfer	-	-	(3,441)	3,441	-	-	-	-	-
As at 31 March 2018	944,600	483,170	1,272,165	1,179,228	71,850	52,782	61,920	33,644	4,099,360

Depreciation and Impairment

As at April 2017	-	123,592	-	492,879	42,828	25,074	12,497	9,883	706,753
Charge for the Year	-	25,153	-	65,980	9,842	5,284	3,376	2,969	112,604
Disposals	-	-	-	-	(8,879)	-	(30)	(21)	(8,930)
At 31 March 2018	-	148,745	-	558,859	43,791	30,358	15,842	12,831	810,427

Net Book Value

As at 31 March 2018	944,600	334,425	1,272,165	620,368	28,059	22,424	46,077	20,813	3,288,933
As at 31 March 2017	944,600	359,423	119,924	419,633	20,901	22,262	14,611	14,464	1,915,818

12.2 Company

Cost or Valuation

As at 1 April 2017	863,600	394,475	119,924	792,428	57,095	47,183	26,558	21,667	2,322,931
Additions	-	155	1,155,682	263,538	17,000	5,441	34,832	6,514	1,483,162
Revaluation Surplus	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(2,679)	-	(33)	(21)	(2,733)
Transfer	-	-	(3,441)	3,441	-	-	-	-	-
As at 31 March 2018	863,600	394,630	1,272,165	1,059,407	71,416	52,624	61,357	28,160	3,803,360

Depreciation and Impairment

As at 1 April 2017	-	96,228	-	438,660	36,477	24,963	12,289	9,598	618,216
Charge for the Year	-	20,625	-	56,517	9,780	5,264	3,312	2,491	97,989
Disposals	-	-	-	-	(2,679)	-	(30)	(21)	(2,730)
As at 31 March 2018	-	116,853	-	495,177	43,578	30,227	15,571	12,068	713,475

Net Book Value

As at 31 March 2018	863,600	277,776	1,272,165	564,230	27,838	22,397	45,787	16,092	3,089,885
As at 31 March 2017	863,600	298,247	119,924	353,768	20,618	22,220	14,269	12,069	1,704,715

Notes to the Financial Statements

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs.1,479 mn. (2017- Rs.644 mn) for cash.

During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.1,474 mn (2017- Rs.656 mn) for cash.

The gross carrying amount of fully depreciated property, plant and equipment that are still in use as at 31 March 2018 was Rs.101 mn (2017 -Rs.79 mn).

The net carrying amount of temporarily idle property, plant and equipment as at 31 March 2018 was Rs.3.8 mn (2017 -Rs.6 mn).

During the financial year, the Group and Company have capitalized borrowing costs amounting to Rs 42.8 mn (2017 - Rs 1.9 Mn) from the loan obtained for capacity expand project at Ekala. The rate used to determine the amount of borrowing costs eligible for capitalisation was 11.6% which is the EIR of the specific borrowing.

Construction in progress as at 31 March 2018 includes an amount of Rs. 1,126,946,396 (2017- Rs. 7,924,759) relating to the expenditure for plant at Ekala which is under construction.

12.3 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 Rs. 000	Cumulative Depreciation if Assets were Carried at Cost Rs. 000	Net Carrying Amount 2018 Rs. 000	Net Carrying Amount 2017 Rs. 000
Group				
Freehold Land	56,682	-	56,682	56,682
Building	273,565	(117,880)	155,685	169,201
	330,247	(117,880)	212,367	225,883
Company				
Freehold land	54,572	-	54,572	54,572
Building	191,471	(87,858)	103,613	113,024
	246,043	(87,858)	158,185	167,596

12.4 Value of Real Estate

Ownership	Location	Extent (Acres)	No of buildings in each location	Buildings Sq.ft	Market Value of Land Rs. 000
Alumex PLC	Makola	6.07	10	104,647	388,560
Alumex PLC	Gonawala	1.82	3	60,694	58,000
Alumex PLC	Ekala	6.30	5	91,442	417,040
Alco Industries (Pvt) Ltd	Makola	1.13	2	34,638	81,000

12.5 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

	Development Cost Rs. 000	Group / Company Software Development Rs. 000	Patents and licenses Rs. 000	Total Rs. 000
Cost				
As at 1 April 2017	25,986	13,451	14,327	53,764
Additions	-	2,070	5,820	7,890
As at 31 March 2018	25,986	15,521	20,147	61,654
Amortisation				
As at 1 April 2017	2,010	-	9,632	11,642
Amortisation Charge for the Year	1,610	-	1,976	3,586
As at 31 March 2018	3,620	-	11,608	15,228
Net Book Value				
As at 31 March 2018	22,366	15,521	8,539	46,426
As at 31 March 2017	23,976	13,451	4,695	42,121

13.1 Intangible asset consist of patent and licence of ERP software (Microsoft Navision) purchased during 2009 and amortise 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 manufacturing modules of ERP Software (Microsoft Navision).

Notes to the Financial Statements

14. INVESTMENTS IN SUBSIDIARIES

Year ended 31 March 2018	Holding		Company	
	2018 %	2017 %	2018 Rs. 000	2017 Rs. 000
Alco Industries (Pvt) Ltd	100%	100%	30,000	30,000
			30,000	30,000

14.1 Avro Enterprises (Pvt) Ltd

	2018 Rs. 000	2017 Rs. 000
Balance as at 01 April	-	3,265
Impairment		
Disposal due to Amalgamation	-	(3,265)
Balance as at 31 March	-	-

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

15.1 Financial Asset

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Fixed deposit	-	1,233	-	1,233
Total Financial Asset	-	1,233	-	1,233
Total Current Asset	-	1,233	-	1,233
Total Non Current Asset	-	-	-	-

Loans and receivables are non-derivative financial assets carried at amortised cost which generate a fixed or variable interest income for the Group.

