

# Consistent Efforts Future Results

ALUMEX PLC | ANNUAL REPORT

# 2019/20

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# Consistent Efforts Future Results

One of our strengths is our ability to be consistent despite the odds. It is what helped us get through a tough year in which the nation was at its lowest point in the recent past. Our perseverance was a shining beacon and our team, the exemplary individuals who carried through with this spirit truly represented the ethos of the Company.

With this strength, and a renewed focus on sustainability, which keeps us engaged with our future efforts, we looked outward to new horizons, created partnerships with new markets and also bettered ourselves in order to take on the new set of challenges of becoming a globally recognised brand. Our consistent efforts are set to reap future results.

## Our Vision

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

## Our Mission

Create customer intimacy with innovative Aluminium solutions through world-class sustainable manufacturing practices.

## Our Values

**01**

### Integrity

Ethical and transparent in all our dealings

**02**

### Enduring Customer Value

Enhancing experiences for every customer, from the rural farmer to the global consumer

**03**

### A Will to Win

Exhibiting the will to win is important to Alumex and its shareholders

**04**

### Respect for People

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

**05**

### Good Citizenship

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

**06**

### Teamwork

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

**07**

### Accountability

Holding ourselves responsible to deliver what we promise

# 01

## **Consistent research future innovation**

|                                   |   |           |
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## Financial Highlights

|                                                        | 2019/2020<br>Rs. Mn | 2018/2019<br>Rs. Mn | Change<br>% | 2017/2018<br>Rs. Mn | Change<br>% |
|--------------------------------------------------------|---------------------|---------------------|-------------|---------------------|-------------|
| <b>Operating Result</b>                                |                     |                     |             |                     |             |
| Group Profit before tax                                | 67                  | 177                 | -62%        | 515                 | -66%        |
| Tax                                                    | 36                  | 50                  | -28%        | 150                 | -67%        |
| Group Profit after tax                                 | 31                  | 126                 | -76%        | 364                 | -65%        |
| Dividend                                               | -                   | 180                 | >100%       | 314                 | -43%        |
| Retained Profit                                        | 31                  | (53)                | >100%       | 50                  | >100%       |
| <b>Financial Sectorial Analysis</b>                    |                     |                     |             |                     |             |
| Turnover                                               | 4,795               | 5,133               | -7%         | 4,512               | 14%         |
| Operating Profit                                       | 461                 | 594                 | -22%        | 646                 | -8%         |
| Capital Structure                                      | -                   | -                   | -           | -                   | -           |
| Equity                                                 | 2,382               | 2,353               | 1%          | 2,253               | 4%          |
| Debt                                                   | 3,154               | 3,087               | 2%          | 2,684               | 15%         |
| <b>Profitability, Dividends and Investors</b>          |                     |                     |             |                     |             |
| <b>Information profitability Ratios</b>                |                     |                     |             |                     |             |
| Gross Profit Margin                                    | 21%                 | 23%                 | -8%         | 24%                 | -4%         |
| Operating Profit Margin                                | 10%                 | 12%                 | -18%        | 15%                 | -19%        |
| Net Profit Margin                                      | 1%                  | 3%                  | -74%        | 8%                  | -69%        |
| Return on Assets                                       | 0.5%                | 2%                  | -76%        | 7%                  | -72%        |
| Return on Capital                                      | 8%                  | 11%                 | -27%        | 13%                 | -12%        |
| <b>Liquidity Ratios</b>                                |                     |                     |             |                     |             |
| Working Capital                                        | 331                 | 86                  | >100%       | 381                 | -77%        |
| Current Ratio (Times)                                  | 1.12                | 1.03                | 9%          | 1.14                | -10%        |
| Quick Assets Ratio                                     | 0.43                | 0.42                | 2%          | 0.48                | -11%        |
| <b>Equity Ratios</b>                                   |                     |                     |             |                     |             |
| Net asset value Per Share (Rs.)                        | 7.96                | 7.86                | 1%          | 7.53                | 4%          |
| Earnings Per Share (Rs.)                               | 0.10                | 0.42                | -76%        | 1.22                | -65%        |
| Dividend Per Share (Rs.)                               | -                   | 0.60                | -100%       | 1.05                | -43%        |
| Effective Dividend Rate (Dividend Yield)               | -                   | 6%                  | -100%       | 6%                  | 0%          |
| Dividend Cover (Times)                                 | -                   | 0.70                | -100%       | 1.16                | -39%        |
| Market Value Per Share (Rs.)                           | 7.20                | 10.00               | -28%        | 16.90               | -41%        |
| Highest Market Price Per Share (Rs.)                   | 14.80               | 18.00               | -18%        | 25.50               | -29%        |
| Lowest Market Price Per Share (Rs.)                    | 6.50                | 9.70                | -33%        | 16.60               | -42%        |
| Value as at end of Financial Year                      | 2,155               | 2,993               | -28%        | 5,058               | -41%        |
| <b>Debt Ratios</b>                                     |                     |                     |             |                     |             |
| Debt to Equity                                         | 132%                | 131%                | 1%          | 119%                | 10%         |
| Interest cover (Times)                                 | 1                   | 2                   | -28%        | 5                   | -67%        |
| Equity Assets Ratio                                    | 35%                 | 34%                 | 4%          | 35%                 | -4%         |
| <b>Interest Rate of Comparable Government Security</b> |                     |                     |             |                     |             |
| Treasury bill (1 year)                                 | 8.46%               | 10.40%              | -19%        | 9.69%               | 7%          |
| Treasury bond (5 year)                                 | 9.27%               | 11.04%              | -16%        | 10.68%              | 3%          |

#### TURNOVER

Rs.

**4,795Mn**

#### PROFIT BEFORE TAX

Rs.

**67Mn**

#### LIQUIDITY

Rs.

**331Mn**

#### TOTAL ASSETS

Rs.

**6,798Mn**

#### GROSS PROFIT MARGIN

Percentage

**21%**

#### NET PROFIT MARGIN

Percentage

**1%**

#### ROCE

Percentage

**8%**

#### NET ASSET PER SHARE

Rs.

**7.96**

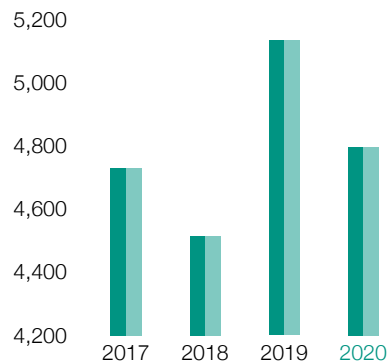
#### EPS

Rs.

**0.10**

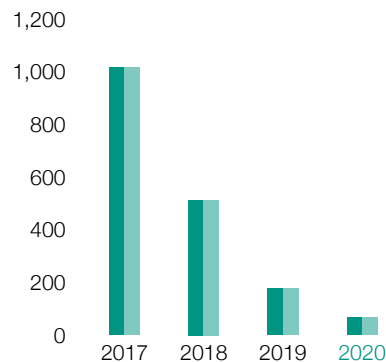
#### REVENUE

Rs. Mn



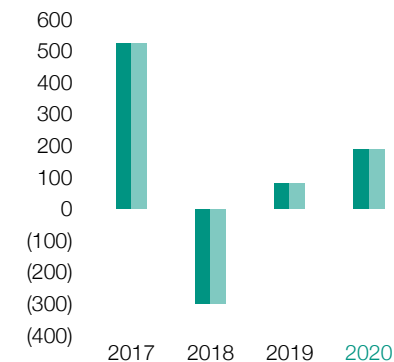
#### PBT

Rs. Mn



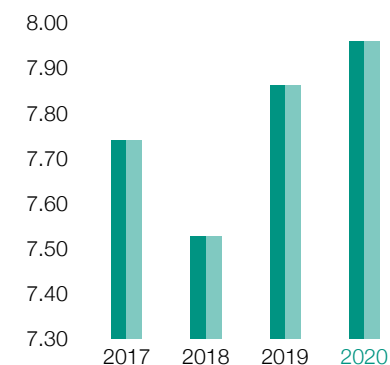
#### OPERATING CASH FLOW

Rs. Mn



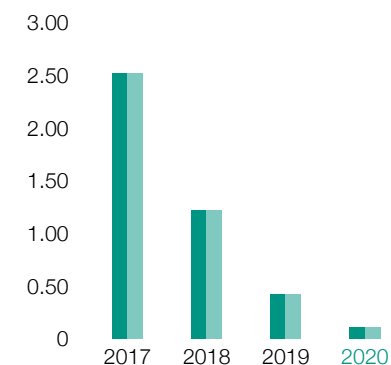
#### NET ASSETS PER SHARE

Rs.



#### EPS

Rs. Mn



# Operational Highlights



National Business  
Excellence Awards 2019  
Manufacturing  
Engineering Sector



ICASL Best presented Annual  
Reports Award 2019  
Manufacturing  
sector (Over 05Bn)



SAFA Best Presented Annual  
Report Awards 2019



CNCI Achiever Awards  
Ceremony



CNCI Achiever Awards  
Ceremony

Entered into strategic  
partnerships with 03 international  
Proprietary Systems Suppliers

New export customers  
from UK and USA

Commenced international  
marketing with dedicated new  
resources

30MT/month capacity increased in  
the component section

14 new  
dealerships

Technology enhancement  
with new profile measuring  
equipment

Obtained Qualicoat seaside  
certification

52 New Die Design registration  
under Intellectual Property Act

2,500 white canes  
donated

Health and safety function  
empowered with new  
resource person



## Chairman's Statement

### Dear Shareholder,

It is my privilege to present the Annual Report of Alumex PLC for the financial year ending 31st March 2020.

### PERFORMANCE

In the year under review, the Group recorded a turnover of Rs 4.7 Bn, reflecting a contraction of 6 percent in a highly-challenging business environment. Profit before tax was recorded at Rs 67 Mn, a decrease of 62 percent, while profit after tax declined to Rs 31 Mn compared to Rs 126 Mn in the previous year.

The financial year began with the tragic Easter Sunday terrorist attack, the impact of which reverberated across the economy and affected many segments, especially businesses involved in Construction, Tourism, Services and the Manufacturing sector.

The Company's sales were significantly affected due to the contraction in demand for aluminium extruded products in the construction, solar and the light engineering segments, in the backdrop of sluggish economic activity. However, post December delivering a welcome improvement in the above mentioned segments leading to an increase in demand for our products was encouraging.

Unfortunately a massive setback followed, this time for the entire world, by the Covid-19 pandemic. Due to the lockdown & island wide curfew commencing from 19th March brought both production and distribution of the company's products to a complete standstill till early April, seriously affecting the performance reported of the company for the month of March 2020.

With the support of the government authorities, we managed to commence production in a scaled down level from 09th April 2020 with compliance of strict health & safety guidelines imposed by the authorities ensuring the health & safety of our employees & other stakeholders.

### ECONOMIC CONDITIONS

Amidst of this double whammy, the Sri Lankan economy grew at a rate of 2.3 percent in real terms. Construction activities showed a growth of 4.0 percent, against the contraction of 2.5 percent in 2018. However, in manufacturing activities, a slower growth of 1.9 percent was seen in 2019, compared to the growth of 3.6 percent recorded in 2018.

In the year under review, economic growth was understandably halted by the suspension of many large-scale public and private sector investments due to the ongoing challenges. As a result of the subdued trading conditions, the Company was unable to increase its market share or strengthen its market leadership position during this period.

Moreover, the benefit of the aluminium price reduction in the London Metal Exchange (LME) could not be passed on to customers due to the substantial depreciation of the Sri Lankan Rupee against the US Dollar and the prevalent weak economic conditions.

### FORGING AHEAD UNDETERRED & FUTURE PROSPECTS

Despite the unfortunate ground situation, Alumex forging ahead with new strategies to explore new markets and products to enhance its capacity utilization and quality improvements during the current year.

The Company achieved a significant milestone by capturing new export markets in the USA, UK and Kenya, enabling enhanced efficiencies of capacities installed in 2018 with the commissioning of Alumex Prime Plant in Ekala. Introduction of the ABS System (Alumex Building System) to the market with UKAS Accreditation for its performance, new ladder designs, cabinet systems, panel doors and balustrades are expected to bring in substantial volumes in the coming years. However we expect the domestic market to be challenging until such time a significant recovery of construction and other relevant segments take place.

The Company's dedication to, and reputation of producing premium aluminium extrusions over the last 30 years has been accepted by some of the best aluminium proprietary systems owners in the world and as a result we were able to become a registered manufacturer for some of the best global aluminium systems for doors, windows and facades under their license in the region.

In a positive development for the Company, 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 the business volumes in domestic housing sector, while the demand is expected to increase in line with proposed budgetary allocations for infrastructure development in the country.

## Chairman's Statement

### CREATING A SUSTAINABLE BUSINESS MODEL

As a responsible business entity, Alumex is committed to carrying out manufacturing operations with a minimal impact on the environment. The safety of our employees is paramount and many measures have been taken towards this.

Alumex has also invested in upgrading the component manufacturing systems. The Company's new production facility uses cutting-edge technology, significantly reducing waste water discharge through an advanced 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 their competencies and technical expertise are continued to enhanced.

### ACKNOWLEDGEMENT

I extend my gratitude to the leadership team and employees of Alumex PLC for their determination and unstinted efforts in propelling the Company forward despite the unprecedented challenges faced in the year under review.

I also place on record my sincere appreciation to all our distributors, suppliers and shareholders for their continued support, and I thank my valued colleagues on the Board for their strategic guidance as we navigate the 'new normal' and look forward to emerging from this crisis stronger than ever.



**A. M. Pandithage**  
*Chairman*

## Managing Director's Review

The year 2019/20 was a challenging year for Alumex. It started with the tragic 21st April Easter Sunday terrorist attacks, resulting in some of our customers halting their operations. Sales declined by over 15 percent during the first two quarters of the financial year due to this economic disruption and slowdown followed by the incident. While the impact gradually declined, it continued until the end of the third quarter.

However, less than a year after the Easter Sunday terrorist attack, the financial year came to a close amidst highly unfavourable conditions prevailed due to the COVID-19 pandemic, which resulted in operations of the company completely closing down due to the lockdown and the curfew that followed. This resulted in a loss of over 70 percent sales during the month of March.

