

ALUMEX PLC
ANNUAL REPORT 2018/19



THE SENSE OF **OUR VISION**

THE SENSE OF OUR VISION

Thirty years ago, we embarked on a journey to conserve our environment by introducing eco-friendly building materials. Evolving in our business we are now set to conquer greater heights of success with new technology, enhanced product quality and expanded capacity levels.

Our forward-looking strategies ensure that we generate business growth, operational excellence, sustainability and good governance. With a prime responsibility to serve and protect our future – the planet earth, we forge ahead simply innovating by creating a tangible impact.

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"Alumex Prime has the capacity to produce 1,000 MT in Aluminium extrusions and powder coating per month expanding the Alumex total production capacity up to 22,000 MT per annum.."

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"Despite the challenging market conditions, Alumex increased total revenues by 17 % to Rs.4.6 Bn for the 2018/2019 financial year. Group revenues achieved yet another milestone and grew by 14% to reach Rs.5.1 Bn."

Managing Director's Review | 22

ABOUT US

VISION

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

MISSION

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 with both QUALICOAT and QUALANOD certification for its high quality products.

USA



DUPONT CORIAN

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

NORWAY



HYDRO ALUMINIUM

Hydro Aluminium-Norway is a Norwegian Aluminium and renewable energy company, head-quartered in Oslo.

ITALY



AluK

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

GERMANY



ORG ADATA 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 manufacturer of powder and thermal polymer alloy coatings.

JAPAN



MITSUBISHI PLASTICS INC.

Manufacturer and supplier of Aluminium composite panels.

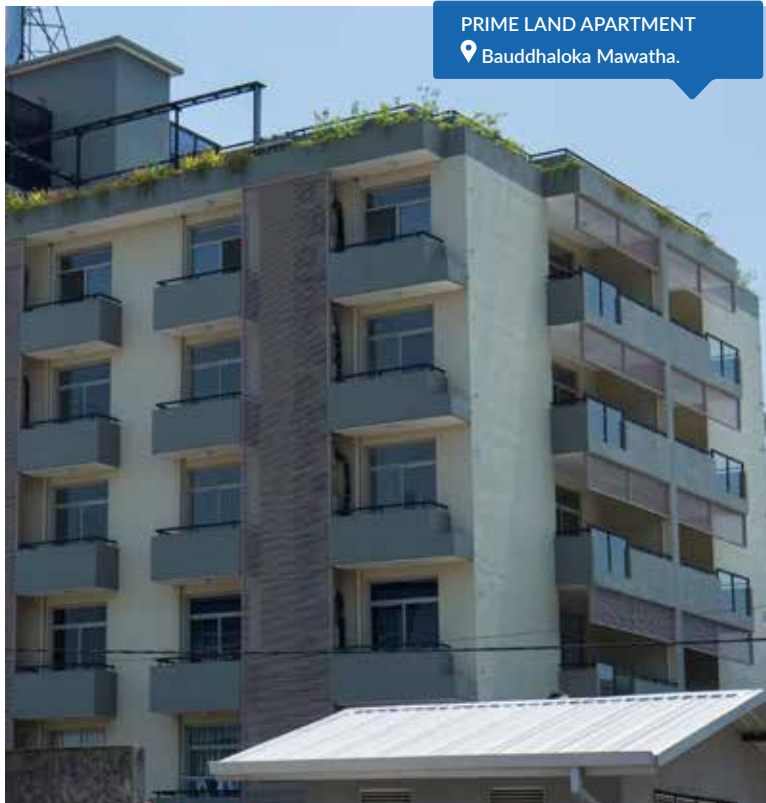
SINGAPORE

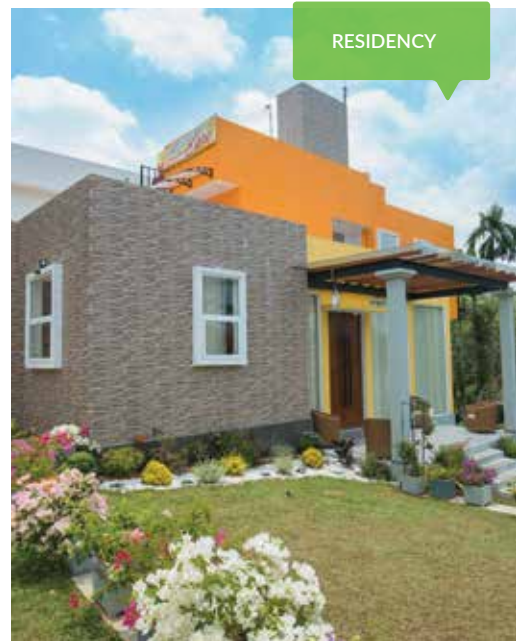


PRIME STRUCTURE

Prime Structures is a Singapore-based company providing complete building envelope solutions.

OUR PROJECTS





YEAR AT A GLANCE

CELEBRATING THREE DECADES OF LEADERSHIP AND STRENGTH

Alumex Surpass a record of

5 Bn
Turnover

Newly added manufacturing facility consisting of an modern Extrusion line and Sri Lanka's first Vertical Powder Coating Plant with the capacity of 12,000 MT per annum.

Accreditation of world's leading quality labels of QUALICOAT and QUALANOD licenses.



Manufactured Capital Upgrade

- Wood finished production capacity increased to 600 MT by relocating the wood finished plant with a two-sided feeding system.
- 10MT capacity increased in the component section by adding automated cutting, drilling and tapping machines.



Amelioration of Intellectual Capital

- 35 new Die Designs registered under Intellectual Property Act of Sri Lanka.
- Introducing new die holder system with taper.



Strength of Financial Capital

Won the Gold award at the SAFA best presented annual report awards 2018 and fourth consecutive Gold Award for Manufacturing sector (Below 5 Bn) at the ICASL Best presented annual reports award 2018.



Value adding to Human Capital

- A workforce of 587 consisting of 24 certified TPM practitioners.
- 6,713 training hours, to enhance knowledge base.



Contribution to Social Relationship Capital

Customers

- 81 dealerships, newly powered 14 dealers.
- Fabricator Training for over 3,000 participants

Community Development

- Distributed 3,000 white canes.
- Scholarships for employees' children and distributed schooling needs.

Product Responsibility

- Our production process is guided by ISO 9001:2015.



Natural Capital

- Increased local billet production to 2,912 MT with a foreign exchange saving of USD 7 Mn.



The Company has the capability to manufacture over 1,850 MT 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.

ABOUT THE COMPANY

GRI: Disclosure 102-01-03-04-05-06-07-10

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

The Alumex head office and main factory premises are located at Pattiwila Road, Sapugaskanda, Makola. The Company has nine distribution centers, three concept centers and 81 dealerships spread across 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 01% of the total revenue, mainly to the Maldives. Alumex has a total workforce of 587 employees of whom 111 employees are executives and 476 employees are non-executives.

The Company has the capability to manufacture over 1,850 MT of 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. With the completion of the expansion project in Ekala, manufacturing capacity was increased by 1,000 MT per month, and wood finished capacity of Makola Plant was increased by 240 MT per month. Further to that there is no any significant changes made in Alumex structure During the year, Alumex recorded 5 Bn net sales with a capital base of Rs.5.4 Bn of which 2.3 Bn 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 input materials like powder, chemical and consumables are also imported from various countries.

Alumex obtained Qualicoat and Qualanod certifications during the year which will further support the Company to be recognised globally for consistent production quality in compliance with international standards. As a result, Alumex has been selected by international brand names for outsourced manufacturing of Aluminium window and door system profiles, under license, and was awarded contracts by Hydro Aluminium of Norway, AluK of Italy, ALTUS (Fletcher) Aluminium of New Zealand. Alumex is the only approved applicator in Sri Lanka for the international powder brands of JOTUN, DGL and Akzo Nobel for their super durable powder range. In addition our production process is guided by ISO 9001:2015.

ACHIEVEMENT AND AWARDS



Winner - Manufacturing Sector - Best Presented Annual Report Awards and SAARC Anniversary Awards
South Asian Federation of Accountants

Gold Award - Manufacturing Companies (Turnover Up To LKR 5 BN)
54th Annual Report Award 2018
The Institute of Chartered Accountants of Sri Lanka

A JOURNEY OF THREE DECADES

SAVING TREES FOR OVER A GENERATION



30
ECO-FRIENDLY
YEARS

30 Eco-Friendly Years

A JOURNEY OF THREE DECADES CREATING A SUSTAINABLE ENVIRONMENT AND A PARADIGM SHIFT

Thirty years ago, we embarked on a journey with an aim to conserve our environment by introducing eco-friendly building materials. We commenced operations with a small capital base, as a private limited liability company with a five-inch extruder. Today we have grown to a new dimension by creating a paradigm shift by introducing eco-friendly building materials manufactured under world class standards.

In our journey we have passed many milestones. We are the first Sri Lankan Company to introduce high capacity and high-tech machinery to the industry in every aspect of extrusion, powder coating and anodising. Since 1998 we have initiated and conducted fabricator training programs without charging a fee with the objective of developing the industry. We are the only extrusion manufacturer to possess a die manufacturing facility to serve customised requirements with speed and precision. We are recognized as the first company in the South Asian region to be accredited with both 'Qualicoat' and 'Qualanod' certifications by holding multiple licenses to manufacture world renowned proprietary systems in Sri Lanka.

These innovative strides signify our eco-friendly path to sustainability. We have continuously maintained market leadership over the last two decades with our steadfast reputation for high quality products. Today, Alumex is recognized as a formidable force in the construction industry.

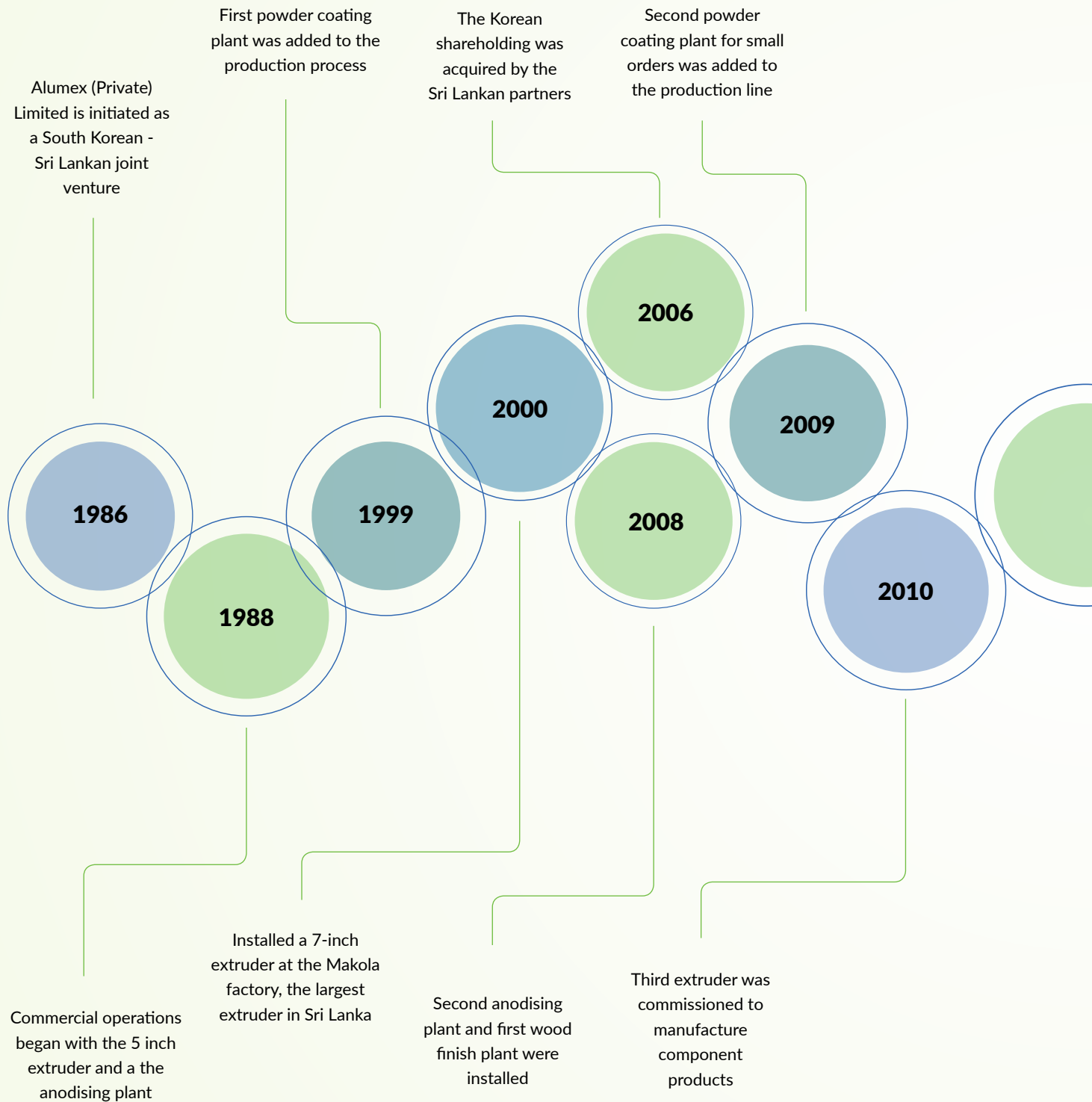
With a prime responsibility to serve and protect our future - the planet earth we forge ahead simply innovating by creating a tangible impact. Keeping pace with modern designs, preferences and evolving trends in the construction industry we are focused on introducing revolutionary products. Exploring our potential to venture beyond borders we hope to acquire market leadership in key markets in the South Asian region.

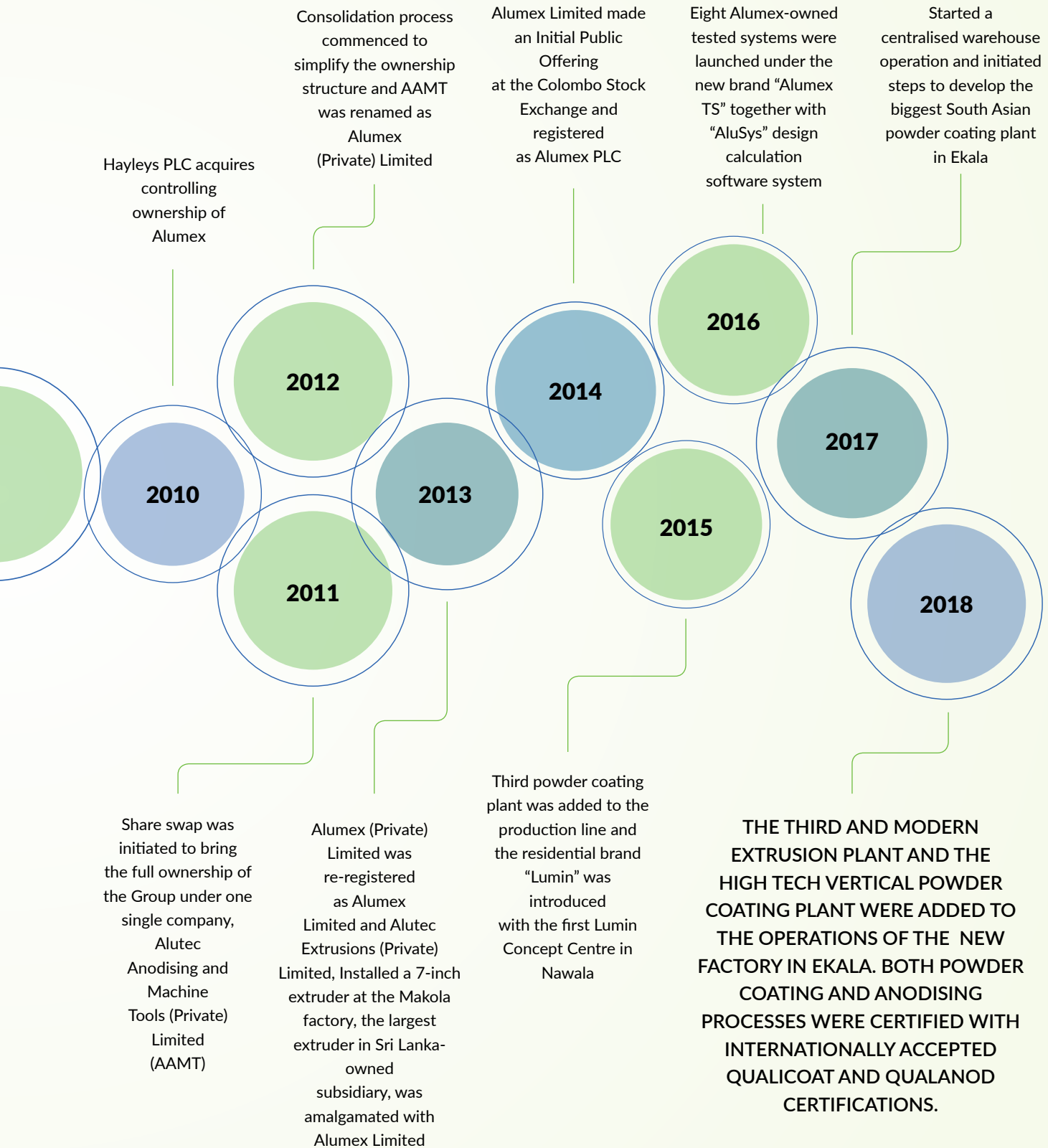
Introducing state-of-the-art European technology, we have expanded our production facilities to possess the largest extrusion and powder coating plant in Sri Lanka and South Asian region. With extended capacity of 22,200 MT and far-sighted strategies we are equipped with the right foundation to expand our growth horizons by exploring new opportunities and new markets in achieving our vision to gain a solid foothold in the South Asian Region.

As we look back on our first step towards a greener future our journey ahead is set to evolve to the next level of growth creating a tangible impact in many frontiers. At this turning point of our milestone we see a world of potential ahead of us as the world opens to be a carbon circular economy where Alumex reigns as the trusted voice of the Aluminium industry.

Today we have grown to a new dimension by creating a paradigm shift by introducing eco-friendly building materials manufactured under world class standards.

HISTORICAL MILESTONES





ABOUT THIS REPORT

GRI: Disclosure 102-12-45-46-48- 49-50-51-52-53-54-56

This year we present our fourth 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 capital 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 economic, environmental and social impact and stakeholders as determined by the process described in pages 30 to 39 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-months annual reporting cycle and this year's report covers the period from 1st of April 2018 to 31st of March 2019. Our last report was for the year ended 31st March 2018 and released on 29th May 2018. There is no any significant reporting changes made in this report.

REPORTING CHANGES

There are no restatements of information included in previous reports except the Return on Capital Employed, Gearing Ratio and Capital Employed Ratio 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.

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 07 of 2007 Regulatory requirements under the Colombo Stock Exchange, Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants 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 Messers Ernst & Young, Chartered Accountants as referred in page 149 and page 210 to this report.

Available Forms

ALUMEX PLC
Annual Report 2018/19



Print
Available on
request



CD-Rom
Posted to all
Shareholders



Online
Available as
PDF



www.alumexgroup.com

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

www.alumexgroup.com



NAVIGATING THIS REPORT

This Report aims to provide a holistic view of Alumex ALC and its value creating journey for the year 2018/19.

The Annual Report is based on the following concepts:

CONNECTIVITY AND COMPARABILITY

Navigation icons and signposting used across the Report connects the reader to the areas of focus easily.

RELEVANCE AND MATERIALITY

The Report focuses on material topics which represents information that is vital to our stakeholders. Material topics reflect both positive and negative matters which impacted the Company's value creation during the year.

STRATEGIC FOCUS

The Report has presented the strategies adopted in achieving triple bottom line performance as a business engaged in a sustainable business operation.

Our Value Creation Process

Delivering a strong value proposition.

28

Management Discussion & Analysis

Leveraging on our strengths and opportunities.

48

Capital Reports

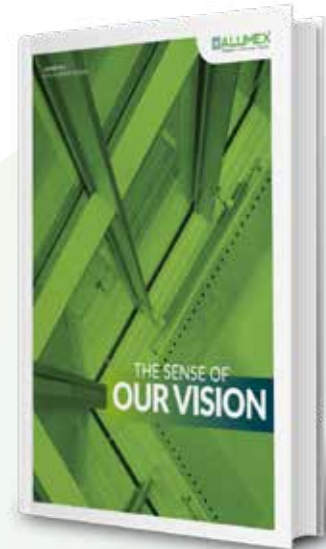
Infusing value by leveraging on our Six Capitals to create a tangible impact.

56

Corporate Governance

Creating a platform for ethical business practices and strong governance.

104

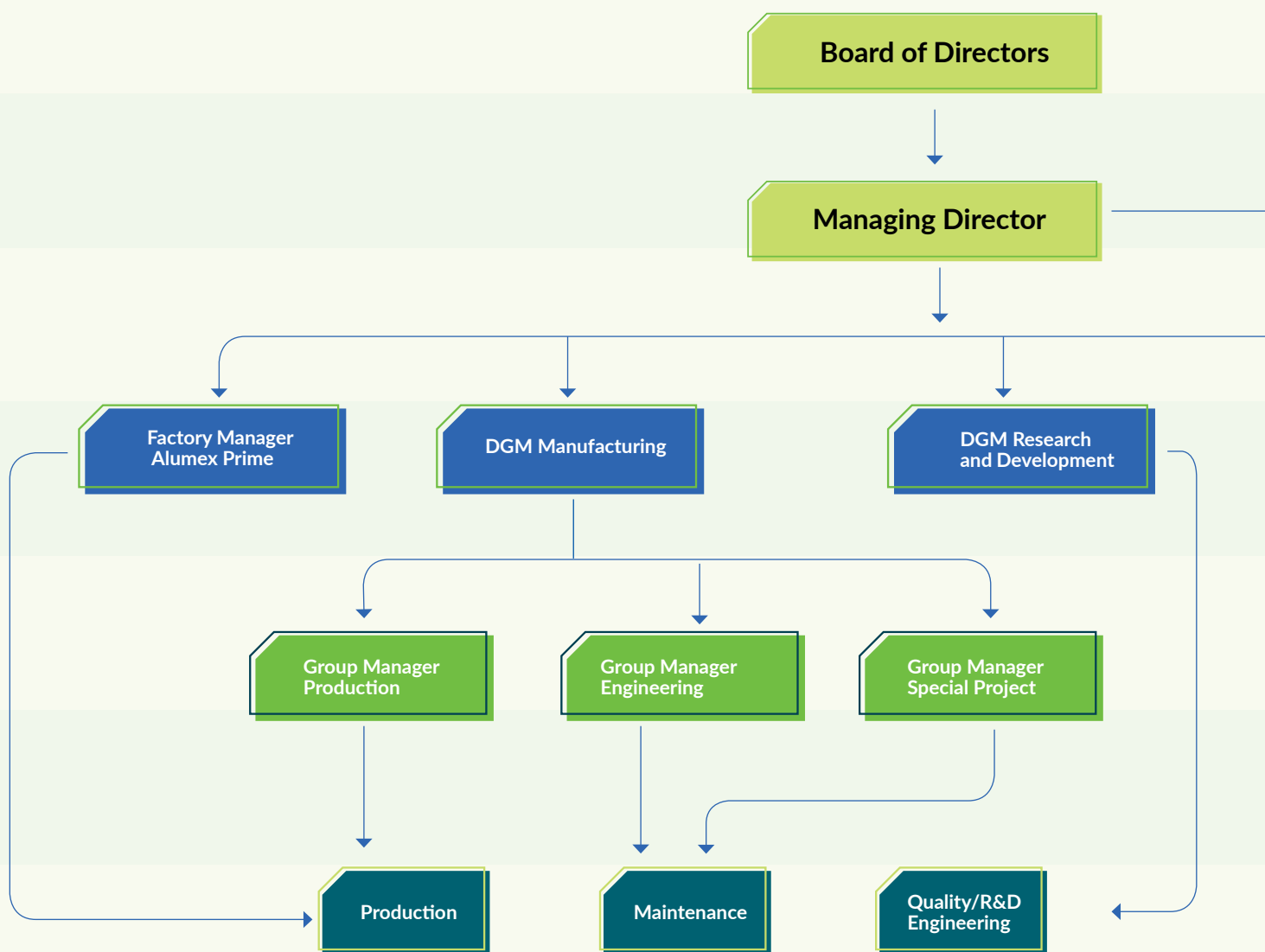


149

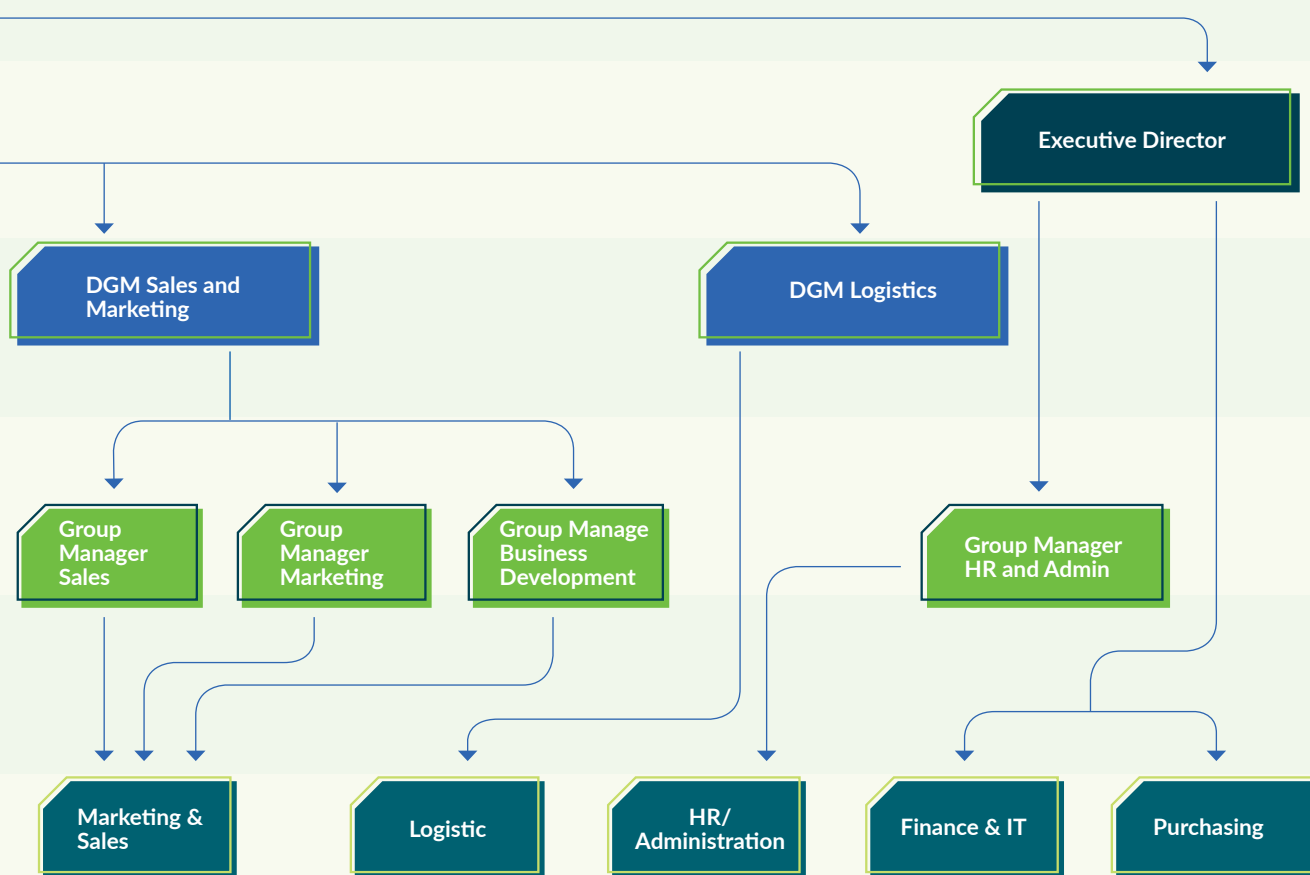
Financial Statements

Delivering financial value to our stakeholders.

GROUP STRUCTURE



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 Alpolic composite panels and Dupont Corian solid surfaces.

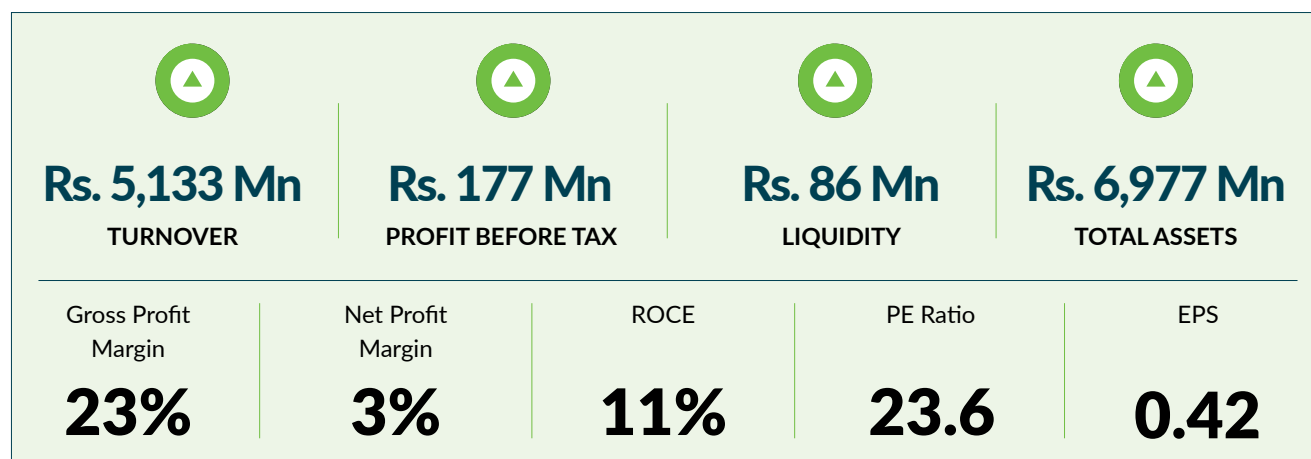


Company	% of Ownership	Nature of Business
Alco Industries (Pvt) Ltd	100%	A BOI-approved company incorporated in 2010. It has a modern manufacturing facility for the production of Aluminium components required by industries such as building construction, ladders, bus/lorry body building and rail coach building. It also manufactures components required by the Ceylon Electricity Board, fabrication industry and solar power industry.

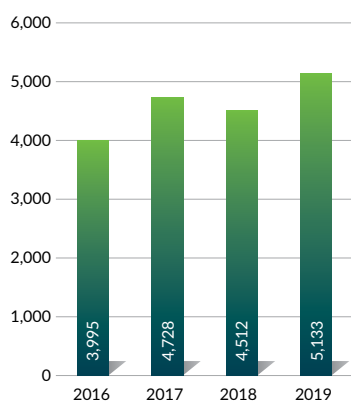
KEY PERFORMANCE INDICATORS

	2018/2019	2017/2018	Change	2016/2017	Change
	Rs. Mn	Rs. Mn	%	Rs. Mn	%
Operating Result					
Group profit before tax	177	515	-66%	1,016	-49%
Tax	50	150	-67%	263	-43%
Group profit after tax	126	364	-65%	753	-52%
Dividend	180	314	-43%	434	-28%
Retained Profit after Dividend	(53)	50	>100%	316	-84%
Financial Sectorial Analysis					
Turnover	5,133	4,512	14%	4,728	-5%
Operating profit	594	646	-8%	1,050	-39%
Capital Structure					
Equity	2,353	2,253	4%	2,316	-3%
Debt	3,087	2,684	15%	560	>100%
Profitability, Dividends and Investors					
Information profitability Ratios					
Gross Profit Margin	23%	24%	-4%	30%	-23%
Operating Profit Margin	12%	15%	-19%	23%	-36%
Net profit Margin	3%	8%	-69%	16%	-49%
Return on Assets	2%	7%	-72%	21%	-68%
Return on Capital	11%	13%	-12%	37%	-15%
Liquidity Ratios					
Working Capital	86	381	-77%	1,067	-64%
Current Ratio (Times)	1.03	1.14	-10%	1.86	-39%
Quick Assets Ratios	0.42	0.48	-11%	0.93	-49%
Equity Ratios					
Net Asset Value Per Share (Rs.)	7.86	7.53	4%	7.74	-3%
Earning Per Share (Rs.)	0.42	1.22	-65%	2.52	-52%
Dividend Per Share (Rs.)	0.60	1.05	-43%	1.45	-28%
Effective Dividend Rate (Dividend Yield)	6%	6%	0%	8%	0%
Dividend Cover (Times)	0.70	1.16	-39%	1.74	-33%
Market Value Per Share (Rs.)	10.00	16.90	-41%	19.00	-11%
Highest Market Price Per Share (Rs.)	18.00	25.50	-29%	22.00	16%
Lowest Market Price Per Share (Rs.)	9.70	16.60	-42%	15.50	7%
Value as at end of Financial Year	2,993	5,058	-41%	5,687	-11%
Debt Ratios					
Debt to Equity	131%	119%	10%	24%	>100%
Interest Cover (Times)	2	5	-67%	166	-97%
Equity Assets Ratio	34%	35%	-4%	54%	-35%
Interest Rate of Comparable Government Security					
Treasury Bill (1 Year)	10.40%	9.69%	7%	10.98%	-12%
Treasury Bond (5 Year)	11.04%	10.68%	3%	12.89%	-17%

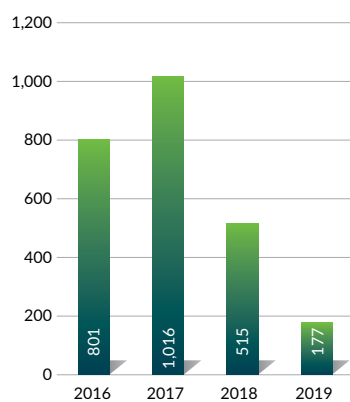
FINANCIAL HIGHLIGHTS



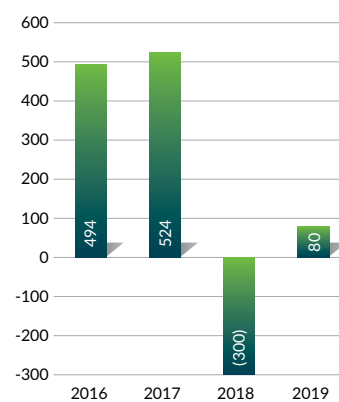
REVENUE (Rs. Mn)



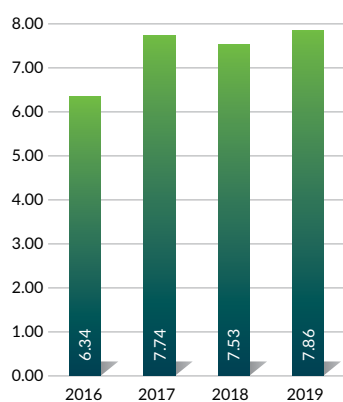
PBT (Rs. Mn)



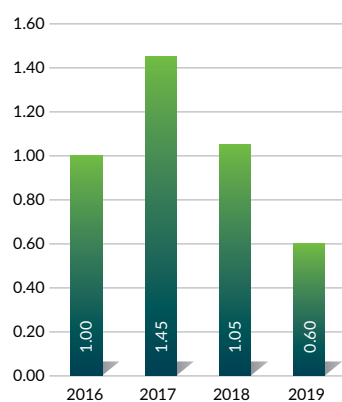
OPERATING CASH FLOW (Rs. Mn)



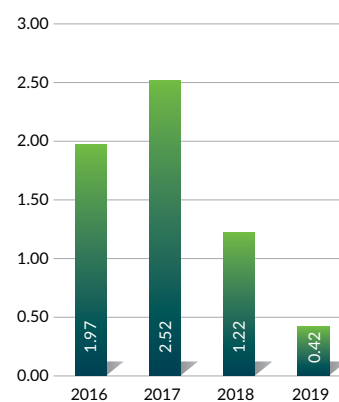
NET ASSETS PER SHARE (Rs.)



DPS (Rs. Mn)



EPS (Rs. Mn)



THE CHAIRMAN'S STATEMENT

GRI: Disclosure 102-14

Dear Shareholder,

It is my privilege to present the Annual Report of Alumex PLC for the financial year ending 31st March 2019.

PERFORMANCE

During the year under review, Alumex celebrated three decades of established market presence as the premier Aluminium manufacturer in Sri Lanka.

The Group recorded a turnover of Rs.5 Bn, reflecting a growth of 14% despite a challenging business environment. Profit before tax was recorded at Rs.177 Mn, a decrease of 66%. Profit after tax declined to Rs.126 Mn compared to Rs. 364 Mn in the previous year.

The Company's cost of production was significantly affected due to the increase in raw Aluminium prices in the London Metal Exchange (LME). This was further aggravated by the substantial depreciation of the Sri Lankan Rupee against the US Dollar by 16% during the end of 2018.

The Sri Lankan economy grew at the rate of 3.2% in real terms. However, the construction sector which reflects the demand for the construction material, contracted with a negative growth of 2.1 %, compared to a 4.3 % growth achieved in 2017. This challenging market conditions, higher interest cost resulted from the borrowings made for the Ekala expansion project, cost of depreciation and the exchange losses became barriers to reach better performance of the year.

The Company was able to increase its market share while strengthening its market leadership position in a backdrop of subdued trading conditions. The delay in many large-scale public and private sector investments had an adverse impact on economic growth.

During the year, Alumex forged ahead with its two-pronged strategy of enhancing capacity and quality. The Company achieved a significant milestone by commissioning its state-of-the-art manufacturing facility - 'Alumex Prime' in Ekala, Ja Ela with an investment of Rs.2.0 Bn. This is the largest Aluminium extrusion plant in Sri Lanka and South Asia's first vertical powder coating facility using 'SAT Trivisan CUBE Technology'.

Alumex Prime has the capacity to produce 1,000 MT in Aluminium extrusions and powder coating per month expanding the Alumex total production capacity up to 22,000 MT per annum, outpacing the local demand of Aluminium extrusions. This has created the right platform and the infrastructure to pursue our strategies of expanding across borders with greater intensity and focus. During the year the Company made successful inroads to the markets in Nepal, Myanmar, Seychelles and Kenya. Alumex will pursue the lucrative markets of Maldives and India in line with our vision of establishing market leadership in the South Asian region.

In demonstrating our dedication and reputation of producing premium Aluminium Extrusions over the last 30 years, Alumex products have now been recognized with international certifications. The Company is certified with the 'Qualicoat' certification with additional feature – seaside approval for

powder coated products and 'Qualanod' for anodised products. Alumex is the first Company in the Sri Lankan and the South Asian region to be accredited with both these international certifications. This further endorses the premium products and gives Alumex the edge to position ourselves to explore growth beyond the local market.

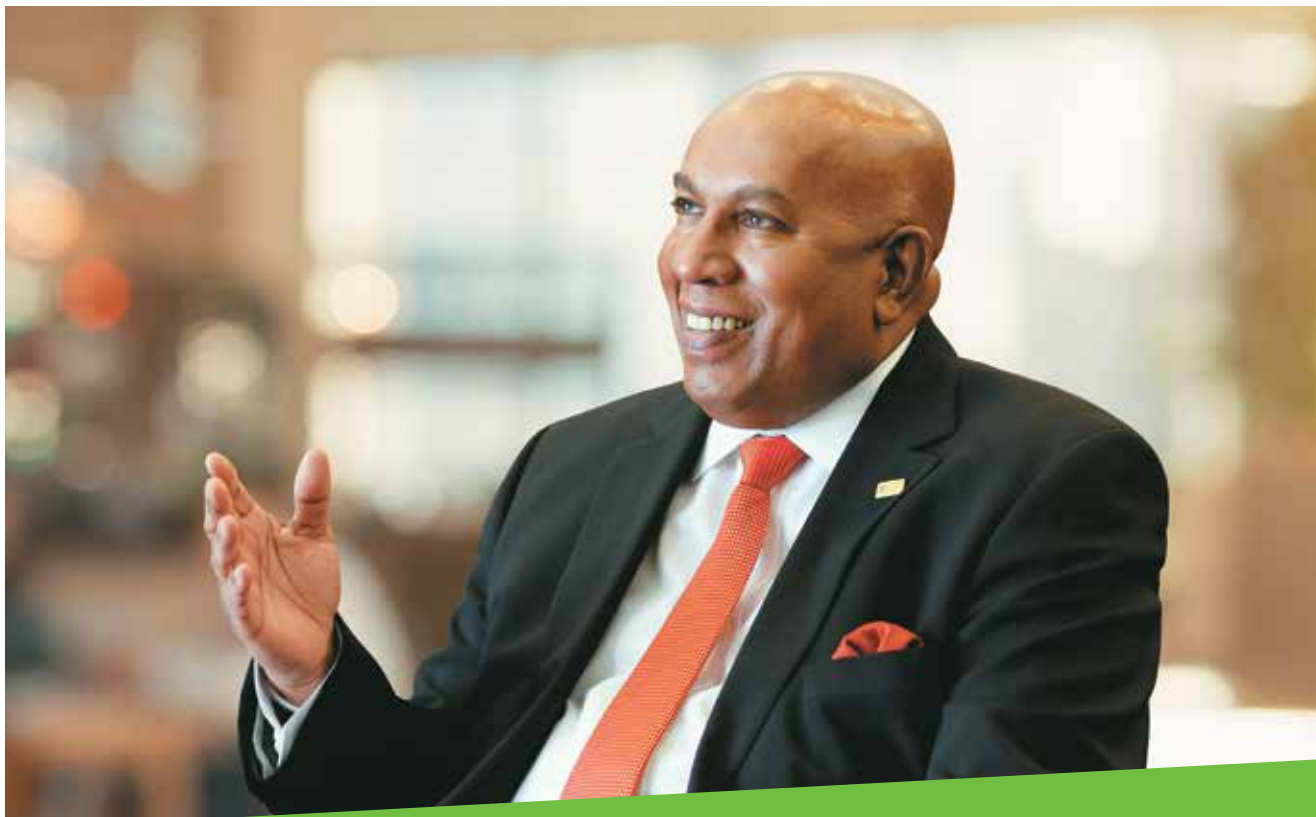
CREATING A SUSTAINABLE BUSINESS MODEL

As a responsible business entity, Alumex committed to carry out manufacturing operations with the minimal impact to the environment. The safety of workers are paramount where Alumex have invested in upgrading the component manufacturing systems. The new production facility of Alumex uses cutting edge technology which significantly reduces waste water discharge through a purification system.