15.2 Financial Liabilities

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Current Portion of Long Term Interest Bearing Borrowings				
Long Term Loans	380,000	-	380,000	-
Short-Term Interest Bearing Borrowings				
Short Term Loans	1,149,753	30,882	1,056,392	-
Bank Overdraft	20,236	16,821	4,975	16,821
Total Short-Term Interest Bearing Borrowings	1,169,989	47,703	1,061,367	16,821
Non Current Interest Bearing Loans and Borrowings				
Loan Term Loans	1,133,750	512,000	1,133,750	512,000
Total Non Current Interest Bearing Loans and Borrowings	1,133,750	512,000	1,133,750	512,000

15.2.1 Long-Term Borrowings

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
As at 01 April	512,000	3,084	512,000	3,084
New Loans Obtained	1,008,000	512,000	1,008,000	512,000
Repayments	(6,250)	(3,084)	(6,250)	(3,084)
As at 31 March	1,513,750	512,000	1,513,750	512,000
Transfer to Current Liability (Repayable Within One Year)	(380,000)	-	(380,000)	-
Repayable After One Year	1,133,750	512,000	1,133,750	512,000

15.2.4 Analysis of Long-Term Borrowings by year of Repayment

Long-Term Loans Repayable Between 1 and 2 Years from Year-end	380,000	-	380,000	-
Long-Term Loans Repayable Between 2 and 5 Years from Year-end	1,133,750	512,000	1,133,750	512,000
Long-Term Loans Repayable later than 5 Years from Year-end	-	-	-	-
	1,513,750	512,000	1,513,750	512,000

Term loans were obtained from Standard Chartered Bank and People's Bank for a period of 5 years and 4 years respectively at a variable rate of interest and no securities are pledged in respect of such loans.

Notes to the Financial Statements

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

15.2 Financial Liabilities (Contd.)

15.2.2 Short-Term Borrowings

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
As at 01 April	30,882	-	-	-
New Loans Obtained	2,754,393	580,882	2,320,228	550,000
Repayments	(1,635,522)	(550,000)	(1,263,836)	(550,000)
As at 31 March	1,149,753	30,882	1,056,392	-

15.2.3 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."

Group Year ended 31 March 2018	Carrying Amount		Fair value	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Financial Assets				
Trade and Other Receivables	988,847	864,221	988,847	864,221
Fixed Deposits	-	1,233	-	1,233
Total	988,847	865,454	988,847	865,454
Financial Liabilities				
Trade and Other Payables	1,095,402	1,106,676	1,095,402	1,106,676
Loans and Borrowings- Current	1,549,989	47,703	1,549,989	47,703
Loans and Borrowings- Non Current	1,133,750	512,000	1,133,750	512,000
Total	3,779,141	1,666,379	3,779,141	1,666,379

Company Year ended 31 March 2018	Carrying Amount		Fair value	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Financial Assets				
Trade and Other Receivables	817,983	715,534	817,983	715,534
Fixed Deposits	-	1,233	-	1,233
Total	817,983	716,767	817,983	716,767
Financial Liabilities				
Trade and Other Payables	1,101,508	1,107,504	1,101,508	1,107,504
Loans and Borrowings- Current	1,441,367	16,821	1,441,367	16,821
Loans and Borrowings- Non Current	1,133,750	512,000	1,133,750	512,000
Total	3,676,625	1,636,325	3,676,625	1,636,325

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

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Raw Material	1,046,386	622,442	847,325	497,603
Work In Progress	108,780	70,223	100,180	56,242
Finished Goods	480,418	314,529	363,043	259,593
Other Materials	64,229	49,895	49,779	41,281
Goods In Transit	87,664	91,990	83,551	53,200
	1,787,477	1,149,079	1,443,879	907,919

The provision/ (reversal) of the Group for obsolete inventory was amounting Rs. 39.4 mn (2017 - Rs. 4.8 mn -reversal) which was recognised in Cost of Sales.

16.1 Movement in the Provision for Obsolete Inventory

As at 1 April

Provision Made During the Year	52,573	57,379	39,084	37,017
Provision Made During the Year	53,134	10,015	40,349	9,505
Provision Reversed During the Year	(13,739)	(14,821)	(5,576)	(7,439)
As at 31 March	91,968	52,573	73,857	39,083

Notes to the Financial Statements

17. TRADE AND OTHER RECEIVABLES

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Trade Receivables	753,544	827,184	641,955	689,040
Less: Provision for Doubtful Debts	(17,272)	(7,047)	(14,993)	(6,461)
	736,272	820,137	626,962	682,579
Amounts Due from Related Parties (Note 17.1)	77,245	2,704	18,221	2,630
Other Receivables	175,330	41,380	172,800	30,325
	988,847	864,221	817,983	715,534

17.1 Amounts Due from Related Parties

Dipped Products PLC	-	904	-	904
Logiventures Ltd	555	1,064	555	1,064
Alufab PLC	17,666	736	17,666	662
Energynet (Pvt) Ltd	59,024	-	-	-
	77,245	2,704	18,221	2,630

Trade receivables are non- interest bearing and are generally on 30-90 days terms.