### PERFORMANCE OVERVIEW

As stated in the Central Bank report, industry activities grew by 2.7 percent in 2019 compared to the growth of 1.2 percent recorded in 2018, mainly benefiting from the recovery in construction activities, which showed a growth of 4.0 percent in value added terms, against the contraction of 2.5 percent in 2018. However, the overall macro-economic environment prevailed in 2019/20 was not favourable to manufacturing activities which recorded a slower pace of 1.9 percent growth in 2019, compared to the growth of 3.6 percent recorded in 2018. The year-on-year growth of credit granted by the commercial banks to the private sector also decelerated to 4.3 percent by end December 2019 from 15.9 percent recorded at end 2018. The exchange rate of USD showed a higher fluctuation during the year, depreciating by 7.85 percent from 176.09 at the beginning of the year to 189.92 by the end of the year. On a positive note, benchmark interest rate (Average Weighted Prime Lending

Rate -AWPLR), on which most of our loan interest payments are based on, reduced from 12.23 percent in April 2019 to 9.29 percent in March 2020.

Under these operating conditions, Alumex sales declined by 6 percent from Rs. 5.0 Bn in 2018/19 to Rs. 4.7 Bn in the current year. As a result, PBT declined to Rs. 67 Mn from Rs. 177 Mn, reported in 2018/19.

Aluminium price movement in the London Metal Exchange (LME) during the year was favourable, starting in April at USD 2,184/MT and gradually declined to USD 1,986/MT in March 2020, reflecting a 9 percent reduction during the 12 months. However, this reduction was offset by a 9 percent depreciation in Sri Lankan rupee during the same period, which mainly impacted the last quarter of the year. Although we could manage the aluminium billet cost below the budgeted levels with the increased supply of local billets, the impact on the rest of the direct and indirect imported item costs could not be avoided. In response to this negative impact, we implemented two price increases, 10 percent in March 2019 and 5 percent in October 2019 but the total positive impact of this price increases did not materialise as the intense competition in the local market absorbed a part of the price increases with discounts and promotions. Accordingly the GP margin for the year was 21 percent compared to 23 percent in the previous year.

There was a 15 percent increase in selling and distribution expenses during the year mainly due to higher personnel cost following expansion. However, administrative expenses reduced by 9 percent, negating the overall impact of overhead cost increase.

The net finance cost of the year reduced by Rs 24 Mn compared to the previous year, supported by lower exchange losses. The lower interest rates also had a positive impact but it was not visible as the total interest cost incurred on the expansion project and the working capital requirements offsetting the gain. Tax expenses showed a decrease, which is in line with profit reduction.

During the year, Inventory reduced by Rs. 10 Mn and Trade and other receivables reduced by Rs 155 Mn over to the previous year. The positive impact of this reduction on the working capital and interest cost was negated with the reduction in Trade and other payables by Rs 253 Mn. As a measure to reduce the burden on working capital from short-term loans, an Rs 1 Bn long-term loan repayable in five years was obtained from the Commercial Bank.

### BUSINESS GROWTH

During the year, three new strategic agreements were signed with Schueco, Gutmann and CandorView Proprietary Systems to manufacture their products under license for the Sri Lankan market. Orders were received from all three partners and goods were partially delivered during the month of March 2020.

In order to increase the capacities without incurring further investment, a partially-utilised building used for temporary storage was refurbished and added to the component manufacturing operation. This need was mainly driven by the prospects in the export markets. With the view of improving product quality testing standards to satisfy the product quality testing conditions of global proprietary systems, a profile measuring projector and a surface levelling table were imported and commissioned at the Ekala plant.

## Managing Director's Review

This will provide us a competitive advantage in securing future project orders. Further, a 1,700 KVA generator was commissioned in the Makola factory to increase backup power capacity. Accordingly, both plants are now ready with backup power to face any power shortages to continue with production operations without any interruption.

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 a part of our core marketing and branding strategy. Participation at these trade exhibitions has strengthened our brand positioning as a leader in the construction industry. The key events sponsored during the year were 'Construct 2019' and 'Architect 2019,' held at the BMICH in August 2019 and February 2020 respectively. Events in seven provinces across Sri Lanka organised by the National Construction Association of Sri Lanka, the Building Specifiers Conference held at the Cinnamon Grand in September and November 2019 and the Techno 2019 Exhibition held at the BMICH in October 2019 were also sponsored by Alumex.

The Company made significant efforts to expand its 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 has conducted over 295 in-house and outstation training sessions for over 2,510 fabricators and technocrats representing private and Government institutions.

Alumex also trained over 1,258 new fabricators on the beginners' course.

### STRENGTHENING THE MANAGEMENT TEAM

In order to face the challenging market conditions and to drive the Company's export strategy forward, the Export Department was established, headed by an experienced personnel. Further, in order to uplift health and safety standards, responsibilities were assigned to a new Health and Safety Manager.

### EMPLOYEE ENGAGEMENT AND DEVELOPMENT

Employee engagement activities were scaled down during the first half of the year due to the 21st April incidents and its negative impact on the performance of the Company. However, the Annual Cricket Match in August, Employee Get Together in December, and New Year ceremony in January were well attended and received by employees. In addition, the launch of All Ideas Matter (AIM) programme, Shramadana campaign, Bana event, eye camp, blood donation campaign and a medical camp were also arranged as special events. In order to enhance employee health conditions, a visiting doctor programme was introduced to treat employees twice a month.

In view of employee development, we completed 6,640 hours of training, both locally and overseas. A long-felt need also was completed in the year by opening a library for employees. The cadre availability against the budget was maintained at 99 percent. By the end of the year our workforce stood at 572 permanent employees and 35 fixed term employees.

### CORPORATE SOCIAL RESPONSIBILITY

In promoting CSR activities, Alumex distributed 2,500 white canes to the visually impaired in the month of November 2019. Further, being in line with the Hayleys-Puritas Sathdiyawara programme, Alumex sponsored a project in Meegassawewa, Thalawa area, where we distributed schools bags, books and other stationery items to pupils in the Meegassawewa School. In parallel to the annual employee get-together, schools bags, books and other stationery items were donated to all the children of Alumex employees.

### AWARDS

Alumex won number of awards & accolades during the year. Alumex became the winner of the National Business Excellence Awards 2019 – Manufacturing Engineering Sector, organised by the National Chamber of Commerce. Further, we received the Bronze award and one of the Top 10 awards at an awards ceremony organised by the National Chamber of Commerce. Our Annual Report 2018/19 received a Silver award in the Manufacturing sector at the Annual Reports Awards Ceremony organised by the CA Sri Lanka. Alumex was able to emerge a winner of a Merit award – Manufacturing Sector at the SAARC Anniversary Annual Reports Awards organised by the South Asia Federation of Accountants. In appreciation of our efforts in human resource management, we became the Bronze award winner – Production Sector Gampaha District at the Lak Rakiya Harasara 2019 at the award ceremony organised by the Department of Manpower and Employment.

## OUTLOOK

With the current negative market sentiments of the COVID-19 pandemic, the first quarter of the 2020/21 financial year will be challenging one for the construction industry in Sri Lanka. The impact may continue for a few more months. The cost of imported raw material will be impacted by the sharp depreciation of the Rupee and disruptions to global supply chains. But this could be partially offset by the softening of global metal prices.

With the expanded production capacity, enhanced product portfolio, extended distribution network and infrastructure, together with international strategic partnerships, international quality standards and a growing global market presence, Alumex is well poised to further penetrate the local market and venture across borders.

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



**Pramuk Dediwela**  
*Managing Director*

## Board of Directors

### MR. ABEYAKUMAR MOHAN PANDITHAGE

#### Chairman and Chief Executive

Joined the Hayleys Group in 1969. Appointed to the Hayleys PLC Board in 1998. Chairman and Chief Executive of Hayleys PLC since July 2009.

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 Shipping Agents. Recipient of the Best Shipping Personality Award by the Institute of Chartered Shipbrokers; Leadership Excellence Recognition – Institute of Chartered Accountants of Sri Lanka; Honored with Lifetime Achievement Award at the Seatrade – Sri Lanka Ports, Trade and Logistics; Lifetime Award for the 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 31 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).

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 member of CA Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayawardenepura.

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. He serves on the Boards of Hayleys PLC, Unisyst Engineering PLC, Alumex PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC and Horana Plantations PLC.

### MR. RANIL PRASAD PATHIRANA

#### Non-Executive Director

Mr. Pathirana was appointed to the Board 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 & AMBEON Capital 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 thirty-two years' experience in the field of Company Law, Intellectual Property Law, Commercial Law, Securities Laws, International Trade Law & Commercial Arbitration.



He has been a President's Counsel for fifteen 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 Fellow of the Institute of Chartered Secretaries & Administrators (UK). Dr. Cabral is also Representative Member of the Federation of Integrated Conflict Management (FICM) as well as a Representative Member of the International Commercial Disputes Tribunal (ICDT).

Dr. Cabral is a Member of the Law Commission of Sri Lanka, a Member of the Board of Investment of Sri Lanka, a Member of the Intellectual Property Advisory Commission of Sri Lanka, a Member of the UGC Standing Committee on Legal Matters, UGC Nominee on the Post Graduate Institute of Medicine (PGIM), a Board Director at SLIIT and a Member of the Board of Management of the NSBM Green University, 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 Advisory Commission on Company Law in Sri Lanka, Dr. Cabral was one of the architects of the Companies Act No. 7 of 2007, the current Act. 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 Corporate Governance Committee of the Institute of Chartered Accountants of Sri Lanka, as a Member of the 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 the legal academia and the corporate community of Sri Lanka.

He serves as the Chairman of the Tokyo Cement Group, which commands the largest market share for cement in Sri Lanka. He was the immediate past Chairman of LOLC Finance PLC, one of the largest Finance Companies in Sri Lanka. He was a senior Director of the Union Bank of Sri Lanka. Dr. Cabral serves as Independent Non-Executive Director of Hatton National Bank PLC, DIMO PLC, Hayleys PLC, Alumex PLC, Tokyo Cement Company (Lanka) PLC, Tokyo Super Cement Company Lanka (Private) Limited, Tokyo Cement Power Lanka (Private) Limited, Tokyo Eastern Cement Company (Private) Limited, Tokyo Super Aggregate (Private) Limited, Tokyo Supermix (Private) Limited, World Export Centre Limited, CCC-ICLP Alternative Dispute Resolution Centre (Guarantee) Limited and Sri Lanka Institute of Information Technology (Guarantee) Limited (SLIIT) and serves on several Audit Committees, Nomination Committees, Remuneration Committees and the Related Party Transaction Review Committee, chairing most of them.

Dr. Cabral is a visiting lecturer at several Universities (local and international) 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 here and abroad.

In addition to his active practice in courts and lecturing, he has been a counsel in many a Arbitration and has 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 Alumex Board in January 2014. He counts over 34 years of experience in mercantile and audit sector.

Mr. Munaweera is the Precedent Partner of S. Munaweera & Company, Chartered Accountants and also serves as the Managing Director of Southern Management and Corporate Services (Private) Limited, Director, SM Bentley Corporate Services (Private) Limited and Independent Director of Unisyst Engineering PLC.

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 Jayawardenepura. 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. PRAGEETH RAJAPAKSHA

#### Executive Director

Mr. Prageeth joined Alumex PLC in March 2012 as the Chief Financial Officer and was appointed as an Executive Director in November 2017. He has 19 years of experience in External Audit and 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 a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and an Associate Member of 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. A Director of the Hirdaramani Group, Aroon began his career as an Analyst in investment banking at Credit Suisse in New York prior to moving to the Hirdaramani Group in 2003.

Aroon was selected as a Young Global Leader by the World Economic Forum in 2016 and is the Honorary Counsel to Guatemala for Sri Lanka. He serves as Chairman of the Future Leaders Committee of the Sri Lanka Joint Apparel Association Forum and is a member of the Young Presidents' Organisation. Aroon holds a BA in Business Economics from Brown University.

### 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 Maldives PLC, and is on the Board of several other companies.

# 02

## **Consistent strategy future productivity**

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## Corporate Governance

Alumex PLC is a Public Limited Liability Company registered under the Companies Act No. 07 of 2007 and listed on the Colombo Stock Exchange in 2014.

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

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

### THE GOVERNANCE STRUCTURE

The Board of Directors of Alumex PLC comprises of eight (08) Directors of which three (03) are Executive Directors and five (05) are Non-Executive Directors. Of the five (05) Non-Executive Directors,

two (02) are Independent Non-Executive Directors. Additionally, there are two (02) Alternate Directors representing the two (02) Non-Executive Directors.

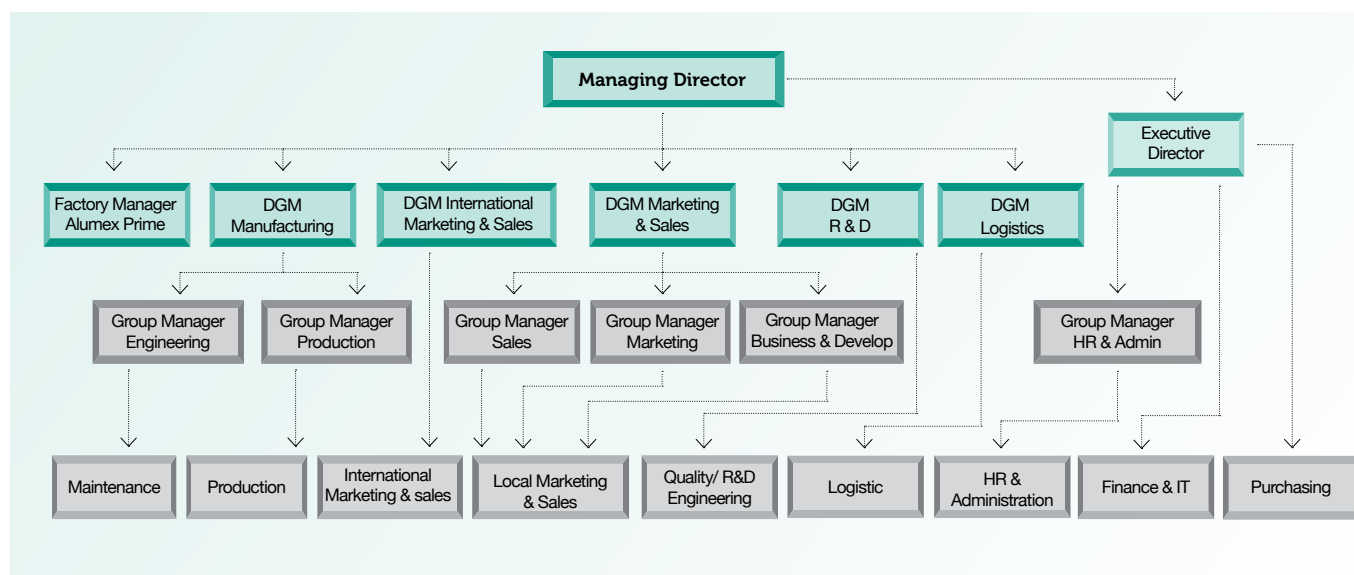
The Board has the overall responsibility and accountability for the management of the affairs of the Company, maintenance of prudent risk management practices and safeguarding stakeholder rights. In order to carry out these responsibilities, the Board has appointed a corporate management team which includes an Executive Director and six (06) 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 Committee for the Company and make recommendations and give directions to the Board.