Employee value creation is a key area of our strategic focus. We continuously invest in training and development of our people to ensure that our people develop their competencies and sharpen their technical expertise.

PROSPECTS

The local construction sector is expected to grow in the medium to long term spurred by Government of Sri Lanka initiated projects such as the Central Expressway, Colombo International Financial City, the multi project Western Province Megapolis along with increased private construction activity. Despite the current challenges, the growth of the construction sector will be driven by the increase in affordable housing, major residential and commercial projects.



"Alumex Prime has the capacity to produce 1,000 MT in Aluminium extrusions and powder coating per month expanding the Alumex total production capacity up to 22,000 MT per annum.."

The demand for Aluminium would increase in tandem with increased budgetary allocations for infrastructure development in schools, universities and other high-rise buildings. The usage of Aluminium is gaining popularity as a sustainable construction material endorsed by leading Architects. This has created a demand for Aluminium fabrications for construction of houses which is expected to drive business volumes in the domestic housing sector as well.

DIVIDENDS

The Board of Directors has declared a first and final dividend of Rs. 0.15 per share for the year under review.

CHANGES TO THE BOARD

During the year Mr. Rohan Peris who served as the Managing Director of the Company retired. Mr. Pramuk Dediwela, the Chief Operating Officer was appointed as the Managing Director.

ACKNOWLEDGEMENT

I take this opportunity to convey my appreciation to Mr. R. P Peris for his valued contribution in leading Alumex over the last 6 years. I wish him success in all his future endeavors.

I wish to thank the leadership team and employees of Alumex PLC for their determination and unstinted efforts.

I also place my sincere appreciation to all our distributors, suppliers and shareholders for their continued support in our journey of achieving greater strides in enhancing our positioning and market leadership. I thank my valued colleagues on the Board for their strategic guidance and valued inputs.

A M Pandithage
Chairman
6 May 2019

MANAGING DIRECTOR'S REVIEW

"Despite the challenging market conditions, Alumex increased total revenues by 17 % to Rs.4.6 Bn for the 2018/2019 financial year. Group revenues achieved yet another milestone and grew by 14% to reach Rs.5.1 Bn."

The year under review was both invigorating and challenging for Alumex PLC.

It was invigorating because we were able to clear another milestone on our strategic journey to begin operations in our much anticipated, 'Alumex Prime', the state-of-the-art extrusion plant in Ekala, Ja Ela. Commissioning of the new plant and the resulting capacity expansion puts us on a stronger foundation to expand our reach into global export markets. It helps us accelerate our efforts to realize our vision "To be the Premier Aluminium Extrusion Manufacturer in the South Asian Region."

At the same time, the year under review was yet another challenging period for the Sri Lankan construction industry due to significant delays and postponements in large scale construction projects and the escalation of imported material costs due to sharp depreciation of the Rupee. As a result, the Sri Lankan industries sector recorded a mere 0.9 % rate of growth during 2018, compared to 4.1 % achieved in the previous period. Although, the Manufacturing activities during the year 2018 grew by 3.0% compared to 3.3% growth achieved during 2017 the construction sector, contracted by 2.1% compared to 4.3% growth in 2017.

PERFORMANCE OVERVIEW

Despite the challenging market conditions, Alumex increased total revenues by 17 % to Rs. 4.6Bn for the 2018/2019 financial year. Group revenues achieved yet another milestone and grew by 14% to reach Rs. 5.1Bn.

Group local sales of Aluminium components, which accounts for approximately 20 % of Group sales, grew by 21%, surpassing Rs.1.0 Bn threshold from Rs.852 Mn from the previous period. The Group export revenues increased by 74% to Rs.35 Mn for the year under review. I am confident that the added manufacturing capacity, along with our market expansion strategies implemented over the short to medium term would help put us on a stable path to expanding our export revenues.

Despite material cost escalations due to sharply rising exchange rates during the year, the Company was able to retain the gross profit margins within the same levels as in the previous period.

Although the cost of imported Aluminium increased early in the financial year, the prices gradually declined to record a 10 % year on year decline for the period. However, the benefit of the imported Aluminium price drops were negated by the 16%

depreciation of the Rupee in the second half of the year. Consequently, the costs of production remained at the same levels as in the previous period.

Although the Company were able to control the billet cost by increasing the local billet supply, the costs of the other imported components increased due to the Rupee depreciation. In response to rising costs, the Company implemented two price revisions during the year. The positive impact of these strategies were realized, although there was a lagging effect.

Group finance costs of Alumex increased to Rs.440 Mn, an increase of Rs.290 Mn over the previous period. Of this increase, approximately Rs.100 Mn were net exchange losses while the rest constituted of increased interest expenses on loans and borrowings taken for capital expansion projects and for financing working capital requirements.

Selling and distribution costs and administrative expenses grew by 29% and 28% respectively over the previous financial year. These increases are attributable to the expansion in the support services provided to match the expanded manufacturing operations, and new advertising and promotional activities conducted during the year.



Despite a significantly lower tax liability, Group profit after tax for the year under review dropped by 65% to Rs.126 Mn, from the comparative period of Rs.364 Mn.

I see these current levels of diminished profitability as temporary, as an inevitable and expected stage on our path to greater future revenues and profitability.

BUSINESS GROWTH

Alumex successfully completed three new showrooms at Dealer and Fabricator locations in Colombo, Galle and Gampaha during this financial year. Further, four new regional distribution centers were opened in Colombo north, Kandy, Rathnapura and Galle. These, together with the 14 new dealerships opened during the year, will continue to help us enhance sales revenue from the local market.

The company expanded its market penetration with the launch of the new distribution operation. Our new product series-including the Cabinet Series, Showcase Series, Ladder Series, Hand Rail system, Skirting, new Panel Door System and Alumex Building System – Sliding Range-enhanced our product portfolio, significantly increasing the growth potential of the business.

During the year under review Alumex was well represented through participation in trade exhibitions and main sponsorships at key construction related events. These marketing and promotion activities were carried out as part of our core marketing and branding strategy. Participation at these trade exhibitions has elevated and strengthened our brand positioning as a leader in the construction industry.

The key events sponsored during the year were, 'Construct 2018' and 'Architect 2018', held at the BMICH in August 2018 and February 2019 respectively; events at 7 provinces across Sri Lanka organized by the National Construction Association of Sri Lanka; The Building Specifiers Conference held at Cinnamon Grand in September and November 2018 and the Architect Xstudio conference held in October 2018.

The Company took extra efforts to expand our market reach by conducting fabricator training and awareness programmes. Alumex undertakes extensive training each year to increase awareness about our products and processes to end users and decision makers, including fabricators and technocrats. This year Alumex have conducted over 100 in-house and

MANAGING DIRECTOR'S REVIEW

"Alumex obtained the 'Qualicoat' and 'Qualanod' certifications during the year making Alumex the only Company in South Asian region to possess both the certificates"

outstations training sessions for over 3,000 fabricators and technocrats representing private and government institutions. Alumex also trained over 200 new fabricators on the beginners' course.

MANUFACTURING CAPACITY EXPANSION

The Ekala state-of-the-art extrusion plant began its operations in August 2018, on schedule. It boosted Alumex's output by 1,000 metric tonnes, bringing our total capacity to 22,000 metric tonnes per annum. This enhances our market position as the leading Aluminium extruder in Sri Lanka with the latest technology in the South East Asian region.

Some of the additional commissioned capacity is in excess of what Alumex require to serve the current market needs in Sri Lanka, even under booming construction industry conditions. Hence, we have to accelerate our efforts to

realize the strategic vision of becoming the premier market player in the South Asian region.

Subsequent to the expansion, Alumex penetrated our existing overseas markets of Maldives and India further. We also worked on entering the new markets of Nepal, Myanmar, Seashells and Kenya. Together these markets will continue to bring us new expansion and growth opportunities in the years to come.

INTERNATIONAL QUALITY CERTIFICATIONS

Alumex obtained the 'Qualicoat' and 'Qualanod' certifications during the year making Alumex the only Company in South Asian region to possess both the certificates. These globally recognized certifications will ensure consistent production quality in both powder coated and anodised products that Alumex manufacture in Makola and Ekala Prime plants. These certifications further enhances Alumex's ability to explore growth beyond the local market.

Consequently, Alumex has been recognized by international brand names for outsourced manufacturing of Aluminium window and door system profiles, under license. New contracts were awarded to Alumex by Hydro Aluminium, the largest Aluminium extrusion company in the world, to manufacture three of their top range brands (Sapa, Technal and Wicona) in addition to AluK of Italy and ALTUS (Fletcher) Aluminium of New Zealand.

Alumex is the only approved applicator for the international powder brands of JOTUN, DGL and Akzo Nobel for their super durable powder range.

Combining our extended capacity and ability to deliver a wide range of higher quality of products, enables Alumex to drive market development in the domestic market as well as overseas markets with a focus on the South East Asian region.

STRENGTHENING THE MANAGEMENT TEAM

In order to meet the challenging market conditions and to drive the evolutionary journey of Alumex, we further strengthened our management team during the year. The new positions included the DGM – Research and Development, Factory Manager of Ekala Prime Plant and the Manager - Channel Development.

EMPLOYEE ENGAGEMENT AND DEVELOPMENT

The Company organized a number of events during the year to promote employee engagement. These included the "Bak Maha Ulela", a cricket tournament, an employee get-together, a "Dansala", a "Shramadana" campaign, a pirith ceremony, a "bana" sermon and medical camps.

As the leader in the Aluminium fabrication industry Alumex focus extensively on building the technical competencies of our employees. Our employees benefited from over 6,700 hours of training, locally and overseas during the year. Alumex introduced a higher education scholarship program, a study leave system and an Employee of the Month program to enhance employee engagement and career development.

By the end of the financial year, our workforce stood at 517 permanent employees and 70 Casual (fixed term) employees.

CORPORATE SOCIAL RESPONSIBILITY

In keeping with our commitment towards the community Alumex initiated several CSR programs. During the year, the Company donated 3,000 foldable white canes to the blind community. In 2018 Alumex distributed school bags, books and other stationary items to the pupils in the Meegaswewa School, in Anuradhapura District. We also contributed to the construction of a house for a long-service employee when his house collapsed due to rain.

AWARDS

Alumex received the Gold award for our fifth Annual Report in the Manufacturing sector, at the Annual Reports Award ceremony organized by the CA Sri Lanka. This was our fourth consecutive win in this category. Alumex also won the Gold award for the first time for our 2016/17 Annual Report from the South Asian Federation of Accountants.

OUTLOOK

With the expanded production capacity, enhanced product portfolio, extended distribution network and infrastructure together with the international strategic partnerships, international quality standards and a growing global market

presence. Alumex is well positioned to penetrate the local market further and to venture across borders in achieving its vision acquiring market leadership within the South Asian region.

I wish to place my sincere appreciation to the Chairman and the Board of Directors for their valued guidance and support extended during the year. I extend my sincere thanks to the employees, customers, and industry partners of Alumex for their continuing dedication and support.



Pramuk Dediwela

Managing Director

6 May 2019



The background image shows a bright, modern interior space with large glass windows and doors. On the left, there is a green sofa with a grey ottoman. The floor is made of large, light-colored tiles. Through the glass, a garden with various plants and a white wall is visible. The overall atmosphere is clean and airy.

A HOLISTIC VALUE CREATING APPROACH

OUR VALUE CREATION PROCESS

Powered with dynamism and vibrancy we strive to create a value proposition to all our stakeholders.

VALUE CREATION MODEL

GRI: Disclosure 102-07

INPUTS



Financial Capital

Shareholders' Fund : **Rs.2.3 Bn**
New Debt Funding: **Rs.403 Mn**
Finance Facilities: **Rs. 2.23 Bn**



Manufactured Capital

Monthly Production Capacity:
1,850 MT
Investments in Machinery **Rs.175 Mn**
New Investments: **Rs.490 Mn**



Human Capital

587 Employees
6,317 Training Hours
Organisational Structure



Social & Relationship Capital

Customer base: **284**
Supplier base **722**
Relationship with our business partners
Community partnership



Natural Capital

Material Consumption: **7,701 MT**
Energy Consumption: **80,775 GJ**
Water Consumption: **98,087 m3**



Intellectual Capital

Tacit Knowledge
Information system
Patented Industrial Designs
Brands: Alumex, Lumin, Alumex TS

VISION

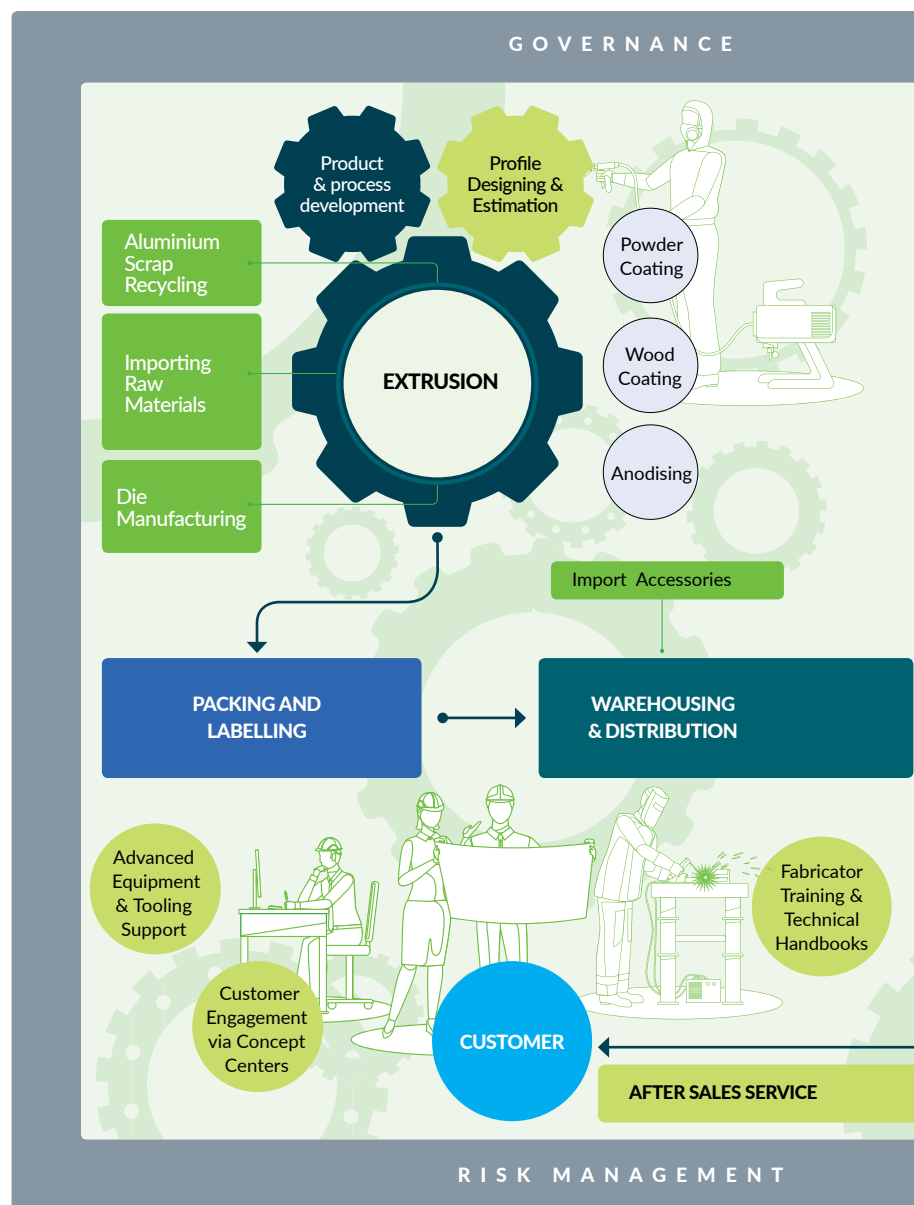
MISSION

OUR VALUES

GOVERNANCE

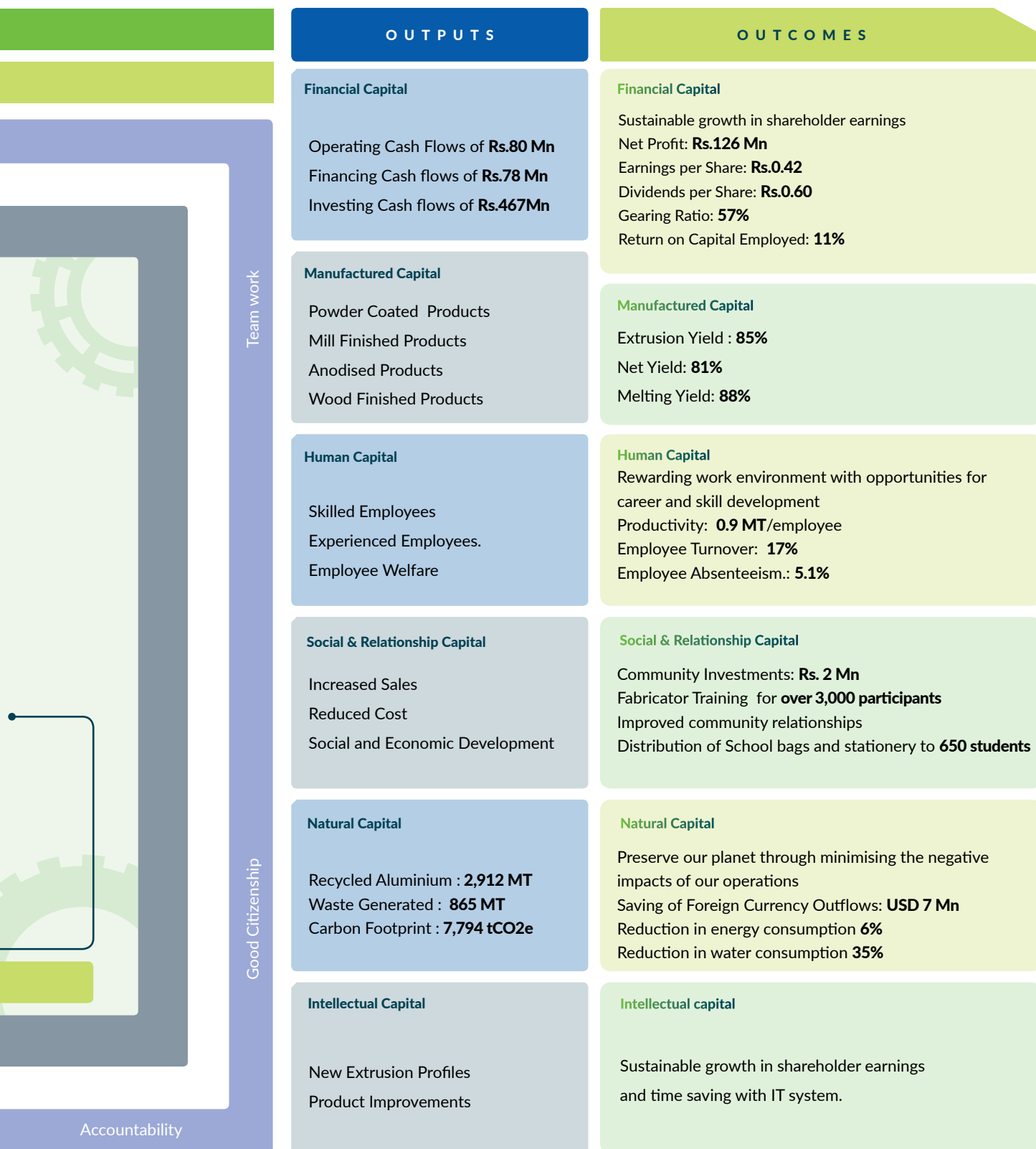
Integrity

Respect People



A will to Win

Enduring Customer Value



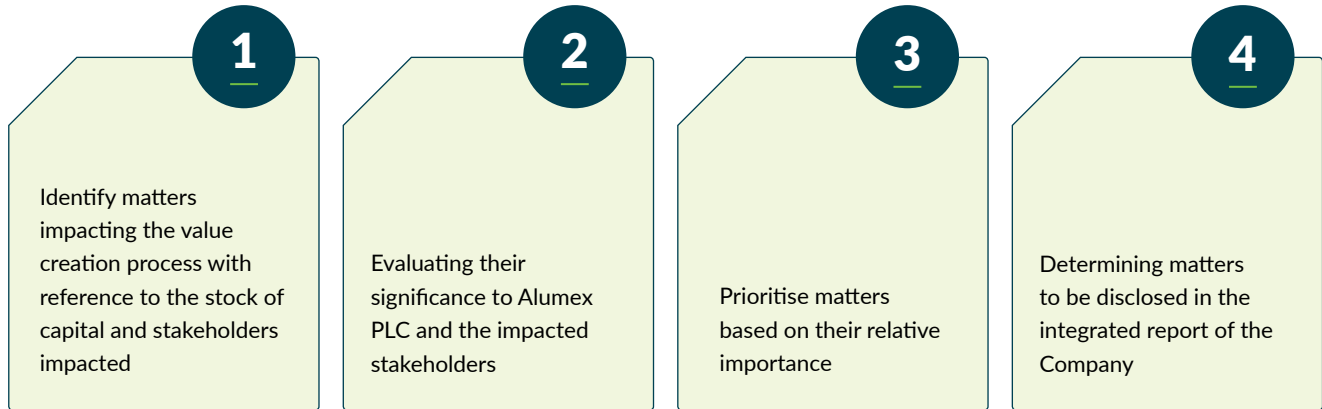
IDENTIFYING MATERIAL ISSUES

MATERIALITY ASSESSMENT PROCESS

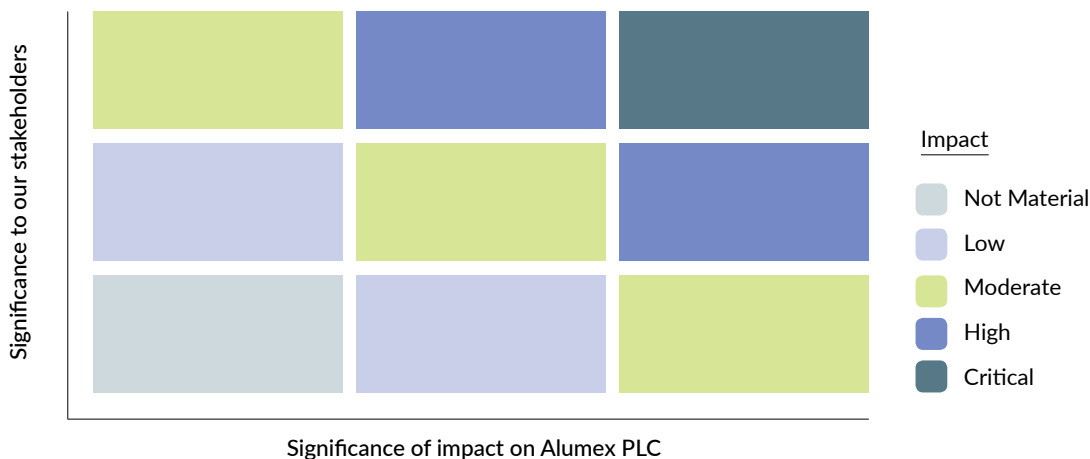
GRI: Disclosure 102-46-47

A simplified and methodical process is being used for Material Assessment in Alumex PLC. 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 topics by using the following mechanism.



The identified material topics (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 & Investors
202-Market Presence	Moderate	•	•	Alumex, Alco & Employees
203-Indirect Economic Impacts	Moderate	•	•	Alumex, Alco & Community
204-Procurement Practices	Moderate	•	•	Alumex, Alco & Suppliers
205-Anti Corruption	High	•		Alumex & Alco
206-Anti-Competitive behaviour	High	•	•	Alumex, Alco, Customers & Suppliers
GRI 300 ENVIRONMENTAL				
301-Materials	High	•		Alumex & Alco
302-Energy	High	•	•	Alumex & Alco
303-Water	High	•	•	Alumex, Alco & Community
304-Biodiversity	High	•		Alumex & Alco
305-Emissions	High	•	•	Alumex, Alco & Community
306-Effluents and Waste	Critical	•	•	Alumex, Alco & Community
307-Environmental Compliance	Moderate	•	•	Alumex, Alco & Community
308-Supplier Environmental Assessment	Moderate	•	•	Alumex, Alco & Suppliers
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	•		Alumex & Alco
413-Local Communities	Critical	•	•	Alumex, Alco & Community
414-Supplier Social Assessment	Moderate	•	•	Alumex, Alco & Suppliers
415- Public Policy	Moderate	•		Alumex & Alco
416-Customer Health and Safety	High	•	•	Alumex, Alco & Customers
417-Marketing and Labelling	Moderate	•		Alumex & Alco
418-Customer -Privacy	High	•		Alumex & Alco
419-Socioeconomic Compliance	High	•	•	Alumex, Alco & Community

MATERIAL TOPICS

GRI: Disclosure 102-47/ 103-01-02-03

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 competitive remuneration to the employees.
Management Strategy	Alumex pays a total remuneration package on par with the market rates and above par the legal requirements. Further, internal audits are led to review the regulatory functions and are implemented and conducted. Top management is reviewing the monthly performance and other indicators pertaining to employments.
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 88 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.
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.

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
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.
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.

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.
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.
Evaluation Mechanism	<p>(i) Preparation of statement of rejects, and yield analysis for every individual process and compared them with pre-determined standards in quantitative and value terms.</p> <p>(ii) Preparation of process costing statements individually for every main and sub processes, and comparison variances against historical cost elements of same processes.</p>

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.
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.
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.

MATERIAL TOPICS

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	<ul style="list-style-type: none"> 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, 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.
Evaluation Mechanism	<ul style="list-style-type: none"> Licenses issued by Central Environmental Authority. 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. 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
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 (iTl), 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 wastes, 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>
Evaluation Mechanism	Calculation and analysis of performances of every area (material, energy, Water and Waste) individually with relevant comparatives and their intensities.
308- Supplier Environment Assessment	
Reason for Materiality	The Group has defined Suppliers as a key stakeholder of Alumex which significantly influenced in economic, environmental and social factors. We in Alumex make wide-ranging efforts to ensure that we source from reliable suppliers who care about the environment to feed our production processes and such supplies are of highest safety and quality standards which does not emit harmful waste to the environment.
Management Strategy	Initial assessments are carried out at the registration of the supplier to review the compatibility of the supplier and its products to Alumex standards and yearly reviews are carried out to ensure that promised terms are delivered continuously.
Evaluation Mechanism	Suppliers conformance to the environment related licensing requirements, quality standards, carbon footprint are verified by tracing to such documents collected from the suppliers directly or from their published materials. Further, incoming product tastings are carried out to ensure ingredients confirm to the specification.
401-Employment	
Reason for Materiality	Alumex values its employees as a vital asset, 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.

MATERIAL TOPICS

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.
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 Dept. conducts employee engagement surveys and remunerations surveys periodically, to gauge employee sentiment and evaluate the positioning of the Alumex against the market.
402-Labor-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 relation.
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 employee matters and day to day issues arise in the working environment.
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.
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.
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 center and transport facility to address any first aid treatment or possible hospitalization at any time. Management has taken actions to eliminate, control or provide PPEs as far as applicable to mitigate the possible risks.
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.

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.
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.
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.

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.
Management Strategy	Alumex consistently encourages equal opportunities 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.
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.

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.
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.
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.

407-Freedom-Of-Association-And-Collective-Bargaining

Reason for Materiality	Alumex PLC, a company with a unionized workforce, is bound by the relevant legislations to ensure the freedom of association of its employees.
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.

MATERIAL TOPICS

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.
408-Child-Labor	
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.
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.
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.
409-Forced-Or-Compulsory-Labor	
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.
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 of their subordinates.
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
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 personnel.
Management Strategy	All security personnel are trained to carry out body checks while ensuring the privacy and dignity of the employees. Training programmes 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 programmes 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.
414-Supplier Social Assessment	
Reason for Materiality	Alumex being a company held ourselves responsible for a better society, it is important that we ensure our partners are also pay due attention and make commitment for the society to confirm our end users and the society testify our commitment to it for a sustainable future.

Management Strategy	Initial assessments are carried out at the registration of the supplier to review the compatibility of the supplier and its products to Alumex evaluation criteria and yearly reviews are carried out to ensure that promised terms are delivered continuously.
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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 86.

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-Sociol 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

GRI: Disclosure 102-40-42-43-44

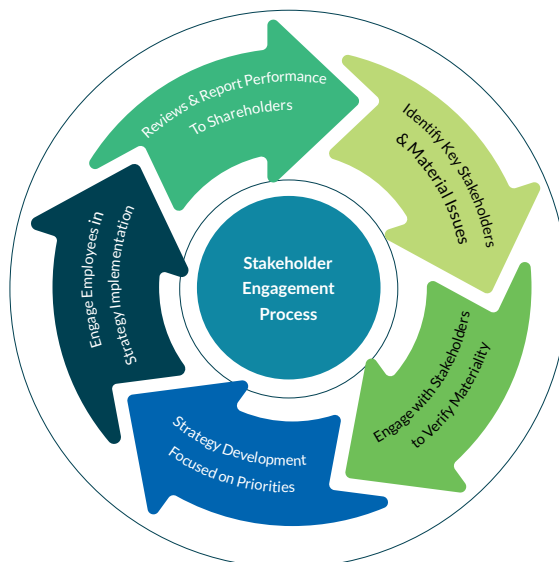
Alumex's stakeholder engagement process is vital for creation of competitive advantage and sustainability growth. The Company and it identifies material issues of the stakeholder that must be addressed by the Company in our journey towards a better corporate citizen.

The Group has defined its stakeholders as those groups which significantly influence or are influenced by the economic, environmental and social performance of Alumex and has identified its stakeholders by an internally driven process based on the risks and opportunities for its business performance, strategy execution and strategic objectives.

Our key stakeholder groups are shareholders, customers, suppliers, employees, government and regulatory bodies and the society. We pride ourselves on our effective engagement with these groups.

Alumex recognises that real business benefits can only be achieved by involving all stakeholders. Alumex continuously engages with its stakeholders to understand their priorities and concerns through various means.

We have provided details of: how we engage with these groups; how we address the issues that affect them; and how each contributes to deliver value.



Stakeholder Engagement Method	Frequency of Engagement	Key Issues arising from Engagement	Our Responses and Outcomes
SHAREHOLDERS			
Annual General Meeting	Annually	• Sustainable growth in earnings	• Provide our shareholders with transparent, reliable and timely information for effective decision making
Interim Reports	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		
CUSTOMERS			
Customer satisfaction surveys	Quarterly	• Architectural designs and estimations	• We value the long-term relationship with our Customers by offering • 06 new product designs • 14 new dealerships • Opening Concept Centers • Providing 104 technical training programmes
Annual Dealer Awards Night	Annually	• Product and service quality	
Dealer and Fabricator Training	Ongoing	• Product innovations	
Company Website & Social Media	Ongoing	• Technical Training	
Regular Customer Visits	Regularly	• Ease of transactions	
Exhibitions & Trade Shows	Annually	• Price and availability • Timely delivery and after-sales services	

Refer Social and Relationship Capital given on pages 77 to 89

Stakeholder Engagement Method	Frequency of Engagement	Key Issues arising from Engagement	Our Responses and Outcomes
EMPLOYEES AND TRADE UNIONS			
Management Meetings	Monthly	• Organisational developments	<ul style="list-style-type: none"> • We treat our employees as our most precious asset. • We provide reasonable remuneration and benefits, and training in a continuously improving working environment
Review Meetings	Regular	• Workplace improvements	
Communications via circulars, memos and E-mails	Ongoing	• Review of remuneration policies and practices	
Annual employee get-together, cricket tournament and religious events	Annually	• Training and development	
Ongoing dialog with Trade Unions	Ongoing	• Health and Safety	
Performance Appraisals	Bi-annually		
Workplace improvement meetings	Once in two months		
Executive meeting to review goals and achievements	Annually		

Refer Human Capital given on Pages 67 to 76

SUPPLIERS AND BUSINESS PARTNERS			
On-site Visits of Supplier Locations	Regularly	• Discussions on ease of transaction and procurement policies	<ul style="list-style-type: none"> • Providing the necessary background to maintain long-term supplier relationships incorporating best practices
Meetings with Suppliers	Regularly		
Annual Report	Annually	• Agreements of long term partnerships	
Regular Dialogues and Interactions	Regularly	• Quality of service	

Refer Social And Relationship Capital given on page 83 and 84

THE GOVERNMENT			
Annual Report/Returns	Annually	<ul style="list-style-type: none"> • Compliance with all regulations and legislation • Payment of statutory dues • Corporate governance 	<ul style="list-style-type: none"> • Maintain a good relationship with the government authorities timely payment of taxes and submission of specific reports
Submission of Special Reports/Returns	Ad hoc Basis		
Meetings and Workshops with government authorities and departments	Regularly		

SOCIETY AND ENVIRONMENT			
Focus Group discussions	Regularly	<ul style="list-style-type: none"> • Discussions on environmental and social impact of our business • Discussions on sponsorships and donations • Creation of direct and indirect job opportunities 	<ul style="list-style-type: none"> • Alumex has increased the contribution towards community development projects in order to uplift the standard of living of the people • Over 1,000 students and teachers were trained during the year
Training for Undergraduates	Regularly		
Fabricator Training for School Leavers	Regularly		
Written and Oral Communications initiated by Stakeholders	Ongoing		
Company Website and Social Media	Ongoing		
Donations and Community Development Projects	Ongoing		

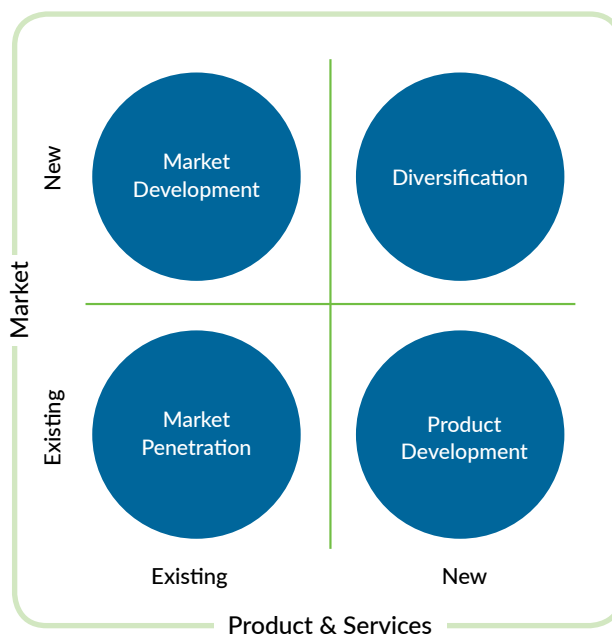
Social and Relationship Capital and Natural Capital given on pages 85 to 91 and page 92 to 99 respectively

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. With the extra capacity established during the year upon the commencement of the Alumex Prime plant, the focus on the market development strategy mainly the export market, is short-term.

The long term growth of Alumex is primarily dependent on 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 a rapid 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 island wide, throughout the year.

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

Achievement of Objectives for 2018/19

Objectives set for 2018/19	Achievement
Establishments of New Dealerships and regional warehouses	Achieved - 14 new dealers were appointed and three new regional warehouses were established.
Conduct fabricator training and development program to enhance their knowledge and skills while developing our customer relationships.	Achieved - We have trained about 3,000 fabricators during the year and organised a competition "Maha Yanthra Suthra Thagi Tharagaya" to give away Punch press machines for the winning fabricators in order to increase the quality of their end product.
Maximise the usage of the new plant in the first quarter to bring new advanced technology-to the operation to cater to rapidly growing market demand.	Partially achieved - Commercial operation was delayed till August 2018, but thereafter expected production efficiency was realised.

Objectives set for 2018/19	Achievement
Gain international accreditations to enhance local and international credibility and build customer confidence by obtaining the Qualanod certification, and to complete SLS certification for all selected products.	Achived - SLS certification was obtained for all the selected products under "LUMIN" brand . Both Qualicoat and Qualanod certification were obtained.
Preventive maintenance activities of the production plants with newly acquired talents to ensure proper order delivery process to all the customers	Ongoing- Preventive maintenance procedures were implemented based on daily, weekly and monthly Planned Maintenance (PM) checklists. Quarterly, Biannual and Annual PM checklists to be implemented in next year.
Implement a business intelligence tool and maximise the usage of the ERP manufacturing module to improve the service levels to customers.	Achieved - Successfully implemented the Qlikview business Intelligence tool.

Plans for 2019/20

- Continue to open new dealerships to enhance access and availability of our products in the market.
- Conduct fabricator training and development program to enhance their knowledge and skills while developing our customer relationships
- Maximise the usage of the new plant to tie up with leading international Aluminium proprietary system manufacturers to manufacture their products under license in order to capture the project related sales.
- Optimise the inventory levels to ensure fast delivery period to customers.
- Concentrate on the preventive maintenance activities of the production plants to ensure uninterrupted order delivery process to all the customers

Long-term Plans

- Develop our brands to be perceived as high quality products to maintain a competitive advantage.

MARKET DEVELOPMENT: SRI LANKA

Residential Housing Industry

The change in customer perception of Aluminium over wood in the house building industry due to its properties such as 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. The new product range introduced under the 'Lumin' brand is becoming more popular in the residential housing industry and expanding its market share on a yearly basis.

GOALS AND STRATEGIES

Achievement of Objectives for 2018/19

Objectives set for 2018/19	Achievement
Promotional campaigns to dealers, fabricators and end users	Ongoing - Lumin was promoted in exhibitions, advertising campaigns and other promotional campaigns
Opening two dedicated "Lumin Concept" Centres	Achieved - two new centres were opened in Galle and Colombo
Develop the post-construction Lumin customer visit program to evaluate customer satisfaction	Ongoing - upon completion of construction, Lumin Sales staff make visits to evaluate customer satisfaction.
Implement "Approved Fabricator" program for Lumin concepts	Ongoing - program was implemented and fabricator registration process is ongoing.

Plans for 2019/20

- Introduce a new product range for customer segment who are looking for value for money.
- 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
- Continue with "Approved Fabricator" programme for Lumin concepts

Long-term Plans

- Introduce full range of 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 2018/19

Objectives set for 2018/19	Achievement
Establish a dealership in Bangladesh	Not Achieved - Due to operational difficulties in the distribution process this was not pursued further
Open up new dealerships and expand in South India	Not achieved - Due to pricing anomalies this was not pursued further
Explore possibility of exporting to Africa and Nepal	Achieved - Several exports were done to Nepal and South Africa and it's ongoing.

Plans for 2019/20:

- Open 10 new dealerships in India, Male, Bangladesh, Myanmar and Nepal
- Open up 5 showrooms each in India, Male, Bangladesh, 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, work towards enhancing the 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 environmentally friendly materials and processes.

During the current year, both powder coating and anodising processes were upgraded to obtain the Qualicoat and Qualanod certifications for our products. Further, 152 new Alumex and customer pursued dies were designed and tested. Most of the orders for these designs were completed and delivered within the year.

Achievement of Objectives for 2018/19

Objectives set for 2018/19	Achievement
Launch of high performance unitised curtain wall/ facade system	Ongoing - Unitised curtain wall/ facade system testing and launch to be completed
Launch of Lift and Sliding system.	Ongoing - Lift and sliding system testing and launch to be completed
Launch of heavy duty doors	Achieved - Product was launched in February 2019

Plans for 2019/20

- Introduce six new component products
- Complete the testing and launch of lift and sliding system and unitised curtain wall/ façade system

Long-term plans

- Develop and launch a complete Alumex proprietary façade, window & door system which includes all extrusions and accessories manufactured under the Alumex brand with required warranties.