17.2 Movement in the Provision for Doubtful Debts.

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
As at 1 April	7,046	16,349	6,462	11,366
Provision Made During the Year	35,358	19,350	29,250	18,777
Write-off Against the Provision	(284)	(890)	(73)	(378)
Provision Reversed During the Year	(24,848)	(27,762)	(20,646)	(23,304)
As at 31 March	17,272	7,047	14,993	6,461

17.3 As at 31 March, the ageing analysis of trade receivables is as follows:

Group	Neither Past Due nor Impaired	Past Due but not Impaired				Total (Gross)	Provision for Doubtful Debts	Total (Net)
		< 60 days	61-120 days	121-180 days	> 180 days			
2018	437,836	192,741	78,382	17,206	27,379	753,544	(17,272)	736,272
2017	591,681	192,745	25,020	8,913	8,825	827,184	(7,047)	820,137

Company	Neither Past Due nor Impaired	Past Due but not Impaired				Total (Gross)	Provision for Doubtful Debts	Total (Net)
		< 60 days	61-120 days	121-180 days	> 180 days			
2018	374,849	158,038	67,881	15,424	25,763	641,955	(14,993)	626,962
2017	480,190	168,832	22,876	8,731	8,411	689,040	(6,461)	682,579

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

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Advances	41,568	101,852	41,568	101,632
Receivables from Related Parties (Note 18.1)	3,602	18,000	3,602	18,000
Prepayments	15,318	6,162	12,919	5,195
	60,488	126,014	58,090	124,827

18.1 Receivables from Related Parties

Hayleys Aventura (Pvt) Ltd	3,567	18,000	3,567	18,000
Hayleys Electronics Lighting (Private) Ltd.	35	-	35	-
	3,602	18,000	3,602	18,000

Notes to the Financial Statements

19. CASH AND SHORT TERM DEPOSITS

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Cash at Banks and on Hand	203,736	154,746	200,609	152,025
Short-Term Deposits	12,630	10,586	6,428	2,749
	216,366	165,332	207,038	154,774

For the purpose of statement of cash flows, cash and cash equivalents comprise the followings.

Cash at Banks and on Hand	203,736	154,746	200,609	152,025
Short-Term Deposits	12,630	10,586	6,428	2,749
Short Term Interest Bearing Borrowing	(1,169,989)	(47,703)	(1,061,367)	(16,821)
Cash and Cash Equivalents for the Purpose of Cash Flow Statement	(953,623)	117,629	(854,330)	137,953

20. STATED CAPITAL

Year ended 31 March 2018	Company			
	2018 Number	2018 Rs. 000	2017 Number	2017 Rs. 000
Ordinary Shares	299,302,840	283,735	299,302,840	283,735
All authorised ordinary shares are issued and fully paid				

21. RESERVES

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Revaluation Reserve (Note 21.1)	437,425	552,267	412,212	526,750
Capital Reserve (Note 21.2)	228,056	228,056	228,056	228,056
	665,481	780,323	640,268	754,806

21.1 Revaluation Reserve

Year ended 31 March 2018	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
As at 1 April	552,267	456,447	526,750	445,422
Revaluation Surplus During the Year	-	101,105	-	86,613
Income Tax effect on Revaluation Surplus	(109,557)	-	(109,557)	-
Excess Depreciation Transfer on Revaluation Surplus	(5,285)	(5,285)	(5,285)	(5,285)
As at 31 March	437,425	552,267	412,212	526,750

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.

Group	Revaluation Reserve Rs. 000	Retained Earnings Rs. 000	Total Rs. 000
As at 31 March 2018			
Remeasurement of Defined Benefit Plan	-	(3,836)	(3,836)
	-	(3,836)	(3,836)
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
Company	Revaluation Reserve Rs. 000	Retained Earnings Rs. 000	Total Rs. 000
As at 31 March 2018			
Remeasurement of Defined benefit Plan	-	(3,369)	(3,369)
	-	(3,369)	(3,369)
Remeasurement of Defined benefit Plan	-	(2,720)	(2,720)
Revaluation of Land	86,613	-	86,613
	86,613	(2,720)	83,893

Notes to the Financial Statements

22. PROVISIONS

Maintenance Warranty	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
As at 01 April	9,355	6,954	7,715	5,704
Provisions During the Year	-	2,401	2,011	-
Unused Amounts Reversed	(3,104)	-	(2,563)	-
As at 31 March	6,251	9,355	5,152	7,715

Maintenance warranty provision is recognised for expected warranty claims on Wood Finished product 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:

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
As at 1 April	91,248	79,522	82,638	72,180
Interest Cost	10,767	8,499	9,675	7,754
Current Service Cost	7,982	3,270	7,167	2,966
Benefit Paid	(7,032)	(4,338)	(7,032)	(3,217)
Actuarial (Gain) / Loss	5,263	4,295	4,679	3,777
Due to Employee Transfers	-	-	(482)	(822)
As at 31 March	108,229	91,248	96,644	82,638

23.1 Expense Recognised during the year in Income Statement

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Interest Cost	10,767	8,499	9,675	7,754
Current Service Cost	7,982	3,270	7,167	2,966
	18,749	11,769	16,841	10,720
Actuarial (gains)/losses recognised in Other Comprehensive Income	5,263	4,295	4,679	3,777

Messrs. Actuarial and Management consultant (Pvt) Ltd , carried out an actuarial valuation of the defined benefit plan gratuity on 31 March 2018. The principal financial assumptions underling the valuation are as follows.;

23.2 The key assumptions used in determining the cost of employee benefits were:

Discount rate	11% (2016 - 12%)
Rate of Salary Increase	10% (2016 - 11%)
Retirement Age	55-60 Years as specified by the Company (2016 - 55-60 Years)
Staff Turnover	12.5%
Mortality	Based on A1967/70 Mortality Table (Institute of Actuaries , London)