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

### 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 issued by The Institute of Chartered Accountants of Sri Lanka

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 Practices on Corporate Governance issued by CA Sri Lanka. It reflects Alumex's governance in the following eight fundamental aspects:

#### SECTION 01

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

#### SECTION 02

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

**SECTION 03** of the Code deals with Alumex's extent of adherence to requirements of the Continuing Listing Requirements Section 7.10 on Corporate Rules for Listed Companies issued by the CSE. This reflects Alumex's level of conformity to CSE's listing rules which comprise of the following fundamental principles:

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

**SECTION 04** covers the extent of adherence to the requirements of the Continuing Listing Requirements Section 9 on Related Party Transactions for listed companies as issued by the CSE. This covers all the following disclosure requirements:

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

# Corporate Governance

## SECTION 1:

### CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA (ICASL)

| Corporate Governance Principles                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Reference of Code | Compliance                                                                          | The Company's Extent of Compliance in 2019/2020                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>A. DIRECTORS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>A.1 THE BOARD</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 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 12 to 14. |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Board Meetings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | A.1.1             |    | The Board usually meets at quarterly intervals, but also meets more frequently when needed. The Board met five 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 36.                                                                                                                                                                                                                                                                                                                  |
| Board Responsibilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | A.1.2             |  | <p>The Board is responsible to the shareholders for creating and delivering long-term sustainable shareholder value through the business. The Board ensures the formulation and implementation of a sound business strategy.</p> <p>The Board has put in place a Corporate Management Team led by the Managing Director with the required skills, experience and knowledge necessary to implement the business strategy of the Company.</p> <p>The Board also ensures effective systems are in place to secure integrity of information, internal controls and risk management.</p> <p>The Board ensures that the Company's values and standards are set with an emphasis on adopting appropriate accounting policies and fostering compliance with financial regulation.</p> |
| Compliance with Laws and access to independent professional advice                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | A.1.3             |  | The Board collectively, and Directors individually must act in accordance with the laws as applicable to the Company. The Company had complied with all applicable laws and regulations during the year. A procedure has been put in place for Directors to seek independent professional advice in furtherance of their duties, at the Company's expense. This will be coordinated through the Company or the Board Secretary when requested.                                                                                                                                                                                                                                                                                                                                |



| Corporate Governance Principles                                          | Reference of Code | Compliance                                                                         | The Company's Extent of Compliance in 2019/2020                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------|-------------------|------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 fulfill their duties as Directors of the Company (both before and after the Board Meetings), in order to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged.                                                                                                                                     |
| Call for a Resolution to be presented to the Board                       | A.1.7             |   | 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 recognised the need for continuous training, expansion of knowledge and to take part in such professional development as and when they consider it necessary and which would assist them to carry out their duties as Directors. |

## A.2 CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)

There should be a clear division of responsibilities between the Chairman and Chief Executive Officer in order to ensure a balance of power and authority, in such a way that any individual has no unfettered powers of decision-making.

The roles of the Chairman and Chief Executive Officer function separately in the Company. The Chairman's main responsibility is to lead, direct and manage the work of the Board in order to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Managing Director, who performs the role of the Chief Executive Officer, is responsible for the day-to-day operations of the Company.

|                                                                          |     |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------------------------------------------------|-----|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Division of responsibilities of the Chairman and Managing Director (CEO) | A.2 |  | <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 2019/2020                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>A.3 CHAIRMAN'S ROLE</b>                                                                                                                                                                                                                                                                                                                                                                                       |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 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 Meeting and provides the Board with strategic direction and guidance in managing the affairs of the Company.</p> <p>The Chairman is also responsible for:</p> <ul style="list-style-type: none"> <li>Ensuring the new Board Members are given an appropriate induction, covering terms of appointment.</li> <li>The effective participation of both Executive and Non-Executive Directors.</li> <li>All Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company.</li> <li>A balance of power between Executive and Non-Executive Directors is maintained.</li> <li>The views of Directors on issues under consideration are ascertained.</li> </ul> |
| <b>A.4 FINANCIAL ACUMEN</b>                                                                                                                                                                                                                                                                                                                                                                                      |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>A.5 BOARD BALANCE</b>                                                                                                                                                                                                                                                                                                                                                                                         |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 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 (05) 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 (5) of the eight (8) Directors are Non-Executive Directors, which is well above the minimum number prescribed by this Code.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Independent Non-Executive Directors                                                                                                                                                                                                                                                                                                                                                                              | A.5.2             |  | Two (2) out of Five (5) Non-Executive Directors are independent as defined by the Code.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

| Corporate Governance Principles                              | Reference of Code | Compliance                                                                          | The Company's Extent of Compliance in 2019/2020                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.                                                                                                                                                                               |
| Annual declaration of independence-Non-Executive Directors   | A.5.4             |    | Each Non-Executive Director has been submitted declaration stating the Independence or non-independence in a prescribed format. This information is made available to the Board.                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 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"> <li>● Dr. H. Cabral, PC</li> <li>● Mr. S. Munaweera</li> </ul> <p>Brief resume of all Directors is available on pages 12 to 14.</p> |
| 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> <ul style="list-style-type: none"> <li>● Mr. A. J. Hirdaramani</li> <li>● Mr. T. Akbarally</li> </ul> <p>No alternate Directors were appointed during the year. Please refer page 14 for the profiles of the alternative 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

## Corporate Governance

| Corporate Governance Principles                                                                                                                                                                                                                         | Reference of Code | Compliance                                                                          | The Company's Extent of Compliance in 2019/2020                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>A.6 SUPPLY OF INFORMATION</b>                                                                                                                                                                                                                        |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Management should provide time-bound information in a format that is appropriate and enables the Board to discharge its duties. Financial and non-financial information is analysed and presented to the Board to make informed and accurate decisions. |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Obligation of the Management to provide appropriate and timely information to the Board                                                                                                                                                                 | A.6.1             |    | 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.                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>A.7 APPOINTMENTS TO THE BOARD</b>                                                                                                                                                                                                                    |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 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 following members:</p> <p>Mr. A. M. Pandithage – Chairman<br/>Mr. Dhammika Perera – Non-Executive<br/>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 Colombo Stock Exchange (CSE) in addition to disclosing this information in the Annual Report. Further, any changes in the details provided by the Directors are disseminated to the CSE without delay.</p> <p>The profiles of the above Directors are given on pages 12 to 14.</p> |

| Corporate Governance Principles                                                                                                                                          | Reference of Code | Compliance                                                                          | The Company's Extent of Compliance in 2019/2020                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>A.8 RE-ELECTION</b>                                                                                                                                                   |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| The Code requires all Directors to submit themselves for re-election at regular intervals and at least once every three years.                                           |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Appointment of Non-Executive Directors, Chief Executive Officer and Directors                                                                                            | A.8.1             |    | <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, Dr. H. Cabral, PC and Mr. S. Munaweera retire by rotation and being eligible offer themselves for re-election.</p> |
| Election of Directors by shareholders                                                                                                                                    | A.8.2             |    | 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             |  | 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>A.9 APPRAISAL OF BOARD PERFORMANCE</b>                                                                                                                                |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 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       |  | <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            |  | Board reviews the participation, contribution and engagement of each Director at the re-election.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Disclosure on performance evaluation criteria                                                                                                                            | A.9.4             |  | <p>Evaluation criteria with regard to Executive Directors are financial and non-financial targets set at the beginning of the year through the annual corporate plan.</p> <p>Criteria relating to evaluation of Board Committees are the performance against their duties referred in respective committee reports.</p> <p>Refer page 48 and page 49.</p>                                                                                                                                                                                                                                                                                |

## Corporate Governance

| Corporate Governance Principles                                                                                                                                                                                                                                                                                               | Reference of Code | Compliance                                                                          | The Company's Extent of Compliance in 2019/2020                                                                                                                                                                                                                                                                                                             |
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| <b>A.10 DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS</b>                                                                                                                                                                                                                                                                 |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                             |
| 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            |    | The following details pertaining to each Director are disclosed as follows:<br>a) Brief profile with expertise and experience – pages 12 to 14.<br>b) Directors' Interest in transactions and shareholding pages 42 and 43.<br>c) Attendance at the Board Meetings held during the year page 36.                                                            |
| <b>A.11 APPRAISAL OF CHIEF EXECUTIVE OFFICER</b>                                                                                                                                                                                                                                                                              |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                             |
| 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>                                                                                                                                                                                                                                                                                                |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                             |
| <b>B.1 REMUNERATION PROCEDURE</b>                                                                                                                                                                                                                                                                                             |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                             |
| 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 49 for the Remuneration Committee report. |
| Composition of Remuneration Committee                                                                                                                                                                                                                                                                                         | B.1.2             |  | The Remuneration Committee consists of two Independent Non-Executive Directors and the Chairman of this Committee is appointed by the Board.                                                                                                                                                                                                                |
| Chairman and the members of the Remuneration Committee                                                                                                                                                                                                                                                                        | B.1.3             |  | The Remuneration Committee consists of following Independent Non- Executive Directors:<br>Dr. H. Cabral, PC - Chairman<br>Mr. S. Munaweera - Member                                                                                                                                                                                                         |



| Corporate Governance Principles                                                                                                                                                                                                                                                                              | Reference of Code | Compliance                                                                          | The Company's Extent of Compliance in 2019/2020                                                                                                                                                                                                                                                                                 |
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| 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>B.2 THE LEVEL AND MAKE UP OF REMUNERATION</b>                                                                                                                                                                                                                                                             |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                 |
| The level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to the corporate and individual performance. |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                 |
| Level and makeup of the remuneration packages of Executive Directors                                                                                                                                                                                                                                         | B.2.1             |    | 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 an 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<br>B.2.9    | N/A                                                                                 | Termination of Executive Directors are governed by their contracts of service/employment.                                                                                                                                                                                                                                       |

## Corporate Governance

| Corporate Governance Principles                                                                                                                                                                                                                                                      | Reference of Code | Compliance                                                                          | The Company's Extent of Compliance in 2019/2020                                                                                                                                                                                                                          |
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| 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>B.3 DISCLOSURE OF REMUNERATION</b>                                                                                                                                                                                                                                                |                   |                                                                                     |                                                                                                                                                                                                                                                                          |
| 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             |    | Please refer page 80 for the total Directors' remuneration.                                                                                                                                                                                                              |
| <b>RELATIONS WITH SHAREHOLDERS</b>                                                                                                                                                                                                                                                   |                   |                                                                                     |                                                                                                                                                                                                                                                                          |
| <b>C.1 CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS</b>                                                                                                                                                                                      |                   |                                                                                     |                                                                                                                                                                                                                                                                          |
| The Code requires the Board to use the AGM which is a major event in the Company's calendar to communicate with shareholders and encourage their active participation. In this regard, all shareholders of the Company receive the Notice of Meeting within the statutory due dates. |                   |                                                                                     |                                                                                                                                                                                                                                                                          |
| Adequate notice of the AGM to Shareholders                                                                                                                                                                                                                                           | C.1.1             |   | A copy of the Annual Report including Financial Statements, Notice of the Meeting and the Form of Proxy is posted in the Company's website as well as CSE website.<br><br>Notice and the Form of proxy is sent to shareholders 15 working days prior to the date of 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 Chairman at the AGM                                                                                                                                                                                                                          | C.1.4             |  | The Chairman of the Company ensures the Chairman 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.                                                                                                                                  |

| Corporate Governance Principles                                                         | Reference of Code | Compliance                                                                          | The Company's Extent of Compliance in 2019/2020                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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| <b>C.2 COMMUNICATION WITH SHAREHOLDERS</b>                                              |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 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 Annual General Meeting. Shareholders are provided with the information prior to the AGM.</p> <p>Further, financial and other announcements are promptly submitted to CSE to publish in the CSE website.</p> <p>Comments and suggestions can be sent through <a href="mailto:marketing@alumexgroup.com">marketing@alumexgroup.com</a>.</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.                                                                                                                                                                                                                                                                                                                                                                                                        |
| Process to make Directors aware of major issues and concerns of shareholders            | C.2.5             |  | <p>The Company Secretary maintains a record of all correspondence received.</p> <p>All major issues and concerns of the shareholders are referred to the Board of Directors with the views of the management.</p>                                                                                                                                                                                                                                                                                                                |
| Response to the shareholders' matters                                                   | C.2.7             |  | 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.                                                                                                                                                                                                                                                     |

## Corporate Governance

| Corporate Governance Principles                                                                                                                                                                           | Reference of Code | Compliance                                                                          | The Company's Extent of Compliance in 2019/2020                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| <b>C.3 MAJOR TRANSACTIONS</b>                                                                                                                                                                             |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 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.                                                                                                                                                                                                                                                                                              |
| Shareholder's approval by special resolution                                                                                                                                                              | C.3.2             |    | During the year there were no transactions/events which require approval by way of a special resolution. Comply the disclosure requirements and approval by special resolution as required by the rules and regulations by SEC and the CSE.                                                                                                                                                                                                                                                                   |
| <b>ACCOUNTABILITY AND AUDIT</b>                                                                                                                                                                           |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>D.1 FINANCIAL AND BUSINESS REPORTING</b>                                                                                                                                                               |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 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 47.<br><br>The 'Statement of Directors' Responsibility' is given on page 46.<br><br>See the 'Auditors' Report' on page 53 for the reporting responsibility of Auditors.                                                                                                                              |
| Declaration by Board                                                                                                                                                                                      | D.1.4             |  | Directors have made all necessary declarations. Refer the Directors Report in Annual report pages 42 to 45.                                                                                                                                                                                                                                                                                                                                                                                                   |
| Statement of Directors Responsibility, Statement on Internal Controls and Auditors' Report                                                                                                                | D.1.5             |  | This is given in the 'Annual Report of the Board of Directors' on page 42 and the 'Statement of Directors' Responsibility' on page 46 and pertains to required declarations.                                                                                                                                                                                                                                                                                                                                  |

| Corporate Governance Principles                 | Reference of Code | Compliance                                                                        | The Company's Extent of Compliance in 2019/2020                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------|-------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 29 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 review the status on every meeting. Mitigating actions have been identified and continuously review the progress. Refer page 37 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