DIVERSIFICATION

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

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

Achievement of Objectives for 2018/19

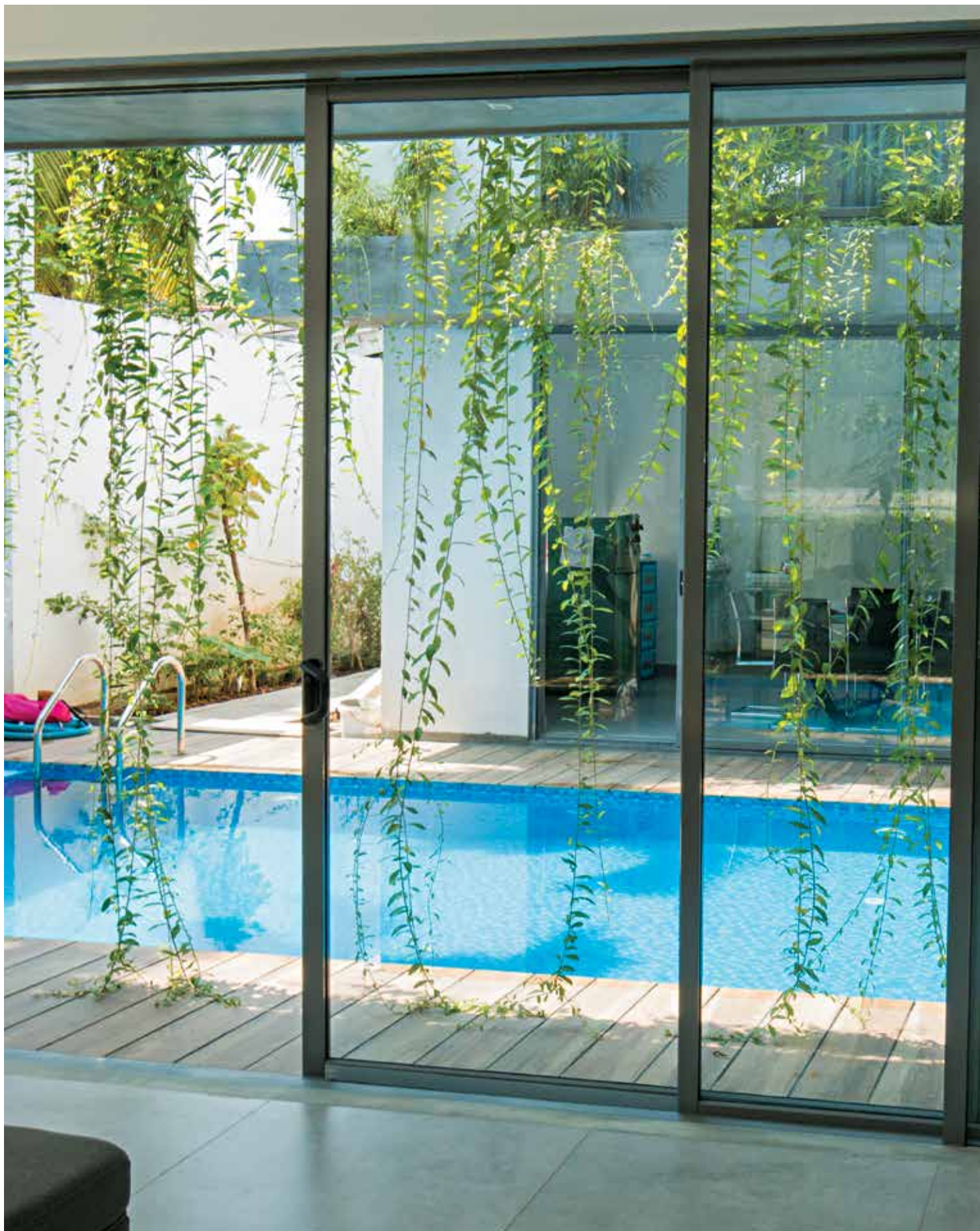
Objectives set for 2018/19	Achievement
Promoting Alpolic composite panels made by Mitsubishi Plastics, Japan	Ongoing – New set of fabricators were trained and projects won
Promoting Corian Solid Surface material made by Dupont, USA	Ongoing – New set of fabricators were trained and projects won

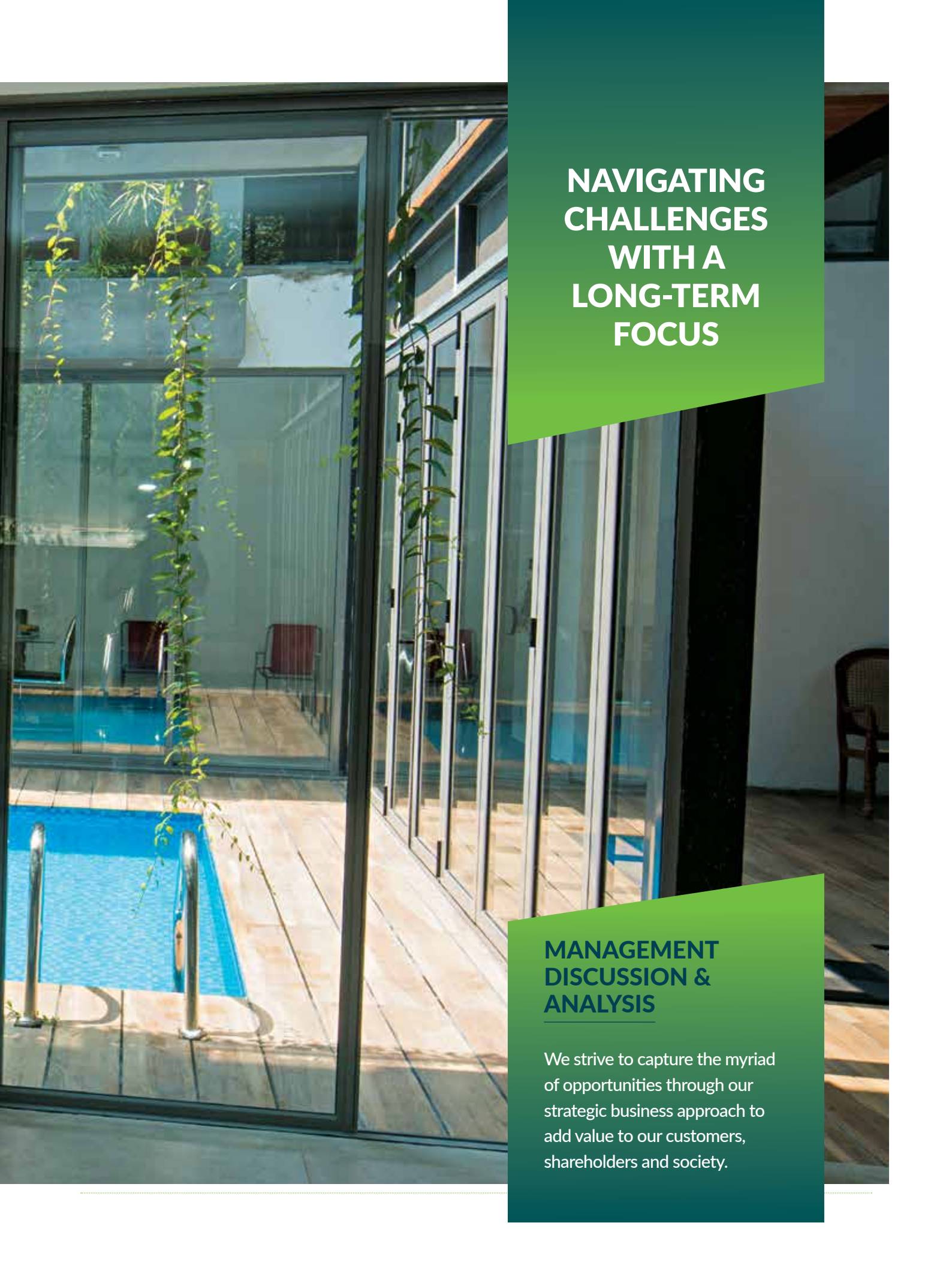
Plans for 2019/20

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

Long-term Plans

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



A photograph of a modern glass-walled conservatory or sunroom. The structure has a wooden deck floor and a small blue pool area. A green vine hangs from the top of the glass wall. The conservatory is attached to a house with a white wall and a dark roof. The text "NAVIGATING CHALLENGES WITH A LONG-TERM FOCUS" is overlaid on a green background in the upper right corner.

NAVIGATING CHALLENGES WITH A LONG-TERM FOCUS

MANAGEMENT DISCUSSION & ANALYSIS

We strive to capture the myriad of opportunities through our strategic business approach to add value to our customers, shareholders and society.

OVERVIEW OF ALUMINIUM INDUSTRY

ALUMINIUM - AS A STRATEGIC METAL

Nearly all branches of global industry consume Aluminium such as mechanic engineering, defence industry, aircraft engineering and shipbuilding, power production industry and fabrication of construction materials. Therefore, we can identify Aluminium as a "strategic metal" with endless possibilities to meet the needs of everyday life.

For most Aluminium products, the metal is not actually consumed during the product's lifetime, but simply used, with the potential to be recycled without any loss of its inherent properties. This property of infinite recyclability which requires up to 95% less energy than primary Aluminium production has led to a situation where today around 75% of the almost one billion tonnes of Aluminium ever produced is still in productive use.

Today, more Aluminium is produced each year than all other non-ferrous metals combined. By using various combinations of its advantageous properties such as strength, lightness, corrosion resistance, and durability, Aluminium has rooted in the life style, with no other replacement for this strategic metal.

GLOBAL ALUMINIUM INDUSTRY

Aluminium is made from the alumina extracted from bauxite rock. China produced nearly half of the world's 63 Mn tonnes of Aluminium in 2017. The rest of Asia produced 3.9 million tonnes and Western Europe 3.7 Mn tonnes, according to main producers' association World Aluminium.

Global primary Aluminium production increased by 5.8 percent in 2017, with a

10 percent increase in China and stable production in North America and Europe. In total, approx. 63.2 Mn tonnes of Aluminium were produced worldwide in 2017. Market observers are expecting continued solid growth in coming years. Global primary Aluminium production of 64 Mn tonnes and recycled Aluminium production of approx. 12 Mn tonnes in 2018. Strong demand is also reflected in pricing trends. Whereas the price was approx. 1,700 US dollars per tonne at the start of 2017, it had risen to between 2,100 and 2,200 US dollars one year later.

The outlook for the Aluminium industry in the current year continues to be good overall, in spite of continued political uncertainty, such as the planned US tariffs on Aluminium imports, China, as the world's largest producer of Aluminium and semi-finished Aluminium products, might expand its exports into European markets.

ALUMINIUM IN CONSTRUCTION INDUSTRY

Buildings represent 40 percent of the world's energy demand, so there's a great potential for saving energy. Using Aluminium as a construction material, is an important means to make buildings that not merely saves energy, but actually produces energy.

Aluminium is one of the most used materials in building and construction because design flexibility makes Aluminium a favourite among engineers and architects. It can be anodised or powder coated which gives it even more durability and corrosion resistance while meeting a range of decorative expectations.

Aluminium as a strategic metal supply advance and versatile solutions for building and construction, including a huge variety of products for facades, roofs, ceilings and more. The properties of Aluminium combined with our advanced knowledge on products and processes make us and our metal the ideal choice for contemporary architecture.

SRI LANKAN ALUMINIUM INDUSTRY

Sri Lankan Aluminium industry mainly contributes construction sector of the economy and plays a major role in massive development programmes and large scale infrastructure development programmes of the country.

Leading architects and professionals in constructions offer insightful predictions into what we can expect from the island's construction industry. According to the experts the developers should plan long-term, as the current growth of Sri Lanka's construction sector should continue for the next 15 to 20 years. Despite of the current challenges, the Sri Lankan construction sector will continue to boom with the increase of affordable housing as well as major residential and commercial projects.

In budget 2019, Sri Lankan government has allocated Rs.32 Bn to be allocated for development of school infrastructure and Rs.25 Bn for development of university infrastructure. And its proposals to implement home loan schemes to build houses under the scheme of Home Sweet Home, and introduction of loan schemes for overseas employees will boost the mini constructions around the country which would create demand for Aluminium products, which is a sustainable construction material.

In addition, the construction sector expected to benefit in the medium to long-term from large scale GoSL-led projects such as the Colombo International Financial City, Central Expressway and the multi project Western Province Megapolis coupled with increased private construction activity such as leisure and property development projects.

Private sector players with exposure and expertise on construction projects are expected to be the mass consumers of the Aluminium products in Sri Lanka.

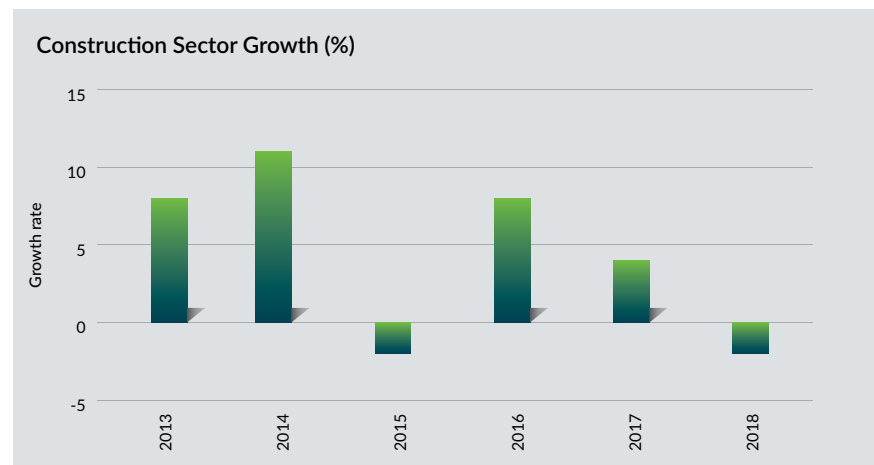
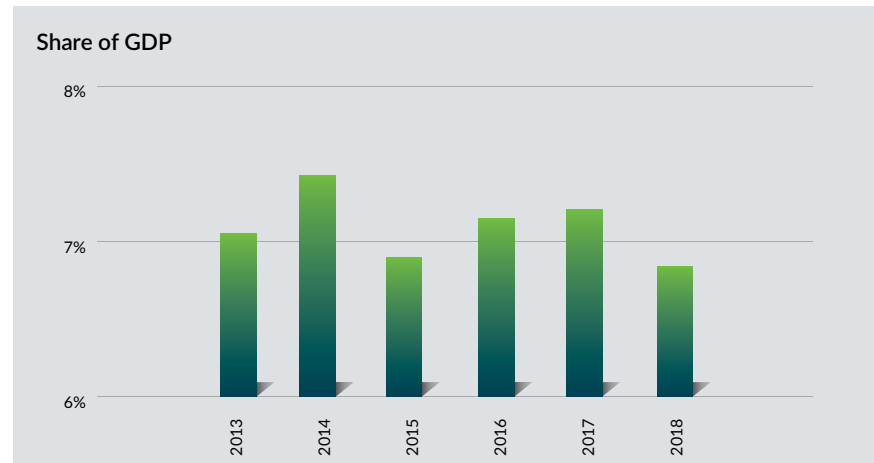
All these construction projects are directly linked with the Aluminium industry and hence there will be continuous development in the usage of Aluminium-related products in the country. In order to develop an industry, it is imperative to satisfy several key factors such as incorporating high quality 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 Sri Lanka Standards Institution.

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 ensured that our products are certified by SLS standards and further ensured by obtaining the international standards of Qualicoat and Qualanod as the only supplier with both the certification in the

South Asian Region. In targeting of the booming high-rise buildings market, we have 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. Further, new strategic alliances developed with world renowned top ranked Aluminium extrusion proprietary system owners like Hydro Aluminium to manufacture their system in Sri Lanka under license will bring us the competitive edge in capturing majority of the project market. 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 little slow down in the recent past.



OVERVIEW OF ALUMINIUM INDUSTRY

INDEX OF INDUSTRIAL PRODUCTION (IIP)

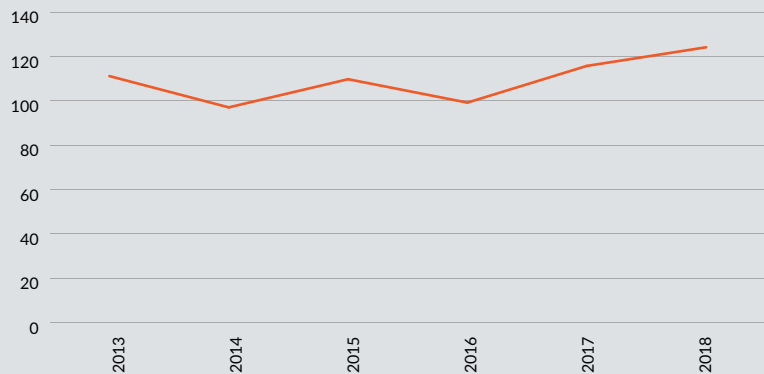
The index of factory industry production which is calculated by the Department of Census and Statistics of Sri Lanka is based on the monthly survey details of quantity of output of industry production. Factory production of Aluminium extrusion manufacturing is classified under fabricated metal products, which shows an upward movement in the year 2018.

ALUMINIUM EXTRUSION MARKET GROWTH

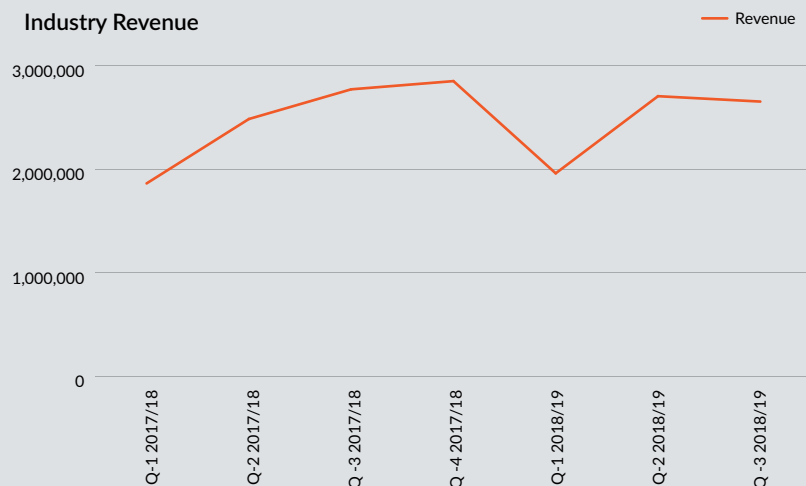
Four manufacturers are involved in Aluminium manufacturing in Sri Lanka. In addition, large scale contractors import architectural extrusion profiles for BOI projects and small scale importers import general items to cater to the lower end of the hardware market. Although, the other information is not accurately available, three out of four manufacturers of Aluminium extrusions are listed on the Colombo Stock Exchange. According to the information published by these three manufacturers, the Aluminium extrusion industry has recorded a continual growth in the last few years. Further, the cumulative growth recorded by these manufacturers in first three quarters of this year (2018/2019) compared to last year (2017/2018), is only 3% mainly effected by 4% contraction in the 3rd quarter 2018/19.

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.

Index of Industry Production Index - (IIP)



Industry Revenue



Industry Growth



REVIEW OF THE OPERATING ENVIRONMENT

ECONOMIC REVIEW

The Gross Domestic Product for Sri Lanka for 2018 (January to December) at constant (2010) price has reached Rs.9,644 Bn. The GDP value reported for 2017 was Rs.9,344 Bn. 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 7.9%, 27%, 56.8% and 8.3% respectively for 2018. During 2018, Agricultural activities expanded favourably by 4.8% compared to the contraction of 0.4% reported in 2017. The Industrial activities recorded significantly low growth of 0.9% compared to 4.1% growth in 2017, and Service activities reported 4.7% of outstanding growth during 2018 compared to 3.6% growth in 2017.

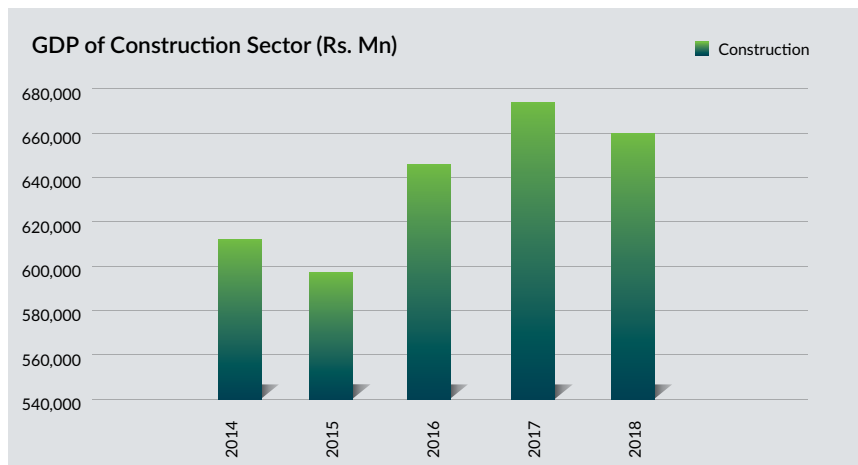
The Sri Lankan economy has grown at the same rate of 3.2% in real terms in comparison to GDP growth rate of 3.4% in the previous year.

INDUSTRIAL SECTOR REVIEW

The 'Industrial activities', which contributed to GDP by 27% at current price, has slightly grown at the rate of 0.9% compared to the growth of 4.1% recorded in 2017.

Although, total industrial sector is not lucrative, the overall manufacturing activities have grown by 3% during 2018. In addition, 'manufacture of basic metal and fabricated metal products' which includes Aluminium extrusion manufacturing products has reported significant positive growth rate of 8.3%.

The 'Construction activity', which corresponds to the highest share within the industry sector, contracted by a rate of 2.1% during 2018, compared to 4.3% growth in 2017.



INTEREST RATES

The Average Weighted Prime Lending Rate (AWPLR), the rate at which customers borrow from the banking sector slightly increased to 11.94% which was 11.33% in 2017. Responding to high interest rates, the growth of credit to the private sector decelerated to envisaged levels during the first eight months of 2018. Accordingly, the growth of credit to the private sector decelerated to 14.3% by end August 2018 compared to the growth of 14.7% by end August 2017.

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

However, the growth in credit granted for personal housing construction activities by LCBs slowed down to 13.1% in 2018, from 21.4% growth recorded in 2017. This decrease in credits granted to personal housing projects has adversely affected the operations of Alumex as the demand for construction materials has decreased by domestic users.

INFLATION

Year-on-year headline inflation, measured by the CCPI (base year 2013), reflected a downward trend of 2.8% in December 2018 compared to 7.1% in December 2017. Inflation rose in the first part of 2019, to 3.7% and 4% in January and February respectively. The Central Bank is targeting inflation at 4%-6% in 2019 and beyond supported by the envisaged move to Flexible Inflation Targeting (FIT) by the year 2020.

The low level of inflation rates is expected to increase investments and improve returns of the savers may leading higher growth in long term.

REVIEW OF THE OPERATING ENVIRONMENT

EXCHANGE RATES

A 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 2018. At the beginning of the year the Euro was Rs.182.49 which increased to Rs.208.99 recording a 12.68% depreciation but with several fluctuations during 2018. The US dollar rate, which was Rs.152.85 at the beginning of the year, closed at Rs.182.75 at end December 2018. However, during the year, it showed very high fluctuations with the highest rate of Rs.184.69 being recorded on 31st December 2018. This depreciation of our main currency by nearly 16%, by the year end made the import material prices more expensive for the Company whilst recording the highest exchange losses in a year.

Emerging economies like Sri Lanka will be badly affected in 2019 as well. Consequently, the funds outflow from the domestic financial market will increase the pressure on the exchange rate and foreign exchange reserves. In this scenario, further depreciation in currency can be expected in 2019 at a moderate level because the CBSL has limited capacity to intervene the market as it has limited reserves.

The adverse impact of the exchange rate movements together with the increased prices of Aluminium, the key raw material, in London Metal Exchange (LME) affected the cost of production of Alumex to increase.

On the other hand, the Sri Lankan 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 creates higher competition among the Aluminium producers in the market in delivering a quality output to the market.

POLITICAL AND REGULATORY ENVIRONMENT

The adverse political conditions experienced in 2018 was not favourable to the economy. In this scenario, large scale public and private sector investments were delayed, weakening economic growth and adversely affecting business operations.

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

TECHNOLOGICAL ENVIRONMENT

Technology and innovation offers 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 industry.

But the trend of the new cities will be dominated by a concept of "materials for super tall buildings" with the design of buildings is evolving due to the growing use of computer programmes in design and architecture.

The High-Tech trend has a strong influence on how interior spaces are perceived, with ventilation grids and windows information and other systems controlled by computers. As a result of technological involvement in architecture Alumex also has improved and increased focus on product testing to cater to these new trends.

SOCIAL AND NATURAL ENVIRONMENT

The construction sector consumes about 62% of the global extrusion production with the changes in beliefs and values of the people towards green buildings. The housing market in Sri Lanka maintains a positive momentum and demand is gradually increasing. It is expected that more than 70% of the world's population will live in urban areas by the year 2050.

Sri Lanka is at primitive stage compared with these numbers and hence long-term development is expected in commercial buildings and apartment constructions in urban areas in the future.

OUTLOOK

The local construction sector has witnessed a slowdown in the recent past given the reserved outlays on infrastructure projects. Near term pressures include delays in several government infrastructure projects, LKR depreciation (USD/LKR -16.0% in 2018) affecting imported raw material costs and labour shortages. However, the sector is expected to benefit in the medium to long terms from large scale GoSL-led projects such as the Colombo International Financial City, Central Expressway and the multi project Western Province Megapolis coupled with increased private construction activities. Anticipated conclusion of Provincial Council Elections in 2019 is likely to invigorate certain infrastructure projects at the local government level.

However, government infrastructure spending is expected to be constrained given the ongoing fiscal consolidation measures. Meanwhile, increased competition of Chinese and Indian construction firms in Sri Lanka continues to pose a significant threat to local construction players.

In Budget 2019, the Government continues with its plans to remove para-tariffs in its process of liberalization but has laid down a strategy for its implement at a slower pace of three to five years. Reviving local industries especially construction has been targeted with measures to promote local construction and lower construction costs. The Government also expands its existing 'Enterprise Sri Lanka' program with enhanced loan schemes at concessionary rates supporting start-up entrepreneurs. The Budget has a special focus on investing on infrastructure with funds being allocated to initiate the Light Rail project and complete the expressways while continuing and expanding urban housing projects. Human capital development has also been recognised with educational loans for tertiary education and foreign education programmes for local university candidates among others.

The economy is expected to grow by 4.5 and 4.3% in 2019 according to the ADB and IMF's forecasts respectively. Under these prediction, Alumex expect a positive outlook in the years to come.





DELIVERING A STRONG VALUE PROPOSITION

CAPITAL REPORTS

Leveraging on our enhanced scale of operations we are set on a path to innovate and create a tangible impact in an evolving construction industry.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL
CAPITAL

We are conscientious in applying effective risk management practices into our corporate decision-making process along with internal controls to bring the necessary checks and balances to our operations.

KEY INDICATORS

14%

Revenue Growth

126 Mn

Profit after Tax

57:43

Debt: Equity (%)

2,070 Mn

Net Reserve

2,230 Mn

Trade Finance
Facility

In a complex operating environment, perceptive financial capital management is imperative and is considered a critical success factor to uphold business viability and sustainability from a long-term perspective. This section herein seeks to highlight how we manage our financial capital to optimise value creation against a volatile business landscape and how we strategically plan, scale up and consolidate our operations to deliver on our goals from a long-term perspective.

The section discusses in detail our financial performance for the financial year-ended 2018/19

Our financial capital includes the equity investments of our shareholders and debt raised from banks. Additional debt capital was required with the commencement of commercial operation in capacity expansion project in Ekala. Consequently, financial gearing is almost identical to the previous year. The cash flow position of the Company has slightly increased in the reporting period despite the adverse trading conditions prevailing in the country. However, we stand focused in our efforts to utilise financial resources efficiently and create optimum value.

Financial capital has a significant influence on our ability to acquire other forms of capital. The quality and availability of key enablers of value creation such as property, plant and equipment, and inventory are financial capitals that influence the competitiveness of the value proposition on offer. Securing and carefully nurturing financial capital is therefore of paramount importance for the sustenance and growth of the business. Our management across our operations

Criteria	Performance indicator - as at 31 March	2019	2018	2017	2016	2015
Capital structure	Debt : Equity (%)	57:43	54:46	19:81	0.2 : 99.8	1 : 99
	Cash flows from operations (Mn)	80	(300)	524	494	482
	Dividend payout ratio (%)	142	86	58	51	63
Liquidity	Current assets ratio	1.03	1.14	1.85	1.90	1.72
	Quick assets ratio	0.42	0.48	0.94	0.84	0.75
	Finance facilities - LC and import loans (Mn)	1,920	1,770	1,770	1,620	1,390
	Finance facilities - Bank OD (Mn)	310	310	310	310	270
	Finance facilities - Remaining long-term loans (Mn)	-	430	1,288	300	310
Solvency and reserves	Interest cover (Times)	1.8	5	166	948	220
	Net reserve position (Mn)	2,070	1,969	2,033	1,615	1,406
	No. of financial institutions providing funds	8	7	6	6	5



are well aware and stands committed to bring in and follow through best practices and standards in accounting, auditing and management. We comply with laws, rules and regulations stipulated by the relevant statutory and regulatory bodies. We are conscientious in applying effective risk management practices into our corporate decision-making process along with internal controls to bring the necessary checks and balances to our operations.

FINANCIAL REVIEW

Revenue

Revenue for the year amounted to Rs.5 Bn reflecting a growth of 14% despite a challenging environment marked by intense competition and adverse trading condition which prevails in the country, in the construction industry impacting our target performance. We kept our market leadership position in the Aluminium extrusions market, supported by group revenue growth in 2018/19 compared to the previous year turnover of Rs.4.4 Bn. As we continued to innovate, enhancing

the quality of our products, catering to the latest trends in Aluminium extrusions industry supported by introducing value added products, we manage to leverage on our strong presence in the domestic market. Strengthening our distribution network by opening four new distribution centers in Colombo 15, Galle, Kandy, and Rathnapura with the appointment of new distributors and dealer across the island helped to sustain the revenue growth during the year under review.

Turnover of Powder Coating Aluminium component was the major player in product mix which contributed more than 50% of group revenue followed by the Anodised Aluminium component which contributed 31% to group revenue. The group export turnover has increased by 74% to amount to Rs.35 Mn in reporting period as against to Rs.20 Mn recorded in the previous financial year. The Group strategies were in the pipe line to grow the export market with the increased capacity to cater to the international market.

Group Net Turnover



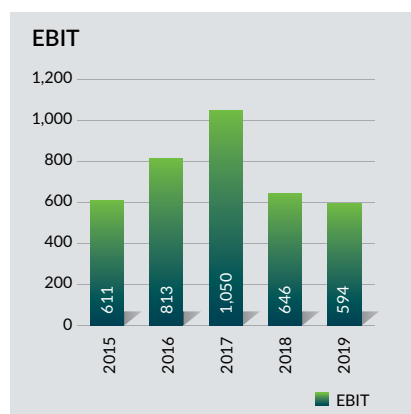
Earnings Before Interest and Tax (EBIT)

The gross profit margin has steadily maintained 23% in the current year compared to the with previous year margin of 24%, while gross profit has increased by Rs.93 Mn to Rs.1.15 Bn, from Rs.1.06 Bn from the preceding year. Cost pressures stemming from increasing raw Aluminium prices in global markets with magnitude impact from rupee depreciation against the dollar has a negative impact on the gross profit of the group. Several cost management and productivity enhancement tools and

FINANCIAL CAPITAL

volume growth supported the margin to be maintained at the current level.

Despite the increased gross profit, the group's EBIT dropped by 8% corresponding to the drop in other income by Rs.20Mn, increase in distribution by Rs.49 Mn and administration expenses by Rs.76 Mn. Group EBIT margin reduced to 12% during the year under review from 15% in the preceding year. The Group administration expenses increased by 28% mainly due to impairment provisions, inflationary effects and increased staff cost while group distribution expenses also increased by 29% owing to expansion of distribution operation of the group.

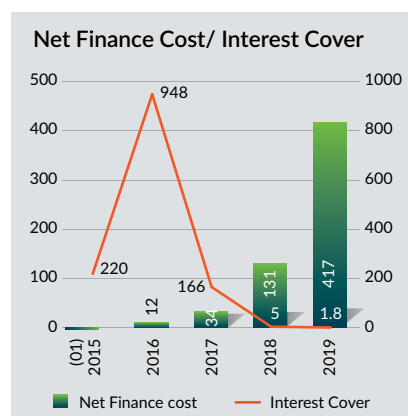


Net Finance Cost and Interest Cover

With a 14% increase in long-term borrowings to fund capacity expansion project of the Group, the net finance costs increased by 218% to Rs.417Mn. Further, the capacity expansion of the Group, increased the working capital requirement during the year and consequently group short-term borrowing also increased by 16% to Rs.1.3 Mn at the end of the reporting period which resulted in higher interest cost. This was further aggravated due to the marginally higher rate of interest which prevailed in the country.

The group net exchange loss has increased almost by four times amounting to net exchange loss of Rs. 100Mn during the year against Rs.27 Mn in the preceding year owing to the high depreciation of the rupee against US dollar and Euro during the third quarter of the financial year. Group was able to manage foreign currency exposure to some extent through mitigation activities.

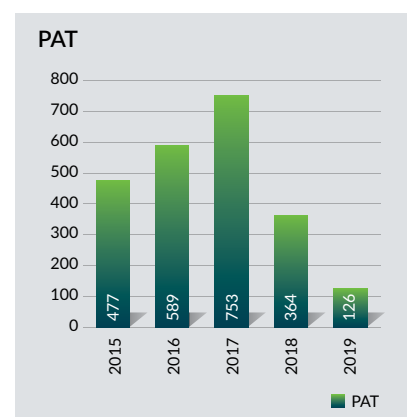
The Group interest coverage ratio measured as EBIT/net finance expenses, remained at high level of 1.8 times owing to increased borrowing in the reporting period.



Profit After Tax (PAT)

Profit after tax of the Group declined by 65% in 2018/19 to Rs.126 Mn albeit revenue growth due to increasing costs of sales, distribution administration and finance costs. PAT margin dipped to 3% in 2018/19 compared to 8% last year. The Group's tax charge for the year was Rs.50 Mn, 67% lessor than the tax of Rs.150 Mn incurred in 2017/18. Lower income tax was due to the decrease business profits as well as other sources of income. Meanwhile, the deferred taxation reversal for the year was Rs.29 Mn as recorded in the statement of profit or loss, attributed mainly due to the taxable loss of the Company during

the year. Further a deferred taxation charge of Rs.59 Mn was included in the statement of other comprehensive income owing to deferred tax impact of land revaluation. Further, the tax expenses comprised Rs.19Mn. of Withholding Tax paid on subsidiary company dividend payment.

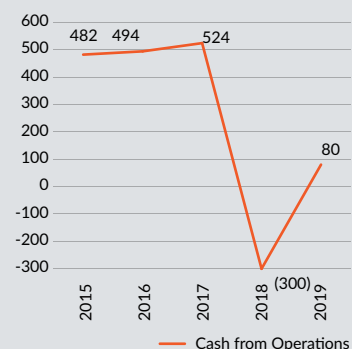


Cash Flow and Liquidity Position

Operating cash flows increased by more than 100% to Rs.80 Mn of positive free cash flow in comparison with the previous year's negative free cash flow of Rs.300 Mn. Free cash flows from operation was largely affected by the increase in working capital, high amount interest payment and declining profitability. Owing to the expansion of operation and distribution network, the Group had to maintain large finish goods inventory in different locations which lead to increase in working capital. Further, during the year Group purchased large quantities of Aluminium scraps on cash basis and sizeable amount of such inventory remained at the raw material level leading to a decrease in supplier credits.

As consequence of above the current ratio declined to 1.03 times from 1.14 times in the previous year.

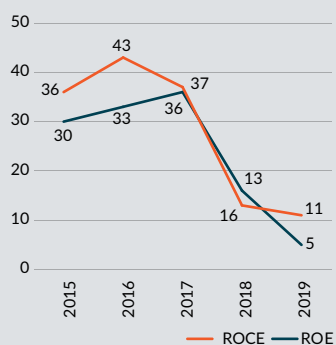
Cash from Operations



Return on Capital Employed (ROCE)/ Return on Equity (ROE)

Owing to the decline in profitability and increase of borrowings for the expansion project both ROCE and ROE continue to decline in the reporting period. The Group ROCE declined to 11% from 13% recorded in the preceding year while the decreased ROE to 5% from 16% as recorded in the previous year. Key strategic outcome is expected through our corporate strategy to turnaround the situation.

Return on Capital Employed (ROCE)/ Return on Equity (ROE)

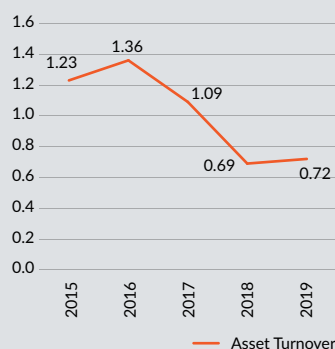


Asset Turnover

Group continued with the investment in capacity expansion project at Ekala during the year under review. With this investment the company becomes the country's first fully automated, front-

loading Aluminium extrusion plant and South Asia's first vertical powder coating plant. During the year, the capital expenditure stood at Rs.490Mn with 82% spend for the capacity expansion project. The investment on property, plant and equipment increased by 15% compared to previous year. However, the Group was able to maintain steady level of Group asset base in the current year recording 0.72 times, from 0.69 times in the preceding year. Disregarding investment in current asset, the non-current asset turnover ratio too maintained a steady level to 1.31 times in the year under review from 1.33 times in the previous year as a consequence of freehold land being revalued during the year, which resulted in a surplus of Rs.210Mn shown under other comprehensive income. These investments will support the Group to fulfil increased customer needs in a rapidly evolving industry, contributing towards enhanced and sustainable profits in the future.

Asset Turnover



Borrowings

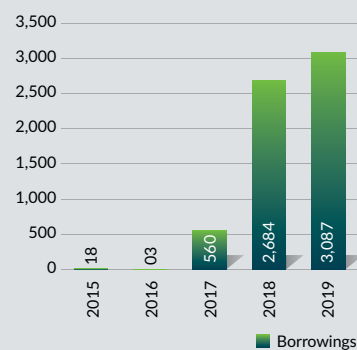
The pool of borrowing of the Group consist of long-term interest bearing borrowings, import loans, short-term loans and overdraft amounting to Rs.3,087Mn a 15% increase. The incremental debt funds of Rs.404 Mn were used to fund capacity expansions,

working capital and repayment of debt obligations that feel due during the year. The net long-term interest bearing borrowings used to finance the capacity expansion project outstanding was at the year-end Rs.1,726.25 Mn showing an increase of 14% compared to the previous year balance of Rs.1,513.75 Mn Short- term borrowings consists of short-term loans, import loan and bank overdraft mainly secured for financing working capital, increased to Rs.191 Mn from Rs.1,170 Mn previous year.

Interest on Short-term borrowings are determined based on money market rates and reviewed periodically by the Group centralised treasury function.

Details of borrowings appear Note 15.2 to the Financial Statements.

Borrowings



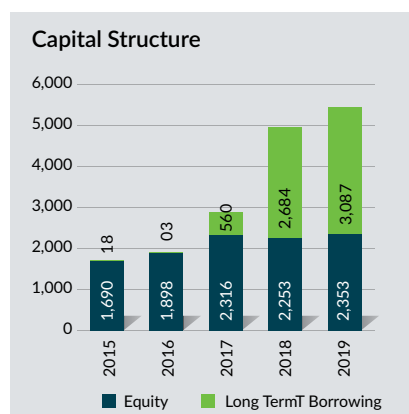
Capital Structure and Gearing

The Capital structure remained the same as in the previous year, with the infusion of further debt to finance the capacity expansion project in Ekala and for funding the increased requirements of working capital. Total equity as at 31st March 2018 was Rs.2.35 Bn and debt was Rs.3 Bn. Equity increased by 4% from Rs.2.25 Bn whilst debt increased by Rs.404 Mn, representing a drop in Group debt to equity ratio to 131% in the reporting period compared to 119%

FINANCIAL CAPITAL

in the preceding year.

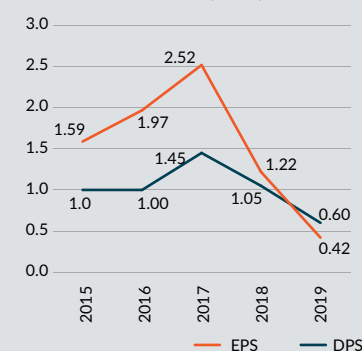
Financial gearing has further dropped in the year under review compared to the last financial year, which stood at 56.75% at year-end.



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

The Group earnings and dividend are continued to drop in the reporting year as a result of lower profitability. The EPS has decreased by 65% to Rs.0.42 per share, from Rs.1.22 in the previous year, while the DPS also decreased by 43% to Rs.0.60 per share—from Rs.1.05 in the previous year. Dividend payout ratio has increased to 142% in the current year from 86% in the preceding year.

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



Solvency and Reserves

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 payment of final dividend for the financial year 2017/18 and the declaration of interim dividends for the financial year 2018/19. 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	2018/19 Rs. '000	2017/18 Rs. '000
Non-current assets	3,654,094	3,166,311
Current assets	2,600,262	2,540,955
Total assets	6,254,356	5,707,266
Non-current liabilities	1,545,645	1,446,974
Current liabilities	2,975,174	2,548,027
Total liabilities	4,520,819	3,995,001
Assets less liabilities	1,733,537	1,712,265
Stated capital	283,735	283,735
Net position	1,449,802	1,428,530

Financial Strength

GRI: Disclosure 201-04

As at year-end, the group enjoyed the below listed financial facilities from local and international banks for its import and working capital requirements. Interest rates and commissions for these facilities are reviewed periodically, while rates changes on facilities are determined based on market rates.

- Facilities for Letter of Credit and Import Loan –Rs.1,920 Mn
- Facilities for Bank Overdraft –Rs.310 Mn

Furthermore, there is no direct financial assistance received from 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 132. 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 to the some extent through foreign currency forward contracts and by maintaining a minor amount of foreign currency denominated assets to hedge against liabilities.



MANUFACTURED CAPITAL

The newly added manufacturing facility consists of Extrusion line and South Asia's first Vertical Powder Coating Plant with the capacity of 12,000 MT per annum.

KEY INDICATORS

22,200 MT

Extrusion Capacity

22,000 MT

Finishing Capacity

LKR

2Bn

Investment in
Capacity Expansion

09

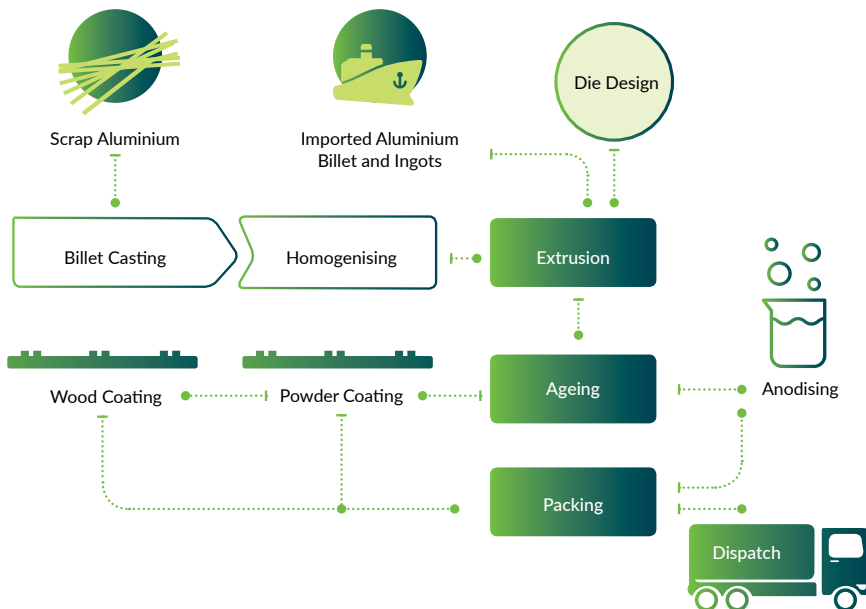
Regional
Distribution
Centres

480

Customised
Product Designs

Aluminium is a flexible metal that can be converted into different shapes using various production methods.

Aluminium Production Process at Alumex



The production of Aluminium extrusions starts with a billet, which is cut either from long imported Aluminium logs or logs produced in-house according to a pre-defined specifications using pure Aluminium ingots, primary or secondary scraps. In extrusion process certain pressure is applied on a heated billet which comes through a heated container through the 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. Extruded profile is then cooled using chilled water or air. It is then stretched to achieve required straightness, and cut to 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 surface finishes such as powder coated, anodised and wood effect are value added forms of Mill Finish profiles.