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)
10%	10%	115,251	(7,023)	10%	10%	102,915	(6,271)
10%	12%	101,892	6,337	10%	12%	90,981	5,663
9%	11%	101,357	6,872	9%	11%	90,500	6,144
11%	11%	115,728	(7,499)	11%	11%	103,346	(6,701)

23.4 Average future working life time as per the assumptions made is 6.8 years as of 31 March 2018.

23.5 Maturity Profile of the Defined Benefit Obligation as at 31 March 2018.

Expected Future Working Life	Defined Benefit Obligation			
	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Within the Next Twelve Months	10,776	8,216	9,301	7,723
Between One to Five Years	43,955	28,461	39,323	25,321
Between Five to Ten Years	34,741	23,277	32,016	21,930
More than Ten Years	18,757	31,295	16,005	27,664
	108,229	91,249	96,644	82,638

24. TRADE AND OTHER PAYABLES

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Trade Payables	620,957	720,490	570,855	536,965
Payable to Subsidiaries (Note 24.2)	-	-	103,144	210,959
Amounts Due to Related Parties (Note 24.1)	55,903	9,787	55,584	9,756
Other Payables	241,812	166,192	217,379	205,736
Accruals and Sundry Creditors	176,730	210,207	154,546	144,088
	1,095,402	1,106,676	1,101,508	1,107,504

Notes to the Financial Statements

24. TRADE AND OTHER PAYABLES (CONTD.)

24.1 Amounts Due to Related Parties

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Hayleys PLC	16,088	4,200	15,872	4,200
Advantis Freight (Private) Ltd	306	-	304	-
Hayleys Business Solutions International (Pvt) Ltd	359	147	258	116
Logiwise Limited	416	14	416	14
MIT Cargo (Pvt) Ltd	7,595	-	7,595	-
Fentons Limited	19,873	-	19,873	-
Hayleys Aventura (Pvt) Ltd	3,991	143	3,991	143
Hayleys Travels (Pvt) Ltd	26	-	26	-
Hayleys Consumer Products Ltd	4	-	4	-
Mountain Hawk Expresses (Pvt) Ltd	108	-	108	-
Hayleys Agriculture Holdings Limited	44	-	44	-
Puritas (Private) Limited	6,750	-	6,750	-
Logiventures (Pvt) Ltd	55	-	55	-
Mabroc Teas (Pvt) Ltd	292	-	292	-
Hayleys Leisure Holdings (Pvt) Ltd	5,279	-	5,279	-
	55,903	9,787	55,584	9,756

24.2 Payable to subsidiaries

Alco Industries (Pvt) Ltd	-	-	103,144	210,959
Group / Company	-	-	103,144	210,959

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.

25. COMMITMENTS AND CONTINGENCIES

25.1 Capital Expenditure Commitments

The "Group" has following major capital commitments as at 31 March 2018.

Company	Nature of transaction	Capital Commitment Rs. 000
Alumex PLC	Construction of Buildings at Ekala	135,140
Alumex PLC	Purchase and Installation of Electrical Distribution system at Ekala	37,019
Alumex PLC	Construction of Buildings at Maguruwila	28,210
Alumex PLC	Purchase and Installation Fire System at Ekala	16,000
Alumex PLC	Purchase and Installation LP gas station at Ekala	11,646
Alumex PLC	Purchase and Installation Plumbing System at Ekala	9,674
Alumex PLC	Purchase and Installation Weighbridge System at Maguruwila	4,365
Alumex PLC	Construction of Plywood Mezzanine floor at Maguruwila	3,672
Alumex PLC	Purchase Lab Items	3,217
Alumex PLC	Construction work at Electrical substation at Ekala	2,617
Alumex PLC	Construction work of Generator Room at Ekala	1,621
Alumex PLC	Construction of Raw water treatment Plant at Sapugaskanda	1,495
Alumex PLC	Set up data and voice communication at Maguruwila	1,261
		255,937

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 2018, there are no penalties imposed by any regulatory or state authority against the Company.

The contingent liabilities as at 31 March 2018 on guarantees given by the Group to third parties amounted to Rs.3.82 mn (2017 - Rs.0.04 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 11 years before, for a value of Rs. 2 mn and it is still being discussed with the 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 2018.

Notes to the Financial Statements

26. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no events that has occurred as at 31 March 2018 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	
		2018	2017
Alco Industries (Pvt) Ltd	Sri Lanka	100	100
Avro Enterprises (Pvt) Ltd	Sri Lanka	-	100
Alumex Systems (Pvt) Ltd	Sri Lanka	-	100

The following table provides the total amount of transactions that the Company has entered into with related parties for the relevant financial year (for information regarding outstanding balances at 31 March 2018, 31 March 2017, refer to Notes 18 and 24):

* Purchases from Alco Industries (Pvt) Ltd. during the year includes interest paid amounting to Rs. 11 mn. (2017- Rs. 18 mn)