## Corporate Governance

| Corporate Governance Principles                                                                                                                                                                                                                   | Reference of Code | Compliance                                                                          | The Company's Extent of Compliance in 2019/2020                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| Directors' responsibility of maintaining of a sound internal control system                                                                                                                                                                       | D.2.5             |    | Please refer statement of Directors' Responsibilities on page 46.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>D.3 AUDIT COMMITTEE</b>                                                                                                                                                                                                                        |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 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<br/>Dr. H. Cabral, PC - Member<br/>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             |  | <p>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.</p> <p>Refer Audit committee report on page 48 for the duties.</p>                                                                                                                                                                                                                                         |
| Terms of reference of the Audit Committee                                                                                                                                                                                                         | D.3.3             |  | <p>Terms of Reference of the 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 48.</p>     |
| Disclosures of the Audit Committee                                                                                                                                                                                                                | D.3.4             |  | <p>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 (5) years, is met. The External Auditor, has provided an Independence confirmation in compliance with the "Guidelines for Appointment of Auditors of Listed Companies" issued by SEC. In order to safeguard the objectivity and independence of the External Auditor, the Audit Committee reviewed the nature and scope taking account of the regulations guidelines stated in Section D.3.2.</p> |



| Corporate Governance Principles                                                                                                                                                                         | Reference of Code | Compliance                                                                          | The Company's Extent of Compliance in 2019/2020                                                                                                                                                                                                                                                                                                                               |
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| <b>RELATED PARTY TRANSACTIONS REVIEW COMMITTEE</b>                                                                                                                                                      |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                               |
| <b>D.4</b> The company should establish a procedure that it will not engage in "Related Party Transactions" which is more favorable 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.                                                                                                                                                                                                                                                                                                                         |
| Related Party Transactions Review 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 RPTR Committee                                                                                                                                                                   | D.4.3             |    | Written terms of reference of the Committee are available. Please refer Related Party Transactions Review Committee Report on page 50.                                                                                                                                                                                                                                        |
| <b>D.5 CODE OF BUSINESS CONDUCTED AND ETHICS</b>                                                                                                                                                        |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                               |
| 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 in the Colombo Stock Exchange.                                                                                                                              |
| Affirmative Statement by the Chairman                                                                                                                                                                   | D.5.4             |  | See the 'The Chairman's statement' on page 7 for required details.                                                                                                                                                                                                                                                                                                            |
| <b>D.6 CORPORATE GOVERNANCE DISCLOSURE</b>                                                                                                                                                              |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                               |
| Directors of the Company disclose annually the Company's adherence to the Code of Best Practices 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.                                                                                                                                                                                                                                                                                                              |
| <b>SECTION 02</b>                                                                                                                                                                                       |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                               |
| <b>E. INSTITUTIONAL INVESTORS</b>                                                                                                                                                                       |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                               |
| <b>E.1 SHAREHOLDERS' VOTING</b>                                                                                                                                                                         |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                               |
| Institutional shareholders are required to make considered use of their votes and are encouraged to ensure their voting intentions are translated into practice.                                        |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                               |

## Corporate Governance

| Corporate Governance Principles                                                                                                            | Reference of Code | Compliance                                                                          | The Company's Extent of Compliance in 2019/2020                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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| Communication with shareholders                                                                                                            | E.1.1             |    | In order to avoid conflicts of interest by nurturing the mutual understanding, the Board carries out dialogues with its shareholders at General Meetings. In this regard, the AGM of the Company plays a critical role. Voting by the shareholders is crucial in carrying a resolution at the AGM. The Chairman, who plays the role of the agent, communicates the views and queries of the shareholders to the Board and the Senior Management, in order to ensure that the views are properly communicated to the Company. |
| <b>E.2 EVALUATION OF GOVERNANCE DISCLOSURES</b>                                                                                            |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 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.                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>F. OTHER INVESTORS</b>                                                                                                                  |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>F.1 INVESTING/ DIVESTING DECISIONS</b>                                                                                                  |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 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.                                                                                                                                                                                                                                                                                                         |
| <b>F.2 SHAREHOLDER VOTING</b>                                                                                                              |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Encourage Voting by Individual Investors                                                                                                   | F.2               |  | Individual shareholders are encouraged to participate in General Meetings of the Company and exercise their voting rights.                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>G. INTERNET OF THINGS AND CYBERSECURITY</b>                                                                                             |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 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 have given due attention.                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Independent periodic reviews and assurance                                                                                                 | G.4               |  | Periodic review are carried out by the external auditors and consultants and observations are submitted to the Board for review and actions.                                                                                                                                                                                                                                                                                                                                                                                 |
| Disclosure on Cyber security risk management                                                                                               | G.5               |  | A detailed disclosure has not been made on the Cyber security process in this Annual report.                                                                                                                                                                                                                                                                                                                                                                                                                                 |

| Corporate Governance Principles                                                                                                                                                                                                                                                                                                                                        | Reference of Code | Compliance                                                                          | The Company's Extent of Compliance in 2019/2020                                                                                                                                                                                                                                                                                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>H. ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)</b>                                                                                                                                                                                                                                                                                                                    |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                     |
| <b>H.1 ESG REPORTING</b>                                                                                                                                                                                                                                                                                                                                               |                   |                                                                                     |                                                                                                                                                                                                                                                                                                                                     |
| The Code requires the Company to include the ESG factors in building its Business Model, Strategy, Governance and Risk Management framework. 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             |    | Company has included the environmental, social and governance factors in its business models and provided sufficient information on all aspects in the Annual Report.<br>Refer page 37 for Risk 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 fulfill the obligation towards the environment. Such best practices are pollution prevention, sustainable resource use, protection of environment and restoration of natural resources. |
| Social Factors                                                                                                                                                                                                                                                                                                                                                         | H.1.3             |    | The Company adopts an integrated approach to build strong relationship with community and strives towards sustainable development.                                                                                                                                                                                                  |
| 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.<br><br>Refer corporate governance on page 16 and risk management on page 37 in this Annual Report.                                                                                          |
| Board's role on ESG Factors                                                                                                                                                                                                                                                                                                                                            | H.1.5             |  | The Company has not followed the Integrated Reporting Framework and the Global Reporting Initiative Guidelines in presenting this Annual Report FY 2019-20.                                                                                                                                                                         |

### SECTION 3 : COLOMBO STOCK EXCHANGE LISTING RULES SECTION 7.10

#### Statement of Compliance

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

| Rule No.  | Subject                       | Alumex Extent of Adaption                                                               | Compliance Status                                                                     | Reference in this report |
|-----------|-------------------------------|-----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|--------------------------|
| 7.10.1(a) | Non-Executive Directors (NED) | Five (5) of the eight (8) Directors were Non-Executive Directors as at 31st March 2020  |  | Corporate Governance     |
| 7.10.2(a) | Independent Directors         | Two (2) of the Five (5) Non-Executive Directors were independent as at 31st March 2020. |  | Corporate Governance     |

## Corporate Governance

| Rule No.  | Subject                                                            | Alumex Extent of Adaption                                                                                                                                                                                                                                                                                                                                                                           | Compliance Status                                                                     | Reference in this report                                    |
|-----------|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------|
| 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 item A.5.5 of the ICASL Code table.                                                                                                                                                                                                                            |    | Corporate Governance                                        |
| 7.10.3(b) | Disclosure relating to Directors                                   | The Board has determined that Two (2) Non-Executive Directors satisfy the criteria for "independence" set in the Listing Rules. The Board is of the opinion that Dr. H. Cabral's independence will not be compromised by him being an Independent Non-Executive Director of Hayleys PLC 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 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 (2) Independent Non-Executive Directors as at 31st March 2020.                                                                                                                                                                                                                                                                                          |  | 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 24. The disclosure of the Remuneration Committee is given on page 49 and the Remuneration paid to Directors is given in the Note 8 to the Financial Statement on page 80.                                                                                                                        |  | Corporate Governance and Remuneration Committee Report      |

| 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 48.                                                                                                  |  | 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 48 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 9

##### Statement of Compliance

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

| Rule No.      | Subject                                                        | Alumex Extent of Adaption                                                                                                                                                                                                                                                | Compliance Status                                                                     | Reference in this report                                                                                            |
|---------------|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| 9.2.1 & 9.2.3 | Related Party Transactions Review Committee                    | The RPTRC of the parent Company, Hayleys PLC, a listed entity, functions as the RPTR Committee for the Company.<br><br>The functions of the RPTRC are stated in Related Party Transactions Review Committee report on page 50.                                           |  | Annual Report of Board of Directors and the Related Party Transactions Review Committee Report                      |
| 9.2.2         | Composition of the Related Party Transactions Review Committee | The RPTRC consists of following Directors:<br><br>Dr. H. Cabral - Chairman (Independent Non-Executive Director - Hayleys PLC)<br><br>Mr. M. Y. A. Perera - (Independent Non-Executive Director - Hayleys PLC)<br>Mr. S. C. Ganegoda - (Executive Director - Hayleys PLC) |  | Annual Report of Board of Directors on page 42<br><br>Related Party Transactions Review Committee Report on page 50 |

## Corporate Governance

| Rule No.  | Subject                                                   | Alumex Extent of Adaption                                                                                                                                                                                                                                                                                                                                          | Compliance Status | Reference in this report                           |
|-----------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------------------------------------|
| 9.2.4     | Related Party Transactions Review Committee Meetings      | The RPTRC met 04 times during the financial year 2019/20                                                                                                                                                                                                                                                                                                           | ✓                 | Annual Report of Board of Directors on page 42     |
| 9.3.1     | Immediate disclosures                                     | The Company has not been involved in any non-recurrent related party transaction which requires immediate announcement to the CSE.                                                                                                                                                                                                                                 | ✓                 | Notes 29 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 transaction which requires immediate announcement to the CSE.                                                                                                                                                                                                                                 | ✓                 | Notes 29 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 ordinary course of business of the company.<br><br>However, aggregate values of these transactions were below 10% of gross revenue of latest audited accounts. | ✓                 | Note 29 to the Financial Statements                |
| 9.3.2 (c) | Report by the Related Party Transactions Review Committee | Refer page 50 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 of the Board.                                                                                                                                                                                                                                                                      | ✓                 | Annual Report of Board of Directors on page 42     |

### BOARD AND AUDIT 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     | 5/5        |
| Mr. D.W.P.N.Dediwela    | 5/5        |
| Mr. R.P. Pathirana      | 1/5        |
| Mr. S.C. Ganegoda       | 5/5        |
| Mr. A. A. Akbarally     | 2/5        |
| Dr. H. Cabral, PC       | 4/5        |
| Mr. S. Munaweera        | 4/5        |
| Mr. R.P.P.K. Rajapaksha | 5/5        |

#### 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.

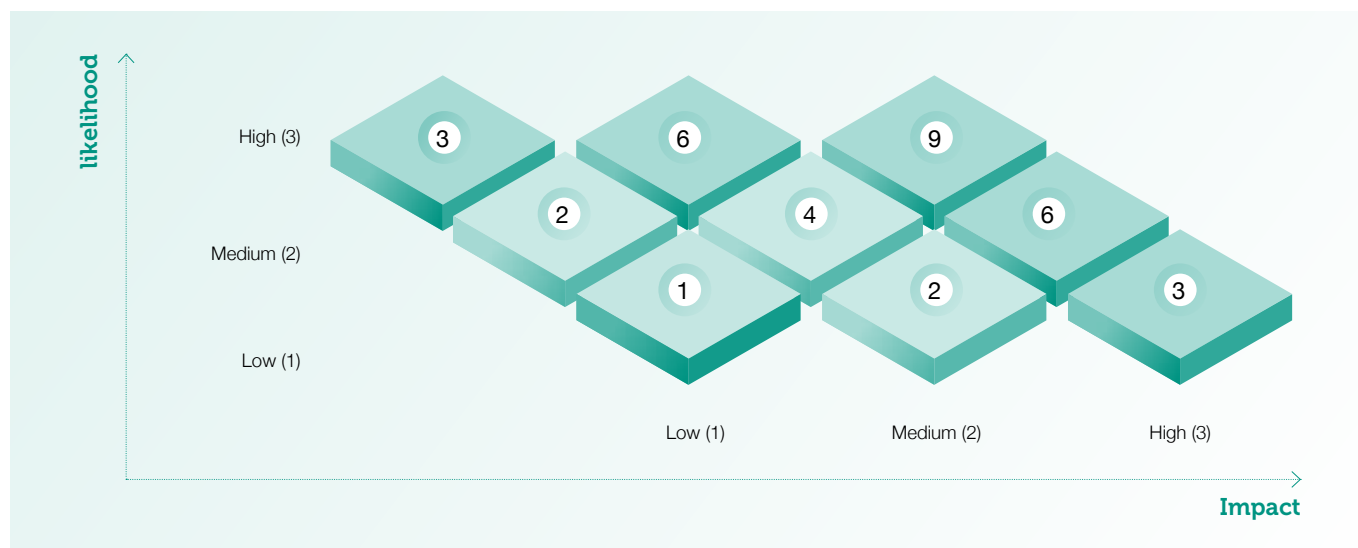
### Enterprise Risk Management Framework

|                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 actions.                                                                                                                                                                          |
| Monitoring                    | Monitoring risks at multiple levels: During the monthly performance review meetings, all significant risks and their actions plans are reviewed by the Corporate Management team and the Group Managers. The Hayleys' Group Management Committee, attended by the Managing Director of the Alumex Group, also reviews these risk areas on a monthly basis. The Audit Committee, which has the ultimate responsibility of monitoring the process of risk management, reviews the risks and action plans on a quarterly basis and makes recommendations to the Board. |