Colour, coating thickness, lengths and type of finishes are decided according to customer requirements.

ALUMEX PRODUCTION CAPACITY AND UTILISATION

Product/Plant	Capacity (per Annum)	Current Utilisation
Extrusion	22,200 metric tons	35%
Anodising	5,400 metric tons	50%
Powder Coating	16,600 metric tons	30%
Wood Effect finishing	600 metric tons	60%
Die Manufacturing	2,400 units	55%
Aluminium Melting	6,000 metric tons	60%

Enhanced Capacity

Considering potential future demand increase for Aluminium extrusions the phase I of Prime capacity expansion project was completed with a state-of-the-art manufacturing and warehouse facility in August 2018. The newly added manufacturing facility consists of Extrusion line and South Asia's first Vertical Powder Coating Plant with the capacity of 12,000 MT per annum. The enhancement was structured with the scope of export market and the future expansion of local market. With the capacity enhancement, utilisation of extrusion and powder coating reflects a lower figure and the Company has set plans to seek opportunities outside Sri Lanka, by being competitive in product offering.

In view of meeting increased demand in the Wood Finish product range, the existing manufacturing plant was relocated to the old PC2 building in Sapugaskanda factory. The earlier plant had a limitation of space for curing oven operation and it was designed to feed profiles only from one end of the sublimation oven. The capacity was almost doubled with the relocation as now feeding happens from both ends.

The Component manufacturing plant capacity was also increased by adding automated cutting, drilling and tapping machines. This initiative helped to improve safety of employees by eliminating manual operations in cutting, drilling and tapping processes.

Factory Locations

Alumex manufacturing plants are currently operating at two different locations. The LINDEL Industrial Zone in Sapugaskanda, Makola and Prime manufacturing facility in Ekala, Ja-Ela. Distribution takes place from central

warehouse complex located in close proximity to the Makola factory. The Company expects to commence direct distribution from the new Prime warehouse in the near future. In addition to the central warehouse complex, the logistics operations are further expanded through satellite warehouses covering strategically important locations in the country to ensure efficiencies and increased customer service levels.

Technological Upgrade

During the period under review, Sri Lanka's first state-of-the-art, fully-automated, front-loading and the largest Aluminium extrusion plant and South Asia's first vertical powder coating facility SAT Trivisan CUBE Technology was established as 'Alumex Prime' Ekala, Ja-Ela, with an investment of Rs.2 Bn. The Extrusion plant is an Italian made Presezi extruder benefiting from its automated downstream equipment as well as long run-out tables with Infrared and Bluetooth technology controls. The SAT powder coating plant is equipped with advanced autonomous machinery for economical operation with high efficiencies. A complete powder recycling facility with maximised recovery means minimum powder wastage in the powder spraying processes, reducing the cost of production. Both plants were leveraged with smart operating platforms via online remote error correction support. Compared to the old powder coating technology, there is significant reduction of waste water and the purification system to ascertain that water discharge has zero impact on the environment. The new plant can produce 1,000 MT in Aluminium extrusions and powder coating per month. The production capacity of Alumex has increased up to 22,000 MT per annum, outpacing the local demand of Aluminium extrusions.

Additionally, the existing production processes and support functions at the Sapugaskanda factory were upgraded in the year under review. A booth cleaning mechanism was introduced to the Horizontal Powder coating plant with in-house Kaizen development enabling colour changes in two booths within shortest possible times.

Completed the on-line chemical dosing systems to the anodising process resulting in minimum manual handling of hazardous chemicals by employees. This also helped to improve accuracy in current chemical adding processes thereby saving chemical costs.

With the view of improving the health and safety standards of employees' and increasing capacities, a new cutter, drilling and tapping machines were added to the component manufacturing section.

A new second cutter unit and gauge table was installed at the Alumex Extrusion plant in order to improve accuracy and efficiency at cutting operation before the ageing process.

A new waste water treatment plant was established to handle canteen waste separately. This initiative will help to minimise environmental discharge and enable the use of plant treated water for gardening purposes.

Investment in New Business

The phase I of the biggest investment in the history of Alumex was completed during the period under review. As the demand for Aluminium products are increasing, the business needs to keep investing in its capacity improvements along with necessary technological advancements. Prior to the Prime plant

investment it was a challenge for the Company to meet customer orders received from local market with the best possible lead-time. Specifically, the capacity utilisations for extrusions and powder coating had been reached to maximum limit. On the other hand fulfilling the needs of international markets and customers was a key challenge with of the technology used in the industry along with the existing plants and machinery. Supplying Aluminium extrusions with world-class quality standards and the product solutions are absolute necessary in order to survive in the market place. It is inevitable that these challenges will continue and hence we need to keep the investments going on where necessary in order to protect Alumex business in a sustainable manner.

Distribution Network

Alumex products are distributed through an exclusive dealer network spread across the country. The nine regional distribution centers at Colombo, Anuradhapura, Jaffna, Wariyapola, Kalmunai, Kandy, Galle, Rathnapura and Badulla cater to orders placed by the dealers in the respective areas of the country. The distribution activity was expanded by opening four new centers during the year.

Main customer contact points are the Alumex dealers located in all nine provinces. During the year under review, 14 new dealerships were added to the network to increase the total dealer distribution strength to 81 dealer points. Details of all such dealer points are detailed in page 218.

MANUFACTURED CAPITAL

ALUMEX PRODUCT PORTFOLIO

We added several new products to the product portfolio such as, Lift & Slide Door, Panel Door, Kitchen Cabinet, Hand Rail and Show Cases. The Alumex Group is renowned for its 30 years of industry expertise in designing and developing Aluminium profiles for varying market requirements. Innovative products offered by Alumex can be found in various industries, from architectural to engineering, including customised designs.

Product Range

GRI: Disclosure 102-02

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

- (i) Aluminium Proprietary Systems Manufactured Under License
 - AluK, Italy
 - Fletcher Aluminium, New Zealand
 - SAPA, Technal, Vikona & Domal-Norway
- (ii) Alumex Architectural Aluminium Extrusions (Window, Door, Partitioning, Skylights, etc)
 - Lift & Slide
 - Hand rails
 - Kitchen cabinet
 - 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
- Show cases

(iii) Industrial Aluminium Components

Alumex has over 480 customer designs most of which are for different industry requirements. These include ladders, solar roof mounting structures, lorry/bus bodies, rails, boat/shipbuilding, show cases, hand rails, A/C diffusers, heat sinks, clamps and connectors, tower bolts, hinges, round tubes/bars, equal/unequal angles, channels, 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.

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 coloured, 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 wood finish surface texture. This process is called as sublimation. Currently, Alumex offers four type of wood finish products and this year introduced the Jack colour texture to the wood colour range.

MANAGEMENT DISCUSSION & ANALYSIS

INTELLECTUAL
CAPITAL

New design technology reduces the friction up to die bearing by 25%. As a result of this reduction of friction the production rate can be increased by 9%.

KEY INDICATORS

30 years

Experience in Die Design

34

New Customer Designs Developed

9001:2015

ISO Certification

New Business Intelligence Tool in Action

35

New Industrial Designs Registered

Our intellectual capital stands as our significant value driver which generates 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 a top-tier Aluminium manufacturer in the South Asian Region.

TACIT KNOWLEDGE

Alumex has been in the business for 30 years and leads the market with a nearly 50% 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.

During the year Alumex die team has developed a new holder system with

taper to spread Aluminium and eliminate the requirement Lead in Plate. New design technology reduces the friction up to die bearing by 25%. As a result of this reduction of friction the production rate can be increased by 9%. This is a significant advantage when it compared with the older technology.

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

During the period under review TPM (Total Productivity Maintenance) program was launched in Alumex Sapugaskanda factory. The goal of TPM is to improve overall Company performance by improving its human resources, machinery and equipment. A trained team of TPM practitioners representing cross-functional departments engaged with TPM activities targeting to achieve Zero accidents, Zero Defects and Zero Breakdowns in Alumex manufacturing plants. As per the TPM guidelines activities have been kicked-off as pilot projects and key areas of focus will

be Autonomous Maintenance (AM), Planned Maintenance (PM), Focused Improvements, Education & Training (E & T) pillar activities.

During the year, Alumex product development staff introduced six new products to the market. In addition, 34 customer-specific die designs were successfully completed.

INTERNAL PROCESSES AND PROCEDURES

Over the years, Alumex as the leader in industry has developed various processes and procedures which have advanced to become a powerful base to ensure a sustainable business with competitive advantage. World-class quality is the key to success in winning future markets both locally and internationally. The most significant achievement in this front was accreditation of world's leading quality labels of QUALICOAT and QUALANOD licenses by Alumex during the last year. QUALICOAT is the registered trademark license which is relevant to powder coated Aluminium architectural profiles

INTELLECTUAL CAPITAL



whereas Qualanod trademark license is issued for Anodised Architectural profiles. Alumex is the only Company holding Qualanod license in Sri Lanka. Both these certifications are designed to ensure high quality of Aluminium profiles for use in architectural applications. The licenses are issued by the World's leading quality accreditation organisations in Zurich, Switzerland.

Additionally our quality management system which has been accredited by ISO 9001:2015 was upgraded from 9001 : 2008 during the previous 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 by independent parties.

INFORMATION SYSTEM

Strategy formulation and implementation process of Alumex is backed by an Enterprise Resource Planning (ERP)

system - Microsoft Navision. The ERP 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 previous 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 completed and has substantially supported to the business with advance analysis and information.

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 to the Company.

During the year we proceeded with registering 35 new designs to secure value of such designs to Alumex.

BRAND VALUE

Alumex owns two valuable brands. The Alumex' brand has an equity created over 30 years and the second brand 'Lumin' was introduced to the market during 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' assists Engineers, Consultants, Contractors, Architects, Fabricators and Quantity Surveyors in preparing BOQs, elevation and structural design calculations.

MANAGEMENT DISCUSSION & ANALYSIS

HUMAN
CAPITAL

Our loyal and experienced workforce has been supporting Alumex over decades and are capable of meeting any operational and product market challenges.

KEY INDICATORS

587

Employees

6,713

Training Hours

0

Loss Hours due to
Industrial Actions

85

Recruits with
New Talent

53%

of Workforce in 30-50
years Productive Age
Category

GRI: Disclosure 202-02

The way market competition emerges and grows among competitive business entities in the highly volatile business context over traditional economic entities today, has far surpassed the way it was in the past. In today's business context the factors determining competitive advantage currently would not necessarily ensure the long-term success of any organisation. In terms of surpassing the changing customers' expectations and the unique value creation organisations offer to its customers over and above its competitors and offering of such value creations to customers before its competitors would make an organisation successful in today's context. In order to sustain long term market leadership, any organisation has to be innovative, creative and lead change in the product market, as well as perceptual market of the customers' mind. Such organisations, have adopted their most valuable asset, human capital, which offers superior products and services to

achieve customer satisfaction in future markets. At Alumex, we are committed to drive to greater heights in our journey towards success by the precise decisions made through careful planning and analysis and implemented perfectly by a set of committed employees. As such Human Resource (HR) Management is considered a key function at Alumex which holds one of the key pillar in its success. Hence, Alumex gives utmost priority to any matter relating to Human Capital Management.

HR Sourcing and Retention together with building loyalty, integrity and competency building amongst all employees, remains as a key challenge in the highly volatile labour market. In response, we are committed to groom our employees for the next level of operational excellence/career progression and at the same time managing harmoniously a blend of various generations of employees. Our loyal and experienced workforce has been supporting Alumex over

decades and are capable of meeting any operational and product market challenges by gaining new knowledge, expertise and operational excellence. The talent pool of new generation employees has continually delivered well beyond expectations in terms of their technical know-how and adoptability. Our valued employees have progressively contributed directly towards retaining market leadership status in the industry by maintaining the superior quality of our products and excellent customer service over many years and more particularly introducing globally certified and benchmarked new products to the industry.

The Human Capital Management process of the Company is planned and designed to recruit the right mix of 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

HUMAN CAPITAL



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.

Entire senior management team of the Company consists of Sri Lankans (local) and are quite capable and diversely experienced in leading Alumex to better heights in the industry both in local and international markets.

OUR HR POLICY

Our HR policy encompasses compliance with all statutes of the country including adopted international ratifications on employee rights, including the right to organise, and is aimed at facilitating a merit-based non-discriminatory work environment in terms of career growth, rewards and recognition.

Equal Opportunity Employer

GRI: Disclosure 102-16/ 401-01/ 405-02

We at Alumex are committed to ensure equal employment opportunities in the work environment whilst adopting non-discriminatory policies in all our processes. Our Human Rights policy paves a solid foundation in terms of ensuring the rights of all employees. However, given the nature of our manufacturing activities, tend to be male-dominated. Our manufacturing activities fall within the 'light engineering' category, which involves lifting and moving average loads and engineering tools. As such types of manual activities discourage participation of women on the operational floor, although adequate health and safety and other infrastructural measures are ensured and operational tools and equipment are used, meeting the requirements of the industry. Also, the Company's employees are comprised of multi-ethnic and multi-religious members from all the regions of the country.

CASE IN POINT



My journey with Alumex started in 1987, as a 22-year-old young when I was hired as a helper to clear the land by a civil contractor for the proposed Alumex factory. In 1988 I got an opportunity to join Alumex to help commission the machinery in the factory. I later joined the extrusion department as a helper where I worked for 10 years. I worked with tireless dedication and commitment amidst many challenges. Alumex was my second home.

In 1994 I was promoted as a Supervisor and subsequently promoted again as a Technical Officer within a span of three years. I gained exposure across all departments and I have been successful in managing many issues and introducing efficient production methods to reduce waste.

I have developed my skills further in language, technical, computer and management skills. The management has always been receptive to suggestions and feedback. I initiated the use of well water in cooling of melts in the melting department which saved water consumption and increased the melting capacity to its full potential of 5 MT from 3.5 MT. From a helper to a Production Executive within the last 30 years, my life has been successful professionally and personally. It is fulfilling to note that I have educated my son and daughter and they are well settled and doing well in life. I thank Alumex for uplifting my life to this level.

Alex Mervin

The remuneration structure of Alumex is designed to reward and recognise knowledge, skills, commitments and expertise of our 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. Also, the remuneration levels are periodically reviewed and adjusted to be on par with the market rates and the Company's future directions. The Company refers well recognised compensation surveys in adopting rewards and compensation schemes.

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. Also, a detailed factory visit covering all operational departments is included in the the orientation programme. Placement of any new employee is followed by an "on-the-job training" provided by the respective department.

Whilst promoting internal candidates to go up in their 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 provide opportunities for training of interns from various universities and technical or vocational training institutions. At the end of the internship period, those interns who are found suitable for permanent placements are directly placed in the available cadre vacancies.

Recruitment details

GRI: Disclosure 401-01

GENDER	EXECUTIVE	CLERICAL	MANUAL	CASUAL	TOTAL
Male	26	32	18	126	202
Female	4	5	0	0	9
Total	30	37	18	126	211

AGE GROUP	EXECUTIVE	CLERICAL	MANUAL	CASUAL	TOTAL
Below 30	13	34	11	91	149
30 - 50	17	2	7	33	59
50 Above	0	1	0	2	3
Total	30	37	18	126	211

PROVINCE	EXECUTIVE	CLERICAL	MANUAL	CASUAL	TOTAL
Western Province	14	33	14	94	155
Central Province	5	1	0	5	11
North Central Province	1	0	0	6	7
Eastern Province	2	0	0	2	4
North Western Province	3	0	1	5	9
Southern Province	4	1	1	6	12
Uwa Province	0	0	1	2	3
Sabaragamuwa Province	1	2	1	5	9
Nothorn Province	0	0	0	1	1
Total	30	37	18	126	211

No Child Labour, Forced Labour or Unethical Employment Practices

GRI: Disclosure 408-01/409-01/ 410-01

Alumex is committed to comply with all regulatory requirements pertaining to employment as a principle in its way of operations. "Alumex Way" and "Human Rights Policy" of Alumex complies 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 or unethical labour practices. Also Alumex has gone to the extent of monitoring the labour management practices and legal compliances of its outsourced labour suppliers and other service providers. The necessary compliance requirements such as legal compliance, minimum age and minimum wage regulations, legal and ethical operations have been in-built to the service provider agreements and duly acknowledged by the service providers.

HUMAN CAPITAL

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.

Alumex is free from any type of complaints on violation of human rights. Human Rights policy of Alumex provides necessary provisions to secure the human rights of its employees.

All security personnel are trained by the service providers 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, there were no any instances leading to specific trainings on human rights programmes conducted by the Alumex Group.

Alumex have established and circulated a detailed "Grievance Handling Policy and Procedure". During the year under review, there were no formal grievances recorded which demanded management attention to resolve.

Industrial Relations, Collective Bargaining and Freedom of Association

GRI: Disclosure 102-41/ 402-1/ 407-01

We have ensured freedom of association in the workplace depriving of any limiting 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, in facilitating communication across all levels. We are happy to record another consecutive year under review with zero operational disruptions and zero losses due to industrial actions. 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. Being a member of the Employer's Federation of Ceylon (EFC), we always recognise and respect the professional opinions and advice of the professional staff of the EFC in any matter relating to the employees in terms of exercising professional IR practices. Also the Company has assured the right of union officials in attending the official and educational sessions organised by the parent union from time-to-time.

The Company has not entered into a collective agreement with any of the unions. However, each year we have entered in to wage agreements after negotiations with the unions and it covers 81% (Clerical, Supervisory and manual) of the employees of Alumex Group.

The minimum notice period regarding operational changes are maintained 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. During the year, under the challenging operating environment, a decline in the value addition was reported over the past as reflected in the table below.

DESCRIPTION	2018/19 (Rs.)	2017/18 (Rs.)
Value added per employee per month	151,497	161,136

AVERAGE REMUNERATION PER EMPLOYEE

Being the premier manufacturer in the 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 have introduced many welfare schemes in order to enhance the value created for them.

DESCRIPTION	2018/19 (Rs.)	2017/18 (Rs.)
Average remuneration per employee	66,612	62,485

OUR WORKFORCE

Total employees in the Alumex Group

GRI: Disclosure 102-08/ 405-01

The Alumex Group's workforce stood at 517 permanent employees and 70 casuals (Fixed term) employees as at 31st March 2019 where all employees are full time employees.

CATEGORY	MALE	FEMALE	TOTAL
Executives	102	9	111
Clerical and Supervisory	114	16	130
Manual	276		276
Casual	70		70
Total	562	25	587

CARDER	MALE	FEMALE
Permanent	492	25
Temporary	70	0
Total	562	25

PROVINCE	PERMANENT		TEMPORARY	
	FEMALE	MALE	FEMALE	MALE
Central	1	19		1
Eastern		8		1
North Central		8		2
North Western		12		1
Nothern		4		1
Sabaragamuwa		16		3
Southern	1	22		6
Uva		13		3
Western	23	390		52
Grand Total	25	492		70

EXPERIENCED EMPLOYEE BASE

We are proud to have an experienced Human Capital within Alumex. A majority of our employee base, at all levels, have an extensive knowledge and experience of the Aluminium Extrusions industry. The processes carried out by these experienced employees has brought about the Company's competitive advantage in the market in terms of its product quality and delivery, and in maintaining market leadership consistently.

The proven skill level and outstanding performance of our employees has directly contributed towards Alumex being licensed as an accredited manufacturer of Aluminium proprietary systems for several global leaders in the Aluminium industry namely, Fletcher Aluminium, AluK and Hydro Aluminium.

Summary of Employee Experience

SERVICE GROUP	EXECUTIVE	CLERICAL	MANUAL	CASUAL	TOTAL
Less than 01 Year	34	27	29	48	138
01 -05 Years	41	50	105	22	218
06- 10 Years	4	9	28	0	41
11 - 15 Years	7	9	32	0	48
16 - 20 Yeaers	8	16	38	0	62
21 - 25 Years	5	8	27	0	40
26 - 30 Years	10	11	17	0	38
More than 30 Years	2	0	0	0	2
Total	111	130	276	70	587

EMPLOYEE BREAKDOWN BY AGE

The age demography at Alumex is another significant aspect of our employee base. The age distribution of the Company allows in building flexibility for higher volumes and efficiencies. We have succeeded in many new iconic projects under licensed manufacturing agreements with global manufacturers because of our industry expertise and commitment for quality and delivery, over other competitors in the market. Another important factor in our age demography is that 53% of our total workforce belongs to the age group 30 to 50 years which is the most productive age category for any industry. Over the years we have been recruiting young and energetic people 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.

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Age Analysis

GRI: Disclosure 405-01

AGE GROUP	EXECUTIVE	CLERICAL	MANUAL	CASUAL	TOTAL	CUMULATIVE PERCENTAGE
Below 30	35	67	91	44	237	40%
30-50 Years	63	54	169	26	312	53%
Above 50	13	9	16	0	38	7%
Total	111	130	276	70	587	100%

HR FLOW

GRI: Disclosure 401-03

Our HR flow report indicates retaining existing talent and attracting new talent to the Company. 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 and experienced employee base through the years as is evident. The Company conducts an exit interview for all the employees who resign and key findings of the exit interviews are summarised and presented to the management for necessary corrective actions to mitigate any weaknesses.

The return rate after parental leave was 100% (only two female took parental leave) during the year under review and the company grants parental leave only for mothers as per the amended regulations to the Shop and Office Employee Act of 2018.

HR Flow

CATEGORY	1-Apr-2018	NEW JOIN	LEAVERS	31-Mar-2019
Executives	100	30	21	111
Clerical and Supervisory	114	37	33	130
Manual	267	18	33	276
Total	481	85	87	517

Employee Turnover Details by Gender

GRI: Disclosure 401-01

GENDER	EXECUTIVE	CLERICAL	MANUAL
Male	19	28	33
Female	2	5	00
Total	21	33	33

Employee Turnover Details by Age

AGE GROUP	EXECUTIVE	CLERICAL	MANUAL
Below 30	11	23	19
30 - 50	9	7	11
50 Above	1	3	3
Total	21	33	33

Employee Turnover Details by Province

PROVINCE	EXECUTIVE	CLERICAL	MANUAL
Central Province	3	3	1
Eastern Province	1	1	1
North Central Province	1	1	0
North Western Province	1	1	2
Nothorn Province	0	0	0
Sabaragamuwa Province	0	0	1
Southern Province	0	3	2
Uva Province	0	0	4
Western Province	15	24	22
Total	21	33	33

HUMAN RESOURCES DEVELOPMENT

Human Resources Development is an important and key area of HR Management process in terms of sustaining competitive advantage in the products and services Alumex offers to its customers. Also, Human Resources Development is a key element in our value creation model. We have been increasing the investment on 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 requirement and simultaneously enhancing employee knowledge of the same. Another key area we continually provide training for was the principles and concepts of Total Productive Maintenance which is used as the key driver

for increasing the 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 6,713 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 together 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 behavioural/attitudinal modifications.

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

In addition, a separate mechanism is in place to encourage and finance the higher educational efforts of executives while a study leave mechanism is in place for executive and staff employees attending study courses and exams.

Statistics on Training and Development

GRI: Disclosure 404-02

In the year under review, training and development programmes were conducted with coverage of several areas such as



Category Wise Training Details

GRI: Disclosure 404-01

CATEGORY	TRAINING HOURS		
	Male	Female	Total
Executives	3,953	239	4,192
Clerical and Supervisory	609	113	721
Manual	1,800		1,800
Total	6,361	352	6,713
Average Training Hrs	49	34	

EMPLOYEE CATEGORY	AVERAGE TRAINING HOURS
Executive Category	38
Clerical Category	6
Manual Category	7

PERFORMANCE MANAGEMENT SYSTEM OF ALUMEX

GRI: Disclosure 404-03

Alumex follows the "Balance Score Card" method of performance management employees in executive and clerical supervisory grades. Performance evaluations are implemented through periodic reviews accompanied by comprehensive feedback on performance and conduct, matched against set targets and realised levels of achievements. The performance evaluation mechanism for executives and staff grade consists of KPIs, Competencies and Values, whilst performance evaluation mechanism for manual grade employees contains only performance/behavioural criteria. Another important feature of the Alumex performance management mechanism is the mid-year

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evaluation. The mid-year evaluation creates a platform for both supervisor and subordinate to assess the progress of the objectives set for the year and past-track the lagging areas.

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 it is equally important, not only in the senior management team, but also for 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 enhanced 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. In addition, monthly operational review meetings have brought a wider exposure to the managers on the entire operations of the Company.

LIVE - EMPLOYEE OF THE MONTH SCHEME

“LIVE” is the mechanism to reward and recognise best performer of the month. Every department nominates their best performers of the month for the key elements of this scheme, Leadership, Innovation, Value and Enterprise. The best performer of the month is selected from the departmental nominees and finally rewarded. All nominees attend the monthly felicitation tea party with the Managing Director and are awarded with a certificate. Photographs of the monthly nominees and the winner, “Employee of the Month” is displayed at the LIVE display board at the Company entrance.

EMPLOYEE WELFARE AND SOCIAL EVENTS

Alumex periodically reviews staff welfare services to uplift the quality of work-life balance amongst employees. Our welfare facilities include a dedicated first aid treatment center operating 24x7, employee loan schemes such as distress

loans, meals at subsidised rates and gifts of school items to children of employees. The Company also provides uniforms and safety shoes for all operational employees. The company also conducts annual health camps with the view of uplifting the health status of 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 for entering to 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 a monthly employee engagement event to encourage employee friendship, motivation, cross functional interaction and team spirit. These monthly engagement events include family get together, “Shramadana” Campaign, Vesak Lantern Competition, Inter Departmental Cricket tournament, Soup Dansela, and many other such fun themed events.

WORKPLACE IMPROVEMENT MEETINGS

For years Alumex has been recognising and encouraging employee to actively participate in shop floor improvements. An important regular event in the HR calendar is the workplace improvement meetings which is organised once in every two months, with the participation of the senior management team including the Managing Director. At this forum, employee representatives of different divisions are encouraged to raise workplace related issues and employee grievances directly with the top management. Solutions are discussed at the meeting and a member of the executive team is assigned to implement the agreed solution. The HR Department follows up on the progress and submits a weekly report to the senior management.

HUMAN RESOURCES INFORMATION SYSTEM (HRIS)

The Company achieved another milestone improvement to the HR management system during the financial year under review, with the implementation of the online performance management system, which includes assessment of KPIs, Competencies and Values through the Human Resources Information System (HRIS) for all the executives of the Company. The online attendance and leave systems are already in operational for all executives. Bulk leave application through the HRIS is operational for non-executive staff. The HR Department is working aggressively to add the Time and Attendance web module to the system to enable the HRIS to provide real-time information to the plant management to facilitate efficient decision-making.

EMPLOYEE REMUNERATION AND BENEFITS

GRI: Disclosure 201-03/ 202-01/ 401-02

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 their performance. 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 introduced a new and very attractive production incentive mechanism properly linked with the objectives of individual departments with the view to getting a more productive output from employees while enhancing their direct and active contribution towards achieving department goals. We ensure that remuneration and other benefits are in line with industry norms and are competitive enough to attract and retain talent. Remuneration packages of executives are on par with industry norms and are revised periodically based on market survey data. Alumex uses Mercer compensation survey data in comparing and adjusting the executive remunerations.



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 in Notes 08 and 23 to the financial statements.)

Gratuity is given by the employer to an employee for the services rendered by him/her. It is usually paid at the time of retirement, but it can be paid at early cessation of employment provided certain regulatory conditions are met.

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Further, we are happy to announced that the entry level wage is at a higher level compared to the minimum entry level wage as tabulated below.

Employee Category		
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 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 in 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

GRI: Disclosure 403-01-02-03-04

As employees are our primary and most valuable resource, several measures have been introduced to ensure their safety, health and well-being. We work closely with regulatory bodies in improving our safety standards and we are happy to report that during the year under review we continued our plans to improve and introduce safe workplace practices and systems specially in our operations. 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. Alumex has taken steps to recruit a "Health and Safety Manager" extending its commitment further towards ensuring the health and safety of employees the enhancing health and safety culture of the Company.

An informal Safety Committee has been established, including all the employees under the leadership of a 'Safety Champion.' All matters pertaining to safety are implemented through the safety champion and is monitored by the senior management team 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 30 accidents and 2,002 man-hours were lost due to these accidents. All injuries took place at the two factory premises at Sapugaskanda and Ekala 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.

The injuries are categorised as below:

CATEGORY	NO OF ACCIDENTS
Bruise	5
Burn	1
Crush	2
Cut Injury	11
Other	10
Strain	1
Grand Total	30

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

INJURY RATE

0.25%

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 in non-routine and non-value adding jobs. The Company has taken adequate steps to ensure the legitimate rights of such outsourced employees and monitor on a monthly basis the regulatory compliance with respect to payments by these service providers. Also, manpower suppliers are carefully evaluated at the time of selection and require to 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.

MANAGEMENT DISCUSSION & ANALYSIS



SOCIAL AND RELATIONSHIP CAPITAL

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.

KEY INDICATORS

81

Island wide
Dealerships

3,000

New Fabricators
Trained in the Year

40%

Payments to Local
Suppliers

Rs.

2 Mn

Investment in
Community
Development

30

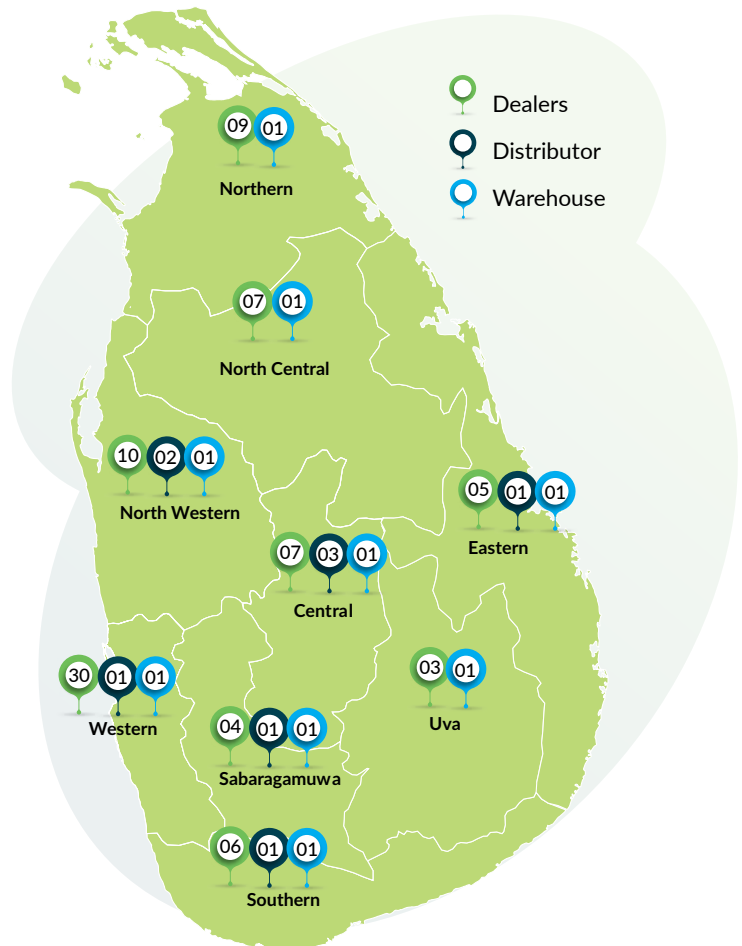
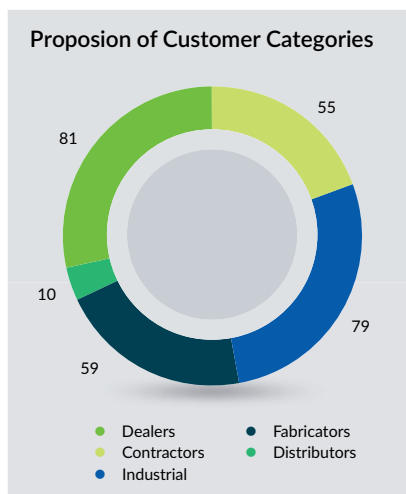
Years of Product
Guarantee

CUSTOMERS

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

Alumex customer categories
as at March 31st, 2019.

GRI: Disclosure 102-06



SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMERS

DEALERS

We added 14 new dealers to the dealer network during the year strengthening the total sales activity. Now the dealer base consists 81 outlets and making it is convenient for the customers to make their purchases from the nearest dealer point. 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. Apart from servicing customers with Alumex profiles, the dealers also organise fabrication training, Alumex product promotional campaigns and 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 centers located in Colombo, Anuradhapura, Badulla, Kalmunai, Wariyapola, Galle, Rathnapura, Jaffna, Kandy in addition to the central warehouse in Sapugaskanda. Colombo, Galle and Rathnapura warehouses were opened during the year to support the dealers and increase the services to end users. The new warehouse built, increasing the service levels of delivery to the dealers reducing the time taken for loading to a large degree.

Plan for the dealer development:

We are planning to strengthen the dealers and support our exclusive dealers to increase sales volumes in their outlets. Some of these activities are,

- Introduce new discount schemes targeting the dealers.
- A new branding strategy will be introduced to attract customers to dealer outlets. Point of sales materials will be developed to highlight new products and prominently display them at dealer outlets.
- Dealer sales persons will be trained on technical aspects giving them more insight on how to promote Alumex products for projects in their areas. This will increase the sales for the dealer while market cover will also improve as sales personnel in the area will visit the projects on a regular basis.

The detailed distribution system is shown in page 218.

DISTRIBUTORS

As identified, Alumex need to increase the availability of the products island wide and therefore, it commenced a “new arm,” the channel distribution during the financial year ended. Channel distribution is expected to reach the customers through hardware shops & picture palaces. At present these sales outlets have almost all the Aluminium brands available in the country and fulfil the customer needs.

The total distributors appointed during the years were 10. This can be identified incremental sale to the organisation.

During the next financial year all the hardware shops that purchase Alumex products will be branded as Alumex retail sellers.

FABRICATORS

We trained more than 3,000 fabricators from various institutions as well as entrepreneurs during the year and now the total trained fabricators exceed 18,000. Training for beginners as well as advanced training continued throughout the year. This customer group has the closest relationship with end users as well as with 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.

In order to strengthen the fabricators and increase the quality of the end product the company has donated machines, drill machines and cutting machines to the winners of the Maha Yanthra Suthra Thagi Tharagaya competition.

Plans to develop fabricators market during the next year.

- A point system to be introduced to the fabricators in order to incentivise them based on their purchases. This will improve the relationship we have with the fabricators and dealers will also be part of the promotion by supporting the process.
- Foreign proprietary Aluminium systems will be introduced and fabricators will be given training on such systems. This will enhance the fabricators technical knowledge on new and advance systems. Foreigners will engage in the training sessions to train the local fabricators.
- Showrooms to display Alumex products will be arranged to support the fabricators. This will increase customer awareness on product options available for them and fabricators could convince customers better with working samples.

CONTRACTORS

There are more than 6,000 contractors who have been registered with the National Construction Association of Sri Lanka. The contractors are the first customer category out of the five above, to win a project. Most tenders which contractors bid for include the Aluminium portion as well. Thus, the brand name of Alumex is included within contracts from the beginning of the tendering process. This allows the brand to be specified ahead of the competitors for a project.

Plans to develop contractors market in the next financial year.

- Introduction of new designs for Sliding, Unitised Curtain Wall, Casement, etc., which are better in quality and more economical for the customers.
- Arrange seminars for contractors to improve their knowledge on Aluminium systems.
- Develop catalogues for easy reference of contractors.
- Provide shop drawings for the projects on request.

INDUSTRIAL CUSTOMERS

It was observed that the industrial market was growing steadily during the financial year under review. For industrial customers our products are 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. A new domestic ladder was introduced to the market with comprehensive user guide for customers.

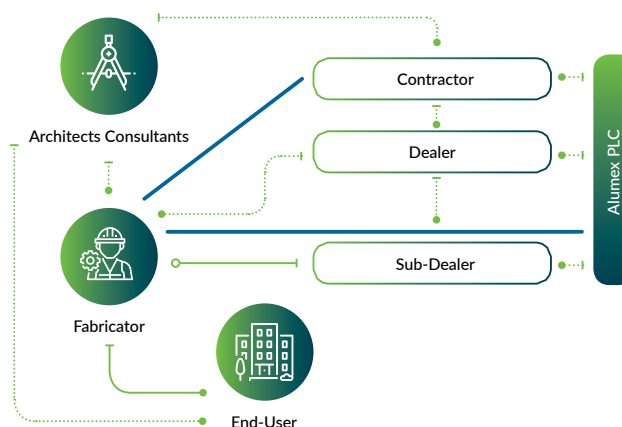
Most of these customers require exclusive designs and Alumex is equipped to cater to their needs with advanced die design and manufacturing centre. At present, Alumex have over 480 exclusive profile designs to cater to different industrial requirements. Manufacturing these industrial profiles at Alumex will help the local industries to grow and save millions of rupees on imports. During the year under review 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.

Plans to develop the industrial market segment.

- Will introduce the ground mounting solar structure to the market to cater to this market segment.

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 visited and developed the business with Nepal which commenced on a strong note. We also finalised an agent for Kenya in the year under review and participated in the Big 5 exhibition in Kenya and introduced Alumex products to the market.

CUSTOMER ENGAGEMENT

Alumex has been engaged with customers very positively over the period of its existence to build very strong relationships which are important to the Company. We are engaging with our customers on a continuous basis to understand their

SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMERS

needs and wants, educate them on the developments in the market, serve them with our products and services, and finally 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 are trained to be supportive to customers who approach us for the purchase of our products.

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

Lumin Concept Centres

LUMIN Concept Centres have been a very successful business model. Customers get an opportunity to experience, touch and feel the products. Alumex was strengthened by the opening up of three LUMIN Concept Centres in key districts of Colombo – Nawala, Kandy – KCC and Jaffna – Ariyalai. LUMIN Concepts Centres will bridge the knowledge gap that existed among end-users about Aluminium and also their fear about using Aluminium for their houses. Customers get an opportunity to experience, touch and feel the products on display. Further, we display our new product innovations at the Concept Centres for customer awareness. This also helps fabricators to increase knowledge about the LUMIN product range to the end-user. Many architects and consultants in the private sector as well as the government sector have benefited in their designs by Lumin Concepts. Hundreds of customers have visited these showrooms and many fabricators have benefited by way of getting orders through the Concept Centres. Lumin Concept has been able to build more than 150 houses island wide.

Showrooms at Dealer and fabricator locations

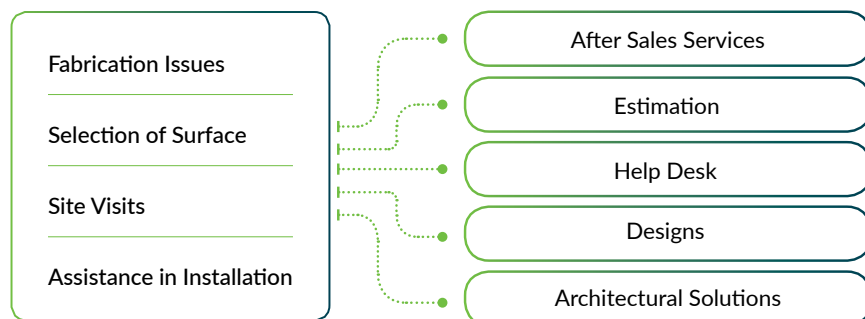
As an expansion initiative and to give a wider reach to customers across the island, Alumex has taken steps to collaborate with our business partners to establish LUMIN Concept Centres at Dealer & Fabricator showrooms. This initiative gives users who are unaware of Aluminium Doors and Windows an opportunity to select the most suitable products for their houses. 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 have successfully completed three new showrooms at Dealer and Fabricator locations in Colombo, Galle and Gampaha during this financial year to facilitate technical advisory services. Now 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 our relationship with customers, we have taken steps to maintain after sales service and care consistently over the years. Our sales team and certified fabricators are fully trained to visit construction sites to provide technical expertise to resolve matters relating to Aluminium extrusions.

AluSys Software System

A modern software system, Alusys was introduced in the previous year to the market and helped customers to design accurately with the appropriate profiles, quantities, and finally to the estimate





with drawings. A retail customer who visits the Lumin Center 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.

TRAINING PROGRAMMES

This year too, the Training Centre provided training for more than 3,000 fabricators and technocrats by conducting over 100 training programmes in-house and outstation. This includes both government and private institutions. Some of those trained were from the Sri Lanka Navy, Sri Lanka Army, the Vocational Training Authority, the National Apprentice and Training Authority, the Department of Buildings and the Central Engineering Consultancy Bureau. Trainees were provided with an opportunity to visit the Alumex factory to understand the manufacturing process.

Under the beginners' course conducted we have trained over 200 new fabricators. A significant interest was shown by other professionals like welders and carpenters to learn Aluminium fabrication. After the theory part, each and every one did the practical part of the training till they got 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 recommended good fabricators to train in the Lumin product range which is the key for housing segment fabrication. A certificate was awarded for the participants. Significant interest was shown by the fabricators on Lumin Training programmes conducted at Alumex and in outstation areas. The outstation training programmes were organised by the area sales executives 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 were around 20 teachers in a batch. These teachers will be providing education to children in Ordinary and Advanced level examination under the technical education programme at their respective schools.

Alumex Marketing Communications Checklist

GRI: Disclosure 417-03

- 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 communication strategy is focused on delivering our brand idea to our target audience. Our scope is ongoing as we create catalogues, POS, digital campaigns, product launch communications and corporate collateral that strategically aligns with the Company's overall brand positioning and growth initiatives.

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

SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMERS

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:

- Organising business meeting 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 them.
- Conducted fabricator's 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 282 (2017/18 - 339) customer complaints.

EXHIBITIONS AND SPONSORSHIPS

Alumex, as a part of its marketing and branding strategy, provide sponsorships to the relevant and important events on a regular basis. Our sponsorships during 2018/19 are listed below:

EVENT	PERIOD AND LOCATION	ORGANISER	NATURE OF SPONSORSHIP	GOALS OF ENGAGEMENT
Architect 2018'	February 2019 at the BMICH	Sri Lanka Institute of Architects (SLIA)	Strategic sponsor	To build relationships with architects as a new stakeholder group.
Construct 2018'	August 2018 at the BMICH	National Construction Association of Sri Lanka (NCASL).	Principal sponsor	To build relationships with contractors.
NCASL AGM	In seven provinces	National Construction Association of Sri Lanka (NCASL)	Main Sponsor	To introduced new Alumex systems to participants and to build relationships with the contractors.
Building Specifiers Conference	September and November at the Cinnamon Grand Colombo	Colombo School of Technology & Future India	Main sponsor	To enhance the knowledge of professionals who are involve in projects decision-making.
Architect Xstudio conference	October	Architecture Xstudio	Main Sponsor	To enhance the knowledge of professionals.