		Sales to Related Parties Rs. 000	Purchases from Related Parties Rs. 000	Net Funds Transfer from / (to) Related Parties Rs. 000	Amounts Due from Related Parties Rs. 000	Amounts Due to Related Parties Rs. 000
Parent :						
Hayleys PLC	2018	-	58,594	-	-	15,872
	2017	-	40,252	-	-	4,200
Subsidiaries :						
* Alco Industries (Pvt) Ltd	2018	343,377	366,112	130,550	-	103,144
	2017	248,317	226,673	156,579	-	210,959
Alumex Systems (Pvt) Ltd	2018	-	-	-	-	-
(Amalgamated with Alumex PLC 31-03-17)	2017	-	-	1,264	-	-
Entities with significant influence over the Group						
Hayleys Business Solutions						
International (Pvt) Ltd	2018	-	1,482	-	-	258
	2017	-	1,183	-	-	116
Hayleys Consumer Products Ltd						
	2018	-	7	-	-	-
	2017	-	29	-	-	4
Hayleys Travels (Pvt) Ltd						
	2018	-	4,719	-	-	26
	2017	-	2,412	-	-	-
Hayleys Electronics Lighting (Pvt) Ltd						
	2018	-	1,050	-	-	-
	2017	-	215	-	-	-
The Kingsbury PLC						
	2018	-	869	-	-	-
	2017	-	2,679	-	-	-
Puritas (Pvt) Ltd						
	2018	-	-	-	-	6,750
	2017	-	28	-	-	-
Advantis Projects Engineering (Pvt) Ltd						
(Formerly known as Logiventures (Pvt) Ltd)	2018	4,391	1,239	-	499	-
	2017	3,849	-	-	1,064	-
Advantis Freight (Pvt) Ltd						
	2018	-	4,861	-	-	304
	2017	-	148	-	-	-
Sampath Bank PLC						
	2018	-	5,839	-	-	-
	2017	-	1,137	-	-	-

Notes to the Financial Statements

27. RELATED PARTY DISCLOSURES (CONTD.)

		Sales to Related Parties Rs. 000	Purchases from Related Parties Rs. 000	Net Funds Transfer from / (to) Related Parties Rs. 000	Amounts Due from Related Parties Rs. 000	Amounts Due to Related Parties Rs. 000
Alufab PLC	2018	48,428	6,278	-	17,666	-
	2017	18,235	626	-	662	-
Logiwiz Limited	2018	-	609	-	-	416
	2017	-	143	-	-	14
COSCO shipping lines Lanka (Pvt) Ltd	2018	-	-	-	-	-
(Formerly known as COSCO Lanka (Pvt) Ltd)	2017	-	709	-	-	-
MIT Cargo (Pvt) Ltd	2018	-	6,890	-	-	7,595
	2017	-	-	-	-	-
Hayleys Agriculture Holdings Ltd	2018	-	71	-	-	44
	2017	-	1,654	-	-	-
Mabroc Teas (Pvt) Ltd	2018	-	295	-	3,567	292
	2017	-	-	-	-	-
Hayleys Aventura (Pvt) Ltd	2018	-	148,374	-	-	3,991
	2017	-	14,294	(18,000)	18,000	143
Mountain Hawk Express (Pvt) Ltd	2018	-	560	-	-	108
	2017	-	699	-	-	-
D P L Universal Gloves Limited	2018	-	-	-	-	-
	2017	-	1,077	-	-	-
* Hayleys Fibre PLC	2018	-	-	-	-	-
	2017	5,000	420,000	-	-	-
Fentons Ltd	2018	-	41,911	-	-	19,873
	2017	-	-	-	-	-
Hayleys Aviation and Projects (Pvt) Ltd	2018	-	9,689	-	-	-
(Formerly known as Hayleys Leisure Holdings (Pvt) Ltd	2017	-	5,279	-	-	5,279
Dipped Products PLC	2018	-	-	-	-	-
	2017	904	-	904	-	-

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	Relationship	Value of the Related Party Transaction Entered into During the Financial Year 2017 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	1. Subsidiary of the parent Company, Hayleys PLC. 2. Common Directors Directors of Alumex PLC and Hayleys Fibre PLC Messrs. A M Pandithage, S C Ganegoda Directors of Alumex PLC and Hayleys PLC (Parent Company) Messrs. A M Pandithage, S C Ganegoda, Dr. H Cabral.	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 ultimate parent

The ultimate parent of the Group is Hayleys PLC

Entities with significant influence over the Company

Hayleys Business Solutions International (Pvt) Ltd, Haycarb PLC, The Kingsbury PLC, Hayleys Travels (Pvt) Ltd, Advantis Project Engineering (Pvt) Ltd, Puritas (Pvt) Ltd, Hayleys Electronics Lighting (Pvt) Ltd, Hayleys Aventura (Pvt) Ltd, Advantis 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 Shipping Lines Lanka (Pvt) Ltd, MIT Cargo (Pvt) Ltd, Mountain Hawk Express (Pvt) Ltd, D P L Universal Gloves Limited, Hayleys Aviation and Project (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.

Notes to the Financial Statements

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 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2017 - 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.

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 recognised 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. 989 mn (2017- Rs. 864 mn) which is disclosed in Note 17. 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. 216 mn and Rs.207 mn respectively as at 31 March 2018 (2017-Rs.165mn and Rs.154 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)
- ↑ Deutsche Bank -A+
- ↑ Standard Chartered Bank- AAA(Ika)
- ↑ People's Bank AA+(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.

The 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 Director. 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 Director.

The table below summarises the maturity profile of the Group/ Company financial liabilities based on contractual undiscounted payments.

Year ended 31 March 2018	On Demand RS. 000	Less than 3 Months RS. 000	3 to 12 Months RS. 000	1 to 5 years RS. 000	>5 years RS. 000	Total RS. 000
Group						
Interest-Bearing Loans and Borrowings	-	1,264,989	285,000	1,133,750	-	2,683,739
Other Liabilities	6,251	-	-	-	-	6,251
Trade and Other Payables	328,018	438,816	328,568	-	-	1,095,402
	334,269	1,703,805	613,568	1,133,750	-	3,785,392
Company						
Interest-Bearing Loans and Borrowings	-	1,156,367	285,000	1,133,750	-	2,575,117
Other Liabilities	5,152	-	-	-	-	5,152
Trade and Other Payables	323,677	359,938	417,894	-	-	1,101,508
	328,829	1,516,305	702,894	1,133,750	-	3,681,778

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 authorisation 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 11.78 % percent 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	
		2018 Group Rs. 000	2018 Company Rs. 000
Only Using	.+ 1%	(10,013)	(10,013)
Long term Loans and Borrowings	. - 1 %	10,013	10,013

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 demonstrates 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 change in exchange rate is as follows.