# Risk Management

## RISK ASSESSMENT

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



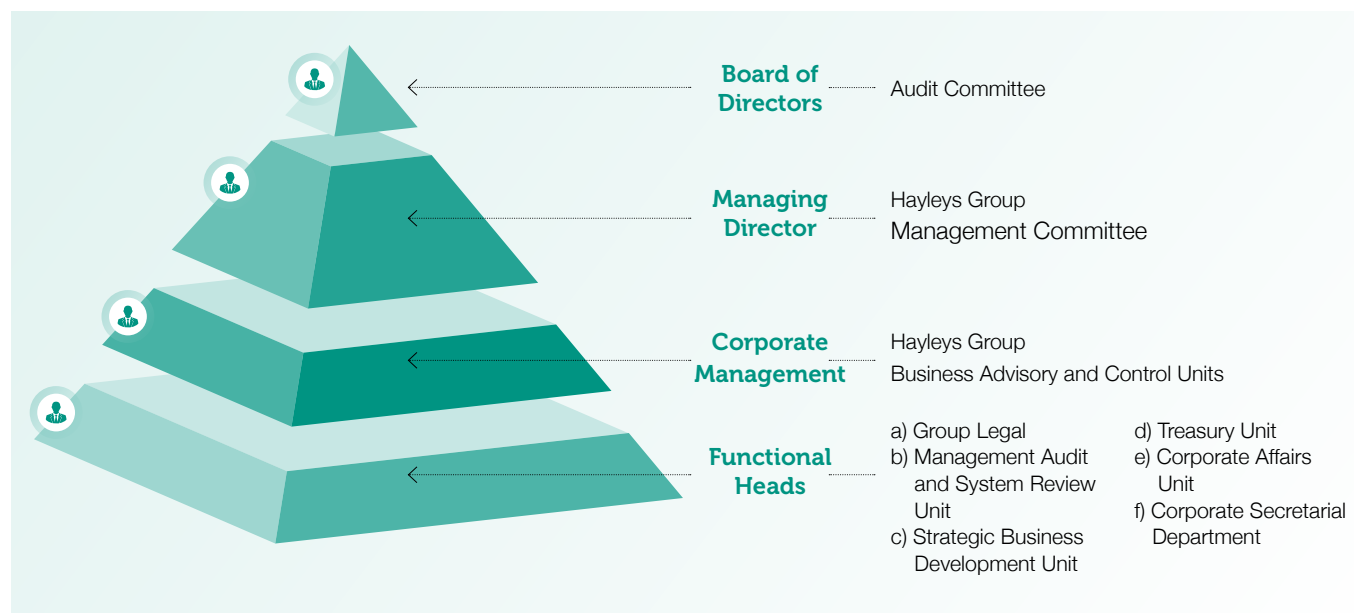
## RISK MANAGEMENT STRUCTURE

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

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

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

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



## RISK MANAGEMENT ACTIONS

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

| Risk Category             | Risk Element                                                                                                                | Implications                                                                                                                                                                                                               | Mitigating Measures                                                                                                                                                                                                                    | Risk Level |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Risk of Financial Capital | <b>Commodity Price Risk</b><br>Fluctuations in Aluminium prices in the world market                                         | <b>Short term and Long term</b><br>Increase in Aluminium raw material prices will create losses due to fixed selling prices                                                                                                | <ul style="list-style-type: none"> <li>Monitor price trends and book forward</li> <li>Quote variable prices to customers, based on London Metal Exchange prices</li> </ul>                                                             | High       |
|                           | <b>Foreign Currency Risk</b><br>Arises from exposure to foreign currency positions                                          | <b>Short term and Long term</b><br>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"> <li>Monitor trends and book forward</li> <li>Maintain foreign currency denominated assets to hedge against liabilities</li> </ul>                                                                   | High       |
|                           | <b>Interest Rate Risk</b><br>Arising due to the sensitivity to interest rate changes                                        | <b>Short term and Long term</b><br>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"> <li>Effective management of working capital</li> <li>Maintain a proper combination of fixed and floating rates</li> </ul>                                                                           | High       |
|                           | <b>Liquidity Risk</b><br>Availability of funds –the Group has to be liquid and solvent to carry out its operations smoothly | <b>Short term and Long term</b><br>Unavailability of sufficient funds may interrupt the smooth functioning of the Company's operations                                                                                     | <ul style="list-style-type: none"> <li>Effective treasury function to forecast fund requirement and availability</li> <li>Maintain a portfolio of short term liquid assets</li> <li>Arrange sufficient financial facilities</li> </ul> | Medium     |

## Risk Management

| Risk Category                         | Risk Element                                                                                                                                                                              | Implications                                                                                                                                                              | Mitigating Measures                                                                                                                                                                                                                                     | Risk Level |
|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Risk of Financial Capital             | <b>Risk of Bad Debts</b><br>Occurs due to payment default by credit customers                                                                                                             | <b>Short term and Long term</b><br>Could result in direct losses due to bad debts and increase in finance cost due to delayed payments                                    | <ul style="list-style-type: none"> <li>Implementation of Group credit policy</li> <li>Periodic review of receivables, legal and other recovery actions</li> </ul>                                                                                       | High       |
|                                       | <b>Fixed Overhead Costs</b><br>Lower utilisation of existing capacity                                                                                                                     | <b>Short term and Long term</b><br>Leading to low profit making situations due to the lower production/ sales                                                             | <ul style="list-style-type: none"> <li>Cut down possible overhead costs and increase the efficiencies</li> <li>Develop export market sales to increase the production/ sales volume</li> </ul>                                                          | Medium     |
| Risk of Human Capital                 | <b>Labour Shortages</b><br>Reduction in skilled and un-skilled labour                                                                                                                     | <b>Short term and Long term</b><br>Increase in production costs due to higher wages                                                                                       | <ul style="list-style-type: none"> <li>Automation</li> <li>Increase living standards of employees to reduce turnover</li> </ul>                                                                                                                         | Medium     |
|                                       | <b>Industrial Health and Safety</b><br>Could lead to workplace accidents, penalties, negative image and hiring difficulties on future requirements                                        | <b>Short term and Long term</b><br>Lower productivity due to higher employee turnover and dissatisfaction of existing employees                                           | <ul style="list-style-type: none"> <li>Providing necessary safety equipment to all employees</li> <li>Focused training on health and safety to all employees</li> <li>Insurance coverage to mitigate the risks</li> </ul>                               | Medium     |
| Risk of Intellectual capital          | <b>Confidentiality of Information</b><br>Loss of confidential data through security breaches in the IT systems                                                                            | <b>Short term and Long term</b><br>Loss of the unique profile designs of Alumex to competitors                                                                            | <ul style="list-style-type: none"> <li>Extensive controls and reviews to maintain security of IT infrastructure and data</li> <li>Regular back up of data and off-site storage of data backup system</li> <li>Disaster recovery plan</li> </ul>         | Medium     |
| Risk of Social & Relationship Capital | <b>FTA with China</b><br>May affect removing duty / import barriers                                                                                                                       | <b>Long Term</b><br>Loss of market share and profitability                                                                                                                | <ul style="list-style-type: none"> <li>Identify and develop competitive advantages</li> <li>Productivity increase and reduction in cost of production</li> </ul>                                                                                        | Medium     |
|                                       | <b>Single customer/ suppliers</b><br>Risk of having a few major customers and/or suppliers                                                                                                | <b>Short term and Long term</b><br>Loss of a major customer can affects revenues and loss of a major supplier affects the supply of critical raw material for manufacture | <ul style="list-style-type: none"> <li>Diversify and increase the customer base</li> <li>Develop a multiple supplier network</li> </ul>                                                                                                                 | Medium     |
| Risk of Natural Capital               | <b>Using Hazardous Chemicals</b><br>Risk of using hazardous chemicals for the production can cause health and safety issues                                                               | <b>Short term and Long term</b><br>Public resistance and/or regulatory involvement on environmental pollution / protection                                                | <ul style="list-style-type: none"> <li>Shifting to environmental friendly chemicals</li> <li>Developing Effluent Water Treatment process</li> <li>Safe disposal of solid waste</li> </ul>                                                               | Medium     |
|                                       | <b>COVID-19 Global Crisis Risk</b><br>Arising due to isolation of people, societies and countries without movements with external world. Multiple risk factors will increase in adversely | <b>Short term and Long term</b><br>Demand decline, liquidity of markets, supply chain disturbances will arise                                                             | <ul style="list-style-type: none"> <li>Closely monitor and manage existing customers</li> <li>Look for new markets not affected by the Virus</li> <li>Look for new supply chain avenues, reduce overhead cost and improve liquidity position</li> </ul> | High       |

# 03

## Consistent quality future advancement

|                                                                                        |   |    |
|----------------------------------------------------------------------------------------|---|----|
| Annual Report of the Board of Directors<br>on the affairs of the Company               | - | 42 |
| Statement of Directors' Responsibility                                                 | - | 46 |
| Responsibility Statement of Chairman,<br>Managing Director and Chief Financial Officer | - | 47 |
| Audit Committee Report                                                                 | - | 48 |
| Remuneration Committee Report                                                          | - | 49 |
| Related Party Transactions Review<br>Committee Report                                  | - | 50 |

# 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 2020. The details set out herein provide the pertinent information required by the Companies Act No. 7 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended best reporting practices.

## PRINCIPAL ACTIVITIES & BUSINESS REVIEW

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

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

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

## FINANCIAL STATEMENTS

The Financial Statements of the Company are given on pages 56 to 109.

## AUDITOR'S REPORT

The Auditor's Report on the Financial Statements is given on pages 53 to 55.

## ACCOUNTING POLICIES

The accounting policies adopted in the preparation of Financial Statements are given on pages 62 to 78.

The Financial Statements and notes thereto give a true and fair view of the Company's and group financial position as 31/03/2020 and of their performance for the year ended on that date.

## INTERESTS REGISTER

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

## Related Party Transactions

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

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

The Committee met four (04) times in the Financial Year 2019/20.

## Attendance

Meetings held on 15th May 2019, 5th August 2019, 5th November 2019 and 10th February 2020.

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

\*\*Independent Non-Executive

\*Executive

## Directors' Interests in Transactions

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No.7 of 2007. Note 29 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 43 of this report.

## Directors' Remuneration

Executive Directors' remuneration is established within an established framework. The total remuneration of Executive Directors for the year ended 31st March 2020 was Rs. 24.35 Mn (2018/19 – Rs. 35.15 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 2020 was Rs. 1,164,000/- (2018/19 – Rs. 1,050,000) determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the Company.

## Insurance and Indemnity

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

The limit on liability of the cover is USD 5 million at a premium of Rs 9.2 million per annum.

## DIRECTORS' SHAREHOLDINGS

| Name                                                                 | No. of shares as at<br>31/03/2020 | No. of shares as at<br>31/03/2019 |
|----------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| 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                                                    | 92,939                            | 45,239                            |
| 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                            | 19,907                            |
| Mr. A.J. Hirdaramani<br>(Alternate Director to<br>Mr R.P. Pathirana) | Nil                               | Nil                               |
| Mr. T. Akbarally<br>(Alternate Director to<br>A.A. Akbarally)        | 100,000                           | 100,000                           |

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 40,617,782 shares (13.57%) 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.

200,000 shares were purchased by Akbar Brother (Private) Limited during the year. (Mr. A. A. Akbarally is a Director of Alumex PLC and Mr. T.Akbarally, Alternate Director to Mr. A.A.Akbarally are also Directors of Akbar Brothers (Private) Limited and has controlling interest in Akbar Brothers (Private) Limited.

47,700 shares were purchased by Mr. S.C. Ganegoda, a Non-executive Director of Alumex PLC during the year.

## CORPORATE DONATIONS

The donations made during this year by the Company amounted to Rs. 949,465/- (2018/19 – Rs 1,109,723/-).

While Donations made by the Group amounted to Rs. 949,465/- (2018/19 - Rs. 1,109,723/-).

## DIRECTORATE

The names of the directors who held office at the end of the financial year are given below and their brief profiles appear on pages 12 to 14.

Mr. A M Pandithage (Chairman)  
Mr. D W P N Dediwela (Managing Director)  
Mr. S C Ganegoda\*  
Mr. R P Pathirana\*  
Mr. A A Akbarally\*  
Dr. H Cabral, PC\*\*  
Mr. S Munaweera\*\*  
Mr. R P P K Rajapaksha  
Mr A J Hirdaramani\* (Alternate Director to  
Mr. R P Pathirana)  
Mr. T Akbarally \* (Alternate Director to A  
A Akbarally)  
\* Non Executive  
\*\* Independent Non Executive

Dr. H. Cabral, PC and Mr. S. Munaweera 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, and the attendance of Directors at these meetings are given on page 36. Furthermore, the Directors contributed towards policy advocacy and direction by participating in the deliberations of the Board appointed sub committees on Strategic Review, Procurement and Disposal of Assets.



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

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company to present a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 7 of 2007, and the Listing Rules of the Colombo Stock Exchange. The Statement of Directors' Responsibility for Financial Reporting is given on page 46 which forms an integral part of the Annual Report of the Board of Directors.

## SIGNIFICANT ACCOUNTING POLICIES

Preparation of the Financial Statements of the Company have been consistent with the previous financial year that adopted in new SLFRS and LKAS. The significant Accounting policies adopted in the Financial Statement are given on pages 62 to 78.

## AUDITORS

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

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

The Auditors, Messrs. Ernst and Young, Chartered Accountants, was paid Rs. 1,162,864 (2018/19 – Rs. 1,091,141/-) and Rs. 380,858 (2018/19 - Rs. 410,386/-) as audit fees by the Company and its subsidiaries respectively. In addition, they were paid Rs. 849,251/- (2018/19 - Rs. 801,326/-) and Rs. 86,725/-

(2018/19 - Rs. 148,012/-) respectively by the Company and its subsidiaries for non-audit related work, which consisted mainly of tax consultancy services.

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

## FUTURE DEVELOPMENTS

Information on future developments are contained in the Chairman's report on page 7.

## TURNOVER

The turnover of the Group was Rs. 4,795 Mn (2018/19 - Rs. 5,133 Mn) in the year under review. A detailed analysis of the Group's turnover is given in Note 5 to the financial statements.

## RESULTS AND DIVIDENDS

No dividend has been proposed for the year 2019/20 (2018/19- Interim dividend of Rs. 0.15 per share was paid on 18 April 2019) The Group's Profit before tax amounted to Rs. 66.89 Mn (2018/19 – Rs. 177 Mn) After charge of Rs.36.04 Mn (2018/19 – Rs. 50.6 Mn) for taxation, net Profit for the year was Rs. 30.85 Mn (2018/19 - Rs. 126 Mn) In addition, Group's total Comprehensive Income net of tax was Rs. 35.23 Mn (2018/19 - Rs. 280 Mn).

## RATIOS AND MARKET PRICE INFORMATION

Ratios relating to equity and debt and the market price information are given on page 4, 112 and 113.

## PROPERTY, PLANT AND EQUIPMENT

The capital expenditure of the Group on property, plant and equipment during the

year under review amounted to Rs. 156 Mn (2018/19 – Rs. 490 Mn). Information relating to movement in property, plant and equipment during the year is given in Note 12 to the Financial Statements.

## MARKET VALUES OF THE PROPERTIES

The free hold land in the group has in general been subject to routine revaluation by independent qualified valuers. The most recent valuation was conducted 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 2020 amounted to Rs. 2,098 Mn (2018/19 – Rs. 2,070 Mn) comprising capital reserve of Rs.807 Mn (2018/19 – Rs. 812 Mn) and revenue reserve of Rs. 1,291 Mn (2018/19 – Rs. 1,257 Mn). Movements are shown in the Statement of Changes in Equity on page 59.

## 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. The number of persons employed by the group at the year end was 607. The Group does not operate any share option scheme.

## SHAREHOLDERS

It is the Group's policy to endeavor to ensure equitable treatment to its shareholders. Details of the major shareholders are given on page 110.

### EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

### STATUTORY PAYMENTS

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

### ENVIRONMENTAL PROTECTION

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

### CORPORATE GOVERNANCE/ INTERNAL CONTROL

Adoption of Good Governance Practices has become an essential requirement in today's corporate culture. The Company has complied with the Corporate Governance rules laid down by the Colombo Stock Exchange. The practices carried out by the Company are explained in the Corporate Governance statement on pages 16 to 36.