CUSTOMER PRIVACY

GRI: Disclosure 418-01

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.

It is essential to make our suppliers feel like they are a part of our business

SUPPLIER MANAGEMENT

As key strategic partners, our suppliers provide material or services to Alumex 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.

SUPPLIER ENGAGEMENT PROCESS

GRI: Disclosure 102-09

Suppliers are our partners, and this partnership should be based not only on financial transactions, but also on mutual trust and loyalty. It is essential to make our suppliers feel like they are a part of our business and inform them about our processes and objectives and promotions, and listen to their concerns.

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.

With the drop of liquidity levels in the market, Alumex experienced a slowness in payments to our suppliers. Thus, we communicated with these local suppliers to negotiate extended credit periods. With the improvement in liquidity levels in the market, we hope to get back to our normal payment processes in the next financial year.

SUPPLY CATEGORY	NO. OF SUPPLIERS
Advertising and promotions	19
Aluminium billets and ingots	4
Aluminium scrap	78
Chemical	18
Contractors	18
Die steel material	5
Fuel, Lubricant Oil & Electricity	6
Machinery and parts	108
Other	392
Outsourced labour	3
Packing Material	22
Powder	6
Support services	42
Wood finish material	1
Grand Total	722

GROUP PURCHASING

GRI: Disclosure 102-10/ 204-01

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. As a result we have registered 104 new suppliers during the year. These teams include Supplier Quality, Supplier Relations and Product Development. Further to that there are no significant changes in the supply chain.

Types of suppliers and payments to them

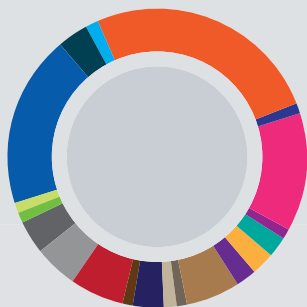
Payments to local suppliers	Rs.1,721 Mn	40%
Payments to international suppliers	Rs.2,630 Mn	60%
TOTAL	Rs.4,351 Mn	100%

Note – Local suppliers refers to Sri Lankan suppliers

Alumex has total of 722 suppliers of which 636 is Sri Lankans and the rest, 86 are foreign suppliers.

SOCIAL AND RELATIONSHIP CAPITAL

SUPPLIER MANAGEMENT



Foreign Suppliers

● Australia - 1	● India - 22	● New Zealand - 2	● Taiwan - 3
● Bahrain - 1	● Indonesia - 1	● S. Korea - 2	● Turkey - 1
● China - 16	● Italy - 11	● Singapore - 5	● UAE - 5
● Germany - 3	● Japan - 1	● Switzerland - 1	● UK - 4
● Hongkong - 1	● Netherlands - 2	● Thailand - 1	● USA - 3

We hope to increase the number of suppliers as well as their geographical distribution to reach our target of minimum five suppliers for a product in the future.

SCREENING SUPPLIERS FOR ENVIRONMENTAL AND SOCIAL COMPLIANCES

GRI: Disclosure 308-01-02/ 408-01/
409-01/ 414-01-02

While maintaining a healthy and reliable supply chain process, the Company is always concerned about social obligations and related environmental impacts connected with our suppliers and their processes. Good supplier relations and building on mutual trust are utmost important in these efforts. Our existing supplier evaluation methodology is being considered to be further developed to evaluate adequate environmental performances in terms of new suppliers as well as existing suppliers.

In this context, Alumex conducts annual reviews of our suppliers commitment to social and environmental standards by reviewing their websites, verifying the

availability of ISO or similar certifications, and even with relationship visits. Further, in addition to our permanent employees, we source labour from external manpower suppliers. These suppliers are assessed on yearly basis on the compliance with legal provisions of "wages board ordinance No. 21 of 1941", "Employees' Provident Fund established under the Act No. 15 of 1958" and "The Employees' Trust Fund established under the provisions of ETF Act No. 46 of 1980". Further, we have not noticed any type of child labour, underage employment or forced or compulsory labour or any form of unfair/ unethical labour practices from our suppliers.

During the year we upgraded our production processes by obtaining Qualicoat and Qualanod certifications. Along with that, we had to restrict our purchases only for those suppliers who has already obtained these certifications. Accordingly, some of the suppliers that we have been dealing for such a long time were temporarily discontinued during the year until they revert back after obtaining the certifications.

Further, we evaluated and sourced Aluminium billets from a few new

foreign suppliers during the year. For this purpose, we had one-to-one discussion with them to understand their commitment to environmental and social compliances. This is 17% as a percentage of new suppliers added during the year. However, we did not identify any suppliers violating environmental and social compliances during the year.

LICENSING AND CERTIFICATION

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

It gives us great pride to declare that both our main powder suppliers that are leading international brands have awarded 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.

COMMUNITY DEVELOPMENT

OUR OBJECTIVES

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

- Supporting the Technical and Vocational Education
- Developing the social and physical infrastructure of the community
- Enhancing the quality of life of the local community.

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

SUPPORTING TECHNICAL & VOCATIONAL EDUCATION

Objectives:

To develop skills and knowledge on fabrication

Alumex Training School

Alumex training centre has become an asset, not only for Alumex, but for the country as a whole. The fabricator training centre which was established in 1998 has supported the development of the community immensely for the past 21 years. 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 centers as well as many government officers. Some of the programmes conducted by the training school can be classified as below.

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 36 training programmes for 611 participants and issued certificates. The total cost incurred in conducting the training programmes was over Rs.3.3 Mn.

Government Institutions

Colombo municipal council, Government factory authority, CIDA, National Institute of Education, Industrial Development Board, SL Army, SL Navy, Technical colleges are some of the institutions that have been benefitted by the Alumex training school during the financial year under review. We contribute towards knowledge and skill development of technical staff of Government Institutions that make a substantial contribution to the Sri Lankan construction industry. Alumex conducts in-house and external training programmes on proper use of Aluminium profiles for window, door and façade systems fabrication. During the year under review, Alumex completed 22 programmes and trained 667 personnel from Government Institutions, at an investment of Rs.3.6Mn.

Dealers & Fabricators Training

In order to ensure that the dealers and fabricators are competent in handling Aluminium profiles, particularly new Aluminium -based systems, Alumex conducts advanced system design introduction programmes, for fabricators of the Alumex dealers. Practical training is conducted island wide with dealer collaboration. During the year, we conducted 35 training programmes for 1,549 participants island wide. A few selected fabricators were provided, in-house training at the Alumex Training Centre. The total investment for these training events during the year was Rs.8.4 Mn.

Professional and Private Institutions

Central Engineering Consultancy Bureau and the Department of Buildings 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 programmes for 69 professionals with an investment of Rs.0.2 Mn.

SOCIAL AND RELATIONSHIP CAPITAL

COMMUNITY DEVELOPMENT

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 island-wide and provided them course materials to develop skilled fabrication technicians while improving quality of life. In addition to this, we contribute towards knowledge and skill improvements of lecturers at Government Technical Colleges. During the current financial year, Alumex conducted eight training programmes for 117 participants and provided course materials to one Technical College with a total investment of over Rs.0.9 Mn.

NVQ Certification

We arranged 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 technician's 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 was used to conduct three 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 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 18,000 fabricators and technocrats. During the financial year 2018/19, we upgraded the skill levels of 3,013 fabricators and technocrats by conducting 104 training events, with a total investment of Rs.16.5Mn.

TRAINING PROGRAMME	2018/19			2017/18
	NO. OF PROGRAMMES	PARTICIPANTS	INVESTMENT (Rs.)	INVESTMENT (Rs.)
VTA training	36	611	3,322,618	1,221,383
Government institutions	22	667	3,601,800	791,137
Dealers & Fabricators' Training	35	1,549	8,442,050	4,267,331
CPD programmes	3	69	216,246	771,123
Technical College	8	117	924,460	347,415
Total	104	3,013	16,507,174	7,398,389

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

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.

Ethical Business & Alumex Values

GRI: Disclosure 102-16/ 205-02-03
206-01/ 406-01/ 415-01/ 419-01

The "Alumex Way" policy provides a clear road map as to how Alumex should engage in business and operational activities 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 have separate trainings regarding the 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 monopoly practices
- Incidents of non-compliance with laws and regulations in social and economic area.

Further, any complaint or information on violation of values, principles, standards and policies will be taken up by the top management with the setup being done by the senior management of Alumex Group. Alumex have made its policies regarding good governance and human rights and communicated same to its employees and kept such policies in a public folder, in Intranet enabling free access at anytime to all employees.

Regulatory Compliance

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

Environment Protection Licenses

Alumex has obtained and renewed the Environmental Protection License from the Central Environmental Authority for all of its operations which requires such licenses to carry out business in an 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.549 Mn (2017/18 – Rs.309 Mn) 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 and on time. Further, there were no significant fines paid by Alumex during the year.

Engaging with the Community around the Factory

GRI: Disclosure 203-01-02/ 413-01-02

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 were no significant negative impacts 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 and 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 is consists of 55% people around the factory. Suppliers who purchase of scraps are prioritised by those who are around the factory.

SOCIAL AND RELATIONSHIP CAPITAL



DONATIONS AND SPONSORSHIPS FOR COMMUNITY DEVELOPMENT

Some donations and sponsorships made by Alumex in the financial year 2018/19 are highlighted below.

Donation of White Canes

Continuing from the last several financial years, Alumex has been persisted in 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, 3,000 white canes were distributed across the country. Alumex provided Aluminium 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 costs. The value of the total contributions to the visually impaired community was Rs.1,109,723.

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 2018. 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 466 children for this year was Rs.957,818.

School book donation to the Thalawa and Anandodaya Primary School at Meegassegama

The Company donated school uniforms, bags and stationery items to all 184 students of the Anandodaya primary school incurring cost of Rs.321,878 where Alumex installed its second RO water purification plant for the benefit of people in the area, who are suffering from kidney diseases frequently. Alumex contributed Rs.5.3 Mn for this project during the last year.

Other Donations and Sponsorships

The Company took the initiative to re-build a house of one of its long served employee who is going through a period of critical health issues. The Company provided all the materials at a value of 400,000 and employees voluntarily provided the labour to build the house.

We have been continuously helping the community around our factory premises with donations and sponsorships for various community events during the year. In addition, Alumex sponsored a number of events organized by Employee Societies of the government and private institutions. The total contribution by Alumex for such social events was Rs.198,256 in the current financial year.

TYPE OF SERVICE	2018/19		2017/18	
	AMOUNT (Rs.)	%	AMOUNT (Rs.)	%
Educational	1,361,296	47%	1,448,942	18%
Cultural	220,843	8%	115,000	1%
Social	1,109,723	38%	6,384,572	80%
Sports	10,000	0%	10,000	0%
Other	165,738	6%	0	0%
Health	35,000	1%	35,000	0%
Total	2,902,601	100%	7,993,514	100%

PRODUCT RESPONSIBILITY

Upholding our product responsibility, we are consistent in ensuring that all the products manufactured by us are highest standards in quality, meeting international standards in every aspects. The manufactured products are free from any hazardous chemicals, hold the highest levels of safety and are free from adverse health effects in long term use.

PRODUCT QUALITY

Alumex Aluminium extrusions are manufactured with highest quality raw materials in compliance with international standards. Our production process is guided by ISO 9001:2015 guidelines. Accordingly, the product quality in all the manufacturing processes are strictly monitored to ensure highest quality standards and free from any defects. Further, our products are qualified with the SLS certification to support high quality standards required the local market environment. One of our remarkable achievement in year 2018 was after series of stringent auditing processes we have received our QUALICOAT international license for both Sapugaskanda and Prime Powder coating facilities. The Anodising Plant also received its QUALANOD product license. Both these license endorsed highest quality of our all Architectural products which are in line with international quality standards. The licenses are issued by the International body headquartered in Zurich, Switzerland.

All our international powder suppliers are QUALICOAT certified and the powder coating processes are used 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. In addition, our sales team is well equipped and organized to provide after sales services to end users, including advisory services on the correct use of products to maintain longer life and safety.

CUSTOMER HEALTH AND SAFETY

GRI: Disclosure 416-01-02

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. Our products do not have any substances which are harmful to the health of our customers. Alumex Aluminium are designed to use as maintenance free products. There is no necessity to use any chemicals for cleaning and water is recommended to use as the agent when cleaning is required. Alumex extrusions systems specifically designed to use and are compatible with worlds' leading accessory manufacturers such as Giesse, Assa-abloy, Kinlong, 3H and LGF etc. 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, 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 door and window systems to cater to multi-story commercial buildings and residential complexes with the highest level of safety and security standards.

SOCIAL AND RELATIONSHIP CAPITAL

PRODUCT RESPONSIBILITY

Alumex offers extensive service support through its in-house expertise to Architects, consultants, engineers, contractors, fabricators and end users as well. This expertise will range from design and up completion of application. Alumex provide this expertise in view of the correct product and systems are being used to ensure its safety for the user.

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 small orders upon customer's requests.

There were no warnings or penalties imposed on any of our products due to poor safety during the year under review.



PRODUCT PACKAGING AND LABELING

GRI: Disclosure 417-01

All Alumex products are packed with a label for easy identification of the products. Bar codes pasted with each profile gives more information to the users of Alumex products. The Alumex Aluminium Profile Book, Alumex System Designs Handbook and Alumex Tested System book are also available as a guide for fabricators, contractors and end users. These booklets provide technical information required for the correct use of Alumex products, including the recommended accessories to use with our products.

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. In packaging, all Anodised and mill finish extrusions are securely packed and covered by polythene packing with the Alumex brand name printed on it. Bronze Anodised products are additionally protected by mean of a surface protective sticker. Finished powder coated and Wood Finish Aluminium profiles are foam wrapped prior to polythene packaging to ensure further product safety during transportation and storage.

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

COMPLIANCE

GRI: Disclosure 417-02

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

MEMBERSHIPS, ASSOCIATIONS AND AFFILIATIONS

GRI: Disclosure 102-13




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
- 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
- State Engineering Corporation
- Futurex Trade Fair and Event (Pvt) Ltd.

INTERNATIONAL AFFILIATIONS

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

<p>ALTUS (Fletcher) Aluminium New Zealand</p> 	<p>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 the Far Eastern countries. Alumex Group commenced manufacturing ALTUS (Fletcher) proprietary systems under license in Sri Lanka in 2011</p>
<p>AluK- Italy</p> 	<p>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.</p>
<p>Mitsubishi Plastics Inc. Japan</p> 	<p>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. Since.....</p>

<p>DuPont Corian USA and Japan</p> 	<p>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.</p>
<p>DGL International Powder and Thermal Polymer Alloy Coatings New Zealand</p> 	<p>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.</p>
<p>JOTUN MENA United Arab Emirates</p> 	<p>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.</p>
<p>Hydro Aluminium Norway</p> 	<p>Hydro Aluminium-Norway is a Norwegian Aluminium and renewable energy company, headquarters based in Oslo. It is the largest Aluminium company in the world. Hydro has its operations in more than 50 countries around the world and is active in all continents. They own the world renowned Aluminium brands such as, Wicona (Germany), SAPA (Belgium), Technal (France), etc. Alumex Group commenced manufacturing Hydro Aluminium Systems under license in Sri Lanka in 2019</p>
<p>Prime Structure Singapore</p> 	<p>Prime Structures is a Singapore-based company which provide complete solutions with an integrated approach to provide design, build and supply solutions of Aluminium Façade Systems across Asia. Alumex Group is the exclusive manufacturer of Prime Structure – Singapore under license in Sri Lanka for the Asian market since 2019.</p>

MANAGEMENT DISCUSSION & ANALYSIS


**NATURAL
CAPITAL**

Use of recycled Aluminium material in our manufacturing process contributes invaluable to minimise impact, in particular, caused as a result of industrial waste..

KEY INDICATORS

35%

 Reduction in per unit
Water Consumption

6%

 Reduction in per unit
Energy Consumption

Rs.

644

 Saving of Foreign
Exchange

11%

 Use of Recycled
Water

24%

 Reduction in Carbon
Foot Print

Aluminium: The Eternal Material of Choice for a Greener World

GRI: Disclosure 102-11

What does it mean to be green? For a material or product to be considered green, it should have low impact on the environment and therefore 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 programmes. Aluminium offers high scrap value, widespread consumer acceptance,

and Aluminium recycling enjoys significant industry support. In addition to recyclability, other eco-friendly qualities which 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 expandability, 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, in addition to being a substitute for wood.

OUR ENVIRONMENTAL POLICY

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.

Alumex PLC has always been concerned about, and strives securing the conservation and sustainable use of the biodiversity. Operating in an industrial zone (LINDEL), we are committed to offer quality products through our systems and procedures that ensure healthy and safe work environment for our employees while mitigating the harmful impact on loss of biodiversity and natural habitats. In fulfilling conservation obligations, the company strives to operate over and

above compliance of all environmental standards and relevant pertaining laws.

MITIGATING HARMFUL IMPACT ON THE ENVIRONMENT

The 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 being conducted to update their knowledge on due diligence, especially 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 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 while ensuring statutory requirements are complied with.

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

- 1) Introduction of highly efficient Vertical Powder Coating Plant has improved production volumes.

MANAGING ENVIRONMENTAL IMPACT

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

Material Management

Energy Management

Water Resource Management

Waste Management

Material Management

GRI: Disclosure 301-01-02

Sustainable Materials 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 views the use of natural resources and environmental protection.

Use of recycled Aluminium material in our manufacturing process contributes invaluablely to minimise impact, in particular, caused as a result of industrial waste, on the environment. The other advantage resulting from the use of recycled material is saving on manufacturing cost.

TYPE OF MATERIAL	UNIT OF MEASURE	2018/19	2017/18	2016/17
Total Aluminium Logs Used	MT	7,710	6,625	7,083
Aluminium Logs (Recycled)	MT	2,912	2,045	1,554
Percentage of Recycled Material Used		38%	31%	22%

As the prime raw material, Aluminium logs, which is a non-renewable resource, is used to manufacture finished goods – Aluminium extrusions. During this reporting year, 38% of the inputs were recycled raw material which is 7% higher compared to the previous year. Use of recycled Aluminium material has saved US\$7 Mn (Rs.1,223 Mn) worth of foreign exchange.

ENERGY MANAGEMENT

GRI: Disclosure 302-1-4-5

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. During the year under review energy was consumed according to the details given in the table below. It is noteworthy that compared to the previous year, consumption

NATURAL CAPITAL

in 2018/19 reflects a reduction of indirect energy usage, thereby accumulating savings for the National Electricity Grid. Reduction of energy requirement of individual products of the Alumex product range cannot be calculated or measured separately.

ENERGY SOURCE	PERCENTAGE
Electricity	32.6%
Diesel	41.5%
Furnace Oil	23.3%
LP Gas	2.2%
Petrol	0.4%

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	2018/19	2017/18
Petrol for Vehicles	de	MJ	293,381	1,000,887
Diesel for Vehicles	de	MJ	2,657,382	2,907,893
Diesel for Plant & Generators	de	MJ	30,863,101	31,668,965
Furnace oil for Plant	de	MJ	18,851,152	15,215,454
LP Gas	de	MJ	1,789,714	-
Electricity for Plant	ie	MJ	24,477,934	22,718,824
Electricity for Admin. Areas	ie	MJ	1,842,425	1,667,058
			80,775,089	75,179,081

de - Direct energy. ie - Indirect energy

CONSUMPTION BASE	UNIT OF MEASURE	2018/19	2017/18	2016/17
Total Energy Consumed	MJ	80,775,089	75,179,081	74,447,137
Total Material Consumed	MT	7,710	6,625	7,083
Average Consumption of Energy	MJ/MT	10,476	11,348	10,511

When compared to last year, an average, 15% decrease of energy consumption is recorded in the current year. This is an energy efficient situation caused by the individual factors of,

- Introduction of LP Gas as an energy source in the new Extrusion manufacturing plant.
- Introduction of Vertical Powder Coating plant during the reporting year which is energy efficient.

Energy Consumption Outside the Organisation

GRI: Disclosure 302-02

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 and occasionally for employee 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	2018/19	2017/18
Petrol for Vehicles	de	MJ	-	153
Diesel for Vehicles	de	MJ	2,261,360	2,128,987
			2,261,360	2,129,140

Significant environmental impacts of transportation is shown below.

TYPE OF TRANSPORT	tCO ₂ e	MJ
Employ Transport	387	1,845,989
Goods Transport	231	1,104,774
Total	618	2,950,763

We transport (outward) products only to our nine warehouses across the island using third-party transport facilities. All other customers are not provided with outward transport and collect goods from our factory premises or from our warehouses, whichever is more convenient. Further, the company provides pool transport to our employees and, all other material are transported (inward) using third-party transport services.

For the purpose of transportation of finished goods, other goods and workforce, only 4% of the total energy consumed is used, which is 8% of total GHG emissions of Alumex.

ENERGY INTENSITY

GRI: Disclosure 302-03-04

Consumption Base	Unit of Measure	2018/19	2017/18	2016/17
Total Energy Consumed	MJ	80,775,089	75,179,081	74,447,137
Total Production Output	MT	6,400	5,573	6,050
Average Consumption of Energy	MJ/MT	12,621	13,490	12,305

The decrease in average consumption of energy by 6% was caused by introduction of energy efficient plants in processing finished goods.

WATER RESOURCES MANAGEMENT

GRI: Disclosure 303-01-02

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.

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 Kelani River and sends it through a purification process before releasing/supplying so that no national water supply system is affected. This purchased water is used in our anodising, powder coating processes, cooling towers and also for consumption by employees. Further, small quantities of water are obtained from in-house wells used in our Aluminium recycling foundry and for the fire extinguishing hydrant system. There was no significant impact on water sources caused by water withdrawal from our in-house well.

During the current year, consumption of water resource by Alumex, is shown in the table below.

CONSUMPTION BASE	UNIT OF MEASURE	2018/19	2017/18	2016/17
Water Consumed in Plants	m3	74,690	98,307	102,245
Water Consumed by Employees	m3	23,397	28,169	24,378
	m3	98,087	126,476	126,623

According to the data gathered, it reflects that the consumption of in-plant water has decreased compared to last year. This decreasing trend is as a result of lesser consumption of in-plant water in parallel to increase the volume of quantities of process inputs. Here the majority of the consumption is used from municipal line.

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WATER INTENSITY AT ALUMEX

Consumption Base	Unit of Measure	2018/19	2017/18	2016/17
Total Water Consumed	m3	98,087	126,476	126,623
Total Production Output	MT	6,400	5,573	6,050
Average Consumption of Water	m3/MT	15	23	21

Decreasing water consumption by 35% in the year under review reflects the benefits received from the introduction of the new water-tap system which reduces waste.

Recycled Water (Melting and PC 3 Plants)

GRI: Disclosure 303-03

CONSUMPTION BASE	UNIT OF MEASURE	2018/19	2017/18
Total Water Consumed	m3	98,087	126,476
Total Water Recycled/Reused	m3	10,302	7887
Total Water Recycled		11%	6%

WATER BODIES AFFECTED BY WATER DISCHARGES AND /OR RUNOFFS

GRI: Disclosure 304-04/ 306-03-05

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 responsibly of discharging its treated water to the environment where there is no adverse impact on water bodies.

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 to date.

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

EMISSIONS

Emission of Ozone Depleting Substances (ODS)

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. Ozone Layer is depleting rapidly due to release of substances like Hlorofluorocarbons (CFCs), Halon, Carbon tetrachloride (CCl₄), Methyl chloroform (CH₃CCl₃), Hydrochlorofluorocarbons (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 convened 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. Since then, Sri Lanka has been an active participant of the global ozone protection efforts. The government later also ratified all the amendments of 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 Hydrochlorofluorocarbons (HCFCs), where Class I has a higher ozone depletion potential.

Main activities which possible use ODSs related to Aluminium industry are metal cleaning in laboratory, motor vehicle, office air conditioning, fire extinguishing and chillers. Except for a few instances, Alumex has been able to avoid use of ozone depleting substances in its' day-to-day processes.

Stringent incoming inspection are undertaken regularly by company to recognise, if ODSs are being used directly for day-to-day operations. In the company, impact of each chemicals are assessed continuously to minimise the impact on the environment, therefore it's viable to identify probable ODSs when being 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.

OUR CARBON FOOTPRINT

GRI: Disclosure 305-01-02-03-04-05

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

GHG Emission		2018/19		2017/18	
		tCO2e	%	tCO2e	%
Scope 1	Diesel for Generators & Plant, and Furnace Oil for Plant	2,999	38	3,621	45
Scope 2	Purchased Electricity	4,121	53	3,850	47
Scope 3	Air Travel and Others	675	9	651	8
Total		7,794	100	8,122	100

Scope 1 Emission decreased by 17% as a result of introduction of LP Gas and reduction of use of Diesel and Petrol.

Scope 2 Emission increased by 7% due to electricity consumption increase with new production plants.

Scope 3 Emission increased by 4% due to increase of distribution transport and increase in Air Travel.

GHG Emission per Input

PARTICULARS	UNIT OF MEASURE	2018/19	2017/18
GHG Emission	tCO2e	7,794	8,122
Material Consumed	MT	7,710	6,625
GHG Emission per Input	tCO2e/ MT	1.0	1.2

Although the production is comparatively high, the Company was able to maintain the emission rate at slightly lower rates than that of the previous year.

WASTE MANAGEMENT

GRI: Disclosure 306-02-04

Sustainable Waste Management can be defined as using material resources efficiently to reduce 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 from our waste disposal mechanisms.

In parallel to reduce, re-use and recovery methods of waste management, 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 from our mechanisms are in order where no harm is caused to habitats and biodiversity. There was no internal transport of hazardous waste during the period.

WASTE BY TYPE (MT)	2018-2019	2017-2018
Composting (Non-Hazardous)	3.78	5.80
Incineration-mass burn (Hazardous)	861	1,593
TOTAL	865	1599

NATURAL CAPITAL

HAZARDOUS WASTE

Waste discharged from Plant

WATER TREATMENT PLANT

GRI: Disclosure 306-01

Effluent water treatment plant at Alumex is capable of cleaning the factory wastes in conformity with the standards governed in the environmental laws and policies. Adherence of such standards are 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, 74,690m³ of purified water was released, incurring a cost of Rs.21 Mn, to the environment from our effluent water treatment plant.

Sludge generated from the waste/effluent water treatment plant is dispatched, for incineration to "Think Green (Pvt.) Ltd.", an organisation that provides waste management solutions for our waste to be treated as a resource and used in agriculture filed in Europe. Alumex has invested Rs.11.2 Mn to safely dispose 861MT of hazardous solid waste during the year.

Disposal of E-waste

At Alumex, we collect in-house used computers, accessories and other waste from electronic consumables and stored in a warehouse until such time that such waste can be safely disposed without harming the environment.

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

NON-HAZARDOUS WASTE

Food Waste

The option of disposing food waste as animal feed is available in the area in which the Company's factories are located, and such waste is disposed through daily basis pick-ups.

General Waste Management

Further to treatment for specific type of wastes general waste collecting bins are placed at identified locations to collect organic waste and recyclable waste. Organic waste and E-waste are disposed through the reliable authorised agents of the "Pradesiya 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 material), wastes generated within the Company would not be reused for own purposes.

Total Environmental Protection Expenditure/Investments

GRI: Disclosure 201-02

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

TYPE OF SERVICE	AMOUNT (Rs.) 2018-2019	%
Market Value of Scrap Aluminium Recycled	643,944,857	95
Purifying Cost of Waste Water	20,931,564	3
Disposal Cost of Solid waste	11,210,288	2
Total	676,086,709	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 to 95 percent of the energy needed to make Aluminium from bauxite ore. In 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 heading of "NOx & SOx and Other Significant air Emissions".

Over the years, the Alumex recycling foundry on average has been annually producing about 1,900 metric tons (MT) of finished Aluminium billets/logs, which is the main raw material used at our extrusion manufacturing plant. 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 increased this recycling process by producing 2,900 MT for own usage together with a yield increasing by 13% compared to the last year.

Reclaimed Products

GRI: Disclosure 301-03

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

During last two years Alumex has reclaimed, out of the products sold, 10% in average. This year we were able to increase this up to 29%.

PRODUCT CATEGORY	2018/2019	2017/2018	2016/2017
Aluminium Extrusions Sold (MT)	6127	5628	6063
Reclaimed (MT)	1784	699	578
Reclaimed (%)	29%	12%	9.5%

(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

GRI: Disclosure 304-01-02-03/ 307-01

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. To date, Alumex has not been required to restore any natural habitats. Therefore, we educate our employees during their training and development sessions about the importance of protecting natural habitats and national biodiversity.









Further, during the year, as a result of our activities, no environmental grievances, monetary fines or non-monetary sanctions were encountered by environmental laws and regulations.










ALUMEX AND THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



The UN Sustainable Development Goals (SDGs) embrace a universal approach to the sustainable development agenda. This calls for corporate entities to address development challenges and recognise the need to encourage sustainability reporting.

Herewith, we present the Alumex commitment towards the all 17 development goals.

Goal	Where Alumex Stands	Detailed in Page No.
	No Poverty 9% of the value distributed among the employees. Our employee base consists of people from all provinces across the country.	Page No. 208
	Zero Hunger Developing individual capabilities helps community to develop their own business. Alumex trained over 3,000 fabricators during the year totally to 18,000 fabricators since 1998.	Page No. 78
	Good Health and Well Being Targeting zero accidents is one of our main objectives. While the second is maintaining employees' health and safety by conducting medical camps and awareness sessions, Alumex has joint with several CSR projects which make capabilities to develop health care.	Page No. 76, 88
	Quality Education For a bright future educated heads are vital. Distributed schooling necessities to over 650 students and scholarships for the children of our employees who performed at high levels at grade 05, ordinary level and advance level examinations. Conducted 36 training programmes for VTA students and Teachers.	Page No. 88
	Gender Equality Alumex being in the light weight industry category are trying our best to give equal opportunity to women. Currently we have 5% women representation in our workforce.	Page No. 71
	Clean Water and Sanitation With the world becoming increasingly industrialised, water scarcity is increasing. As a solution, Alumex has developed an ET plant to recycle and re-use water discharged from the manufacturing process. 10,302m ³ water has been recycled during the year.	Page No. 96
	Affordable and Clean Energy The technical and industrial improvements of world energy is used by Alumex and indirectly contributes to energy saving due to recycling the Aluminium. During the year we saved over 160,000 GJ energy.	Page No. 93, 98
	Decent Work and Economic Growth The focus is to sustain employees who have been with Alumex since inception of the business. Having employees who have been with the Company for over three decades is testament to the Company's decent and fair work practices as well as our contribution to economic development by contributing to the industry in Sri Lanka	Page No. 68

	<p>Industrial innovation and infrastructure</p> <p>During the period under review, Sri Lanka's first state-of-the-art, fully-automated, front-loading and the largest Aluminium extrusion plant and South Asia's first vertical powder coating facility SAT Trivisan CUBE Technology was established as 'Alumex Prime' Ekala, Ja-Ela.</p>	<p>Page No. 62</p>
	<p>Reduce inequality</p> <p>Our main plant and the delivery point is located at Sapugaskanda and Ekala. In addition, we have our distribution centers covering all provinces and delivering various job opportunities and assistant to empower the community in all parts of the country.</p>	<p>Page No. 77</p>
	<p>Sustainable Cities and Communities</p> <p>Provide low cost solution to the Regeneration Housing Scheme Project which is being deployed at urban areas for population living in slums.</p>	<p>Page No. 88</p>
	<p>Responsible consumption and production</p> <p>Our vision is to continue to grow as a sustainable business entity. In action we are in process of,</p> <ul style="list-style-type: none"> • Recycling Aluminium and manufacturing billets. • Recycling waste water and re-using for to production. • Disposing the Hazardous and non-hazardous waste in a regulated and proper manner. 	<p>Page No. 93, 96, 98</p>
	<p>Climate action</p> <p>In the year of 2018/19 we have reduced our carbon footprint by 24%, this will help to reduce the climate change impacts.</p>	<p>Page No. 97</p>
	<p>Life below Water</p> <p>With a vision to greener world. Alumex been in process of recycling all the discharges of Aluminium used in the country without releasing them in to the environment.</p>	<p>Page No. 93, 98</p>
	<p>Life on Land</p> <p>Aluminium for a greener world. Alumex doesn't enforce any reforestation or deforestation directly, although the Aluminium use indirectly contributes to safeguarding forests.</p>	<p>Page No. 99</p>
	<p>Peace, Justice and strong institutions</p> <p>Alumex has established stringent systems of policies and measures to prevent anti-corruption and child labour. Further, the governance system promotes human rights, justice and an open door communication to arise suggestions and complaints to the management.</p>	<p>Page No. 69</p>
	<p>Partnership for the Goals</p> <p>We contributed Rs.549 Mn of the value generated to the government for revenue collection in order to mobilise resources to the needy.</p> <p>Act as a mediator in bringing developed countries fabrication technology to the country.</p>	<p>Page No. 208</p>





BUILDING THE FUTURE ON A STRONG GOVERNANCE FRAMEWORK

CORPORATE GOVERNANCE

Our governance structure is founded on our core values. We strive to exemplify utmost integrity and the highest ethical standards.

BOARD OF DIRECTORS



Mr. Mohan Pandithage
Chairman



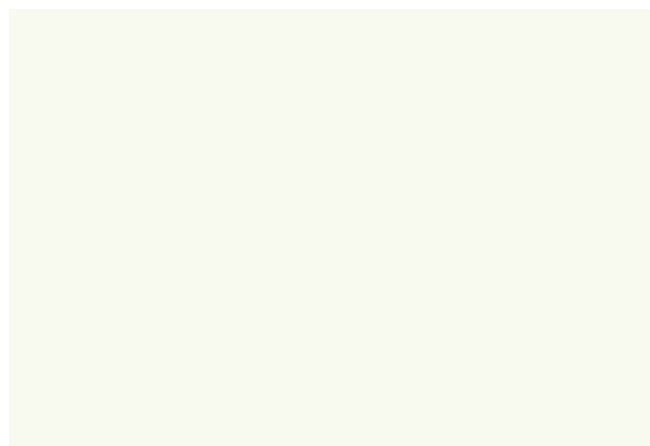
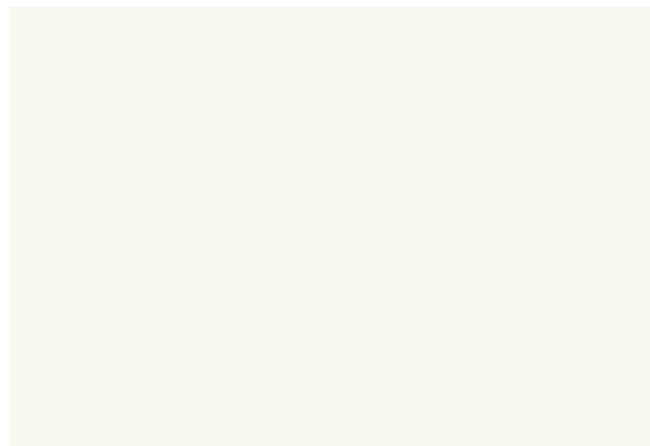
Mr. Sarath Ganegoda
Non-Executive Director



Mr. Pramuk Dediwela
Managing Director



Mr. Ranil Pathirana
Non-Executive Director



BOARD OF DIRECTORS

MR. ABEYAKUMAR MOHAN PANDITHAGE

Chairman and Chief Executive

Joined the Hayleys Group in 1969. Chairman and 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 & Transport (UK). Honorary Consul of the United Mexican States (Mexico), to Sri Lanka. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Ship's Agents. Recipient of the Best Shipping Personality award by the Institute of Chartered Shipbrokers; Excellence Leadership Recognition – Institute of Chartered Accountants of Sri Lanka; Honored with lifetime achievement award at Seatrade – Sri Lanka Ports, Trade and Logistics; Life time award for most outstanding Logistics and Transport personality of the year – Chartered Institute of Logistics & Transport.

MR. DEDIWELA WIDANAARACHCHILAGE PRAMUK NISHANTHA DEDIWELA

Managing Director

Mr. Dediwela started his career in January 1989 and has over 30 years of experience in the fields of Marketing and Sales, Material and Logistics, Finance, Manufacturing and Administration as well as Human Resources under Alumex Group. He was appointed as an Executive Director of the Alumex PLC and its subsidiaries in December 2010, as the Chief Operating Officer in November 2017 and as the Managing Director in July 2018.

Mr. Dediwela is a marketer cum financial economist and holds a Master in Financial Economics (University of Colombo), Master of Business Administration (University of Southern Queensland), Post-Graduate Diploma in Business and Financial Administration (CA 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 EDB, Ministry of Industry & Commerce and holds memberships of the Chartered Institute of Marketing (UK) and Sri Lanka Economics Association. He is a council member of the foundry Development & Services Institute of Sri Lanka.

MR. SARATH CLEMENT GANEGODA

Non-Executive Director

Appointed to the Board of Alumex PLC in September 2009. Fellow of the Institute of Chartered Accountants of Sri Lanka and a Member of the Institute of Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayawardanapura.

Worked for the Hayleys Group between 1987 and 2002. Subsequently he held several Senior Management Positions in large private sector entities in Sri Lanka and Overseas. Has responsibility for the Strategic Business Development unit of Hayleys PLC.

MR. RANIL PRASAD 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 Jayawardenepura.

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 31 years of 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 13 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 member of the UGC Standing Committee on Legal Matters, UGC Nominee on the Post Graduate Institute of Medicine (PGIM) and a member of the Board of Management of the NSBM Green University, Sri Lanka. 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. Dr. Cabral is also a member of the Intellectual Property Advisory Commission in Sri Lanka. He is a Council Member of the Institute for the Development of Commercial Law & Practice (ICLP) and the Course Director for the Diploma in Commercial Arbitration. 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 Sri Lanka International Arbitration Centre, as a member of the Senate Aquinas University College, as a member of the Corporate Governance Committee and Related Party Transaction Committee of the Institute of Chartered Accountants of Sri Lanka, as a member of National Science Foundation, and as the current Vice President of BRIPASL (Business Recovery & Insolvency Practitioners Association of Sri Lanka) Dr. Cabral has contributed immensely to legal academia and the corporate community of Sri Lanka.

Dr. Cabral is the Chairman of the Tokyo Cement Group, which commands the largest market share for cement in Sri Lanka. Dr. Cabral was the immediate past Chairman of LOLC Finance PLC, one of the largest Finance Companies in Sri Lanka. Dr. Cabral serves as Independent Non-Executive Director of DIMO PLC, Hayleys 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 Sri Lanka Institute of Information Technology (Guarantee) 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 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 in Sri Lanka and abroad. In addition to Dr. Cabral's active practice in courts and lecturing, he has been a counsel in many an Arbitration and served as Sole-Arbitrator, Co-Arbitrator and Chairman in a large number of Arbitrations, domestic and international.

MR. SOMASIRI MUNAWEERA

Independent Non-Executive Director

Mr. Munaweera was appointed to the Alumex Board in January 2014. He counts over 33 years of experience in the 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 the Governing Council of the 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).

BOARD OF DIRECTORS

MR. RAJAPAKSHA PATHIRANAGE PRAGEETH KALHANA RAJAPAKSHA

Executive Director/ Chief Financial Officer

Mr. Rajapaksha joined Alumex PLC in March 2012 as the Chief Financial Officer and was 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 Bachelor of Business Administration and a Master of Business Administration Degrees from the University of Colombo and a Diploma in Information Systems Security Control and Audit from the Institute of Chartered Accountants of Sri Lanka. He is an Associate Member of 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



1. Mr. Pramuk Dediwela *Managing Director*



2. Mr. Prageeth Rajapaksha *Executive Director/ Chief Financial Officer*



3. Mr. Dilhan Jayawarden *Deputy General Manager - Logistics*



4. Mr. Thushara Jayalath *Deputy General Manager - Manufacturing*



5. Mr. Wasantha Dissanayake *Factory Manager - Alumex Prime Plant*



6. Mr. Dickshon Gange *Deputy General Manager - R&D*



7. Mr. Rajitha Perera *Deputy General Manager - Sales & Marketing*

CORPORATE MANAGEMENT

MR. PRAMUK DEDIWELA

Managing Director

Please refer page 106 for profile.

MR. PRAGEETH RAJAPAKSHA

Executive Director/ Chief Financial Officer

Please refer page 108 for profile.

MR. DILHAN JAYAWARDENA

Deputy General Manager - Logistics

Dilhan joined Alumex PLC and appointed as a member of the corporate management team with effect from April 2016 with overall responsibility for both local and overseas marketing and sales functions. During the year, Dilhan was assigned new responsibilities of the Logistics operation.

He has over 23 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, logistics and transportation, accessories, electric & electronics, household decorative, hardware, advertising and printing.

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

MR. THUSHARA JAYALATH

Deputy General Manager - Manufacturing

Thushara joined Alumex PLC in April 2016. He has over 25 years of hands-on experience in Manufacturing and Supply Chain functions in Fast Moving Consumer Goods industry. Prior to join Alumex PLC, he held a number of senior managerial positions in the field of Manufacturing and Supply Chain in multinational environments.

He is a Japan Institute of Plant Maintenance (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 have mastered problem-solving techniques and Continuous Improvement Initiatives.

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

MR. WASANTHA DISSANAYAKE

Factory Manager - Alumex Prime Plant

Wasantha joined Alumex PLC in June 2018 in the responsibility of Alumex Prime plant. He has over 20 years experience on General Management, Manufacturing, Material Management, Quality Assurance in Automotive Parts Manufacturing industry in multinational companies.

He has experience in management systems in Germany and India, and a lead auditor for ISO 9001, ISO 14001 and IOSH qualified. Before joins Alumex PLC, he held several senior general management positions in automotive manufacturing industry. He is a council member of Sri Lanka Mold and Die Makers Association.

He holds a BSc degree in mathematics and industrial management and MBA in management of technology from the University of Moratuwa.