Year ended 31 March 2018	2018	
	Group Rs.'000	Company Rs.'000
Liability - Creditor	616,024	566,849
Assets - Deposit in \$	(17,252)	(17,252)
Net Position	598,772	549,597
If Rupee Depreciated by 5%	628,711	577,077
Impact to the PBT	(29,939)	(27,480)
If Rupee Appreciated by 5%	568,834	522,118
Impact to the PBT	29,939	27,480

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.

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	
		2018 Group Rs. 000	2018 Company Rs. 000
Raw Aluminium	+5%	(84,507)	(68,011)
	-5%	84,507	68,011

Notes to the Financial Statements

28. FINANCIAL MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

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;

Year ended 31 March 2018	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Interest Bearing Loans and Borrowings	2,683,739	559,703	2,575,117	528,821
	2,683,739	559,703	2,575,117	528,821
Equity	2,252,631	2,315,934	1,712,265	1,796,874
Equity and Net Debts	4,936,370	2,875,637	4,287,382	2,325,695
Gearing Ratio	54.37%	19.46%	60.06%	22.74%

29. SEGMENT REPORTING

A segment is a distinguishable component engaged in selling of goods services and that is subject to risks and returns that are different to those of other segments. The Group does not have materially distinguishable components which exceeds quantative threshold under an operating segment or meet the reporatable critaria to be identified as a segment as all operations are treated as one segment.

Investor Information

ALUMEX PLC ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2018

No. of Shares Held	No. of Shareholders	Residents		Non Residents			No. of Shareholders	Total	
		No. of Shares	%	No. of Shareholders	No. of Shares	%		No. of Shares	%
1 -1,000	1,118	431,255	0.1441	5	2,730	0.0009	1,123	433,985	0.1450
1,001-10,000	690	2,860,785	0.9558	5	23,700	0.0079	695	2,884,485	0.9637
10,001-100,000	300	9,816,975	3.2799	11	599,417	0.2003	311	10,416,392	3.4802
100,001-1,000,000	62	23,628,729	7.8946	4	699,940	0.2339	66	24,328,669	8.1284
OVER 1,000,000	11	261,239,309	87.2826				11	261,239,309	87.2826
	2,181	297,977,053	99.5570	25	1,325,787	0.4430	2,206	299,302,840	100.0000
Category									
Individuals	2,054	36,769,926	12.2852	23	1,075,787	0.3594	2,077	37,845,713	12.6446
Institutions	127	261,207,127	87.2719	2	250,000	0.0835	129	261,457,127	87.3554
	2,181	297,977,053	99.5570	25	1,325,787	0.4430	2,206	299,302,840	100.0000

DIRECTORS SHAREHOLDING AS AT 31.03.18

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 31.03.2018

from 01/01/2018 to 31/03/2018

Highest Price	Rs.19.00
Lowest Price	Rs. 16.60
Closing Price	Rs.16.90

SHARE TRADING INFORMATION -TWELVE MONTHS ENDED 31.03.2018

from 01/04/2017 to 31/03/2018

Highest Price	Rs.25.50
Lowest Price	Rs. 16.60
Closing Price	Rs.16.90

No. of Transactions	6,134
No. of shares traded	30,184,837
Value of shares traded	Rs. 641,830,449.00

PERCENTAGE OF PUBLIC HOLDING AS AT 31.03.2018	15.67%
Total number of shareholders representing the public holding	2,197
Flot-adjusted market capitalisation	Rs.792,622,760/-

The Company complies with option 2 of the Listing Rules 7.13.1 (b) – Less than Rs.1 Bn Float Adjusted Market Capitalisation which requires 10% minimum Public Holding.

Investor Information

DIVIDEND

Interim Dividend 2017/18 - Cents 55 per share paid on 29th March, 2018

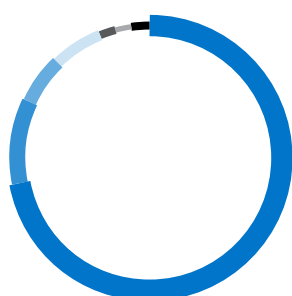
Second Interim Dividend 2016/17 - Cents 50 per share paid on 6th June, 2017.

FIRST TWENTY SHAREHOLDERS AS AT 31.03.2018

Name of the Shareholder	No.of Shares as at 31.03.2018	%	No.of Shares as at 31.03.2017	%
1. Hayleys PLC	157,413,032	52.59	154,144,500	51.50
2. Akbar Brothers (Pvt) Ltd A/C No.1	40,417,782	13.50	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. Sampath Bank PLC/Dr.T.Senthilvel	2,456,478	0.82	250,000	0.08
Dr.T.Senthilvel	1,286,356	0.43	-	-
7. Mr.A.G.S.Swaminathan	1,510,000	0.50	1,000,000	0.33
8. People's Bank	1,498,732	0.50	537,500	0.18
9. Ceylon Investment PLC A/C No.1	1,352,489	0.45	2,260,000	0.76
10. Mr.T.H.D.I.U.Thrimanne	1,081,040	0.36	1,081,040	0.36
11. Asia Securities (Pvt) Ltd (Trading Account)	1,000,000	0.33	-	-
Insite Holdings (Pvt) Ltd	1,000,000	0.33	1,000,000	0.33
Mr.K.D.H.Perera	1,000,000	0.33	1,000,000	0.33
12. Hatton National Bank PLC A/C No.4 (HNB Retirement Pension Fund)	864,030	0.29	900,000	0.30
13. Arunodhaya (Private) Limited	850,000	0.28	1,000,000	0.33
Arunodhaya Industries (Private) Limited	850,000	0.28	1,000,000	0.33
Arunodhaya Investments (Private) Limited	850,000	0.28	1,000,000	0.33
14. People's Leasing & Finance PLC/Hi Line Trading (Pvt) Ltd	784,052	0.26	690,750	0.23
15. 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
16. The Ceylon Chamber of Commerce Account No.02	630,000	0.21	1,150,000	0.38
17. Mr.K.N.J.Balendra	622,365	0.21	-	-
18. Mr.K.Balendra & Mrs.S.Balendra	603,683	0.20	-	-
19. Guardian Fund Management Limited/ The Aitken Spence & Associate Companies Executive Staff Provident Fund	600,000	0.20	600,000	0.20
20. Deutsche Bank AG-National Equity Fund	525,845	0.18	-	-
Total	273,561,884	91.36	264,197,572	88.26