The Directors acknowledge their responsibility for the Group's system of internal control. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute

assurance that errors and irregularities are either prevented or detected within a reasonable time period.

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

### EXPOSURE TO RISK

The group has a structured risk management process in place to support its operations. The audit committee plays a major role in this process. The risk management section referred in pages 37 to 40 elaborates these practices and the risk factors.

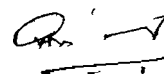
### GOING CONCERN

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

### ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Hayleys PLC, No.400, Deans Road, Colombo 10, Sri Lanka at 12.00 Noon on 21st July 2020. The notice of the Annual General Meeting appears on page 114.

For and on behalf of the Board



**A. M. Pandithage**  
*Chairman*



**D. W. P. N. Dediwela**  
*Managing Director*



**Hayleys Group Services (Pvt) Ltd**  
*Secretaries*

26th May, 2020

## 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.

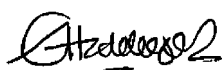
The Directors have taken reasonable measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The 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 pages 53 to 55 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*

26th May 2020

## 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 2020, 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.

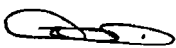
The Financial Statements were audited by the independent external auditors, Messrs Ernst & Young, Chartered Accountants. The Audit Committee approves the audit and non-audit services provided by the external auditor, in order to ensure that the provision of such services do not impair their independence.

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*

26th May 2020

## 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 (3) 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 pages 12 to 14.

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 (4) times during the year. The attendance of the members at these meetings is stated in the table on page 36.

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 statement of the Group.

The responsibilities of the committee are:

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

Other responsibilities include holding discussions with the Management about the major policies with respect to Risk Assessment and Risk Management.

### EXTERNAL AUDIT

During the year, the Committee reviewed the external audit scope and the strategy. The Audit Committee discussed the audit plan and the scope of the external audit with Messrs Ernst & Young. The Interim Issues Memorandum, Audit Results Report and the Management Letters issued by the External Auditors with regards to the Financial Statements are circulated and reviewed at the Audit Committee.

The Committee reviews annually the appointment of the External Auditor and makes recommendations to the Board accordingly.

The Committee is satisfied that the independence of the External Auditors had not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors, in order to ensure that it did not compromise their independence.

The Audit Committee recommended to the Board the re-appointment of Messrs Ernst and Young, Chartered Accountants as the External Auditors of the Company for the ensuing financial year, subject to the approval of the shareholders at the next Annual General Meeting.

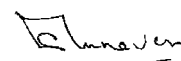
The Audit Committee provides the opportunity to External Auditors to meet Audit Committee members independently, if necessary.

### 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 2021.

### 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

26th May 2020

## 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 12 to 14.

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 80.



**Dr. Harsha Cabral, PC**  
*Chairman- Remuneration Committee*

26th May 2020

## Related Party Transactions Review Committee Report

The Related Party Transaction Review Committee of the parent Company, Hayleys PLC, functions as the Committee for the Company and is in line with the Section 9 of the Listing Rules of the Colombo Stock Exchange.

### COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee comprises two (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 regards to any transaction entered into with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary, including obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend, where necessary, to the Board, and obtain their approval prior to the execution of any related party transaction.

- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions.
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

### TASK OF THE COMMITTEE

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

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

### MEETINGS

The Committee Meetings were held four times during the year under review on 15th May 2019, 5th August 2019, 5th November 2019 and 10th February 2020. The attendance at the meetings is given in table on page 42.

### 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 29 to the Financial Statements on pages 102 to 105.



**Dr. Harsha Cabral, PC.**  
*Chairman*

Related Party Transactions Review  
Committee of Hayleys PLC

15th June 2020



# 04

## Consistent improvement future development

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## Financial Calendar 2019/20

|                             |                    |
|-----------------------------|--------------------|
| 01st Quarter Report         | 31st July 2019     |
| 02nd Quarter Report         | 14th November 2019 |
| 03rd Quarter Report         | 3rd February 2020  |
| 04th Quarter Report         | 28th May 2020      |
| Annual Report 2019/2020     | 26th June 2020     |
| 13th Annual General Meeting | 21st July 2020     |

## Independent Auditor's Report



Ernst & Young  
Chartered Accountants  
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P.O. Box 101  
Colombo 10  
Sri Lanka

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Fax Gen : +94 11 2697369  
Tax : +94 11 5578180  
eysl@lk.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 subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2020, 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 2020, 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 R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA 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  
Principals: G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited



### KEY AUDIT MATTERS COMMON TO BOTH GROUP AND COMPANY

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Internal controls over value added products processing center                                                                                                                                                                                                                                                                                                                                                                                                                      | Our audit procedures focused on assessing the reasonableness of cost of sales and closing inventory related to value added products center included the following:                                                                                                                                                                                                                                                                                                                                                                        |
| Value added products processing center contributed approximately Rs. 119 Mn of the cost of sales reported for the year while its contribution to closing inventory and raw materials was Rs. 30 Mn. Identification of timely and accurate recording of inventory movements within the said division as an area requiring further improvements in internal controls coupled with its significance to performance for the year resulted this being identified as a key audit matter. | <p>Attending physical verification of inventories at the relevant locations focusing on adequacy and appropriateness of controls deployed over the physical verification;</p> <p>Validating the unit cost per product used in ascertaining the value of year-end raw materials and finished goods, focusing on appropriateness of rate of overhead absorption and related actual cost incurred to date; and</p> <p>Validating the rectification entries /adjustments made by the management relating to Cost of sales and inventories</p> |

### OTHER INFORMATION INCLUDED IN THE 2020 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 the 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 the 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.

26 May 2020  
Colombo



## Statement of Profit or Loss

| Year ended 31 March 2020             | Notes | Group            |                  | Company          |                  |
|--------------------------------------|-------|------------------|------------------|------------------|------------------|
|                                      |       | 2020<br>Rs. 000  | 2019<br>Rs. 000  | 2020<br>Rs. 000  | 2019<br>Rs. 000  |
| Revenue                              | 5     | 4,794,617        | 5,132,711        | 4,412,102        | 4,608,312        |
| Less - NBT                           |       | (64,667)         | (101,711)        | (60,211)         | (91,524)         |
| <b>Net Revenue</b>                   |       | <b>4,729,950</b> | <b>5,031,000</b> | <b>4,351,891</b> | <b>4,516,788</b> |
| Cost of Sales                        |       | (3,727,898)      | (3,877,887)      | (3,480,974)      | (3,672,354)      |
| <b>Gross Profit</b>                  |       | <b>1,002,052</b> | <b>1,153,113</b> | <b>870,917</b>   | <b>844,434</b>   |
| Other Income                         | 6     | 27,599           | 9,796            | 24,482           | 127,576          |
| Selling and Distribution Expenses    |       | (252,403)        | (219,820)        | (245,005)        | (210,139)        |
| Administrative Expenses              |       | (316,659)        | (348,964)        | (295,981)        | (328,165)        |
| <b>Operating Profit</b>              |       | <b>460,589</b>   | <b>594,125</b>   | <b>354,413</b>   | <b>433,706</b>   |
| Finance Cost                         | 7.1   | (409,648)        | (440,309)        | (412,137)        | (425,414)        |
| Finance Income                       | 7.2   | 15,946           | 23,019           | 15,117           | 21,235           |
| <b>Profit/ (Loss) Before Tax</b>     | 8     | <b>66,887</b>    | <b>176,835</b>   | <b>(42,607)</b>  | <b>29,527</b>    |
| Income Tax (Expenses) / Reversal     | 9     | (36,038)         | (50,355)         | (12,590)         | 25,421           |
| <b>Profit/ (Loss) for the Year</b>   |       | <b>30,849</b>    | <b>126,480</b>   | <b>(55,197)</b>  | <b>54,948</b>    |
| Profit Attributable to Shareholders  |       | 30,849           | 126,480          | (55,197)         | 54,948           |
|                                      |       | 30,849           | 126,480          | (55,197)         | 54,948           |
| Diluted and Basic Earnings per Share | 10.2  | 0.10             | 0.42             | (0.18)           | 0.18             |
| Dividend Per Share                   | 11    | -                | -                | -                | 0.60             |

Notes from pages 62 to 109 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

## Statement of Comprehensive Income

| Year ended 31 March 2020                                                                  | Notes | Group           |                 | Company         |                 |
|-------------------------------------------------------------------------------------------|-------|-----------------|-----------------|-----------------|-----------------|
|                                                                                           |       | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| <b>Profit/ (Loss) for the Year</b>                                                        |       | 30,849          | 126,480         | (55,197)        | 54,948          |
| <b>Other Comprehensive Income</b>                                                         |       |                 |                 |                 |                 |
| Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods |       |                 |                 |                 |                 |
| Actuarial Gains/ (Losses) on Defined Benefit Plans                                        | 24.1  | 6,021           | 2,210           | 5,418           | 1,385           |
| Income Tax Effect on Actuarial Gains and Losses                                           | 9     | (1,638)         | (553)           | (1,517)         | (388)           |
|                                                                                           |       | 4,383           | 1,657           | 3,901           | 997             |
| Revaluation of Land                                                                       | 22.1  | -               | 210,263         | -               | 201,263         |
| Income tax effect on Revaluation of Land                                                  | 9     | -               | (58,154)        | -               | (56,354)        |
| Total Other Comprehensive Income for the Year, Net of Tax                                 |       | 4,383           | 153,766         | 3,901           | 145,906         |
| <b>Total Comprehensive Income for the Year, Net of Tax</b>                                |       | 35,232          | 280,246         | (51,296)        | 200,854         |
| <b>Total Comprehensive Income Attributable to Shareholders</b>                            |       | 35,232          | 280,246         | (51,296)        | 200,854         |

Notes from pages 62 to 109 form an integral part of these Financial Statements. Figures in brackets indicate deductions.



## Statement of Financial Position

| As at 31 March 2020                                      | Notes | Group           |                 | Company         |                 |
|----------------------------------------------------------|-------|-----------------|-----------------|-----------------|-----------------|
|                                                          |       | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| <b>Non-current Assets</b>                                |       |                 |                 |                 |                 |
| Property, Plant and Equipment                            | 12    | 3,687,270       | 3,772,972       | 3,485,837       | 3,568,970       |
| Intangible Assets                                        | 13    | 72,009          | 55,124          | 72,009          | 55,124          |
| Right-of-Use Assets / Lease assets                       | 14.1  | 45,820          | -               | 45,820          | -               |
| Investments in Subsidiaries                              | 15    | -               | -               | 30,000          | 30,000          |
|                                                          |       | 3,805,099       | 3,828,096       | 3,633,666       | 3,654,094       |
| <b>Current Assets</b>                                    |       |                 |                 |                 |                 |
| Inventories                                              | 17    | 1,845,542       | 1,855,569       | 1,684,732       | 1,594,881       |
| Trade and Other Receivables                              | 18    | 930,439         | 1,085,810       | 774,052         | 840,724         |
| Advances and Prepayments                                 | 19    | 92,713          | 69,365          | 90,198          | 65,573          |
| Income Tax Receivable                                    |       | 51,234          | 39,123          | 51,234          | 39,123          |
| Cash and Cash Equivalents                                | 20    | 72,644          | 98,555          | 70,728          | 59,961          |
|                                                          |       | 2,992,572       | 3,148,422       | 2,670,944       | 2,600,262       |
| <b>Total Assets</b>                                      |       | 6,797,671       | 6,976,518       | 6,304,610       | 6,254,356       |
| <b>Equity and Liabilities</b>                            |       |                 |                 |                 |                 |
| Stated Capital                                           | 21    | 283,735         | 283,735         | 283,735         | 283,735         |
| Reserves                                                 | 22    | 807,020         | 812,305         | 774,607         | 779,892         |
| Retained Earnings                                        |       | 1,291,091       | 1,257,255       | 617,213         | 669,910         |
| <b>Total Equity</b>                                      |       | 2,381,846       | 2,353,295       | 1,675,555       | 1,733,537       |
| <b>Non-Current Liabilities</b>                           |       |                 |                 |                 |                 |
| Interest Bearing Loans and Borrowings                    | 16.1  | 1,353,950       | 1,198,750       | 1,353,950       | 1,198,750       |
| Non Current Portion of Lease Liability                   | 14.2  | 33,039          | -               | 33,039          | -               |
| Retirement Benefit Liability                             | 24    | 125,285         | 111,766         | 111,225         | 99,292          |
| Deferred Tax Liabilities                                 | 9     | 241,977         | 250,760         | 241,868         | 247,603         |
|                                                          |       | 1,754,251       | 1,561,276       | 1,740,082       | 1,545,645       |
| <b>Current Liabilities</b>                               |       |                 |                 |                 |                 |
| Trade and Other Payables                                 | 25    | 880,844         | 1,133,900       | 1,153,744       | 1,114,244       |
| Current Portion of Long Term Interest Bearing Borrowings | 16.1  | 727,900         | 527,500         | 727,900         | 527,500         |
| Current Portion of Lease Liability                       | 14.2  | 23,698          | -               | 23,698          | -               |
| Short-Term Interest Bearing Borrowings                   | 16.1  | 1,015,769       | 1,361,100       | 972,909         | 1,311,460       |
| Other Current Financial Liabilities                      | 16.2  | 906             | 14,649          | 791             | 14,413          |
| Provisions                                               | 23    | 11,624          | 9,020           | 9,931           | 7,557           |
| Income Tax Liabilities                                   |       | 833             | 15,778          | -               | -               |
|                                                          |       | 2,661,574       | 3,061,947       | 2,888,973       | 2,975,174       |
| <b>Total Equity and Liabilities</b>                      |       | 6,797,671       | 6,976,518       | 6,304,610       | 6,254,356       |

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 62 to 109 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