MR. DICKSHON GANGE

Deputy General Manager - Research & Development

Dickshon joined Alumex PLC in January 2019. He has over 12 years of experience on Research and Development, Industrial Engineering

and Lean functions working for reputed multinational and local companies. He has a vast experience on technology research, Intellectual Property, Industrial Automation and Design, industrial Engineering and mastered leadership techniques from Center for Creative Leadership, Singapore.

He is a Mechanical Engineer with a Bachelor of Engineering First Class Degree from National Institute of Technology, Durgapur, India and Holds a Postgraduate Diploma in Manufacturing Systems Engineering from University of Moratuwa and a Master of Business Administration Degree from University of Colombo.

MR. RAJITHA PERERA

Deputy General Manager - Sales & Marketing

Rajitha joined Alumex PLC and appointed as a member of the corporate management team with effect from 1st March 2019 with overall responsibility for both local and overseas marketing and sales functions.

Rajitha is a Marketing Professional with 15 years of experience in crafting winning marketing and brand strategies for local & International brands with differentiated communication, innovation and visual identity across industries such as FMCG & Techo commercial.

He is a member of Chartered Institute of Marketing (UK) and hold a MBA from University of Queens Land Australia.

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

CORPORATE GOVERNANCE

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

The Board of Directors of Alumex PLC has adopted core values and standards which set out the conduct of staff in their dealings with shareholders, colleagues, customers and other stakeholders which ensure positive workplace management, marketplace responsibility, environmental stewardship, community engagement and sustained financial performance. This involves the maintenance of:

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

THE GOVERNANCE STRUCTURE

GRI: Disclosure 102-18

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

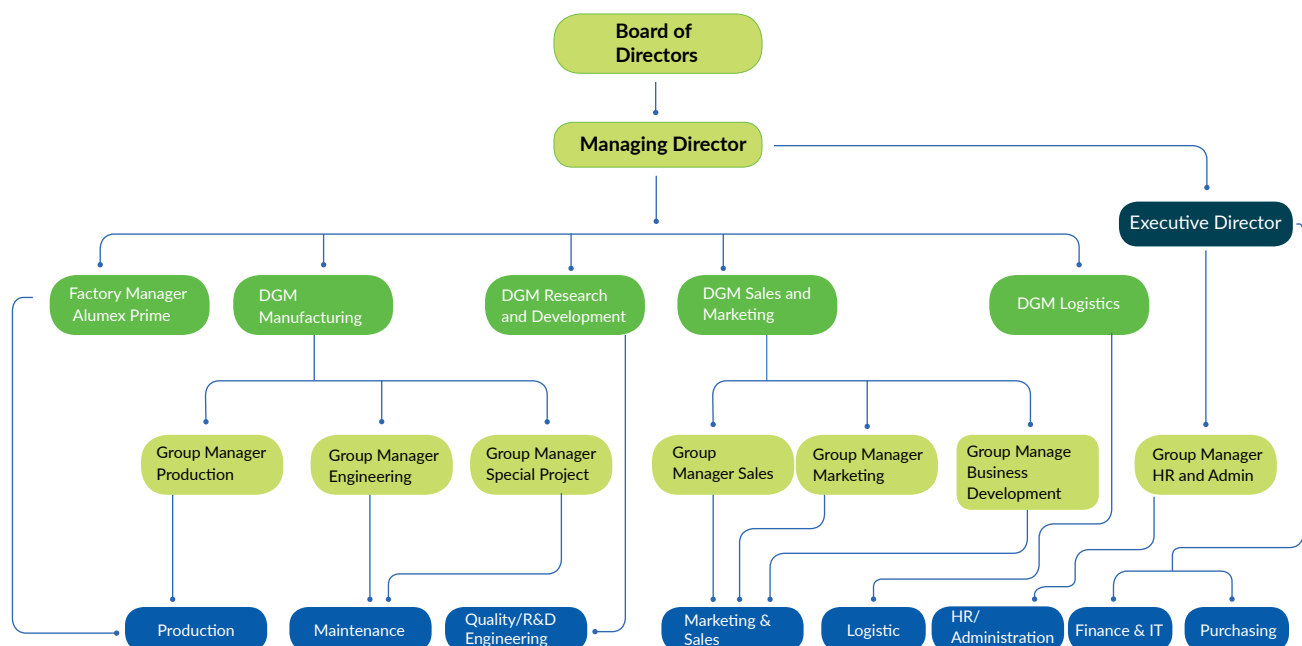
The Board has the overall responsibility and accountability for the management of the affairs of the Company, maintenance of prudent risk management practices and safeguarding stakeholder rights. In order to carry out these responsibilities, the Board has appointed a corporate management team which includes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

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

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

The Group Management Committee of Hayley's PLC is also involved with the formulation of strategies in respect of business risks, seeks approval for such strategies, and implements them within the policy framework established by the Board.

The Governance Structure



STATEMENT OF COMPLIANCE

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

Regulatory

- Companies Act No. 07 of 2007
- Sri Lanka Accounting and Auditing standards Act No. 15 of 1995
- Listing Rules of Colombo Stock Exchange.
- Inland Revenue Act No. 24 of 2017
- Exchange Control Act
- Customs Ordinance
- The Shop and Office Employees Act No. 15 of 1954
- Factories Ordinance Act No. 45 of 1942
- Industrial Dispute Act No. 43 of 1950

Voluntary Standards and Codes

- Code of Best Practices on Corporate Governance jointly issued by The Institute of Chartered Accountants of Sri Lanka.
- Integrated Reporting Framework issued by IIRC
- Global Reporting Initiative -GRI standards, 'In accordance'- Core option
- Quality Standards Certifications
- Internal Policies and Codes

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 CA Sri Lanka. It reflects Alumex's governance in the following eight fundamental aspects:

SECTION 01

- Directors
- Directors' Remuneration
- Relations with Shareholders
- Accountability and Audit

SECTION 02

- Institutional Investors
- Other Investors
- Internet of Things and Cyber Security
- 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 Colombo Stock Exchange (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 09 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 Transactions Review Committee
- Disclosure by the Board and the Committee

CORPORATE GOVERNANCE





SECTION 1:

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA (CASL)

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/2019
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 106 and 108.</p>			
Board Meetings	A.1.1		<p>The Board usually meets at quarterly intervals, but also meets more frequently when needed. The Board met four 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 131.</p>
Board Responsibilities	A.1.2		<ul style="list-style-type: none"> • The Board is responsible to the shareholders for creating and delivering long-term sustainable shareholder value through the business. The Board ensures the formulation and implementation of a sound business strategy. • The Board has put in place a Corporate Management team led by the Managing Director with the required skills, experience and knowledge necessary to implement the business strategy of the Company. • The Board also ensures effective systems are in place to secure integrity of information, internal controls and risk management. • The Board ensures that the Company's values and standards are set with an emphasis on adopting appropriate accounting policies and fostering compliance with financial regulation.
Compliance with Laws and access to independent professional advice	A.1.3		<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>






Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/2019
Company/Board Secretary	A.1.4		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.
Independent Judgment	A.1.5		All Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation and the conduct of business.
Dedication of adequate time and effort by the Board and Board Committees	A.1.6		All Directors of the Company dedicate adequate time and effort to fulfil 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		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		Both new and existing Directors of the Company are provided guidelines on general aspects of directorships and industry specific matters. In this regard, the Directors have recognized the need for continuous training, expansion of knowledge and to take part in such professional development as and when they consider it necessary and which would assist them to carry out their duties as Directors.
A.2 CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)			
<p>There should be a clear division of responsibilities between the Chairman and Chief Executive Officer in order to ensure a balance of power and authority, in such a way that any individual has no unfettered powers of decision-making.</p> <p>The roles of the Chairman and Chief Executive Officer function separately in the Company. The Chairman's main responsibility is to lead, direct and manage the work of the Board in order to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Managing Director, who performs the role of the Chief Executive Officer, is responsible for the day-to-day operations of the Company.</p>			
Division of responsibilities of the Chairman and Managing Director (CEO)	A.2		<p>The positions and functions of the Chairman and the Managing Director have been separated; the role of the Managing Director is to manage the day-to-day running of the Company.</p> <p>The Board has delegated this responsibility to the Managing Director and he then leads the Corporate Management team in making and executing operational decisions. The Managing Director is also responsible for recommending strategy to the Board.</p>

CORPORATE GOVERNANCE

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/2019
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.			
Role of the Chairman	A.3.1		<p>The Chairman is as an outstanding business leader, provides leadership to the Board, controls and preserves order at Board meetings and provides the Board with strategic direction and guidance in managing the affairs of the Company;</p> <p>The Chairman is also responsible for:</p> <ul style="list-style-type: none"> Ensuring the new Board members are given an appropriate induction, covering terms of appointment; The effective participation of both Executive and Non-Executive Directors; All Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company; A balance of power between Executive and Non-Executive Directors is maintained; The views of Directors on issues under consideration are ascertained.
A.4 FINANCIAL ACUMEN			
The Code requires that the Board comprises of members with sufficient financial acumen and knowledge in order to offer guidance on matters on finance. The Board of the Company has met the above requirement as some of the Board members are qualified Accountants having professional qualifications and are equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.			
Financial acumen and knowledge	A.4		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.
A.5 BOARD BALANCE			
The Code requires that a balance is maintained between the Executive and Non- Executive Directors (NEDs) so that no individual or a small group of individual Directors are able to dominate the Board's decision-making.			
The Board consists of three (03) Executive Directors and Five (5) Non-Executive Directors. Each of them brings to the Board, wide experience and the ability to exercise independence and judgment when taking informed decisions.			
Presence of Non-Executive Directors	A.5.1		Five (05) of the eight (08) Directors are Non-Executive Directors, which is well above the minimum number prescribed by this Code.
Independent Non-Executive Directors	A.5.2		Two (02) out of Five (05) Non-Executive Directors are independent as defined by the Code.


Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/2019
Criteria to evaluate independence of Non-Executive Directors	A.5.3		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.
Signed declaration of independence by the Non-Executive Directors	A.5.4		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.
Determination of independence of the Board	A.5.5		<p>The Board has determined the independence of Directors based on the declarations submitted by the Non-Executive Directors, as to their independence as a fair representation and will continue to evaluate their independence on this basis annually. No circumstances have arisen for the determination of independence by the Board, beyond the criteria set out in the Code.</p> <p>Independent Non-Executive Directors are:</p> <ul style="list-style-type: none"> • Dr. H. Cabral, PC • Mr. S. Munaweera
Alternate Directors	A.5.6		<p>Two alternate Directors have been appointed by two Non-executive Directors and they are not executives of the Company:</p> <p>Mr. A. J. Hirdaramani Mr. T. Akbarally</p> <p>No alternate Directors were appointed during the year. Please refer page 108 for the profiles of the Alternate directors.</p>
Senior Independent Director	A.5.7		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		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 Company.
Chairman's meeting of Non-Executive Directors	A.5.9		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		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.			

CORPORATE GOVERNANCE

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/2019
Obligation of the Management to provide appropriate and timely information to the Board	A.6.1		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		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		<p>The Nomination Committee of the parent company, Hayleys PLC, acts as the Nomination Committee for the Company and makes recommendations to the Board on all new Board appointments.</p> <p>The Nomination Committee of Hayleys PLC consists of the following members:</p> <p>Mr. A. M. Pandithage - Chairman Mr. K. D. D. Perera - Non-Executive Dr. H. Cabral, PC - Independent Non-Executive</p>
Assessment of Board composition by the Nomination Committee	A.7.2		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		<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 (CSE) in addition to disclosing this information in the Annual Report. Further, any changes in the details provided by the Directors are disseminated to the CSE without delay.</p> <p>The profiles of the above Directors are given on pages 106 and 108.</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.			

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/2019
Appointment of Non-Executive Directors, Chief Executive and Directors	A.8.1	<input checked="" type="checkbox"/>	<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. Mr. A. M. Pandithage and Mr. S. C. Ganegoda retire by rotation and being eligible offer themselves for re-election.</p>
Election of Directors by shareholders	A.8.2	<input checked="" type="checkbox"/>	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 AGM.
Prior communication of resignation of a Director	A.8.3	<input checked="" type="checkbox"/>	In the event of Director resigning prior to the completion of his appointed term, written communication should be provided to the Board of his reasons for resignation.
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	<input checked="" type="checkbox"/>	<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 year under review.</p>
Evaluation at re-election	A. 9.3	<input checked="" type="checkbox"/>	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 the respective Committee reports. Refer page 143 and page 145.</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	<input checked="" type="checkbox"/>	<p>The following details pertaining to each Director are disclosed as follows:</p> <p>(a) Brief profile with expertise and experience page 106 to 108.</p> <p>(b) Directors' interest in transactions and shareholding Page 136 and 137</p> <p>(c) Attendance at the Board Meetings held during the year page 131.</p>

CORPORATE GOVERNANCE

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/2019
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		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		The performance is evaluated by the Board at each Board meeting and the overall evaluation at the end of each fiscal year in order to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstances.
B. DIRECTORS' REMUNERATION			
B.1 REMUNERATION PROCEDURE			
This principle ensures that the Company has a well-established, formal and transparent procedure in place for developing an effective remuneration policy for both Executive and Non-Executive Directors where no Director is involved in deciding his/her own remuneration in order to avoid potential conflict of interest.			
Establishment of a Remuneration Committee	B.1.1		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 144 for the Remuneration Committee report.
Composition of Remuneration Committee	B.1.2		The Remuneration Committee consists of two (02) 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		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		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		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.			

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/2019
Level and makeup of the remuneration packages of Executive Directors.	B.2.1		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		Executive Directors' remuneration have been designed to promote the long-term success of the Company.
Competitiveness of levels of Remuneration	B.2.3		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.
Comparisons of remuneration with other companies in the Group	B.2.4		The Remuneration Committee reviews data concerning Executive pay among the Group Companies.
Performance related elements of Remuneration for Executive Directors	B.2.5		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 Executive Share Option Schemes.
Designing schemes of related remuneration	B.2.7		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		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 175 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.






CORPORATE GOVERNANCE

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/2019
Adequate notice of the AGM to shareholders	C.1.1		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 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		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		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.
Availability of all Board Sub Committee Chairmen at the AGM	C.1.4		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		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 should implement effective communication with shareholders.			
Channel to reach all shareholders	C.2.1		<p>The main mode of communication between the Company and the shareholders is the AGM. Shareholders are provided with 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> <p>Company secretaries answers queries which are being made by the shareholders where necessary.</p>
Policy methodology for communication with shareholders.	C.2.2.		<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		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		Details of contact persons are disclosed in the back inner cover of the Annual Report and Quarterly Financial Statements.








Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/2019
Process to make Directors aware of major issues and concerns of shareholders	C.2.5		The Company Secretary maintains a record of all correspondence received. All major issues and concerns of the shareholders are referred to the Board of Directors with the views of the management.
Response to the shareholders matters	C.2.7		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 through 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		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.
Shareholders approval by special resolution	C.3.2		During the year there were no transactions/events which require approval by way of a special resolution. The Company complied with the disclosure requirements and approval by special resolution as required of the rules and regulations by SEC and the 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		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 Standards . 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		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 142. The 'Statement of Directors' Responsibility' is given on page 141. See the 'Auditors' Report' on page 149 for the reporting responsibility of Auditors.
Declaration by Board	D.1.4		Directors have made all necessary declarations. Refer the Directors Report in on page on 141.
Statement of Boards and auditors responsibility and statement of Internal Control	D.1.5		This is given in the 'Annual Report of the Board of Directors' on page 136 and the 'Statement of Directors' Responsibility' on page 141 and pertains to required declarations.





CORPORATE GOVERNANCE

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/2019
Management Discussion and Analysis	D.1.6		See 'Management Discussion and Analysis' on pages 48 to 53
Summon an EGM to notify serious loss of capital	D.1.7		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		<p>The Directors have instituted an effective and comprehensive system of internal control for identifying, recording and disclosing related party transactions.</p> <p>All related party transactions, as defined in Sri Lanka Accounting Standard (LKAS) 24 on 'Related Party Transactions' are disclosed in Note 27 to Financial Statements.</p>
D.2 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		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		A robust assessment on risks involved in Company has been carried out and the status reviewed at every meeting. Mitigating actions have been identified and progress continuously reviewed. Refer page 132 for Risk Management.
Need for internal audit Function	D.2.3		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		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		Please refer Statement of Directors' Responsibilities. on page 141.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/2019
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		<p>Audit Committee consists of two (02) Independent Non Executive Directors:</p> <p>Mr. S. Munaweera - Chairman Dr. H. Cabral, PC - Member Mr. R. Pathirana - Member</p> <p>The Company Secretary Serves as its Secretary. The Chairman, Managing Director and the Chief Financial Officer (CFO) and the 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		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 143 for the duties.
Terms of reference of the Audit Committee	D.3.2		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 143.
Disclosures of the Audit Committee	D.3.3		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 independent confirmation in compliance with the "Guidelines for Appointment of Auditors of Listed Companies" issued by the 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 and guidelines stated in Section D.3.2.
RELATED PARTY TRANSACTIONS REVIEW COMMITTEE			
The Company should establish a procedure that it will not engage 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		Related party transactions are defined as in LKAS 24

CORPORATE GOVERNANCE

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/2019
Related Party Transactions Committee	D.4.2		Related Party Transactions Review Committee of the parent company, Hayleys PLC, act as the Related Party Transactions Review Committee for the Company and make recommendations and give directions to the Board.
Terms of references of RPT Committee	D.4.3		Written terms of reference of the Committee are available. Refer Related Party Transactions Review Committee Report on page 145.
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		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, among a range of other criteria.
Material and price sensitive information	D.5.2		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		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 to the Colombo Stock Exchange.
Affirmative Statement by the Chairman	D.5.4		See the 'The Chairman's Statement on page 20 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 by the Institute of Chartered Accountants of Sri Lanka.			
Disclosure of corporate governance	D.6.1		This requirement is met through the presentation of this report.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/2019
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.			
Communication with shareholders	E.1.1		In order to avoid conflicts of interest by nurturing mutual understanding, the Board carries out dialogues with 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		The institutional investors are encouraged to give due weightage to all relevant matters relating to the Board structure and composition.
F. OTHER INVESTORS			
F.1 INVESTING/DIVESTING DECISIONS			
Seek Independent Advice	F.1		Individual investors are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions. The Company's website serves to provide a wide range of information on the Group.
F.2 SHAREHOLDER VOTING			
Encourage voting by individual investors	F.2		Individual shareholders are encouraged to participate in General Meetings of the Company and exercise their voting rights.

CORPORATE GOVERNANCE











Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2018/2019
G. INTERNET OF THINGS AND CYBERSECURITY			
Internal and external IT devices connected to the business model.	G.1		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		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		This is a regular agenda item of the risk management discussion of the Board and has been given due attention.
Independent periodic reviews and assurance	G.4		Periodic reviews 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		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 frameworks. The Company's ESG activities are not governed by a specific ESG committee appointed but rather the ESG activities are overlooked by the Executive Directors to ensure that effective ESG, best practices are implemented.			
Provision of information on ESG	H.1.1		The Company has included the environmental, social and governance factors in its business model and provided sufficient information on all aspects in the Annual Report. Refer page 28 for business model, page 132 for Risk management., page 112 for governance and pages 56 to 99 for capital management.
The Environment	H.1.2		The Company adopts an integrated approach which mitigates the environmental threats and improves best practices in Company's engagements to fulfil the obligation towards the environment. Such best practices are pollution prevention, sustainable resource use, protection of environment and restoration of natural resources. Refer to the natural capital report on page 92 this Annual Report.
Social Factors	H.1.3		The Company adopts an integrated approach to building strong relationship with community and strives towards sustainable development. Refer social and relationship capital on page no 77 in this Annual Report.
Governance	H.1.4		The Company established a governance structure to support its ability to create value and manage risks on all pertinent aspects of ESG. Refer corporate governance report on page 112 and risk management on page 132 in this Annual Report.
Board's role on ESG Factors	H.1.5		The 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 (05) of the eight (08) Directors were Non-Executive Directors as at 31st March 2019		Corporate Governance
7.10.2(a)	Independent Directors	Two (02) of the Five (05) Non-Executive Directors were independent as at 31st March, 2019.		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.		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 section A.5.5 of the ICASL code table.		Corporate Governance
7.10.3(b)	Disclosure relating to Directors	The Board has determined that two (02) 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, as he has capability to conduct in an independent and impartial manner on matters deliberated by the Board.		Corporate Governance
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director is included in the Annual Report including the Director's areas of expertise.		Board of Directors' profile
7.10.3(d)	Disclosure relating to Directors	The appointments of new Directors was disclosed to the Colombo Stock Exchange and to the public. No any new Director appointment during the year.		Corporate Governance and Board of Directors profile section
7.10.5(a)	Composition of Remuneration Committee	The Remuneration Committee comprised of two (02) Independent Non-Executive Directors as at 31st March 2019.		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.		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 120. The disclosure of the Remuneration Committee is given on page 144 and the Remuneration paid to Directors is given in Note 8 to the Financial Statement on page 175.		Corporate Governance and Remuneration Committee Report

CORPORATE GOVERNANCE




Rule No.	Subject	Alumex Extent of Adaption	Compliance Status	Reference in this report
7.10.6(a)	Composition of Audit Committee	Shall comprise of NEDs, a majority of whom will be independent.		Corporate Governance and Audit Committee Report
7.10.6(b)	Audit Committee Functions	Audit Committee functions are stated in the Audit Committee Report on Page 143.		Corporate Governance and Audit Committee Report
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee	The names of the Audit Committee members given on page 143. The basis of determination of the independence of the Auditor is also given in section D.3.4 of the ICASL code table.		Corporate Governance and Audit Committee Report
7.13.1 (b)	Minimum Public Holding	As a listed company in the Dirisavi Board, the Company maintained the minimum public holding under specified criteria.		Share and Investor Information






SECTION 4:

COLOMBO STOCK EXCHANGE LISTING RULES SECTION 09

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 and Exchange Commission of Sri Lanka and Section 09 of the Listing Rules of the Colombo Stock Exchange.

Rule No.	Subject	Alumex Extent of Adaption	Compliance Status	Reference in this report
9.2.1 & 9.2.3	Related Party Transactions Review Committee (RPTRC)	The RPTRC of the parent Company, Hayleys PLC, a listed entity, functions as the RPTRC for the Company. The RPTRC was formed on 10th February 2015. The functions of the RPTRC are stated in Related Party Transactions Review Committee report on page 145.		Annual Report of Board of Directors and the Related Party Transactions Review Committee Report
9.2.1	Composition of the Related Party Transactions Review Committee	The RPTRC consists of following Directors: Dr. H. Cabral - Chairman (Independent Non-Executive Director - Hayleys PLC) Mr. M. Y. A. Perera (Independent Non-Executive Director - Hayleys PLC) Mr. S. C. Ganegoda (Executive Director - Hayleys PLC)		Annual report of Board of Directors Page no 136. Related Party Transactions Re-view Committee Report page no 145.
9.2.4	Related Party Transactions Review Committee Meetings	The RPTRC met 04 times during the financial year 2018/19		Annual Report of Board of Directors page no 136.

Rule No.	Subject	Alumex Extent of Adaption	Compliance Status	Reference in this report
9.3.1	Immediate disclosures	The Company has not been involved in any non recurrent related party transactions which requires immediate announcement to the CSE.		Notes 27 to the Financial Statements
9.3.2 (a)	Disclosure - Non-recurrent Related Party Transactions	The Company has not been involved in any non recurrent related party transactions which requires immediate announcement to the CSE.		Notes 27 to the Financial Statements
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 the ordinary course of business of the company. However, aggregate values of these transactions were below 10% of gross revenue of latest audited accounts.		Notes 27 to the Financial Statements
9.3.2 (c)	Report by the Related Party Transactions Review Committee	Refer page 145 for the Related Party Transactions Review Committee Report.		Related Party Transactions Review Committee Report
9.3.2 (d)	A declaration by the Board of Directors	Refer the Annual Report of Directors for an affirmative statement of compliance by the Board.		Annual Report of Board of Directors Page no 136

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. D. W. P. N. Dediwela	4/4
Mr. S. C. Ganegoda*	3/4
Mr. R. P. Pathirana*	2/4
Mr. A. A. Akbarally*	1/4
Dr. H. Cabral, PC **	4/4
Mr. S. Munaweera**	4/4
Mr. R. P. P. K. Rajapaksha	4/4
Mr. R. P. Peris (Resigned w.e.f. 30th June 2018)	1/4

AUDIT COMMITTEE ATTENDANCE

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

RISK MANAGEMENT

ALUMEX RISK MANAGEMENT FRAMEWORK.

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

Enterprise Risk Management Framework

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

RISK 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

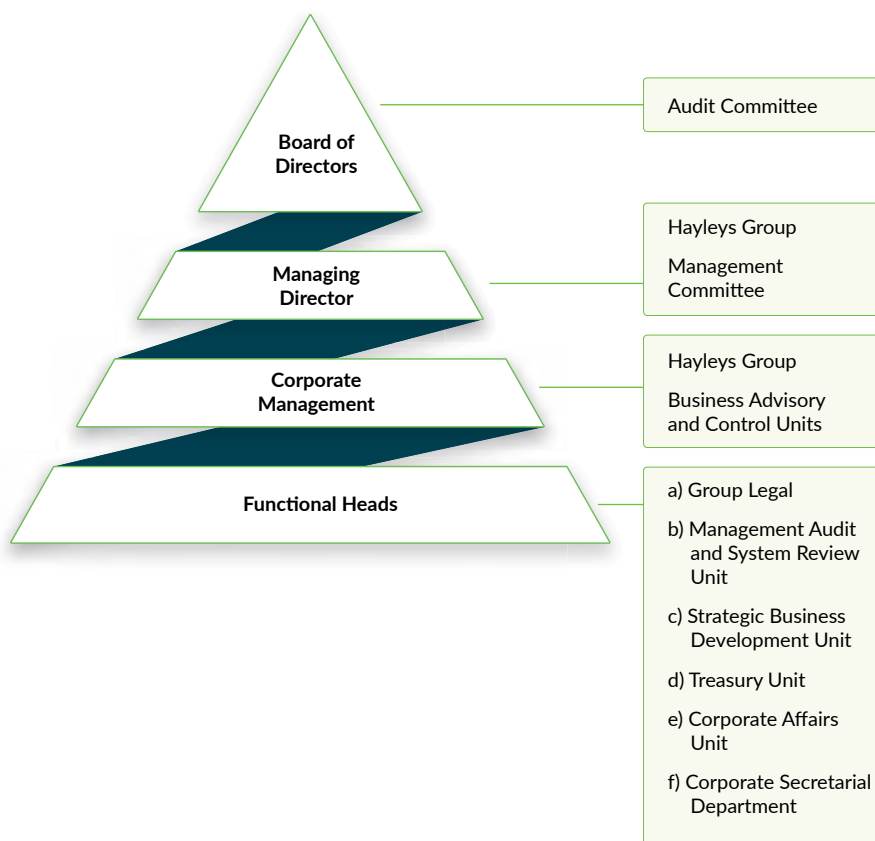
The Board is primarily responsible for ensuring that the risks are identified and appropriately managed across the Group. The Board has delegated this responsibility to the Audit Committee to review the effectiveness of the Group risk management framework, including the systems established to identify, 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.
Hayley's' 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 and monitor risks, and implement action plans.
Functional Heads	Implement, monitor and elicit feedback.

Alumex PLC Risk Management Structure



RISK MANAGEMENT

RISK MANAGEMENT ACTIONS

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

Risk Category	Risk Element	Implications	Mitigating Measures	Impact on Business	Probability of Occurrence	Risk Level
Risk of Financial Capital	Commodity Price Risk Fluctuations in Aluminium prices in the world market	Short-term and Long-term Increase in Aluminium raw material prices will create losses due to fixed selling prices	<ul style="list-style-type: none"> Monitor prices/trends and book forward Quote variable prices to customers, based on London Metal Exchange prices 	3	3	High
	Foreign Currency Risk Arises from exposure to foreign currency positions	Short-term and Long-term Losses can arise when foreign currency assets and liabilities are translated into local currency as at the Balance Sheet date, or when transactions are carried out in foreign currency	<ul style="list-style-type: none"> Monitor trends and book forward Maintain foreign currency denominated assets to hedge against liabilities 	3	3	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 	3	3	High
	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 	3	3	High
	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 	2	2	Medium
Risk of Human Capital	Labour Shortages Reduction in skilled and un-skilled 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 	2	2	Medium

Risk Category	Risk Element	Implications	Mitigating Measures	Impact on Business	Probability of Occurrence	Risk Level
	Industrial Health and Safety Could lead to workplace accidents, penalties, negative image and hiring difficulties on future requirements	Short-term and Long-term Lower productivity due to higher employee turnover and dissatisfaction of existing employees.	<ul style="list-style-type: none"> Providing necessary safety equipment to all employees. Focused training on health and safety to all employees. Insurance coverage to mitigate the risks. 	2	2	Medium
Risk of Intellectual Capital	Confidentiality of Information Loss of confidential data through security breaches in the IT systems	Short-term and Long-term Loss of the unique profile designs of Alumex to competitors.	<ul style="list-style-type: none"> Extensive controls and reviews to maintain security of IT infrastructure and data Regular back up of data and off-site storage of data backup system Disaster recovery plan 	2	2	Medium
Risk of Social & Relationship Capital	FTA with China may affect removing duty/import barriers	Long-Term Loss of market share and profitability	<ul style="list-style-type: none"> Identify and develop competitive advantages Productivity increase and reduction in cost of production 	3	1	High
	Single customer/suppliers Risk of having a few major customers and/or suppliers	Short-term and Long-term Loss of a major customer 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 a multiple supplier network 	2	2	Medium
Risk of Natural Capital	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 	3	3	High
	Water Scarcity Usable water reducing at a much higher rate	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 	2	1	Law
Risk of Manufactured Capital	Old Machineries Being reliant on old machines and accessories.	Short term and Long term Lower productivity and the lower production due to loss hours affected by frequent breakdowns	<ul style="list-style-type: none"> Investment in new machineries. Upgrading knowledge on maintenance. 	2	1	Law
	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 	2	1	Law

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 2019. The details set out herein provide the pertinent information required by the Companies Act No.17 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 152 to 205.

AUDITOR'S REPORT

The Auditor's Report on the Financial Statements is given on pages 149 to 151.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of Financial Statements are given on pages 158 to 173.

There were no changes in the accounting policies adopted.

INTERESTS REGISTER

The Company, in compliance with the Companies Act No.07 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 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 2018/19.

Attendance

Meetings held on 16th May 2018, 6th August 2018, 8th November 2018 and 6th February 2019.

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

**Independent Non-Executive Director

*Executive Director

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.07 of 2007. Note 27 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

Directors' Interests in Shares

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

Details of Directors' shareholdings in the Company are given on page 137.

Directors' Remuneration

Executive Directors' remuneration is established within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2019 was Rs. 35.15 Mn (2017/18 - Rs.33.48 Mn), 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 2019 was Rs.1,050,000 (2017/18 - Rs.970,000) 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 Mn at a premium of Rs.8.3 Mn per annum.

DIRECTORS' SHAREHOLDINGS

Name	No. of shares as at 31/03/2019	No. of shares as at 31/03/2018
Mr. A. M. Pandithage	10,000	10,000
Mr. D. W. P. N. Dediwela	10,669,200	10,669,200
Mr. R. P. Pathirana	243,949	243,949
Mr. S. C. Ganegoda	45,239	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	19,907	Nil
Mr. A. J. Hirdaramani (Alternate Director to Mr. R. P. Pathirana)	Nil	Nil
Mr. T. Akbarally (Alternate Director to Mr. A. A. Akbarally)	100,000	Nil
Mr. R. P. Peris (Resigned w.e.f. 30th June 2018)	70,000	70,000

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.

S.M. Bentley Corporate Services (Private) Limited holds 20,000 shares in Alumex PLC in which Mr. S. Munaweera is a Director and has controlling interest in S.M. Bentley Corporate Services (Private) Limited.

19,907 shares were purchased by Mr. R. P. P. K. Rajapaksha, an Executive Director of Alumex PLC during the year.

100,000 shares were purchased by Mr. T. A. Akbarally, Alternate Director to Mr. A. A. Akbarally, Non-executive Director of Alumex PLC during the year

45,239 shares were purchased by Mr. S. C. Ganegoda, a Non-executive Director of Alumex PLC during the year

7,375 shares were purchased by Mrs. R.D. Jayawardana, Spouse of Mr. S.M. Munaweera, an Independent Non-executive Director of Alumex PLC during the year

20,000 shares were purchased by S. M. Bentley Corporate Services (Private) Limited during the year. (Mr. S. Munaweera is a Director of Alumex PLC and also a Director of S. M. Bentley Corporate Services (Private) Limited and has controlling interest in S. M. Bentley Corporate Services (Private) Limited).

CORPORATE DONATIONS

The donations made during this year by the Company amounted to Rs. 1,110,000 (2017/18- Rs.1,050,000).

While Donations made by the Group amounted to Rs. 1,110,000 (2017/18 - Rs.1,050,000)

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 page 106 and 108.

Mr. A. M. Pandithage (Chairman)
Mr. D. W. P. N. Dediwela (Managing Director)
Mr. S. C. Ganegoda*
Mr. R. P. Pathirana*

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Mr. A. A. Akbarally*
Dr. H. Cabral, PC**
Mr. S. Munaweera**
Mr. R. P. P. K. Rajapaksha
Mr. A. J. Hirdaramani*
(Alternate Director to Mr. R. P. Pathirana)

Mr. T. Akbarally*
(Alternate Director to A. A. Akbarally)
Mr. R. P. Peris who served as the
Managing Director resigned from the
Board w.e.f. 30th June 2018

* Non-Executive
** Independent Non-Executive

Messrs. A. M. Pandithage and S. C.
Ganegoda 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 131. Furthermore, the Directors
contributed towards policy advocacy
and direction by participating in the
deliberations of the Board appointed
sub committees on Strategic Review,
Procurement and Disposal of Assets.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the
preparation of the Financial Statements
of the Company to present a true and
fair view of the state of its affairs. The
Directors are of the view that these
Financial Statements have been prepared
in conformity with the requirements
of the Sri Lanka Accounting Standards,

Companies Act No 07 of 2007, and
the Listing Rules of the Colombo Stock
Exchange. The Statement of Directors'
Responsibility for Financial Reporting
is given on page 141 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 new SLFRS and LKAS. The
significant accounting policies adopted
in the Financial Statement are given on
pages 158 to 173.

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.07 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. 1,091,141 (2017/18 -
Rs. 921,883) and Rs. 410,386 (2017/18
- Rs. 394,694) as audit fees by the
Company and its subsidiary respectively.
In addition, they were paid Rs. 801,326
(2017/18 - Rs.821,748) and Rs. 148,012
(2017/18 - Rs.281,050) respectively
by the Company and its subsidiary 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 on
page 20.

TURNOVER

The turnover of the Group was Rs.5,133
Mn (2017/18 - Rs.4,512 Mn) in the year
under review. A detailed analysis of the
Group's turnover is given in Note 05 to
the Financial Statements.

RESULTS AND DIVIDENDS

The Group's Profit before tax amounted
to Rs.177 Mn (2017/18 - Rs.515 Mn).
After charge of Rs.50 Mn. (2017/18
- Rs.150 Mn) for taxation, net Profit
for the year was Rs. 126 Mn (2017/18
- Rs.364 Mn) In addition, Group's total
Comprehensive Income net of tax was
Rs.280 Mn (2017/18 - Rs.251 Mn).

Interim dividend of cents 15 per share
was paid to the shareholders on 18th
April 2019.

The Directors have confirmed that the
Company satisfies the solvency test
requirement under Section 56 of the
Companies Act No. 07 of 2007 for the
interim dividend paid.

The Solvency certificates were obtained from the Auditors in respect of the interim dividend paid.

RATIOS AND MARKET PRICE INFORMATION

Ratios relating to equity and debt and the market price information are given on page 19 and 206-207.

PROPERTY, PLANT AND EQUIPMENT

The capital expenditure of the Group on property, plant and equipment during the year under review amounted to Rs.490 Mn (2017/18 – Rs.1,479 Mn). Information relating to movement in property, plant and equipment during the year is given in Notes 12-13 to the Financial Statements.

MARKET VALUES OF THE PROPERTIES

The freehold land of the Group has in general been subject to routine revaluation by independent qualified valuers. The most recent valuation was conducted in the financial year 2018/19 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 2019 amounted to Rs. 2,070 Mn (2017/18 – Rs.1,969 Mn) comprising capital reserve of Rs.812 Mn (2017/18

– Rs.666 Mn) and revenue reserve of Rs. 1,257 Mn (2017/18 – Rs.1,303 Mn). Movements are shown in the Statement of Changes in Equity on page 155.

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 587. 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 206.

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 Report on pages 112 to 131.

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

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

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

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 132 to 135 elaborates these practices and the risk factor.

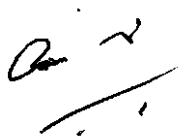
GOING CONCERN

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 10.00 a.m. on 18th June 2019. The notice of the Annual General Meeting appears on page 225.

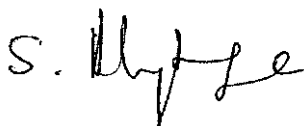
For and on behalf of the Board



A. M. Pandithage
Chairman



D. W. P. N. Dediwela
Managing Director



Hayleys Group Services (Pvt) Ltd
Secretaries

6th May, 2019

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.

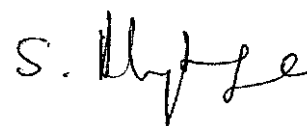
The Directors have confirmed that the Company satisfied the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the interim dividend paid. A solvency certificate was obtained from the Auditors in respect of the interim dividend paid.

The external Auditors, Messrs Ernst & Young who were deemed eligible for re-appointment in terms of Section 158 of the Companies Act No. 07 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on page 149 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

6th May 2019

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 2019, 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 by the Institute of Chartered Accounts 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



D. W. P. N. Dediwela
Managing Director



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

6th May, 2019

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 (03) members - two independent Non-Executive Directors, namely, Mr. S. Munaweera, Chairman of the Committee and Dr. H Cabral, PC; and a Non-Executive Director, Mr. R. P. Pathirana.

Brief profiles of each member are provided on page 106-107.

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 four (04) times during the year. The attendance of the members at these meetings is stated in the table on page 131.

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 & ROLE

The Audit Committee assists the Board of Directors in fulfilling effectively its responsibility of oversight of the group accounting and financial reporting process and audit of the Financial 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

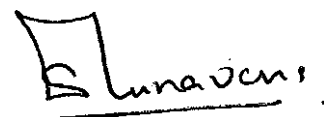
Other responsibilities include holding discussions with the Management about the major policies with respect to risk assessment and risk management.

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 2020.

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

6th May, 2019

REMUNERATION COMMITTEE REPORT

COMPOSITION OF THE REMUNERATION COMMITTEE

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

Brief profiles of each member are given on pages 107.

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 175.



Dr. H. Cabral, PC
Chairman - Remuneration Committee

6th May 2019

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 09 of the Listing Rules of the Colombo Stock Exchange.

COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee comprises two (02) Independent Non-Executive Directors and one (01) 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

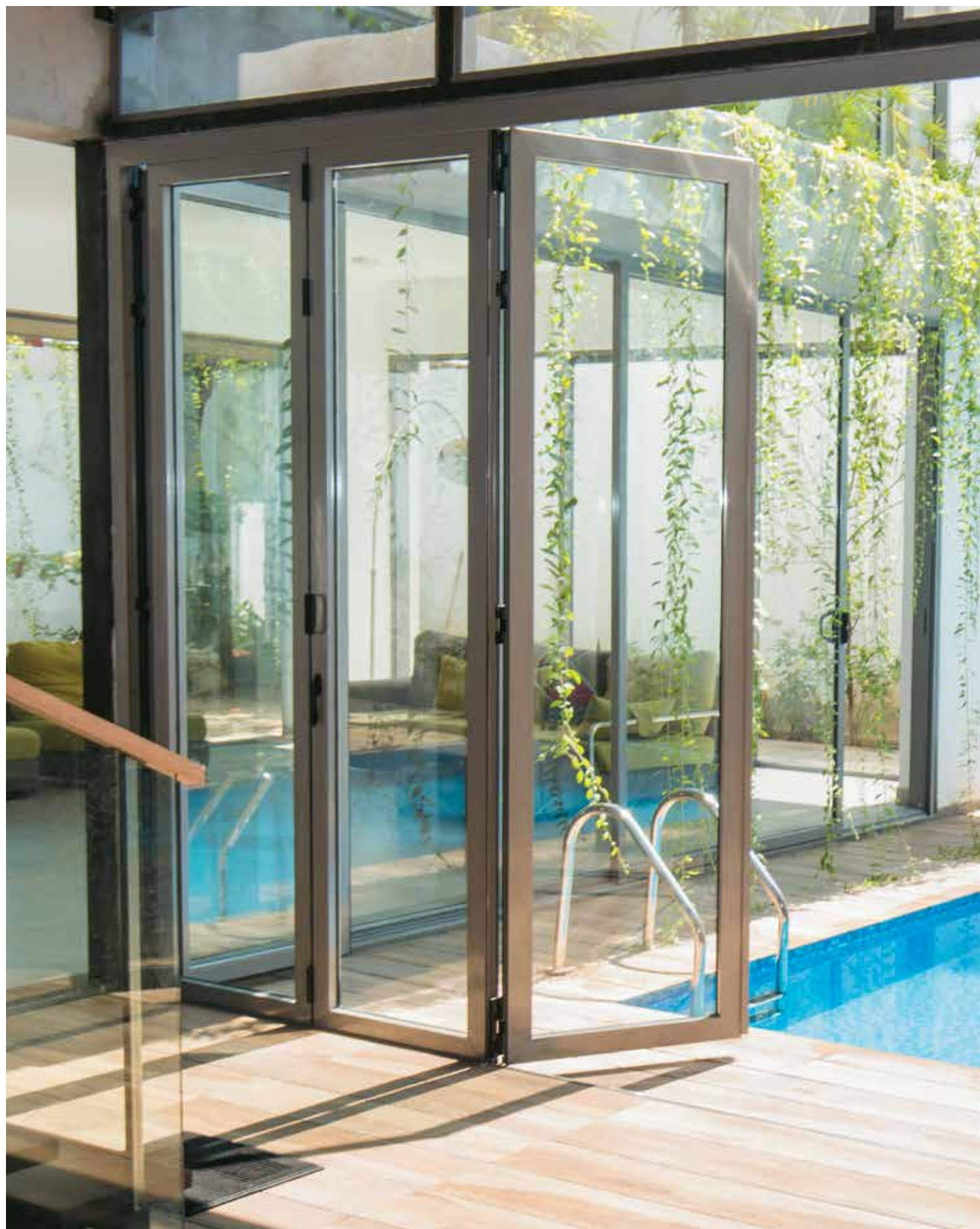
The Committee meetings were held four (04) times during the year under review on 16th May 2018, 6th August 2018, 8th November 2018, and 6th February 2019. The attendance at the meetings is given on page 131.