Statement of Value Added

Economic Value Generated	2017/18		2016/17	
	Rs. Mn	Share	Rs. Mn	Share
Gross Revenue	5,306		5,411	
Value added	5,306		5,411	
Economic Value Distributed				
Cost of materials and services bought in	3,814	72%	3,277	61%
Remuneration and benefits	556	10%	553	10%
Taxes to Government	309	6%	659	12%
Dividends to Shareholders	314	6%	434	8%
Interest on Borrowings	131	2%	34	1%
Community investment	8	0%	11	0%
Economic Value Retained				
Retained profit	57	2%	341	6%
Depreciation	116	2%	101	2%
	5,306	100%	5,411	100%



- Cost of materials and services bought in - 72%
- Remuneration and benefits - 10%
- Taxes to Government - 6%
- Dividends to Shareholders - 6%
- Interest on Borrowings - 2%
- Community investment - 0%
- Retained profit - 2%
- Depreciation - 2%

Economic Value Distributed

Five Year Summary

	2018	2017	2016	2015	2014
Turnover	4,422,462	4,634,761	3,915,668	3,241,483	2,749,348
Profit before Tax	514,727	1,016,400	801,260	612,800	464,067
Taxation	(150,368)	(262,904)	(212,137)	(135,805)	(85,113)
Profit after Tax	364,359	753,496	589,123	476,995	378,954
Non-Controlling Interest				-	-
Profit Attributable to the Group	364,359	753,496	589,123	476,995	378,954
Funds Employed					
Stated Capital	283,735	283,735	283,735	283,735	283,735
Reserves	665,481	780,323	684,503	738,284	685,355
Retained Earnings	1,303,415	1,251,876	930,218	667,586	477,325
Assets Employed					
Non-Current Assets	3,335,359	1,957,941	1,332,559	1,290,118	965,371
Current Assets	3,067,144	2,305,879	1,547,307	1,350,736	1,209,784
Current Liability Net of Borrowings	1,136,353	1,190,794	813,753	770,632	536,719
Capital Employed	3,766,381	2,827,935	1,901,540	1,707,279	1,499,130
Cash Flow					
Net Cash Inflow/Outflow from					
Operating Activities	(300,316)	523,680	494,194	482,226	300,995
Net Cash Inflow/Outflow from					
Investing Activities	(1,458,419)	(619,429)	(126,623)	(324,065)	(70,910)
Net Cash Inflow/Outflow from					
Financing Activities	687,482	74,927	(439,601)	(208,637)	(27,541)
Net Increase/Decrease in Cash and					
Cash Equivalents	(1,071,252)	(20,821)	(72,030)	(50,476)	202,545
Key Indicators					
Current Ratio	1.14	1.85	1.90	1.72	2.12
Gearing Ratio	0.67	0.22	0.16	1.03	3.5
Asset Turnover Ratio	0.69	1.08	1.36	1.23	1.26
Earnings per Share	1.22	2.52	1.97	1.59	1.34
Dividends per Share	1.05	1.45	1.00	1	0.53
Net assets per Share	7.53	7.74	6.34	5.65	4.83
Return on Average Shareholders' Funds	0.16	0.36	0.33	0.3	0.31
Return on Capital Employed	0.20	0.44	0.45	0.38	0.32
Price Earnings Ratio	13.88	7.55	7.82	9.91	10.59
Interest Cover	5	166	948	220	48
Dividend Payout Ratio	0.86	0.58	0.51	0.63	0.39

Independent Assurance Report



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INDEPENDENT ASSURANCE REPORT TO ALUMEX PLC ON THE SUSTAINABILITY REPORTING CRITERIA PRESENTED IN THE INTEGRATED ANNUAL REPORT- 2017/18

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 criteria presented in the annual report- 2017/18 ("the Report").

- ↑ Reasonable assurance on the information on financial performance as specified on page 193 of the Report.
- ↑ Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: '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 Standards 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable 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. Accordingly, we do not express an opinion providing reasonable assurance.

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, GRI Standards: 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 5 March 2018. 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 2018.
- ↑ Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: In accordance' - Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

Limitations and considerations
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;

- ↑ The information on financial performance as specified on page 193 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2018.
- ↑ 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 Sustainability Reporting Guideline, GRI Standards- 'In accordance' Core.