26 May 2020  
Colombo

## Statement of Changes in Equity

| Year ended 31 March 2020                              |      | Attributable to Equity Holders of the Parent |                           |                                |                            |                              | Total Equity<br>Rs. 000 |
|-------------------------------------------------------|------|----------------------------------------------|---------------------------|--------------------------------|----------------------------|------------------------------|-------------------------|
|                                                       |      | Notes                                        | Stated Capital<br>Rs. 000 | Revaluation Reserve<br>Rs. 000 | Capital Reserve<br>Rs. 000 | Retained Earnings<br>Rs. 000 | Total<br>Rs. 000        |
| <b>Group</b>                                          |      |                                              |                           |                                |                            |                              |                         |
| <b>Balance as at 01 April 2018</b>                    |      |                                              | 283,735                   | 437,425                        | 228,056                    | 1,303,415                    | 2,252,631               |
| Profit for the Year                                   |      |                                              | -                         | -                              | -                          | 126,480                      | 126,480                 |
| Revaluation of Land                                   |      |                                              | -                         | 210,263                        | -                          | -                            | 210,263                 |
| Other Comprehensive Income, Net of Tax                |      |                                              | -                         | (58,154)                       | -                          | 1,657                        | (56,497)                |
| <b>Total Comprehensive Income</b>                     |      |                                              | -                         | 152,109                        | -                          | 128,137                      | 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)               |
| Total Contributions by and Distributions to Owners    |      |                                              | -                         | (5,285)                        | -                          | (174,297)                    | (179,582)               |
| <b>Balance as at 01 April 2019</b>                    |      |                                              | 283,735                   | 584,249                        | 228,056                    | 1,257,255                    | 2,353,295               |
| Effect of Transition to SLFRS 16                      | 14.3 |                                              | -                         | -                              | -                          | (6,684)                      | (6,684)                 |
| <b>Balance as at 01 April, 2019 - Restated</b>        |      |                                              | 283,735                   | 584,249                        | 228,056                    | 1,250,574                    | 2,346,614               |
| Profit for the Year                                   |      |                                              | -                         | -                              | -                          | 30,849                       | 30,849                  |
| Other Comprehensive Income, Net of Tax                |      |                                              | -                         | -                              | -                          | 4,383                        | 4,383                   |
| <b>Total Comprehensive Income</b>                     |      |                                              | -                         | -                              | -                          | 35,232                       | 35,232                  |
| Transactions with Owners, Recorded Directly in Equity |      |                                              |                           |                                |                            |                              |                         |
| Depreciation Transfer for Building                    | 12.5 |                                              | -                         | (5,285)                        | -                          | 5,285                        | -                       |
| Total Contributions by and Distributions to Owners    |      |                                              | -                         | (5,285)                        | -                          | 5,285                        | -                       |
| <b>Balance as at 31 March 2020</b>                    |      |                                              | 283,735                   | 578,964                        | 228,056                    | 1,291,091                    | 2,381,846               |

Notes from pages 62 to 109 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

## Statement of Changes in Equity

| Year ended 31 March 2020<br>Company                   | Notes | Stated<br>Capital<br>Rs. 000 | Revaluation<br>Reserve<br>Rs. 000 | Capital<br>Reserve<br>Rs. 000 | Retained<br>Earnings<br>Rs. 000 | Total<br>Rs. 000 |
|-------------------------------------------------------|-------|------------------------------|-----------------------------------|-------------------------------|---------------------------------|------------------|
| <b>Balance as at 01 April 2018</b>                    |       | 283,735                      | 412,212                           | 228,056                       | 788,261                         | 1,712,264        |
| Profit for the Year                                   |       | -                            | -                                 | -                             | 54,948                          | 54,948           |
| Revaluation of Land                                   |       | -                            | 201,263                           | -                             | -                               | 201,263          |
| Other Comprehensive Income, Net of Tax                |       | -                            | (56,354)                          | -                             | 997                             | (55,357)         |
| <b>Total Comprehensive Income</b>                     |       | -                            | 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)        |
| <b>Balance as at 01 April 2019</b>                    |       | 283,735                      | 551,836                           | 228,056                       | 669,910                         | 1,733,537        |
| Effect of Transition to SLFRS 16                      | 14.3  | -                            | -                                 | -                             | (6,684)                         | (6,684)          |
| <b>Balance as at 01 April, 2019 - Restated</b>        |       | 283,735                      | 551,836                           | 228,056                       | 663,224                         | 1,726,852        |
| Loss for the Year                                     |       | -                            | -                                 | -                             | (55,197)                        | (55,197)         |
| Other Comprehensive Income, Net of Tax                |       | -                            | -                                 | -                             | 3,901                           | 3,901            |
| <b>Total Comprehensive Income</b>                     |       | -                            | -                                 | -                             | (51,296)                        | (51,296)         |
| Transactions with Owners, Recorded Directly in Equity |       |                              |                                   |                               |                                 |                  |
| Depreciation Transfer for Building                    | 12.5  | -                            | (5,285)                           | -                             | 5,285                           | -                |
| Dividends to Equity Holders                           |       | -                            | -                                 | -                             | -                               | -                |
| Total Contributions by and Distributions to Owners    |       | -                            | (5,285)                           | -                             | 5,285                           | -                |
| <b>Balance as at 31 March 2020</b>                    |       | 283,735                      | 546,551                           | 228,056                       | 617,213                         | 1,675,555        |

Notes from pages 62 to 109 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

## Statement of Cash Flows

| Year ended 31 March 2020                                         | Notes | Group              |                    | Company            |                    |
|------------------------------------------------------------------|-------|--------------------|--------------------|--------------------|--------------------|
|                                                                  |       | 2020<br>Rs. 000    | 2019<br>Rs. 000    | 2020<br>Rs. 000    | 2019<br>Rs. 000    |
| <b>Cash Flows from Operating Activities</b>                      |       |                    |                    |                    |                    |
| Profit / (Loss) Before Taxation                                  |       | 66,887             | 176,835            | (42,607)           | 29,527             |
| <b>Adjustments for,</b>                                          |       |                    |                    |                    |                    |
| Finance Cost                                                     |       | 355,819            | 329,048            | 366,825            | 323,496            |
| Finance Income 7.2                                               |       | (5,449)            | (11,944)           | (4,849)            | (10,458)           |
| Provision for Gratuity 24                                        |       | 27,003             | 20,273             | 24,213             | 18,086             |
| (Profit) / Loss on Disposal of Property, Plant and Equipment 6   |       | -                  | (283)              | -                  | (283)              |
| Provision for Bad Debts                                          |       | 23,167             | 20,335             | 15,909             | 14,717             |
| Depreciation and Amortisation                                    |       | 249,491            | 196,651            | 235,285            | 182,549            |
| <b>Operating Profit Before Working Capital Changes</b>           |       | <b>716,918</b>     | <b>730,915</b>     | <b>594,776</b>     | <b>557,634</b>     |
| (Increase) / Decrease in Inventories                             |       | 10,025             | (68,093)           | (89,842)           | (151,003)          |
| (Increase) / Decrease in Trade and Other Receivables             |       | 75,700             | (148,789)          | 50,752             | (62,911)           |
| (Increase) / Decrease in Advances and Prepayments                |       | (3,504)            | (8,877)            | (56,578)           | (7,482)            |
| Increase / (Decrease) in Trade and Other Payables                |       | (219,300)          | 11,020             | 73,148             | (15,343)           |
| <b>Cash Generated from / (used in) Operating Activities</b>      |       | <b>579,839</b>     | <b>516,176</b>     | <b>572,256</b>     | <b>320,895</b>     |
| Finance Cost Paid                                                |       | (347,901)          | (329,048)          | (358,908)          | (323,496)          |
| Income Tax Paid                                                  |       | (36,852)           | (92,439)           | -                  | -                  |
| Retirement Benefit Liability Paid                                |       | (7,463)            | (14,527)           | (6,862)            | (14,054)           |
| <b>Net Cash from / (used in) Operating Activities</b>            |       | <b>187,623</b>     | <b>80,162</b>      | <b>206,486</b>     | <b>(16,655)</b>    |
| <b>Cash Flows from Investing Activities</b>                      |       |                    |                    |                    |                    |
| Acquisition of Property, Plant and Equipment/ Intangible Assets  |       | (156,160)          | (489,886)          | (144,526)          | (479,830)          |
| Proceeds from Sale of Property, Plant and Equipment              |       | -                  | 11,044             | -                  | 11,044             |
| Finance Income Received 7.2                                      |       | 5,449              | 11,944             | 4,849              | 10,458             |
| <b>Net Cash Flows from / (used in) Investing Activities</b>      |       | <b>(150,711)</b>   | <b>(466,898)</b>   | <b>(139,677)</b>   | <b>(458,328)</b>   |
| <b>Cash Flows from Financing Activities</b>                      |       |                    |                    |                    |                    |
| Repayment of Interest Bearing Loans and Borrowings 16.1          |       | (644,400)          | (461,878)          | (644,400)          | (461,878)          |
| Proceeds from Interest Bearing Loans and Borrowings 16.1         |       | 1,000,000          | 674,378            | 1,000,000          | 674,378            |
| Lease Rental Paid                                                |       | (28,196)           | -                  | (28,196)           | -                  |
| Dividend Paid 11                                                 |       | (44,896)           | (134,686)          | (44,896)           | (134,686)          |
| <b>Net Cash Flows from / (used in) Financing Activities</b>      |       | <b>282,508</b>     | <b>77,814</b>      | <b>282,508</b>     | <b>77,814</b>      |
| <b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>    |       | <b>319,420</b>     | <b>(308,922)</b>   | <b>349,317</b>     | <b>(397,169)</b>   |
| <b>Cash and Cash Equivalents at the Beginning of the Year</b> 20 |       | <b>(1,262,545)</b> | <b>(953,623)</b>   | <b>(1,251,499)</b> | <b>(854,330)</b>   |
| <b>Cash and Cash Equivalents at end of the Year</b> 20           |       | <b>(943,125)</b>   | <b>(1,262,545)</b> | <b>(902,182)</b>   | <b>(1,251,499)</b> |

Notes from pages 62 to 109 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 2020 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 Authorisation for Issue

The Consolidated Financial Statements of the Group for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 26 May 2020.

#### 1.6 Responsibility for Financial Statements

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

### 2. BASIS OF PREPARATION

#### 2.1 Statement of Compliance

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

#### 2.2 Basis of Measurement

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

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

- 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 (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the Statement of Profit or Loss. Any investment retained is recognised at fair value.

The Consolidated Financial Statements of the Company for the year ended 31 March 2020 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. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

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

### 3.4 Current versus non-current classification

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

- Expected to be realised or intended to sold or consumed in normal operating cycle

## Notes to the Financial Statements

- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

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

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

### 3.5 Fair value measurement

The Group measures financial instruments such as 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.

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 - Note 12
- Quantitative disclosures of fair value measurement hierarchy - Note 12
- Property (land) under revaluation model - Note 12

### 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 23 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 the Statement of 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.

The calculation of effective interest rate includes all transaction costs, 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 of Profit or Loss.

#### Dividend

Dividend income is recognised in the Statement of Profit or Loss on the date the entity's right to receive payment is established.

#### Other Income

Other Income is recognised on an accrual basis.

## Notes to the Financial Statements

### 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 the Statement of Profit or Loss.

### 3.7 Tax Expenses

Tax expenses comprises current tax and deferred tax are recognised in the Statement of Profit or Loss except to the extent that it relates to item recognised directly in Equity or in Other Comprehensive Income.

#### Current Tax

Current income tax assets and liabilities 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.

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.

## Notes to the Financial Statements

The estimated useful lives for the current and comparative periods are as follows:

|                                          |               |
|------------------------------------------|---------------|
| Building                                 | 20 years      |
| Plant & machinery                        | 05 – 20 years |
| Motor vehicles                           | 04 – 05 years |
| Furniture, fittings and office equipment | 02 – 13 years |
| Tools and Equipment                      | 10 years      |

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognised.

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 & 13 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

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### Right-of-use assets

The Group recognises Right-of-Use Assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-Use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of Right-of-Use Assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-Use Assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| Description | Period         |
|-------------|----------------|
| Buildings   | 03 to 07 Years |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Right-of-Use Assets are also subject to impairment as more fully described in Note 14 - Impairment of Assets.

### 3.11 Intangible Assets

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

#### Basis of Measurement

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

#### Useful Economic Lives and Amortisation

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

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

the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible assets.

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

#### De-recognition of Intangible Assets

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is derecognised.

#### Subsequent Expenditure

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

#### Research and Development Cost

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

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefit
- The availability of recourse to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

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

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

### 3.12 Expenses

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

Repairs and renewals are charged to the Statement of Profit or Loss in the year in which the expenditure is incurred.

### 3.13 Finance Income and Finance Costs

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in the Statement of Profit or Loss. Interest income is recognised as it accrues in the Statement of Profit or Loss.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in the Statement of Profit or Loss.

## Notes to the Financial Statements

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 cost of direct materials, direct labor and an appropriate proportion of Manufacturing overheads based on normal operating capacity, 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 on first-in first-out                                                                                                                                                                                                                                                                                                                                                  |

### 3.16 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

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

### 3.17 Financial Instruments

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.



Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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 selling, 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 rate (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-recognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) The Group has transferred substantially all the risks and rewards of the asset, or
  - (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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 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).



## Notes to the Financial Statements

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.

#### 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 derecognised 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 recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate 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 27 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 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 the Statement of Profit or Loss in the periods during which services are rendered by employees.

The Group contributes to the following Schemes:

#### Employees' Provident Fund

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

#### Employees' Trust Fund

The Group contributes 3% of the employee's monthly gross salary to the Employees' Trust Fund maintained by the Employees' Trust Fund Board.

#### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined

## Notes to the Financial Statements

on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 24. 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 2020 by Messer's Actuarial and Management consultant (Pvt) Ltd a qualified actuary. Further details are disclosed in Note 24.

### Recognition of Actuarial Losses / Gains

Actuarial gains and losses are recognised in full in the Other Comprehensive Income in line with the LKAS 19 – Employee Benefits (Revised 2013).

### Funding Arrangements

The Gratuity liability is not externally funded.

### Short Term Benefits

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

### 3.23 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.

### Effect of COVID 19 on the Business and Operations

The close down of operations from mid-March had a substantial impact on the month of March sales volumes affecting the performance of Year 2019/20. Similarly the drop in sales volumes by substantial numbers even in the Month of April 20 was unavoidable.

In order to mitigate the impact, revised work plan was implemented and actions was taken to implement numerous cost saving measures, including deferment of all new recruitments, capital expenditure and advertising/promotion expenses. We are also pursuing measures to reduce debtor exposure and inventory levels and proactively engaging with banks and suppliers to renegotiate terms in order to effectively manage the liquidity levels.

The temporary restrictions imposed by the GOSL by suspending raw material imports will not have a negative impact on the Company. While current stock levels of imported material are to be managed carefully until the restrictions are lifted, actions were taken to increase the utilisation of local supplies to mitigate any further impact. However, at present, windows are opened to import required raw materials with an approval process by the GOSL.

The Board of Directors believe that first quarter of the 2020 / 21 financial year is very crucial for the construction industry in Sri Lanka. The impact may continue few more months affecting the top line and bottom line performances.

progressive performance are expected in this industry by the second half of the year onwards.

### **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 recognised 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 price 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 24. 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 future 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 recognised 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 18 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 28 to the Financial Statements.