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 on page 197 to 200.

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

15th May 2019





DELIVERING VALUE FROM OUR BUSINESS

FINANCIAL STATEMENTS

Our business operations work synergistically to deliver a stable business performance and greater returns.

Financial Calendar 2018/19

01st Quarter Report	11th May 2018
02nd Quarter Report	1st August 2018
03rd Quarter Report	1st November 2018
04th Quarter Report	1st February 2019
Annual Report 2018/2019	23rd May 2019
12th Annual General Meeting	19th June 2019
Interim Dividend Paid	18th April 2019

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@k.ey.com
ey.com

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 2019 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 2019, 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.

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

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITOR'S REPORT



Key audit matters common to both Group and the Company

Key audit matter	How our audit addressed the key audit matter
Carrying Value of Inventories	
<p>As at 31 March 2019, the Group held inventories amounting to Rs. 1,855,569,353, which represents 27% of Totals Assets.</p> <p>Inventories are held at multiple geographical locations through distribution centres which are owned and operated by the Group, and accordingly, testing the existence of inventories was a significant focus for the audit.</p> <p>Further, the valuation of finished and semi finished goods required use of managements judgments and estimates relating to the application of appropriate rates for overhead absorption.</p> <p>The significance of the balance coupled with the level of estimation applied in the valuation of inventories has resulted in the carrying value of inventories being identified as a Key Audit Matter.</p>	<p>Our procedures in relation to inventories included:</p> <ul style="list-style-type: none"> - observing the physical verification of inventories carried out by management, by physically being present, at significant inventory locations, - performing test counts of inventories at such locations in testing the existence and completeness of inventories recorded by the Group - testing the appropriateness of the overhead absorption rate applied by the Group; checking actual costs incurred in production facilities along with quantities produced during the same period, and; - validating, for a sample of items, the unit cost applied in valuing inventories, corroborating key inputs used including overhead absorption rates applied. - We also checked the adequacy of disclosures made in note 3.15 & 3.24 to the financial statements relating to valuation inventory.

Other Information included in The 2019 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 2965.



06 May 2019
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2019	Notes	Group		Company	
		2019	2018	2019	2018
		Rs. 000	Rs. 000	Rs. 000	Rs. 000
Revenue	5	5,132,711	4,512,228	4,608,312	3,945,239
Less - NBT		(101,711)	(89,766)	(91,524)	(78,339)
Net Revenue		5,031,000	4,422,462	4,516,788	3,866,900
Cost of Sales		(3,877,887)	(3,362,135)	(3,672,354)	(3,119,674)
Gross Profit		1,153,113	1,060,327	844,434	747,226
Other Income	6	9,796	29,493	127,576	213,645
Selling and Distribution Expenses		(219,820)	(171,034)	(210,139)	(164,253)
Administrative Expenses		(348,964)	(273,017)	(328,165)	(253,950)
Operating Profit		594,125	645,769	433,706	542,668
Finance Cost	7.1	(440,309)	(150,560)	(425,414)	(151,632)
Finance Income	7.2	23,019	19,518	21,235	18,184
Profit Before Tax	8	176,835	514,727	29,527	409,220
Income Tax (Expenses) /Reversal	9	(50,355)	(150,368)	25,421	(66,939)
Profit for the Year		126,480	364,359	54,948	342,281
Profit Attributable to Shareholders		126,480	364,359	54,948	342,281
		126,480	364,359	54,948	342,281
Diluted and Basic Earnings per Share	10	0.42	1.22	0.18	1.14
Dividend Per Share	11			0.60	1.05

Notes from pages 158 to 205 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019	Notes	Group		Company	
		2019	2018	2019	2018
		Rs. 000	Rs. 000	Rs. 000	Rs. 000
Profit for the Year		126,480	364,359	54,948	342,281
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	2,210	(5,263)	1,385	(4,679)
Income Tax Effect on Actuarial Gains and Losses	9.2	(553)	1,427	(388)	1,310
		1,657	(3,836)	997	(3,369)
Revaluation of Land	21.3	210,263	-	201,263	-
Income tax effect on Revaluation of Land	9.3	(58,154)	(109,557)	(56,354)	(109,252)
Total Other Comprehensive Income for the Year, Net of Tax		153,766	(113,393)	145,906	(112,621)
Total Comprehensive Income for the Year, Net of Tax		280,246	250,966	200,854	229,660
Total Comprehensive Income Attributable to Shareholders		280,246	250,966	200,854	229,660

Notes from pages 158 to 205 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019	Notes	Group		Company	
		2019	2018	2019	2018
		Rs. 000	Rs. 000	Rs. 000	Rs. 000
Assets					
Non-current Assets					
Property, Plant and Equipment	12	3,772,972	3,288,933	3,568,970	3,089,885
Intangible Assets	13	55,124	46,426	55,124	46,426
Investments in Subsidiaries	14	-	-	30,000	30,000
		3,828,096	3,335,359	3,654,094	3,166,311
Current Assets					
Inventories	16	1,855,569	1,787,477	1,594,881	1,443,879
Trade and Other Receivables	17	1,085,810	988,847	840,724	817,983
Advances and Prepayments	18	69,365	60,489	65,573	58,090
Income Tax Receivable		39,123	13,965	39,123	13,965
Cash and Cash Equivalents	19	98,555	216,366	59,961	207,038
		3,148,422	3,067,144	2,600,262	2,540,955
Total Assets		6,976,518	6,402,503	6,254,356	5,707,266
Equity and Liabilities					
Stated Capital	20	283,735	283,735	283,735	283,735
Reserves	21	812,305	665,481	779,892	640,268
Retained Earnings		1,257,255	1,303,415	669,910	788,262
Total Equity		2,353,295	2,252,631	1,733,537	1,712,265
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	15.1	1,198,750	1,133,750	1,198,750	1,133,750
Retirement Benefit Liability	23	111,766	108,229	99,292	96,644
Deferred Tax Liabilities	9	250,760	221,551	247,603	216,580
		1,561,276	1,463,530	1,545,645	1,446,974
Current Liabilities					
Trade and Other Payables	24	1,133,900	1,095,402	1,114,244	1,101,508
Current Portion of Long Term Interest Bearing Borrowings	15.1	527,500	380,000	527,500	380,000
Short-term Interest Bearing Borrowings	15.1	1,361,100	1,169,989	1,311,460	1,061,367
Other Current Financial Liabilities	15.1	14,649	-	14,413	-
Provisions	22	9,020	6,251	7,557	5,152
Income Tax Liabilities		15,778	34,700	-	-
		3,061,947	2,686,342	2,975,174	2,548,027
Total Equity and Liabilities		6,976,518	6,402,503	6,254,356	5,707,266

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

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



A.M. Pandithage
Chairman



D.W.P.N. Dediwela
Managing Director

Notes from pages 158 to 205 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

06 May 2019
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019 Group	Notes	Attributable to Equity Holders of the Parent					
		Stated Capital	Revaluation Reserve	Capital Reserve	Retained Earnings	Total	Total Equity
		Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Balance as at 01 April 2017		283,735	552,267	228,056	1,251,876	2,315,935	2,315,935
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 01 April 2018		283,735	437,425	228,056	1,303,415	2,252,631	2,252,631
Profit for the Year		-	-	-	126,480	126,480	126,480
Revaluation of Land	12.4	-	210,263	-	-	210,263	210,263
Other Comprehensive Income, Net of Tax		-	(58,154)	-	1,657	(56,497)	(56,497)
Total Comprehensive Income		-	152,109	-	128,137	280,246	280,246
Transactions with Owners, Recorded Directly in Equity							
Depreciation Transfer for Building	12.5	-	(5,285)	-	5,285	-	-
Dividends to Equity Holders		-	-	-	(179,582)	(179,582)	(179,582)
Total Contributions by and Distributions to Owners		-	(5,285)	-	(174,297)	(179,582)	(179,582)
Balance as at 31 March 2019		283,735	584,249	228,056	1,257,255	2,353,295	2,353,295

Notes from pages 158 to 205 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

Company	Notes	Stated Capital Rs. 000	Revaluation Reserve Rs. 000	Capital Reserve Rs. 000	Retained Earnings Rs. 000	Total Rs. 000
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)	(112,620)
Total Comprehensive Income		-	(109,252)	-	338,912	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 01 April 2018		283,735	412,212	228,056	788,262	1,712,265
Profit for the Year		-	-	-	54,948	54,948
Revaluation of Land	12.4	-	201,263	-	-	201,263
Other Comprehensive Income, Net of Tax		-	(56,354)	-	997	(55,357)
Total Comprehensive Income		-	144,909	-	55,944	200,854
Transactions with Owners, Recorded Directly in Equity						
Depreciation Transfer for Building	12.5	-	(5,285)	-	5,285	-
Dividends to Equity Holders		-	-	-	(179,582)	(179,582)
Total Contributions by and Distributions to Owners		-	(5,285)	-	(174,296)	(179,582)
Balance as at 31 March 2019		283,735	551,836	228,056	669,910	1,733,537

Notes from pages 158 to 205 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

		Group		Company	
Year ended 31 March 2019	Notes	2019	2018	2019	2018
		Rs. 000	Rs. 000	Rs. 000	Rs. 000
Cash Flows from Operating Activities					
Profit Before Taxation		176,835	514,727	29,527	409,220
Adjustments for,					
Finance Cost	7.1	329,048	117,956	323,496	123,049
Finance Income	7.2	(11,944)	(14,049)	(10,458)	(12,715)
Provision for Gratuity	23	20,273	18,749	18,086	16,841
(Profit) / Loss on Disposal of Property, Plant and Equipment	6	(283)	(5,533)	(283)	(1,664)
Provision for Bad Debts	8	20,335	10,226	14,717	8,532
Depreciation and Amortization	12 & 13	196,651	116,191	182,549	101,574
Operating Profit Before Working Capital Changes		730,915	758,267	557,634	644,837
(Increase) / Decrease in Inventories		(68,093)	(652,772)	(151,003)	(552,386)
(Increase) / Decrease in Trade and Other Receivables		(148,789)	(161,277)	(62,911)	(110,980)
(Increase) / Decrease in Advances and Prepayments		(8,877)	65,524	(7,482)	66,737
Increase / (Decrease) in Trade and Other Payables		11,020	(14,379)	(15,343)	(8,560)
Cash Generated from/(used in) Operating Activities		516,176	(4,637)	320,895	39,648
Finance Cost Paid	7.1	(329,048)	(117,956)	(323,496)	(123,049)
Income Tax Paid		(92,439)	(170,691)	-	(130,287)
Retirement Benefit Liability Paid	23	(14,527)	(7,032)	(14,054)	(7,032)
Net Cash from /(used in) Operating Activities		80,162	(300,316)	(16,655)	(220,720)
Cash Flows from Investing Activities					
Acquisition of Property, Plant and Equipment/ Intangible Assets	12 & 13	(489,886)	(1,479,237)	(479,830)	(1,474,660)
Proceeds from Sale of Property, Plant and Equipment		11,044	5,536	11,044	1,667
Proceeds from Short Term Investments		-	1,233	-	1,233
Finance Income Received	7.2	11,944	14,049	10,458	12,715
Net Cash Flows from /(used in) Investing Activities		(466,898)	(1,458,419)	(458,328)	(1,459,045)
Cash Flows from Financing Activities					
Repayment of Interest Bearing Loans and Borrowings	15.1	(461,878)	(6,250)	(461,878)	(6,250)
Proceeds from Interest Bearing Loans and Borrowings	15.1	674,378	1,008,000	674,378	1,008,000
Dividend Paid	11	(134,686)	(314,268)	(134,686)	(314,268)
Net Cash Flows from /(used in) Financing Activities		77,814	687,482	77,814	687,482
Net Increase /(Decrease) in Cash and Cash Equivalents		(308,922)	(1,071,252)	(397,169)	(992,283)
Cash and Cash Equivalents at the Beginning of the Year	19	(953,623)	117,629	(854,330)	137,953
Cash and Cash Equivalents at end of the Year	19	(1,262,545)	(953,623)	(1,251,499)	(854,330)

Notes from pages 158 to 205 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 2019 encompass the Company and its subsidiary (together referred to as the "Group"). The subsidiary in the Group is 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 aluminum 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 Authorization for Issue

The Consolidated Financial Statements of the Group for the year ended 31 March 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 06 May 2019.

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.

- Land is 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
- Financial instruments designated as fair value through other comprehensive income (OCI) which are measured at fair value
- Retirement benefit obligations which are determined based on actuarial valuations

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

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

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

2.3 Functional and presentation currency

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

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

2.4 Comparative Information

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year. Previous year's figures and

phrases have been re-arranged wherever necessary to conform to current year presentation.

2.5 Materiality and Aggregation

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

2.6 Offsetting

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards.

3. SUMMARY 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, liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized 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 2019 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.

Investment in subsidiaries are carried at cost.

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.

NOTES TO THE FINANCIAL STATEMENTS

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

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

3.4 Current versus non-current classification

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

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

Or

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

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

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading

- It is due to be settled within twelve months after the reporting period

Or

- It does not have right at the reporting date to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

3.5 Fair value measurement

The Group measures financial instruments such as investments which are designated as fair value through other comprehensive income (OCI) and designated as fair value through profit or loss and derivatives; non-financial assets such as owner occupied land and investment properties, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes,

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

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

value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 from Contracts with Customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of Goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer,

generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(ii) Significant financing component

The Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(iii) Warranty Obligations

The Group provides warranties for general repairs of defects that existed at the time of sale, as required by law.

These assurance-type warranties are accounted for under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets. Refer to the accounting policy on warranty provisions in the note 22 to the Financial Statements. These service-type warranties are sold either separately or bundled together with the sale of goods. Contracts for bundled sales of goods and a service-type warranty comprise two performance obligations because the promises to transfer the equipment and to provide the service-type warranty are capable of being distinct. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognised as a contract liability. Revenue is recognised over the period in which the service-type warranty is provided based on the time elapsed.

Rendering of Services

The Group recognises revenue from services over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

NOTES TO THE FINANCIAL STATEMENTS

The calculation of effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental cost that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income is presented in finance income in the Statement Profit or Loss.

Dividend

Dividend income is recognised in profit or loss on the date the entity's right to receive payment is established.

Other Income

Other Income is recognized on an accrual basis.

Gains and Losses

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and are recognised net within "other income" in 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 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

at the reporting date in the countries where the Group operates and generates taxable income.

Current tax relating to items recognised directly in Other Comprehensive Income is recognised in Other Comprehensive Income and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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 tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Tax on dividend income from subsidiaries is recognised as an expense in the Consolidated Statement of Profit or Loss at the same time as the liability to pay the related dividend is recognised.

3.8 Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables that are stated with the amount of sales tax.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

3.9 Property, Plant and Equipment

The group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services or for administration purpose and are expected to be used for more than one year.

Recognition and measurement

Property, plant and equipment 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.

Items of property, plant & equipment including construction in progress are measured at cost net of accumulated depreciation and accumulated impairment losses, if any, except for land which is measured at fair value.

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 includes the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

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. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the Statement of Profit or Loss, 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 derecognition policy given below.

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The costs of the repair and maintenance 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. Any gains and losses on derecognition are recognised (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in the Statement of Profit or Loss. Gains are not classified as revenue.

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, in reflecting the expected pattern of consumption of the future economic benefits embodied in the asset.

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 derecognized.

The asset's residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end and adjusted prospectively, if appropriate.

A reconciliation of the carrying amount at the beginning and end of the period is presented in Note 12 to this financial statements.

Capital Work in Progress

Capital work in progress represents the cost of civil construction work not completed and Property, Plant and Equipment that are not ready for their intended use.

3.10 Leases

Operating Leases

Operating lease payments are recognized as an operating expenses in the statement of Profit or Loss on a straight line basis over year lease term.

3.11 Intangible Assets

An Intangible asset is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

Basis of Measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is incurred.

Useful Economic Lives and Amortisation

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in

the Statement of Profit or Loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

De-recognition of Intangible Assets

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is derecognised.

Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the Statement of Profit or Loss as incurred

Research and Development Cost

Research Costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

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

A summary of the policies applied to group intangible assets are as follows.

	Development cost	Software & website development	Patents and licenses
Useful lives	Finite (10 years)	Finite (7 year)	Finite (7 years)
Amortization method used	Amortized on a straight line basis over the period of expected future sales from the related project.	Amortized on a straight line basis over the period of useful life.	Amortized on a straight line basis over the period of useful life.
Internally generated or acquired	Internally generated	Acquired	Acquired

3.12 Expenses

Expenses are recognized in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to profit and loss in the year in which the expenditure is incurred.

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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 directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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 standard cost, but Excluding Borrowing Costs. Standard cost take in to accounts normal levels of materials and supplies, labour, efficiency and capacity utilisation. They are regularly reviewed and, if necessary, revised in the light of current condition.
Consumables and Spares	- At purchase cost on first-in first-out
Goods in Transit	- At purchase cost

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

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories;

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair

value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

- Financial assets at fair value through profit or loss
- **Financial Assets at Amortised cost (Debt Instruments)**

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

De-recognition

A financial asset is de-recognized when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay

the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) The Group has transferred substantially all the risks and rewards of the asset, or

(b) The Group has neither transferred nor retained substantially all the risks and rewards of

The asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on

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the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit

enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of 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 incurred for the purpose of repurchasing 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 SLFRS 9. 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 or loss so designated at the initial date of recognition, and only if criteria of SLFRS 9 are satisfied. The group has not designated any financial liability 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 derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if,

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

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 Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators

3.18 Provisions

Provisions are recognized when the Group has a present obligation (legal or

constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

3.19 Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of possible outcomes against their associated probabilities.

3.20 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.21 Capital commitments and contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the respective Note 25 to the Financial Statements.

3.22 Employee Benefits

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into

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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 (EPF)

The Group and employees contribute 12% and 8% respectively of the employee's monthly gross salary to the Provident Fund.

Employees' Trust Fund (ETF)

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 2019 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 recognized in full in the Other Comprehensive Income in line with the LKAS 19 – Employee Benefits (Revised 2013).

Funding Arrangements

The Gratuity liability is not externally funded.

Short Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.23 Statement of Cash Flows

The Statement of Cash Flows is prepared using the indirect method, as stipulated in LKAS 7- "Statement of Cash Flows".

3.24 Critical Accounting Estimates and Judgments

The preparation of Financial Statements in conformity with SLFRS/LKAS's

requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements 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. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period and any future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes.

Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulation, changes in tax laws, and the amount and timing of future taxable income.

Given the wide range of international business relationships and the long-term nature and the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on upon the likely timing and the level of future taxable profits together as with future tax planning strategies.

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.

Impairment of property, plant and equipment and intangible assets

The impairment analysis is principally based upon discounted estimated cash flows from the use and eventual disposal of the assets. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in the discount rates could lead to impairment. Further details are disclosed in Note 12 and 13 to the Financial Statements.

Revaluation of Land

The Group measures lands at revalued amount with change in value being recognized in the Statement of Other Comprehensive Income in Financial year 2018/2019. 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. The valuation of finished and semi finished goods requires use of management's judgments and estimates relating to the application of appropriate rates for overhead absorption.

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.

3.25 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.

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3.26 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.

3.27 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and Amended Standards and Interpretations

The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising

from contracts with customers and requires that revenue be 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.

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted SLFRS 15 using the modified retrospective method of adoption. Based on the assessment performed, the Group concluded that SLFRS 15 does not have a material impact on the Group's Consolidated Financial Statements.

SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied SLFRS 9 retrospectively, with the initial application date of 1 April 2018.

The nature of these adjustments are described below:

Classification and measurement

Under SLFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of SLFRS 9 did not have a significant impact on the Group.

Impairment

The adoption of SLFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. SLFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Hedge accounting

The Group applied hedge accounting prospectively. At the date of initial application, all of the Group's existing hedging relationships were eligible

to be treated as continuing hedging relationships. Before the adoption of SLFRS 9, the Group designated the change in fair value of the entire forward contracts in its cash flow hedge relationships. Upon adoption of the hedge accounting requirements of SLFRS 9, the Group designates only the spot element of forward contracts as hedging instrument. The forward element is recognised in OCI and accumulated as a separate component of equity under Cost of hedging reserve. This change only applies prospectively from the date of initial application of SLFRS 9 and has no impact on the presentation of comparative figures.

Under LKAS 39, all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under SLFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This change only applies prospectively from the date of initial application of SLFRS 9 and has no impact on the presentation of comparative figures.

4.1 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

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.

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5. REVENUE

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Local Sales - Extrusions	4,017,214	3,613,678	4,020,290	3,613,681
Export Sales - Extrusions	32,122	19,070	32,112	19,070
Local Sales - Aluminium Components	1,029,179	852,375	-	-
Export Sales - Aluminium Components	3,130	1,142	-	-
Finished Die Sales	1,904	3,019	6,089	13,052
Powder Coating , Anodizing ,Wood Effect and Billets Conversion Charges	8,877	-	154,938	137,279
Aluminium Accessories , Cladding & Corian	39,332	17,531	15,591	12,709
Other Material Sales and Service Charges	953	5,413	370,284	147,440
Other Sales	-	-	9,008	2,008
	5,132,711	4,512,228	4,608,312	3,945,239

6. OTHER INCOME

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Profit on Disposal of Property, Plant and Equipment	283	5,533	283	1,664
Dividend Income	-	-	118,680	189,000
Income from sale of discarded items	8,178	15,240	7,278	14,261
Insurance Claim Received	1,335	8,720	1,335	8,720
	9,796	29,493	127,576	213,645

7. FINANCE COST AND INCOME

7.1 Finance Cost

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Interest Expense on Loans and Borrowings	308,672	109,127	305,104	115,349
Interest Expense on Bank Overdrafts	20,376	8,829	18,392	7,701
Exchange Loss	111,261	32,604	101,918	28,582
	440,309	150,560	425,414	151,632

7.2 Finance Income

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Interest Income on Deposits and Receivable	11,944	14,049	10,458	12,715
Exchange Gain	11,075	5,469	10,777	5,469
	23,019	19,518	21,235	18,184

8. PROFIT BEFORE TAX

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Stated After Deducting				
Included in Cost of Sales				
Employee Benefits Including the Following	406,585	387,867	350,071	335,341
- Defined Benefit Plan Costs - Gratuity	13,071	12,994	11,434	11,792
- Defined Contribution Plan Costs - EPF and ETF	29,414	26,017	25,740	22,596
Depreciation	142,295	97,478	128,363	82,944
Provision/ (Reversal) for Inventory	32,223	39,395	20,398	34,773
Research & Development Expenses	1	411	1	411
Included in Administrative, Selling and Distribution Expenses				
Employee Benefits Including the Following	232,005	188,329	220,658	175,966
- Defined Benefit Plan Costs - Gratuity	5,722	4,849	5,172	4,143
- Defined Contribution Plan Costs - EPF and ETF	15,187	13,651	14,370	12,888
Provision/ (Reversal) for Bad Debts	20,335	10,226	14,717	8,532
Unclaimed Tax	-	231	-	231
Audit Fees	1,502	1,317	1,091	922
Non - Audit Fee	949	1,103	801	822
Depreciation and Amortization	21,217	18,712	21,147	18,630
Impairment of Property Plant and Equipment	33,039	-	33,039	-
Gifts , Donation and CSR	1,501	7,063	1,501	7,063
Advertising Costs	19,186	21,033	19,186	21,033
Directors Fees (NED)*	1,050	970	1,050	970
Directors Emoluments (ED)**	35,151	33,484	35,151	33,484

* 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 2019 and 2018 are :

Income Statement

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Current Income Tax :				
Current Income Tax	61,600	122,318	-	60,821
Adjustments in Respect of Current Income Tax of Previous Year	(1,067)	(232)	297	(124)
WHT on Intergroup Dividends	19,320	21,000	-	-
Deferred Tax :				
Relating to Origination and Reversal of Temporary Differences	(29,498)	7,282	(25,718)	6,242
Income Tax Expense Reported in the Income Statement	50,355	150,368	(25,421)	66,939

A reconciliation between tax expense and the product of accounting profit multiplied by domestic tax rate for the years ended 31 March 2019 and 2018 is as follows :

Consolidated Statement of OCI

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Deferred Tax Related to Items Recognized in OCI During the Year				
Net Loss/(Gain) on Actual Gains and Losses	553	(1,427)	388	(1,310)
Revaluation of Land	58,154	109,557	56,354	109,252
Deferred Tax Charged to OCI	58,706	108,130	56,741	107,942

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

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Accounting Profit Before Income Tax	176,835	514,727	29,527	409,220
Aggregate Disallowable Items	292,945	216,471	258,140	181,050
Aggregate Allowable Expenses	(404,139)	(233,553)	(506,579)	(385,209)
Interest Income	11,944	14,049	10,458	12,715
Tax Loss Carried Forward	208,454	-	208,454	-
Taxable Income	286,039	511,694	-	217,776
Dividend Tax @ 14% & 10%	19,320	21,000	-	-
Income Tax @ 12%	-	150	-	117
Income Tax @ 20%	46,228	51,890	-	-
Income Tax @ 28%	15,372	70,278	-	60,703
Income Tax on Current Year Profit	80,920	143,318	-	60,820
Tax on Temporary Difference Tax @ 20%	(3,779)	1,039	-	-
Tax on Temporary Difference Tax @ 28%	(25,718)	6,243	(25,718)	6,243
Adjustments In Respect of Current Income Tax of Previous Year	(1,067)	(232)	297	(124)
Income Tax Expenses Reported in the Consolidated Income Statement	50,355	150,368	(25,421)	66,939

9. INCOME TAX (Contd.)

9.2 Deferred Tax

Deferred Tax Relates to the Following:

	Statement of Financial Position		Statement of Profit or Loss	
Year ended 31 March 2019	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Company				
Accelerated Depreciation for the Tax Purposes	(379,848)	(269,960)	53,535	20,262
Retirement Benefit Obligations	27,802	27,060	(1,129)	(2,612)
Provision for Bad Debts	8,319	4,198	(4,121)	(2,389)
Tax Loss Brought Forward	58,367	-	(58,367)	-
Other Provisions	37,757	22,122	(15,636)	(9,018)
			(25,718)	6,243

			Statement of Comprehensive Income	
Income Tax Effect on Actuarial Gains			388	(1,310)
Income Tax Effect on Revaluation of Land			56,354	109,252
			56,741	107,942
Deferred Tax Expense / (Income)			31,023	114,185
Net Deferred Tax Assets / (Liabilities)	(247,603)	(216,580)		

Reflected in the Statement of Financial Position as Follows.

Year ended 31 March 2019	2019	2018
	Rs. 000	Rs. 000
Company		
Deferred Tax Assets	132,245	53,380
Deferred Tax Liabilities	(379,848)	(269,960)
Deferred Tax Liabilities Net as at 31 March	(247,603)	(216,580)

Year ended 31 March 2019	2019	2018
	Rs. 000	Rs. 000
Reconciliation of Deferred Tax Liabilities		
Balance as at 01 April	(216,580)	(102,395)
Tax Income/(Expense) Recognized in Profit & Loss	25,718	(6,243)
Tax Income/(Expense) Recognized in Other Comprehensive Income	(56,741)	(107,942)
Balance as at 31 March	(247,603)	(216,580)

9.3 Group

Year ended 31 March 2019	Statement of Financial Position		Statement of Profit or Loss	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Accelerated Depreciation for the Tax Purposes	(393,454)	(281,547)	53,754	22,934
Retirement Benefit Obligations	30,391	29,377	(1,566)	(3,090)
Provision for Bad Debts	9,898	4,654	(5,244)	(239)
Tax Loss Carry- Forwards	58,367	-	(58,368)	-
Other Provisions	44,038	25,965	(18,074)	(12,323)
			(29,498)	7,282

Year ended 31 March 2019	Statement of Comprehensive Income	
	2019	2018
	Rs. 000	Rs. 000
Income Tax Effect on Actuarial Gains or Losses	553	(1,427)
Income Tax Effect on Revaluation of Land	58,154	109,557
	58,707	108,130
Deferred Tax Expense /(Income)	29,209	115,412
Net Deferred Tax Assets / (Liabilities)	(250,760)	(221,551)

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 2019.

Reflected in the Statement of Financial Position as Follows,

Year ended 31 March 2019	2019	2018
	Rs. 000	Rs. 000
Group		
Deferred Tax Assets	142,694	59,996
Deferred Tax Liabilities	(393,454)	(281,547)
Deferred Tax Liabilities Net as at 31 March	(250,760)	(221,551)

Year ended 31 March 2019	2019	2018
	Rs. 000	Rs. 000
Reconciliation of Deferred Tax Liabilities		
Balance as at 01 April 2018	(221,551)	(106,139)
Tax Income/(Expense) Recognized in Profit & Loss	29,498	(7,282)
Tax Income/(Expense) Recognized in Other Comprehensive Income	(58,707)	(108,130)
Balance as at 31 March	(250,760)	(221,551)

NOTES TO THE FINANCIAL STATEMENTS

10. NOTES TO THE FINANCIAL STATEMENTS

10.1 Basic Earning per Share

Basic Earnings Per Share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as an Initial Public Offering of shares.

Diluted Earning per share

The calculation of diluted earning per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effect of all diluted ordinary shares.

There were no potentially dilutive ordinary shares outstanding at any time during the year/Previous year

10.2 The Following Reflects the Income and Share Data Used in the Basic & Diluted Earnings per Share Computation.

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Amounts Used as Numerator:				
Net Profit Attributable to the Equity Holders of the Company	126,480	364,359	54,948	342,281

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Number	Number	Number	Number
Numbers of Ordinary Shares Used as Denominator:				
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	0.42	1.22	0.18	1.14

11. DIVIDENDS PAID AND PROPOSED

Year ended 31 March 2019	Company	
	2019	2018
	Rs. 000	Rs. 000
Declared and paid during the year:		
Dividends on Ordinary Shares:		
Interim Dividend for 2018/19 - Rs.0.15/- per Share (2nd Interim Dividend for 2016/2017 - Rs.0.50/- per Share)	44,896	149,651
Final Dividend for 2017/2018 -Rs.0.45/- per Share (Interim Dividend for 2017/18 - Rs.0.55/- per Share)	134,686	164,617
	179,582	314,268
Number of Shares	299,302,840	299,302,840
Dividend per Share	0.60	1.05

All dividend proposed and declared before the financial statement were authorized for issue have been recognized as a distribution to owners

12. PROPERTY, PLANT AND EQUIPMENT

12.1 Group

Year ended 31 March 2019	Furniture								
	Land	Building	Construction In Progress	Plant and Machinery	Motor Vehicles	Office Equipment	Furniture and Fittings	Tool and Equipment	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Cost or Valuation									
At 1 April 2018	944,600	483,170	1,272,165	1,179,228	71,850	52,782	61,920	33,644	4,099,360
Revaluation	210,263	-	-	-	-	-	-	-	210,263
Additions	-	31,970	233,720	158,610	6,480	10,503	18,589	16,612	476,484
Disposals	-	-	-	-	(17,000)	-	-	-	(17,000)
Transfer	-	678,154	(1,465,075)	771,696	-	15,116	-	109	-
At 31 March 2019	1,154,863	1,193,294	40,810	2,109,534	61,330	78,401	80,509	50,365	4,769,107
Depreciation and Impairment									
At 1 April 2018	-	148,745	-	558,859	43,791	30,358	15,842	12,831	810,427
Charge for the Year	-	30,692	-	133,539	9,972	7,281	6,340	4,122	191,947
Disposals	-	-	-	-	(6,239)	-	-	-	(6,239)
At 31 March 2019	-	179,437	-	692,398	47,524	37,639	22,182	16,953	996,135
Net Book Value									
At 31 March 2019	1,154,863	1,013,857	40,810	1,417,136	13,806	40,762	58,327	33,412	3,772,972
At 31 March 2018	944,600	334,425	1,272,165	620,368	28,059	22,424	46,077	20,813	3,288,933

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT (Contd.)

12.2 Company

Year ended 31 March 2019									
	Land	Building	Construction In Progress	Plant and Machinery	Motor Vehicles	Office Equipment	Furniture and Fittings	Tool and Equipment	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Cost or Valuation									
At 1 April 2018	863,600	394,630	1,272,165	1,059,407	71,416	52,624	61,357	28,160	3,803,360
Additions	-	31,567	233,720	150,619	6,480	10,503	18,443	15,096	466,427
Revaluation Surplus	201,263	-	-	-	-	-	-	-	201,263
Disposals	-	-	-	-	(17,000)	-	-	-	(17,000)
Transfer	-	678,154	(1,465,075)	771,696	-	15,116	-	109	-
At 31 March 2019	1,064,863	1,104,351	40,810	1,981,722	60,896	78,243	79,800	43,365	4,454,050
Depreciation and Impairment									
At 1 April 2018	-	116,853	-	495,177	43,578	30,227	15,571	12,068	713,473
Charge for the Year	-	26,698	-	124,242	9,911	7,274	6,263	3,458	177,846
Disposals	-	-	-	-	(6,239)	-	-	-	(6,239)
At 31 March 2019	-	143,551	-	619,419	47,250	37,501	21,834	15,526	885,080
Net Book Value									
At 31 March 2019	1,064,863	960,800	40,810	1,362,303	13,647	40,743	57,967	27,838	3,568,970
At 31 March 2018	863,600	277,776	1,272,165	564,230	27,838	22,397	45,787	16,092	3,089,885

During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 476 mn. (2018- Rs.1,486 mn) for cash.

During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.466 mn (2018- Rs.1,483 mn) for cash.

The gross carrying amount of fully depreciated property, plant and equipment that are still in use as at 31 March 2019 was Rs.204 mn (2018 -Rs.101 mn).

The net carrying amount of temporarily idle property, plant and equipment as at 31 March 2019 was Rs.16.5 mn (2018 - Rs.3.8 mn).

During the financial year, the Group and Company have capitalized borrowing costs amounting to Rs. 41.6 mn (2018 - Rs 42.8 Mn) from the loan obtained for capacity expansion project at Ekala. The rate used to determine the amount of borrowing costs eligible for capitalization was 10.7% which is the EIR of the specific borrowing.

Construction in progress as at 31 March 2019 includes an amount of Rs. 41 mn (2018- Rs.1,127 mn) relating to the expenditure for plant at Ekala which is under construction.

There has been an impairment of property, plant and equipment Rs. 33 mn (2018 - Rs. Nil) which is disclosed in note no 08 to the Financial Statement.

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 2019, 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	Cumulative Depreciation if Assets were			
	Cost	Carried at Cost	Net Carrying Amount	Net Carrying Amount
Year ended 31 March 2019				
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Group				
Freehold Land	473,722	-	473,722	56,682
Building	583,409	(147,051)	436,358	155,685
	1,057,131	(147,051)	910,080	212,367
Company				
Freehold land	471,612	-	471,612	54,572
Building	500,913	(112,904)	388,009	103,613
	972,526	(112,904)	859,621	158,185

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT (Contd.)

Fair Value of Land

Fair Value measurement disclosure for revalued land based on un-observable inputs are as follows,

Year ended 31 March 2019		Fair Value measurement using Significant unobservable inputs (Level 3)	
	Date of Valuation	Group	Company
		Rs. 000	Rs. 000
Revalued Property, Plant and Equipments			
Land -Makola	31 March 2019'	589,150	499,150
Land -Gonawala	31 March 2019'	87,213	87,213
Land -Ekala	31 March 2019'	478,500	478,500
		1,154,863	1,064,863

Year ended 31 March 2019		Range
		Rs. 000
Significant unobservable input :		
Price per perch		
Land -Makola		500
Land -Gonawala		300
Land -Ekala		475

Significant increases / (decreases) in estimated price per perch in isolation would result in a significantly higher /(lower) fair value.

12.4 Value of Real Estate

Year ended 31 March 2019		Rs. 000			
Ownership	Location	Extent (Acres)	No of buildings in each location	Buildings Sq.ft	Market Value of Land
Alumex PLC	Makola	6.24	11	118,673	499,150
Alumex PLC	Gonawala	1.82	3	59,042	87,213
Alumex PLC	Ekala	6.30	5	91,442	478,500
Alco Industries (Pvt) Ltd	Makola	1.13	2	34,618	90,000

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

Year ended 31 March 2019	Group / Company			
	Development	Software	Patents and	Total
	Cost	Development	licenses	
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Cost				
At 1 April 2018	25,986	15,521	20,147	61,654
Additions	10,501	541	2,360	13,402
Transfer	-	(15,508)	15,508	-
At 31 March 2019	36,487	554	38,015	75,056
Amortization				
At 1 April 2018	3,620	-	11,608	15,228
Amortization Charge for the Year	1,610	-	3,094	4,704
At 31 March 2019	5,230	-	14,702	19,932
Net Book Value				
At 31 March 2019	31,257	554	23,313	55,124
At 31 March 2018	22,366	15,521	8,539	46,426

13.1 Intangible asset consist of patent /license of ERP software (Microsoft Navision), Business intelligence tool software and Solid CAM Software of Machines.

Development cost represent the cost incurred to develop and test propriety systems.

Software development cost represent the cost incurred for modification to manufacturing modules of ERP Software (Microsoft Navision).

14. INVESTMENTS IN SUBSIDIARIES

Year ended 31 March 2019	Holding %		Company	
	2019	2018	2019	2018
			Rs. 000	Rs. 000
Alco Industries (Pvt) Ltd	100%	100%	30,000	30,000
			30,000	30,000

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

15.1 Financial Liabilities

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Current Portion of Long Term Interest Bearing Borrowings				
Long Term Loans	527,500	380,000	527,500	380,000
Short-Term Interest Bearing Borrowings				
Short Term Loans	1,065,898	1,149,753	1,065,898	1,056,392
Bank Overdraft	295,202	20,236	245,562	4,975
Total Short-Term Interest Bearing Borrowings	1,361,100	1,169,989	1,311,460	1,061,367
Non Current Interest Bearing Loans and Borrowings				
Loan Term Loans	1,198,750	1,133,750	1,198,750	1,133,750
Total Non Current Interest Bearing Loans and Borrowings	1,198,750	1,133,750	1,198,750	1,133,750

15.1.1 Long-Term Borrowings

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 01 April	1,513,750	512,000	1,513,750	512,000
New Loans Obtained	674,378	1,008,000	674,378	1,008,000
Repayments	(461,878)	(6,250)	(461,878)	(6,250)
As at 31 March	1,726,250	1,513,750	1,726,250	1,513,750
Transfer to Current Liability (Repayable Within One Year)	(527,500)	(380,000)	(527,500)	(380,000)
Repayable After One Year	1,198,750	1,133,750	1,198,750	1,133,750

15.1.2 Analysis of Long-Term Borrowings by year of Repayment

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Long-Term Loans Repayable Between 1 and 2 Years from Year-end	527,500	380,000	527,500	380,000
Long-Term Loans Repayable Between 2 and 5 Years from Year-end	671,250	753,750	671,250	753,750
Long-Term Loans Repayable later than 5 Years from Year-end	-	-	-	-
	1,198,750	1,133,750	1,198,750	1,133,750

Term loan was obtained from Standard Chartered Bank for the period of 5 years, Peoples Bank for the period of 4 years and DFCC Bank for the period of 5 years at a variable rate of interest and no securities are pledged in respect of such loans.

15.1.3 Short-Term Borrowings

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 01 April	1,149,753	30,882	1,056,392	-
New Loans Obtained	3,405,795	2,754,393	3,280,940	2,320,228
Repayments	(3,489,650)	(1,635,522)	(3,271,434)	(1,263,836)
As at 31 March	1,065,898	1,149,753	1,065,898	1,056,392

15.1.4 Other Current Financial Liabilities

Foreign Exchange Forward Contract

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 01 April				
Additions	14,649	-	14,413	-
As at 31 March	14,649	-	14,413	-

NOTES TO THE FINANCIAL STATEMENTS

17. TRADE AND OTHER RECEIVABLES (Contd.)

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Contd.)

15.1.5 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.

Year ended 31 March 2019	Carrying Amount		Fair value	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Group				
Financial Assets				
Trade and Other Receivables	1,085,810	988,847	1,085,810	988,847
Total	1,085,810	988,847	1,085,810	988,847
Financial Liabilities				
Trade and Other Payables	1,133,900	1,095,402	1,133,900	1,095,402
Loans and Borrowings- Current	1,888,600	1,549,989	1,888,600	1,549,989
Loans and Borrowings- Non Current	1,198,750	1,133,750	1,198,750	1,133,750
Total	4,221,249	3,779,141	4,221,250	3,779,141

Year ended 31 March 2019	Carrying Amount		Fair value	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Company				
Financial Assets				
Trade and Other Receivables	840,724	817,983	840,724	817,983
Total	840,724	817,983	840,724	817,983
Financial Liabilities				
Trade and Other Payables	1,114,243	1,101,508	1,114,243	1,101,508
Loans and Borrowings- Current	1,838,960	1,441,367	1,838,960	1,441,367
Loans and Borrowings- Non Current	1,198,750	1,133,750	1,198,750	1,133,750
Total	4,151,953	3,676,625	4,151,953	3,676,625

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 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Raw Material	675,608	1,046,386	564,081	847,325
Work In Progress	156,718	108,780	139,622	100,180
Finished Goods	685,614	480,418	579,297	363,043
Other Materials	122,293	64,229	117,223	49,780
Goods In Transit	215,336	87,664	194,658	83,551
	1,855,569	1,787,477	1,594,881	1,443,879

The provision/ (reversal) of the group for obsolete inventory was amounting Rs. 32.2 mn (2018 - Rs.39.4 mn -provision) which was recognized in cost of sales.