Ernst & Young
Chartered Accountants
10 May 2018
Colombo

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Disclosure 419-01	Non-compliance with laws and regulations in the social and economic area	Social and Relationship Capital – Community Development	Page 81

Distribution Channels

CENTRAL PROVINCE

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

N C N Aluminium

No.222/B, Nawalapitiya Road, Gampola
Tele: 0777573318

SABARAGAMUWA PROVINCE

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

Highlux Aluminium Enterprises

No:325 A, Circular Road,
Tele: 0312246977

UVA PROVINCE

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

Kandurata Hardware

No.26,27,Kandy Road Mahiyanganaya
Tele: 0552257473

Aluminium Gallery

No.345,Wellawaya Road,
Monaragala
Tele: 0702900702

Sahabdeens Hardware Stores

No.112,Main Street, Bandarawela
Tele: 0779532897

EASTERN PROVINCE

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

No. 84, Main Street, Akkaraipattu-15
Tele: 0770075240

Pubudu Trade Center

No. 64, D.S.Senanayake Street, Ampara
Tele:0632222278

Najath Glass Center

No.432/A, Main Street
Sainthamaruthu-15
Tele:0672229339

NORTHERN PROVINCE

Aranila Picture Palace

No. 05. Kanaka Puram Road, Kilinochchi
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

Mullaitheevu Road, Mulliyawalai,
Mullaitivu
Tele: 00772466405

Fine Aluminium Fabricators

No. 51/1, E.S. Fernando Mawatha,
Wellawatte, Colombo 06
Tele: 0112 363 423

Jazeemas

No. 306 K K S Road Jaffna
Tele: 021-2221544

A One Builders

No.106,Mill Road, Vavuniya
Tele: 0242227733

Reegans Hardware

No.102,St, Sebastian Street, Mannar
Tele: 0232251686

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

Nuwan Tyre House

Jayaladagama, Musapitiya, Tabuttagama
Tele: 0703450651

NORTH WESTERN

Alulux Aluminium Fabricators

No. 465, Temple Road, Mahawewa,
Chilaw
Tele: 0324 902 405

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, Kuliapitiya.
Tele: 0773839744

Kumbukulawa Glass Center

Kumbukulawa, Polpitigama
Tele: 0727737187

S.M.Glass House (Pvt) Ltd

Colombo Rd. Rathmalyaya, Puttalam
Tele: 032 2269202

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

WESTERN PROVINCE

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

Distribution Channels

R.C. Enterprises

No. 390, Colombo Road,
Galkanda Junction, Negombo
Tele: 0314 872 367

Aluminium Gallary

No. 623, Avissawella Road,
Mulleriyawa New Town
Tele: 0112 157 887

Variety Lanka (Pvt) Ltd.

No.544,Kaduwela Rd, Thalangama North
Tele: 0112 411 030

Alugrow Trading (Pvt) Ltd.

No.49,Udyana Road, Minuwangoda
Tele: 0112296560

Alugreat Engineering Services

No.13/2/F, Samurdi Mawatha, South
Siyambalape
Tele: 0714537662

SOUTHERN PROVINCE

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 organisation voluntarily or due to dismissal, retirement, or death in service.

ENERGY INDIRECT (SCOPE 2) GHG EMISSIONS

Emissions that result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by the organisation.

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.

Glossary of Terms

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 organisations of their own choosing without the need for a prior authorisation

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 organisation, the effective monitoring of management, and the accountability of management to the broader organisation 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 organisation 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 organisation 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 organisation.

STAKEHOLDERS

Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the organisation's activities, products, and services. Stakeholders can include those who are invested in the organisation.

TOTAL WATER WITHDRAWAL

The sum of all water drawn into the boundaries of the organisation 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 organisation 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, categorised 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 Eleventh Annual General Meeting of Alumex PLC will be held at Hayleys PLC, No.400, Deans Road, Colombo 10, Sri Lanka on Tuesday, 19th June, 2018 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 2018, with the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Mr. R.P.P.K. Rajapaksha, who has been appointed by the Board, since the last Annual General Meeting, a Director.
4. To re-elect Mr. A.A.Akbarally, who retires by rotation at the Annual General Meeting, a Director.
5. To re-elect Mr.D.W.P.N.Dediwela, who retires by rotation at the Annual General Meeting, a Director.
6. To authorise the Directors to determine contributions to charities for the financial year 2018/19.
7. To authorise 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 2018/19 in terms of section 158 of the Companies Act No.07 of 2007.
8. To consider any other business of which due notice has been given.

NOTE :

- (i). 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 17th June 2018.
- (ii). It is proposed to post ordinary dividend warrants on 29th June 2018 and in accordance with the rules of the Colombo Stock Exchange the shares of the Company will be quoted ex-dividend with effect from 20th June 2018.

By Order of the Board

ALUMEX PLC**HAYLEYS GROUP SERVICES (PRIVATE) LIMITED***Secretaries*

Colombo

21st May 2018

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 Eleventh Annual General Meeting of the Company to be held on Tuesday, 19th June 2018 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 2018 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a dividend as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. R.P.P.K. Rajapaksha, who has been appointed by the Board, since the last Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. A.A.Akbarally, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr.D.W.P.N.Dediwela, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Directors to determine contributions to charities for the financial year 2018/19.	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise 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 2018/19 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 of2018.

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.

Form of Proxy (Contd.)

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 the 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 - Chief Operating Officer
S. C. Ganegoda
R. P. Pathirana
A. A. Akbarally
Dr. H. Cabral, PC
S. Munaweera
R. P. P. K. Rajapaksha - (Appointed W.E.F. 06th November 2017)
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

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
No. 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

Personal Branch
2nd Floor, Head Office
No. 04, Bank of Ceylon Mawatha
Colombo 01, Sri Lanka

Hatton National Bank PLC

Head Office, 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

No. 37, York Street,
Colombo 1

People's Bank

Head Office, No. 75, Sir Chittampalam A Gardiner
Mawatha
Colombo 02

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

www.alumexgroup.com