16.1 Movement in the Provision for Obsolete Inventory

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 April				
Provision Made During the Year	91,968	52,573	73,856	39,084
Provision Made During the Year	32,223	53,134	21,184	40,349
Provision Reversed During the Year	-	(13,739)	(786)	(5,576)
As at 31 March	124,191	91,968	94,254	73,857

17. TRADE AND OTHER RECEIVABLES

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Trade Receivables	1,015,260	753,544	818,597	641,955
Less: Provision for Doubtful Debts	(37,607)	(17,272)	(29,709)	(14,993)
	977,653	736,272	788,888	626,962
Amounts Due from Related Parties (Note 17.1)	75,278	77,245	20,594	18,221
Other Receivables	32,879	175,330	31,242	172,800
	1,085,810	988,847	840,724	817,983

NOTES TO THE FINANCIAL STATEMENTS

17.1 Amounts Due from Related Parties

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Advantis Projects & Engineering (Pvt) Ltd	2,318	555	2,318	555
Unisyst Engineering PLC	16,736	17,666	15,776	17,666
Energynet (Pvt) Ltd	54,350	59,024	2,500	-
Fentons Limited	1,874	-	-	-
	75,278	77,245	20,594	18,221

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 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 April	17,272	7,046	14,993	6,462
Provision Made During the Year	71,142	35,358	60,682	29,250
Write-off Against the Provision	(9,450)	(284)	(8,739)	(73)
Provision Reversed During the Year	(41,357)	(24,848)	(37,227)	(20,646)
As at 31 March	37,607	17,272	29,709	14,993

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

	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			
Group								
2018	437,836	192,741	78,382	17,206	27,379	753,544	(17,272)	736,272
2019	567,462	333,476	66,511	22,109	25,702	1,015,260	(37,607)	977,653
Company								
2018	374,849	158,038	67,881	15,424	25,763	641,955	(14,993)	626,962
2019	478,124	250,645	54,016	14,930	21,063	818,597	(29,709)	788,888

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 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Advances	48,865	41,569	48,863	41,569
Receivables from Related Parties (Note 18.1)	3,900	3,602	3,900	3,602
Prepayments	16,600	15,318	12,810	12,919
	69,365	60,489	65,573	58,090
18.1 Receivables from Related Parties				
Hayleys Aventura (Pvt) Ltd	3,900	3,567	3,900	3,567
Hayleys Electronics Lighting (Private) Ltd.	-	35	-	35
	3,900	3,602	3,900	3,602

19. CASH AND SHORT TERM DEPOSITS

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Cash at Banks and on Hand	87,996	203,736	56,934	200,609
Short-Term Deposits	10,559	12,630	3,027	6,429
	98,555	216,366	59,961	207,038

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

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Cash at Banks and on Hand	87,996	203,736	56,934	200,609
Short-Term Deposits	10,559	12,630	3,027	6,428
Short Term Interest Bearing Borrowing	(1,361,100)	(1,169,989)	(1,311,460)	(1,061,367)
Cash and Cash Equivalents for the Purpose of Cash Flow Statement	(1,262,545)	(953,623)	(1,251,499)	(854,330)

NOTES TO THE FINANCIAL STATEMENTS

20. STATED CAPITAL

Year ended 31 March 2019	Company			
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Ordinary Shares	299,302,840	283,735	299,302,840	283,735

All authorized ordinary shares are issued and fully paid

21. RESERVES

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Revaluation Reserve (Note 21.1)	584,249	437,425	551,836	412,212
Capital Reserve	228,056	228,056	228,056	228,056
	812,305	665,481	779,892	640,268

21.1 Revaluation Reserve

Year ended 31 March 2019	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 April	437,425	552,267	412,212	526,749
Revaluation Surplus During the Year	210,263	-	201,263	-
Income Tax effect on Revaluation Surplus	(58,154)	(109,557)	(56,354)	(109,252)
Excess Depreciation Transfer on Revaluation Surplus	(5,285)	(5,285)	(5,285)	(5,285)
As at 31 March	584,249	437,425	551,836	412,212

21.2 Capital Reserve

Capital reserve was made with funds transferred from retained earnings in previous years with the purchase of capital nature assets.

21.3 OCI items, Net of Tax

The disaggregation of charges of OCI by each type of reserve on equity is shown below.

	Revaluation Reserve Rs. 000	Retained Earnings Rs. 000	Total Rs. 000
Group			
As at 31 March 2018			
Remeasurement of Defined Benefit Plan Net of Tax	-	(3,836)	(3,836)
	-	(3,836)	(3,836)
As at 31 March 2019			
Remeasurement of Defined Benefit Plan Net of Tax	-	1,657	1,657
Revaluation of Land Net of Tax	152,109	-	152,109
	152,109	1,657	153,766
Company			
As at 31 March 2018			
Remeasurement of Defined Benefit Plan Net of Tax	-	(3,369)	(3,369)
	-	(3,369)	(3,369)
As at 31 March 2019			
Remeasurement of Defined Benefit Plan Net of Tax	-	997	997
Revaluation of Land Net of Tax	144,909	-	144,909
	144,909	997	145,906

22. PROVISIONS

	Group		Company	
Year ended 31 March 2019	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Maintenance Warranty				
As at 01 April	6,251	9,355	5,152	7,715
Provisions During the Year	2,769	-	2,405	-
Unused Amounts Reversed	-	(3,104)	-	(2,563)
As at 31 March	9,020	6,251	7,557	5,152

Maintenance warranty provision is recognized for expected warranty claims on Wood Finished product sold.

NOTES TO THE FINANCIAL STATEMENTS

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 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 April	108,230	91,248	96,644	82,638
Interest Cost	9,093	10,767	7,825	9,675
Current Service Cost	11,180	7,983	10,262	7,166
Benefit Paid	(14,527)	(7,032)	(14,054)	(7,032)
Actuarial (Gain) / Loss	(2,210)	5,263	(1,385)	4,679
Due to Employee Transfers	-	-	-	(482)
As at 31 March	111,766	108,229	99,292	96,644

23.1 Expense Recognized during the year in Income Statement

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Interest Cost	9,093	10,767	7,825	9,675
Current Service Cost	11,180	7,982	10,262	7,166
	20,273	18,749	18,086	16,841
Actuarial gains/(losses) recognized in Other Comprehensive Income	2,210	(5,263)	1,385	(4,679)

Messrs. Actuarial and Management consultant (Pvt) Ltd, carried out an actuarial valuation of the defined benefit plan gratuity on 31 March 2019. 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% (2018 - 11%)
Rate of Salary Increase	10% (2018 - 10%)
Retirement Age	55-60 Years as specified by the Company (2018 - 55-60 Years)
Staff Turnover	17%
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%	123,249	(11,483)	10%	10%	109,592	(10,300)
10%	12%	109,392	2,374	10%	12%	97,315	1,977
9%	11%	108,809	2,957	9%	11%	96,789	2,503
11%	11%	123,774	(12,008)	11%	11%	110,068	(10,776)

23.4 Average future working life time as per the assumptions made is 6.02 years as of 31 March 2019.

23.5 Maturity Profile of the Defined Benefit Obligation as at 31 March 2019.

Expected Future Working Life	Defined Benefit Obligation			
	Group		Company	
	2019	2018	2019	2018
Year ended 31 March 2019	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Within the Next Twelve Months	11,583	10,776	5,935	9,301
Between One to Five Years	44,989	43,955	44,563	39,323
Between Five to Ten Years	33,145	34,741	29,745	32,016
More than Ten Years	22,048	18,757	19,049	16,004
	111,766	108,229	99,292	96,644

24. TRADE AND OTHER PAYABLES

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Trade Payables	572,161	620,957	527,068	570,855
Payable to Subsidiaries (Note 24.2)	-	-	81,040	103,144
Amounts Due to Related Parties (Note 24.1)	89,077	55,903	87,108	55,584
Other Payables	211,590	241,812	176,180	217,379
Accruals and Sundry Creditors	261,072	176,730	242,848	154,546
	1,133,900	1,095,402	1,114,244	1,101,508

NOTES TO THE FINANCIAL STATEMENTS

24. TRADE AND OTHER PAYABLES (Contd.)

24.1 Amounts Due to Related Parties

Year ended 31 March 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Hayleys PLC	84,717	16,088	82,867	15,872
Advantis Freight (Private) Ltd	16	306	16	304
Hayleys Business Solutions International (Pvt) Ltd	904	359	786	258
Logiwise Limited	20	416	20	416
MIT Cargo (Pvt) Ltd	71	7,595	71	7,595
Fentons Limited	-	19,873	-	19,873
Hayleys Aventura (Pvt) Ltd	-	3,991	-	3,991
Hayleys Travels (Pvt) Ltd	54	26	54	26
Agility Logistics (Pvt) Ltd	487	-	487	-
Mountain Hawk Expresses (Pvt) Ltd	665	108	665	108
Hayleys Agriculture Holdings Limited	23	44	23	44
Hayleys Leisure Holdings Limited	-	5,279	-	5,279
Puritas (Private) Limited	785	6,750	785	6,750
Advantis Projects & Engineering (Pvt) Ltd	-	55	-	55
Mabroc Teas (Pvt) Ltd	49	292	49	292
Quality Seeds (Pvt) Ltd	1,286	-	1,286	-
Hayleys Consumer Products Ltd	-	4	-	4
	89,077	61,186	87,108	60,867
24.2 Payable to subsidiaries				
Alco Industries (Pvt) Ltd	-	-	81,040	103,144
	-	-	81,040	103,144

Group / Company

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-120 day terms
- Accrued expenses are non-interest bearing and are normally settled on 30 day terms

Other payables are non-interest bearing and hence on average term of six months. For explanation of group credit risk management process, refer to Note No 28.

25. COMMITMENTS AND CONTINGENCIES

25.1 Capital Expenditure Commitments

The "Group" has following major capital commitments as at 31 March 2019.

Company	Nature of transaction	Capital Commitment Rs. 000
Alumex PLC	Construction of Buildings at Ekala	23,304
Alumex PLC	Purchase and Instalation LP gas station at Ekala	14,517
Alumex PLC	Construction work at Lumin Concept center- Col 12	1,762
Alumex PLC	Building Expansion for Woodfinish Plant	1,667
Alumex PLC	Preparation of Enbankment	1,446
		42,696

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.

During the the year company has paid Rs 12,000/- to the magistrate court Mahara for non -conformity of environmental regulation.

The contingent liabilities as at 31 March 2019 on guarantees given by group to third parties amounted to Rs 0.44 mn (2018 - Rs.3.82 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 12 years before, for a value of Rs. 2 mn and its still being discussed with Department of Labour and the Central Bank of Sri Lanka.

There are no material contingent liabilities, except the above mentioned items, that would affect current and future profits of the Company as at 31 March 2019.

26. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no events that has occurred as at 31 March 2019 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.

NOTES TO THE FINANCIAL STATEMENTS

27. RELATED PARTY DISCLOSURES (Contd.)

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	
		2019	2018
Alco Industries (Pvt) Ltd	Sri Lanka	100	100

The following table provides the total amount of transactions that the Company have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at 31 March 2019 ,31 March 2018, refer to Notes 18 and 24):

* Purchases from Alco Industries (Pvt) Ltd during the year includes interest paid amounting to Rs. nil. (2018- Rs. 11 mn)

		Sales to Related Parties	Purchases from Related Parties	Net Funds Transfer from / (to) Related Parties	Amounts Due from Related Parties	Amounts Due to Related Parties
		Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Parent :						
Hayleys PLC	2019	-	78,195	-	-	82,867
	2018	-	58,594	-	-	15,872
Subsidiaries :						
* Alco Industries (Pvt) Ltd	2019	667,463	266,068	379,291	-	81,040
	2018	343,377	366,112	130,550	-	103,144
Entities with significant influence over the Group						
Hayleys Business Solutions International (Pvt) Ltd	2019	-	1,605	-	-	786
	2018	-	1,482	-	-	258
Hayleys Consumer Products Ltd	2019	-	-	-	-	-
	2018	-	7	-	-	-
Hayleys Travels & Tours (Pvt) Ltd	2019	-	10,222	-	-	54
	2018	-	4,719	-	-	26
(Now known as Hayleys Travels (Pvt) Ltd)						
Hayleys Electronics Lighting (Pvt) Ltd	2019	-	489	-	-	-
	2018	-	1,050	-	-	-

		Sales to Related Parties	Purchases from Related Parties	Net Funds Transfer from / (to) Related Parties	Amounts Due from Related Parties	Amounts Due to Related Parties
		Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
The Kingsbury PLC	2019	-	2,793	-	-	-
	2018	-	869	-	-	-
Puritas (Pvt) Ltd	2019	-	9,313	-	-	785
	2018	-	-	-	-	6,750
Advantis Projects & Engineering (Pvt) Ltd	2019	4,927	-	-	2,318	-
	2018	4,391	1,239	-	555	55
Civaro Lanka (Pvt) Ltd	2019	-	1,695	-	-	16
(Now known as Advantise Freight (Pvt) Ltd)	2018	-	4,861	-	-	304
Sampath Bank PLC	2019	-	24,732	-	-	-
	2018	-	5,839	-	-	-
Alufab PLC	2019	17,418	-	-	15,776	-
(Now known as Unisyst Engineering PLC)	2018	48,428	6,278	-	17,666	-
Logiwiz Limited	2019	-	617	-	-	20
	2018	-	609	-	-	416
COSCO Lanka (Pvt) Ltd	2019	-	105	-	-	-
	2018	-	-	-	-	-
MIT Cargo (Pvt) Ltd	2019	-	-	-	-	71
	2018	-	6,890	-	-	7,595
Hayleys Agriculture Holdings Ltd	2019	-	186	-	-	23
	2018	-	71	-	-	44
Mabroc Teas (Pvt) Ltd	2019	-	435	-	-	49
	2018	-	295	-	-	292

NOTES TO THE FINANCIAL STATEMENTS

27. RELATED PARTY DISCLOSURES (Contd.)

		Sales to Related Parties	Purchases from Related Parties	Net Funds Transfer from / (to) Related Parties	Amounts Due from Related Parties	Amounts Due to Related Parties
		Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Hayleys Aventura (Pvt) Ltd	2019	-	19,762	-	-	-
	2018	-	148,374	-	-	3,991
Mountain Hawk Express (Pvt) Ltd	2019	-	-	-	-	665
	2018	-	560	-	-	108
Quality Seeds (Pvt) Ltd	2019	-	3,363	-	-	1,286
	2018	-	-	-	-	-
Fentons Ltd	2019	-	-	-	-	-
	2018	-	41,911	-	-	19,873
Hayleys Leisure Holdings (Pvt) Ltd	2019	-	-	-	-	-
	2018	-	9,689	-	-	-
Agility Logistics	2019	-	1,047	-	-	487
	2018	-	-	-	-	-
D P L Universal Gloves Limited	2019	120	-	-	-	-
	2018	-	-	-	-	-
Energynet (Pvt) Ltd	2019	2,500	-	-	2,500	-
	2018	-	-	-	-	-

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.

The ultimate parent

The immediate and ultimate parent of the Group is Hayleys PLC

The Entity with significant influence over the Company

Hayleys Business Solutions International (Pvt) Ltd, The Kingsbury PLC, Hayleys Travels (Pvt) Ltd, Advantis Projects & Engineering (Pvt) Ltd, Puritas (Pvt) Ltd, Hayleys Electronics Lighting (Pvt) Ltd, Advantise Freight (Pvt) Ltd, Hayleys Consumer Products Ltd, Unisyst Engineering PLC, Dean Foster (Pvt) Ltd, Logiwiz Limited, COSCO Lanka (Pvt) Ltd, MIT Cargo (Pvt) Ltd, Mountain Hawk Express (Pvt) Ltd, D P L Quality Seeds (Pvt) Ltd, Hayleys Leisure Holdings (Pvt) Ltd, Agility Logistics, Energynet (Pvt) Ltd, D P L Universal Gloves Limited, Hayleys Aventura (Pvt) Ltd, Fentons Ltd, Mabroc Teas (Pvt) Ltd, Hayleys Agriculture Holdings Ltd are subsidiaries of Hayleys PLC and Mr. R. P. Pathirana is a Director of Sampath Bank PLC as well as Alumex PLC.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018 - 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 analyzed individually for creditworthiness before the group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the senior management; these limits are reviewed quarterly. Customers that fail to meet the group's benchmark creditworthiness may transact with the company only on a prepayment basis. Outstanding customer receivables are regularly monitored .

More than 75% of the Group's customers have been transacting with the company for over five years, and no impairment loss has been recognized against these customers. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS

28. FINANCIAL MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

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.1,086 mn (2018-Rs. 989 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. 99 mn and Rs. 60 mn respectively as at 31 March 2019 (2018-Rs. 216 mn and Rs.207 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)
- Union Bank of Colombo PLC - BB+(Ika)

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Group maintains a portfolio of short-term liquid assets, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units and subsidiaries are met through short-term loans from intercompany fund transfers to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

The monthly liquidity position is monitored. All liquidity policies and procedures are subject to review and approval by Chief Financial Officer. Daily reports cover the liquidity position of both the parent and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to Chief Financial Officer.

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

Year ended 31 March 2019	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	>5 years	Total
	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000
Group						
Interest-Bearing Loans and Borrowings	295,202	1,197,773	395,625	1,198,750	-	3,087,349
Other Liabilities	23,669	-	-	-	-	23,669
Trade and Other Payables	550,406	101,219	482,274	-	-	1,133,900
	869,277	1,298,992	877,899	1,198,750	-	4,244,918

Year ended 31 March 2019	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	>5 years	Total
	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000
Company						
Interest-Bearing Loans and Borrowings	245,564	1,197,773	395,625	1,198,750	-	3,037,712
Other Liabilities	21,970	-	-	-	-	21,970
Trade and Other Payables	501,582	77,160	535,500	-	-	1,114,244
	769,116	1,274,933	931,125	1,198,750	-	4,173,926

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The company's objective is to manage operational risk, so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans

NOTES TO THE FINANCIAL STATEMENTS

28. FINANCIAL MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

- 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 optimizing the return.

Interest Rate Risk

The Company adopts a policy of ensuring that 12.8 % 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	
		2019	2019
		Group	Company
		Rs. 000	Rs. 000
Only Using	+ 1 %	12,578	12,578
Long term Loans and Borrowings	- 1 %	(12,578)	(12,578)

Foreign Currency Risk

The Group is exposed to currency risk on sales and purchases. The Company manages its foreign currency risk by hedging transactions that are expected to occur within a maximum period of 4 months by using foreign currency forwards contracts.

The following table demonstrate the sensitivity to a reasonably possible change in the US Dollar rate with all other variables held constant. The impact on the Group's and Company's Profit before tax due to the change in the change in exchange rate is as follows.

	2019	
	Group	Company
	Rs.'000	Rs.'000
Liability -Creditor	551,599	523,972
Assets -Deposit in \$	(54,882)	(54,882)
Net Position	496,718	469,090
If Rupee Depreciated by 5%	521,554	492,545
Impact to the PBT	(24,836)	(23,455)
If Rupee Appreciated by 5%	471,882	445,636
Impact to the PBT	24,836	23,455

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	
		2019	2019
		Group	Company
		Rs. 000	Rs. 000
Raw Aluminium	+5%	(90,155)	(79,318)
	-5%	90,155	79,318

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 2019	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Interest Bearing Loans and Borrowings	3,087,350	2,683,739	3,037,710	2,575,117
	3,087,350	2,683,739	3,037,710	2,575,117
Equity	2,353,295	2,252,631	1,733,537	1,712,265
Equity and Net Debts	5,440,645	4,936,370	4,771,247	4,287,382
Gearing Ratio	56.75%	54.37%	63.67%	60.06%

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 quantitative threshold under an operating segment or meet the reportable criteria to be identified as a segment as all operations are treated as one segment.

INVESTOR INFORMATION

Top 20 shareholders

Name of the Shareholder	No. of Shares as at 31/03/2019		No. of Shares as at 31/03/2018	
		%		%
1 Hayleys PLC	157,413,032	52.59	157,413,032	52.59
2 Akbar Brothers Pvt Ltd A/C No.1	40,417,782	13.50	40,417,782	13.50
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. Senthilverl	2,208,041	0.74	2,456,478	0.82
Dr. T.Senthilverl	1,179,775	0.39	1,286,356	0.43
7 Mrs. G.I. Vasunthara	1,500,000	0.50	-	-
8 Peoples Bank	1,498,732	0.50	1,498,732	0.50
9 Ceylon Investment PLC A/C No.1	1,352,489	0.45	1,352,489	0.45
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	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)	858,230	0.29	864,030	0.29
13 Arunodhaya Industries (Private) Limited	850,000	0.28	850,000	0.28
14 Arunodhaya Investments (Private) Limited	760,000	0.25	850,000	0.28
15 Arunodhaya (Private) Limited	750,000	0.25	850,000	0.28
16 Commercial Bank of Ceylon PLC A/C No.01	714,200	0.24	714,200	0.24
Mr. S.J. Hirdaramani	714,200	0.24	714,200	0.24
17 Mr. M.L. Hirdaramani	688,546	0.23	714,200	0.24
18 The Ceylon Chamber of Commerce Account No.02	630,000	0.21	630,000	0.21
19 Mr. K.N.J. Balendra	622,365	0.21	622,365	0.21
20 Guardian Fund Management Limited/The Aitken Spence & Associated Companies Executive Staff Provident Fund	600,000	0.20	600,000	0.20
TOTAL	271,061,832	90.56	270,138,304	90.26

DIRECTORS' SHAREHOLDINGS - (as defined in Colombo Stock Exchange Rules)

Name of the Director	As at 31/03/2019	As at 31/03/2018
Mr. A.M. Pandithage	10,000	10,000
Mr. D.W.P.N. Dediwela	10,669,200	10,669,200
Mr. S.C. Ganegoda	45,239	-
Mr. R.P. Pathirana	243,949	243,949
Mr. S. Munaweera	20,000	20,000
Mr. R.P.P.K. Rajapaksha	19,907	-
Mr. T. Akbarally (Alt. Director to Mr. A.A. Akbarally)	100,000	-
Total	11,108,295	10,943,149

PUBLIC HOLDING

- The percentage of shares held by public as per the Colombo Stock Exchange Rules as at 31st March 2019, was 15.63% (2018 - 15.67%) held by 2,404 ordinary shareholder (2018 - 2,197).
- Float adjusted market capitalization as at 31st March 2019 was Rs. 467,810,339/-

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

ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2019

No. of shares held	Residents			Non-residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	1,267	471,721	0.1576	4	1,730	0.0006	1,271	473,451	0.15818
1,001 - 10,000	742	3,084,806	1.0307	4	19,700	0.0066	746	3,104,506	1.03725
10,001 - 100,000	310	10,143,419	3.3890	9	513,117	0.1714	319	10,656,536	3.56045
100,001 - 1,000,000	65	23,165,824	7.7399	5	1,028,232	0.3435	70	24,194,056	8.08347
OVER 1,000,000	11	260,874,291	87.1606	-	-	-	11	260,874,291	87.16065
	2,395	297,740,061	99.4779	22	1,562,779	0.5221	2,417	299,302,840	100.0000

No. of shares held	Residents			Non-residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Category									
Individuals	2,261	37,333,073	12.4733	20	1,312,779	0.4386	2,281	38,645,852	12.9120
Institutions	134	260,406,988	87.0045	2	250,000	0.0835	136	260,656,988	87.0880
	2,395	297,740,061	99.4779	22	1,562,779	0.5221	2,417	299,302,840	100.0000

SHARE TRADING INFORMATION

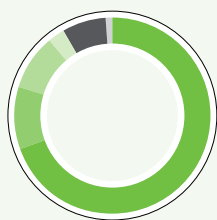
THREE MONTHS ENDED 31.03.2019		TWELVE MONTHS ENDED 31.03.2019	
	Rs.		Rs.
Highest Price	14.00	Highest Price	18.00
Lowest Price	9.70	Lowest Price	9.70
Closing Price	10.00	Closing Price	10.00
THREE MONTHS ENDED 31.03.2019		TWELVE MONTHS ENDED 31.03.2019	
No. of Transactions	847	No. of Transactions	4,029
No. of shares traded	963,586	No. of shares traded	7,482,338
Value of shares traded	Rs.10,823,409.60	Value of shares traded	Rs. 114,226,986.50

STATEMENT OF VALUE ADDED

GRI: Disclosure 201-01

	Note	2018/19	Share	2017/18	Share
		Rs.		Rs.	
Economic Value Generated					
Gross Revenue	1	6,024		5,306	
Value added		6,024		5,306	
Economic Value Distributed					
Cost of materials and services bought in	2	4,156	69%	3,814	72%
Remuneration and benefits	3	606	10%	556	10%
Taxes to Government	4	549	9%	309	6%
Dividends to Shareholders		180	3%	314	6%
Interest on Borrowings	5	417	7%	131	2%
Community investment		2	0%	8	0%
Economic Value Retained					
Retained profit		-53	-1%	50	1%
Deferred tax		-29	0%	7	0%
Depreciation	6	197	1%	115	2%
		6,024	100%	5,306	100%

Economic Value Distributed



- Depreciation **1%**
- Retained profit **0%**
- Community investment **0%**
- Interest on Borrowings **7%**
- Dividends to Shareholders **3%**
- Taxes to Government **9%**
- Remuneration and benefits **10%**
- Cost of materials and services bought in **69%**

FIVE YEAR SUMMARY

	2019	2018	2017	2016	2015
Turnover	5,031,000	4,422,462	4,634,761	3,915,668	3,241,483
Profit before Tax	176,835	514,727	1,016,400	801,260	612,800
Taxation	(50,355)	(150,368)	(262,904)	(212,137)	(135,805)
Profit after Tax	126,480	364,359	753,496	589,123	476,995
Non-Controlling Interest					-
Profit Attributable to the Group	126,480	364,359	753,496	589,123	476,995
Funds Employed					
Stated Capital	283,735	283,735	283,735	283,735	283,735
Reserves	812,305	665,481	780,323	684,503	738,284
Retained Earnings	1,257,255	1,303,415	1,251,876	930,218	667,586
Assets Employed					
Non-Current Assets	3,828,096	3,335,359	1,957,941	1,332,559	1,290,118
Current Assets	3,148,422	3,067,144	2,305,879	1,547,307	1,350,736
Current Liability Net of Borrowings	1,173,347	1,136,353	1,190,794	813,753	770,632
Capital Employed	5,440,646	4,936,370	2,875,637	1,901,540	1,707,279
Cash Flow					
Net Cash Inflow/Outflow from Operating Activities	80,162	(300,316)	523,680	494,194	482,226
Net Cash Inflow/Outflow from Investing Activities	(466,898)	(1,458,419)	(619,428)	(126,623)	(324,065)
Net Cash Inflow/Outflow from Financing Activities	77,814	687,482	74,927	(439,601)	(208,637)
Net Increase/Decrease in Cash and Cash Equivalents	(308,922)	(1,071,252)	(20,820)	(72,030)	(50,476)
Key Indicators					
Current Ratio	1.03	1.14	1.85	1.90	1.72
Gearing Ratio	57%	54%	19%	0.00	1%
Asset Turnover Ratio	0.72	0.69	1.08	1.36	1.23
Earnings per Share	0.42	1.22	2.52	1.97	1.59
Dividends per Share	0.60	1.05	1.45	1.00	1
Net assets per Share	7.86	7.53	7.74	6.34	5.65
Return on Average Shareholders' Funds	0.05	0.16	0.36	0.33	0.3
Return on Capital Employed	11%	13%	37%	43%	36%
Price Earnings Ratio	23.66	13.88	7.55	7.82	9.91
Interest Cover	1.81	5	166	948	220
Dividend Payout Ratio	142%	86%	58%	51%	63%

INDEPENDENT ASSURANCE REPORT



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysi@lk.ey.com
ey.com

INDEPENDENT ASSURANCE REPORT TO ALUMEX PLC ON THE SUSTAINABILITY REPORTING CRITERIA PRESENTED IN THE INTEGRATED ANNUAL REPORT- 2018/19

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- 2018/19 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 208 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 ("ICASL").

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 sustainability 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 04 March 2019. 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 ICASL.

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:

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

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- 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 2019.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: 'In accordance' – Core guidelines.
- The information on financial performance as specified on page 208 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2019.
- 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.

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;

Ernst & Young
Chartered Accountants

06 May 2019
Colombo

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DISTRIBUTION CHANNELS

CENTRAL

Alumex Warehouse (Senkadagala)
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

Reliance Enterprises
No: 111, Udupussellawa road,
Hawaeliya, Nuwara Eliya.
Tele:0778244488

City Glass and Aluminium
No.80, Gamploa Road,Nawalapitiya
Tele:0542050590

Toshiba Steel
No.551/3-626/1,Balagolla,
Kenagalla, Kandy
Tele:0812424388

New N. S Enterprises
No.115/1, Kandy Road, Weligalla,
Tele:0773598716

Litma Holdings (Pvt) Ltd
No.01/178, Theldeniya Road,
Manikhinna.
Tele:0778989698

SABARAGAMUWA

Alumex Warehouse (Iellopitiya)

New Aluroma Enterprises
No. 731, Kandy Road, Meepitiya, Kegalle
Tele: 0352 223 969

Alushan Aluminium
No. 291, Kelin Weediya, Kudugalwattha,
Rathnapura
Tele: 0772 211 135

Embilipitiya Glass Center (Pvt) Ltd.
New Town Road, Embilipitiya
Tele: 0472 230 760

Arcade of Aluminium
No.125,Batugedara Road,
Angammana,Rathnapura
Tele:0454935292

Karanketiya Agencies
No.21, Main Street, Rakwana
Tele:0776506130

UVA

Alumex Warehouse
No.46, Hingoda,Badulla
Tele: 0554 963 196

Arcade of Aluminium-Badulla
No.276A, Passara Rd,Badulla
Tele: 0554936196

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

Amila Hardware
No.134/14, New Bus Stand,Monaragala.
Tele: 0552055400

EASTERN

Alumex Warehouse (Kalumunei)
Irfan Aluminium
No. 245, Central Road, Trincomalee
Tele: 0262 226 414

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

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

C. M. S Glass & Fitting centre
Ampara Road, Sammanthurai
Tele: 0772094959

Life Line Enterprises
No.R/12, Kandy Road, Ampara.
Tele: 0771325100

K. M. S
Main Strret, Eravur.
Tele:0772225796

NOTHERN

Alumex Warehouse
Aranila Picture Palace
No. 05. Kanaka Puram Road, Killinochchi
Tele: 0212 285 478

T. Kumaraswamy & Sons
No. 248/1, K.K.S. Road, Jaffna.
Tele: 0212 228 847

A. J. Enterprises
Opposite Central Collage,
A-9 Road, Ananthapuram, Kilinochchi
Tele: 0212 285 301

Marutham Iron Ware Store
Karaveddy Centre, Karaveddy,
Nelliary, Jaffna
Tele: 0212 263 210

K. T. S. Glass Centre
Main Street, Puthukkudiyiruppu
Tele: 0772 428 483

Pillayar Picture Palace
Mullaithevu Road,
Mulliyawalai, Mulathevu
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

Krishna Aluminium
No. 47/3 Soosaipillayarkulam,
Vauniya.
Tele: 0778533766

An Sons
Main Street, Pottuvil.
Tele: 0632248216

Reegans Hardware
No.102, St. Sebastin Street, Mannar
Tele: 0232251686

NORTH CENTRAL

Alumex Warehouse
New Rajarata Glass House
No. 561/8, Maithreepala Senanayake
Mawatha, Anuradhapura
Tele: 0252 223 741

New Vision Construction
No.317, Mahasen Pedesa,
28-Post, Pollonnar; a
Tele: 0771 747 559

Ananda Aluminium
No:521/56, 5th Lane, Maithreepala
Senanayaka Mw, New Town,
Anuradhapura.
Tele: 025 5627810

D.N.W Aluminium
19, Kurunagala Road, Tabuttagama
Tele: 0703450651

N.R. Leather & Glass House
No: 377 C Main Street Kaduruwela
Polonnaruwa
Tele: 077 2225850

**Chaminda Glass House & Aluminium
Work Shop**
Kelin Vidiya, Madirigiriya
Tele: 0779002348

G.T.G Aluminium
In front of the Municipal Quaters,
Maradankadawela Road, Kekirawa.
Tele: 0779179033

NORTH WESTERN

Alumex Warehouse
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, Kuliypitiya.
Tele: 0773839744

Kumbukulawa Glass Center
Kumbukulawa, Polpitigama
Tele: 0727737187

S. M. Glass House (Pvt) Ltd
Colombo Rd. Rathmalyaya Puttalam
Tele: 032 2269202

Grand Aluminium
No:65, Kurunegala Road, Alawwa.
Tele: 0372279833

Ranhiru Hardware Stores
No.26, Nikawaratiya.
Tele: 0773313359

DISTRIBUTION CHANNELS

City Merchants

No.122, Main Street, Kurunegala.

Tele:0773934732

Torrent Hardware

No.304, Madampe Road, Kuliyapitiya.

Tele:0766424703

WESTERN

Alumex Warehouse

Alugrow Trading Co. Ltd.

346/A1, Negombo Road,

Nagoda, Kadana

Tele: 0112 237 667

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. 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

Lucky Hardware

No. 109, Sumanatissa Mawatha,
Colombo 12

Tele: 0112 387 515

R. C. Enterprises

No. 390, Colombo Road,

Galkanda Junction, Negombo

Tele: 0314 872 367

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

Arcade of Aluminium

No. A, 45C, Madola, Avissawella

Tele: 0362 230 066

Highlux Aluminium Enterprises

No:325 A, Circular Road,

Tele: 0312246977

Western Hardware

No.18,Pitipana Rd,Negombo

Tele:

Hi-Tech Aluminium

Degas Junction,Yatiyana,Agalawatta

Tele: 0342241394

Tritech Enterprises (private) Limited
No.40/5, Thilak Mawatha,,Gorakana,
Moratuwa
Tele:0772973658

New Multi Engineering
No.333/1,Kandy Road,
Kirillawala,Kadawatha.
Tele:0112968256

S. P. Worldnet (private) Ltd
No.7, Bellantara Road,
Nadimala,Dehiwala.
Tele:0759054616

High Level Aluminium Trading Company (Pvt) Ltd
No.246/1,Kotte Road, Mirihana,
Nugegoda,
Tele:0112854614

Alu Singha (Pvt) Ltd
No.07, Sri Wikrama MW, Market
Junction,Wattala.
Tele:0773124041

Alu Luck Trading
No.55/2 Makola North, Makola.
Tele:

Priyadarshani Enterprises
No.6/2, Alhena, Bokalagama, Mirigama.
Tele:0711912960

SOUTHERN

Alumex Warehouse
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

Dilmina Glass Centre (Pvt) Ltd
No.429,New Street,Weligama
Tele:0412254504

Weerasinghe Hardware
No.79, Main Street, Ambalanthota.
Tele:0472225221

GLOSSARY OF TERMS

Actuarial Gains and Losses

Difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Available for Sale

Non derivative financial assets that are designated as available for sale or are not classified as loans and receivable, held to maturity investment or financial assets at fair value through profit and loss.

Absentee rate

An employee absents from work because of incapacity of any kind, not just as the result of work-related injury or disease. Permitted leave absences such as holidays, study, maternity and compassionate leave are excluded.

Borrowings

All interest bearing liabilities.

Capital Employed

Total equity, minority interest and interest bearing Borrowings.

Capital Reserves

Reserves identified for specific purposes and considered not available for distribution.

Cash Equivalents

Liquid investments with original maturity periods of three months or less.

Contingent Liability

A possible obligation that arises from past events whose existence will be

confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.

Current Ratio

Current assets divided by current liabilities, a measure of liquidity.

Current Service

Cost Increase in the present value of the defined benefit obligation resulting from employee's service in the current period.

Child

This term applies to all persons under the age of 14 years of age.

Community development program

Plan that details actions to mitigate, and compensate for adverse social and economic impacts, and to identify opportunities and actions to enhance positive impacts of the project on the community.

Deferred Taxation

The tax effect of timing differences deferred to/ from other periods, which would only qualify for inclusion on a tax return at a future date.

Dividend cover

Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

Dividend Payout

Dividend per share as a percentage of the earnings per share.

Dividend Yield

Dividend per share as a percentage of the market price a measure of return on investment.

Defined benefit plans

Post-employment benefit plans other than defined contribution plans.

EBIT

Abbreviation for Earnings Before Interest and Tax.

Effective Tax Rate

Income tax expense divided by profit from ordinary activities before tax.

Equity

Shareholders' funds.

Employee turnover

Employees who leave the organization voluntarily or due to dismissal, retirement, or death in service.

Energy indirect (Scope 2) GHG emissions

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

Entry level wage

Entry level wage refers to the full-time wage offered to an employee in the lowest employment category. Intern or apprentice wages are not considered.

Fair Value

The amount for which an asset could be exchanged or liability settled between knowledgeable willing parties in an arm's length transaction.

Fair Value Through Profit and Loss

A financial asset/liability acquired/ incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed

together and for which there is evidence of a recent actual pattern of short-term profit taking, or a derivative (except for a derivative that is a financial guarantee contract)

Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

Freedom of association

The right of workers and employers to establish and join organizations of their own choosing without the need for a prior authorization

Formal grievance mechanisms

Systems consisting of specified procedures, roles and rules for methodically addressing complaints as well as resolving disputes. Formal grievance mechanisms are expected to be legitimate, accessible, predictable, equitable, rights-compatible, clear and transparent, and based on dialogue and mediation.

Gearing

Proportion of total interest bearing borrowings to capital employed.

Gross Profit Ratio

Gross profit divided by revenue.

Governance bodies

The committees or boards responsible for the strategic guidance of the organization, the effective monitoring of

management, and the accountability of management to the broader organization and its stakeholders.

Interest cover

Profit before tax plus net finance cost divided by net finance cost, a measure of an entity's debt service ability.

IPO

The first sale of shares by a private company to public.

Injury rate

The number of work related injuries relative to the total time worked by the total workforce in the reporting period.

Infrastructure

Facilities (such as water supply facility, road, school, or hospital) built primarily to provide a public service or good rather than a commercial purpose, and from which the organization does not seek to gain direct economic benefit.

Lost day rate

Time ('days') that could not be worked (and is thus 'lost') as a consequence of a worker or workers being unable to perform their usual work because of an occupational accident or disease. A return to limited duty or alternative work for the same organization does not count as lost days

Market capitalisation

Number of shares in issue multiplied by the market value of a share at the reported date.

Net Assets Per Share

Shareholders' funds divided by the weighted average number of ordinary shares in issue, a basis of share valuation.

Non-controlling Interest

The interest of individual shareholders, in a company more than 50% of which is owned by a holding Company.

Other comprehensive Income

Items of income and expenses that are not recognised in profit or loss as required or permitted by other SLFRS's.

Price Earnings Ratio

Market price of a share divided by earnings per share as reported at that date.

Product and service information and labeling

Information and labeling 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.

GLOSSARY OF TERMS

Revenue Reserves

Reserves considered as being available for distributions and investments.

Remuneration

Basic salary plus additional amounts such as those based on years of service, bonuses, benefit payments, overtime, time owed, and any additional allowances (such as transportation and living)

Segments

Constituent business units grouped in terms of similarity of operations and location.

Supply chain

Sequence of activities or parties that provides products or services to the organization.

Stakeholders

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

Total water withdrawal

The sum of all water drawn into the boundaries of the organization from all sources (including surface water, ground water, rainwater, and municipal water supply) for any use over the course of the reporting period.

Total workforce

The total number of persons working for the organization at the end of the reporting period (that is, the sum of all employees and supervised workers).

Type of non-compliance

Court judgment on failure to act in accordance with regulations or laws, categorized by the nature of the laws or regulations breached.

Value Addition

The quantum of wealth generated by the activities of the Group measured as the difference between turnover and the cost of materials and services bought in.

Working capital

Capital required to finance day-to-day operations computed as the excess of current assets over current liabilities.

Waste disposal method

The method by which waste is treated or disposed of, including composting, reuse, recycling, recovery, incineration, landfill, deep well injection, and on-site storage.

NOTICE OF MEETING

ALUMEX PLC

Company Number PV 539 PQ

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of Alumex PLC will be held at Hayleys PLC, No.400, Deans Road, Colombo 10, Sri Lanka on Tuesday, 18th June, 2019 at 10.00 a.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 2019, with the Report of the Auditors thereon.
2. To re-elect Mr. A.M. Pandithage, who retires by rotation at the Annual General Meeting, a Director.
3. To re-elect Mr. S.C. Ganegoda, who retires by rotation at the Annual General Meeting, a Director.
4. To authorise the Directors to determine contributions to charities for the financial year 2019/20.
5. To authorize the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been reappointed as Auditors for the financial year 2019/20 in terms of section 158 of the Companies Act No.07 of 2007.

- 6 To consider any other business of which due notice has been given.

NOTE :

A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No.400, Deans Road, Colombo 10, Sri Lanka by 10.00 p.m. on 16th June 2019.

By Order of the Board

ALUMEX PLC

HAYLEYS GROUP SERVICES (PVT) LTD

Secretaries

Colombo

20th May 2019

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 Twelfth Annual General Meeting of the Company to be held on Tuesday, 18th June 2019 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 2019 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. A. M. Pandithage, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. S. C. Ganegoda, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To authorise the Directors to determine contributions to charities for the financial year 2019/20	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorize the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been reappointed as Auditors for the financial year 2019/20 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 of2019.

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

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
D. W. P. N. Dediwela- Managing Director
S. C. Ganegoda
R. P. Pathirana
A. A. Akbarally
Dr. H. Cabral, PC
S. Munaweera
R. P. P. K. Rajapaksha
A. J. Hirdaramani (Alternate Director to R P Pathirana)
T. Akbarally (Alternate Director to A A Akbarally)
R. P. Peris- (Resigned w.e.f. 30th June 2018)

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 Affaires Unit
Telephone: +94 11 262 7610
E-mail: info@cau.hayleys.com

SECRETARIES

Hayleys Group Services (Private) Limited
400, Deans Road, Colombo 10, Sri Lanka

Telephone: +94 11 262 7650
Facsimile: +94 11 262 7655
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

37 York Street
Colombo 1

People's Bank

Head Office, No.75,
Sir Chittampalam A Gardiner Mawatha
Colombo 02

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