## Notes to the Financial Statements

### 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 31 to the financial statements.

## 4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

### New and Amended Standards and Interpretations

The Group applied SLFRS 16 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019/20, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

### SLFRS 16 Leases

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted SLFRS 16 using the modified retrospective method of adoption, without restating comparative information. Instead, it has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of Retained earnings at the date of initial application, as permitted under the specific transitional provisions in the standard. The impact on adoption of SLFRS 16 is reflected in Note 14 to the Financial Statements. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

### IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that

affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments



(including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

#### **Amendments to SLFRS 9:**

**Prepayment Features with Negative Compensation** Under SLFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to SLFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

#### **Amendments to LKAS 19: Plan Amendment, Curtailment or Settlement**

The amendments to LKAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and

the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

#### **Annual Improvements 2015-2017 Cycle**

##### ● **SLFRS 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no significant impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

##### ● **LKAS 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly

to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no significant impact on the consolidated financial statements of the Group.

##### ● **LKAS 23 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

## Notes to the Financial Statements

Since the Group's current practice is in line with these amendments, they had no significant impact on the consolidated financial statements of the Group.

### 4.1 Standards Issued but not yet Effective

The new and amended 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 new and amended standards and interpretations, if applicable, when they become effective.

#### 4.1.1 Amendments to SLFRS 3: Definition of a Business

Amendments to the definition of a business in SLFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets are business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

#### 4.1.2 Amendments to LKAS1 and LKAS 8: Definition of Material

In October 2018, the IASB issued amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material are not expected to have a significant impact on the Group's consolidated financial statements.



## 5. REVENUE

| Year ended 31 March 2020                                                  | Group           |                 | Company         |                 |
|---------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                           | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| Local Sales - Extrusions                                                  | 4,099,492       | 4,017,214       | 4,122,492       | 4,020,290       |
| Export Sales - Extrusions                                                 | 50,588          | 32,122          | 50,588          | 32,112          |
| Local Sales - Aluminium Components                                        | 547,797         | 1,029,179       | -               | -               |
| Export Sales - Aluminium Components                                       | 7,239           | 3,130           | -               | -               |
| Finished Die Sales                                                        | 10,146          | 1,904           | 14,835          | 6,089           |
| Powder Coating , Anodizing ,Wood Effect and<br>Billets Conversion Charges | 10,025          | 8,877           | 71,483          | 154,938         |
| Aluminium Accessories , Cladding & Corian                                 | 67,652          | 39,332          | 25,031          | 15,591          |
| Other Material Sales and Service Charges                                  | 1,678           | 953             | 117,574         | 370,284         |
| Other Sales                                                               | -               | -               | 10,099          | 9,008           |
|                                                                           | 4,794,617       | 5,132,711       | 4,412,102       | 4,608,312       |

## 6. OTHER INCOME

| Year ended 31 March 2020                                    | Group           |                 | Company         |                 |
|-------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                             | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| Profit /(Loss) on Disposal of Property, Plant and Equipment | -               | 283             | -               | 283             |
| Dividend Income                                             | -               | -               | -               | 118,680         |
| Income from sale of discarded items                         | 22,478          | 8,178           | 20,156          | 7,278           |
| Insurance Claim Received                                    | 5,121           | 1,335           | 4,326           | 1,335           |
|                                                             | 27,599          | 9,796           | 24,482          | 127,576         |

## 7. FINANCE COST AND INCOME

### 7.1 Finance Cost

| Year ended 31 March 2020                 | Group           |                 | Company         |                 |
|------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                          | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| Interest Expense on Loans and Borrowings | 333,702         | 308,672         | 332,893         | 305,104         |
| Interest Expense on Leases               | 7,918           | -               | 7,918           | -               |
| Interest Expense on Bank Overdrafts      | 19,648          | 20,376          | 17,129          | 18,392          |
| Other Finance Costs                      | -               | -               | 8,886           | -               |
| Exchange Loss                            | 48,380          | 111,261         | 45,311          | 101,918         |
|                                          | 409,648         | 440,309         | 412,137         | 425,414         |

## Notes to the Financial Statements

### 7. FINANCE COST AND INCOME (CONTD.)

#### 7.2 Finance Income

| Year ended 31 March 2020                   | Group           |                 | Company         |                 |
|--------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                            | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| Interest Income on Deposits and Receivable | 5,449           | 11,944          | 4,849           | 10,458          |
| Exchange Gain                              | 10,497          | 11,075          | 10,268          | 10,777          |
|                                            | 15,946          | 23,019          | 15,117          | 21,235          |

### 8. PROFIT BEFORE TAX

| Year ended 31 March 2020<br>Stated After Deducting                   | Group           |                 | Company         |                 |
|----------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                      | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| <b>Included in Cost of Sales</b>                                     |                 |                 |                 |                 |
| Employee Benefits Including the Following                            | 420,819         | 406,585         | 373,192         | 350,071         |
| - Defined Benefit Plan Costs - Gratuity                              | 19,206          | 14,551          | 17,131          | 12,915          |
| - Defined Contribution Plan Costs - EPF and ETF                      | 32,256          | 29,414          | 28,639          | 25,740          |
| Depreciation                                                         | 184,193         | 142,295         | 170,060         | 128,363         |
| Provision/ (Reversal) for Inventory                                  | 69,316          | 32,223          | 61,379          | 20,398          |
| Research & Development Expenses                                      | 8,853           | 1               | 6,821           | 1               |
| <b>Included in Administrative, Selling and Distribution Expenses</b> |                 |                 |                 |                 |
| Employee Benefits Including the Following                            | 228,551         | 232,005         | 218,070         | 220,658         |
| - Defined Benefit Plan Costs - Gratuity                              | 7,797           | 5,722           | 7,082           | 5,172           |
| - Defined Contribution Plan Costs - EPF and ETF                      | 18,830          | 15,187          | 17,760          | 14,370          |
| Provision/ (Reversal) for Bad Debts                                  | 23,167          | 20,335          | 15,909          | 14,717          |
| Unclaimed Tax                                                        | 12              | -               | 12              | -               |
| Audit Fees                                                           | 1,576           | 1,502           | 1,163           | 1,091           |
| Non - Audit Fee                                                      | 936             | 949             | 849             | 801             |
| Depreciation and Amortization                                        | 45,628          | 21,217          | 45,555          | 21,147          |
| Impairment of Property, Plant and Equipment                          | -               | 33,039          | -               | 33,039          |
| Gifts, Donation and CSR                                              | 1,455           | 1,501           | 1,455           | 1,501           |
| Advertising Costs                                                    | 8,853           | 19,186          | 8,853           | 19,186          |
| Directors Fees (NED)*                                                | 1,164           | 1,050           | 1,164           | 1,050           |
| Directors Emoluments (ED)**                                          | 24,347          | 35,151          | 24,347          | 35,151          |

\* NED -Non Executive Directors

\*\* ED -Executive Directors

## 9. INCOME TAX

The major components of income tax expense for the years ended 31 March 2020 and 2019 are :

### Income Statement

| Year ended 31 March 2020                                      | Group           |                 | Company         |                 |
|---------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                               | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| <b>Current Income Tax :</b>                                   |                 |                 |                 |                 |
| Current Income Tax                                            | 27,328          | 61,600          | -               | -               |
| Adjustments in Respect of Current Income Tax of Previous Year | (713)           | (1,067)         | -               | 297             |
| WHT on Dividends                                              |                 | 19,320          | -               | -               |
| ESC Charge to Income Statements                               | 19,842          | -               | 19,842          | -               |
| <b>Deferred Tax :</b>                                         |                 |                 |                 |                 |
| Relating to Origination and Reversal of Temporary Differences | (10,419)        | (29,498)        | (7,252)         | (25,718)        |
| Income Tax Expense Reported in the Income Statement           | 36,038          | 50,355          | 12,590          | (25,421)        |

A reconciliation between tax expense and the product of accounting profit multiplied by domestic tax rate for the years ended 31 March 2020 and 2019 is as follows :

### Consolidated Statement of OCI

| Year ended 31 March 2020                                               | Group           |                 | Company         |                 |
|------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                        | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| <b>Deferred Tax Related to Items Recognised in OCI During the Year</b> |                 |                 |                 |                 |
| Net Loss/(Gain) on Actual Gains and Losses                             | 1,638           | 553             | 1,517           | 388             |
| Revaluation of Land                                                    | -               | 58,154          | -               | 56,354          |
| Deferred Tax Charged to OCI                                            | 1,638           | 58,707          | 1,517           | 56,741          |

## Notes to the Financial Statements

### 9. INCOME TAX (CONTD.)

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

| Year ended 31 March 2020                                          | Group           |                 | Company         |                 |
|-------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                   | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| Accounting Profit Before Income Tax                               | 66,887          | 176,835         | (42,607)        | 29,527          |
| Aggregate Disallowable Items                                      | 430,571         | 292,945         | 405,172         | 258,140         |
| Aggregate Allowable Expenses                                      | (468,353)       | (404,139)       | (479,290)       | (506,579)       |
| Interest Income                                                   | 14,335          | 11,944          | 4,849           | 10,458          |
| Tax Loss Carried Forward                                          | 320,430         | 208,454         | 320,430         | 208,454         |
| Tax Loss Brought Forward                                          | (208,554)       | -               | (208,554)       | -               |
| Taxable Income                                                    | 155,316         | 286,039         | -               | -               |
| Dividend Tax @14%                                                 | -               | 19,320          | -               | -               |
| Income Tax @ 10%                                                  | 4,865           | -               | -               | -               |
| Income Tax @ 14%                                                  | 222             | -               | -               | -               |
| Income Tax @ 20%                                                  | 17,291          | 46,228          | -               | -               |
| Income Tax @ 24%                                                  | 1,590           | -               | -               | -               |
| Income Tax @ 28%                                                  | 3,360           | 15,372          | -               | -               |
| Income Tax on Current Year Profit                                 | 27,328          | 80,920          | -               | -               |
| Tax on Temporary Difference Tax @ 20%                             | (3,167)         | (3,779)         | -               | -               |
| Tax on Temporary Difference Tax @ 28%                             | (7,252)         | (25,718)        | (7,252)         | (25,718)        |
| Irrecoverable E.S.C w/off during the year                         | 19,842          | -               | 19,842          | -               |
| Adjustments In Respect of Current Income Tax of Previous Year     | 713             | (1,067)         | -               | 297             |
| Income Tax Expenses Reported in the Consolidated Income Statement | 36,038          | 50,355          | (12,590)        | (25,421)        |

#### 9.2 Deferred Tax

##### Deferred Tax Relates to the Following:

| Year ended 31 March 2020                                       | Statement of Financial Position |                 | Income statement |                 |
|----------------------------------------------------------------|---------------------------------|-----------------|------------------|-----------------|
|                                                                | 2020<br>Rs. 000                 | 2019<br>Rs. 000 | 2020<br>Rs. 000  | 2019<br>Rs. 000 |
| <b>Company</b>                                                 |                                 |                 |                  |                 |
| Accelerated Depreciation for the Tax Purposes                  | (451,151)                       | (379,848)       | 71,303           | 53,535          |
| Right to use Assets                                            | (12,830)                        | -               | 12,830           | -               |
| Lease Liability                                                | 15,886                          | -               | (15,886)         | -               |
| Retirement Benefit Obligations                                 | 31,143                          | 27,802          | (4,858)          | (1,129)         |
| Provision for Bad Debts                                        | 12,773                          | 8,319           | (4,455)          | (4,121)         |
| Tax loss brought forward                                       | 106,700                         | 58,367          | (48,333)         | (58,367)        |
| Other Provisions                                               | 55,611                          | 37,757          | (17,853)         | (15,636)        |
| Deferred Tax Expense Recognised in Statement of Profit or Loss |                                 |                 | (7,252)          | (25,718)        |
| Net Deferred Tax Assets / (Liabilities)                        | (241,868)                       | (247,603)       |                  |                 |

| Year ended 31 March 2020                            | Statement of Comprehensive Income |                 |
|-----------------------------------------------------|-----------------------------------|-----------------|
|                                                     | 2020<br>Rs. 000                   | 2019<br>Rs. 000 |
| Income Tax Effect on Actuarial Gains                | 1,517                             | 388             |
| Income Tax Effect on Revaluation of Land            | -                                 | 56,354          |
| Deferred Tax Expense Recognised in Statement of OCI | 1,517                             | 56,741          |
| Deferred Tax Expense / (Income)                     | (5,735)                           | 31,023          |

**Reflected in the Statement of Financial Position as follows,**

| Year ended 31 March 2020                    | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
|---------------------------------------------|-----------------|-----------------|
| <b>Company</b>                              |                 |                 |
| Deferred Tax Assets                         | 222,113         | 132,245         |
| Deferred Tax Liabilities                    | (463,981)       | (379,848)       |
| Deferred Tax Liabilities Net as at 31 March | (241,868)       | (247,603)       |

**Reconciliation of Deferred Tax Liabilities**

| Year ended 31 March 2020                                      | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
|---------------------------------------------------------------|-----------------|-----------------|
| Balance as at 01 April                                        | (247,603)       | (216,580)       |
| Tax Income/(Expense) Recognised in Profit & Loss              | 7,252           | 25,718          |
| Tax Income/(Expense) Recognised in Other Comprehensive Income | (1,517)         | (56,741)        |
| Balance as at 31 March                                        | (241,868)       | (247,603)       |

## Notes to the Financial Statements

### 9. INCOME TAX (CONTD.)

#### 9.3 Group

| Year ended 31 March 2020                                       | Statement of Financial Position |                 | Income statement |                 |
|----------------------------------------------------------------|---------------------------------|-----------------|------------------|-----------------|
|                                                                | 2020<br>Rs. 000                 | 2019<br>Rs. 000 | 2020<br>Rs. 000  | 2019<br>Rs. 000 |
| Accelerated Depreciation for the Tax Purposes                  | (465,016)                       | (393,454)       | 71,562           | 53,754          |
| Right to use Assets                                            | (12,830)                        | -               | 12,830           | -               |
| Lease Liability                                                | 15,886                          | -               | (15,886)         | -               |
| Retirement Benefit Obligations                                 | 33,955                          | 30,391          | (5,202)          | (1,566)         |
| Provision for Bad Debts                                        | 15,804                          | 9,898           | (5,906)          | (5,244)         |
| Tax Loss Carry- Forwards                                       | 106,700                         | 58,367          | (48,333)         | (58,368)        |
| Other Provisions                                               | 63,524                          | 44,038          | (19,486)         | (18,074)        |
| Deferred Tax Expense Recognised in Statement of Profit or Loss |                                 |                 | (10,421)         | (29,498)        |
| Net Deferred Tax Assets / (Liabilities)                        | (241,977)                       | (250,760)       |                  |                 |

|                                                     | Statement of Comprehensive Income |        |
|-----------------------------------------------------|-----------------------------------|--------|
| Income Tax Effect on Actuarial Gains or Losses      | 1,638                             | 553    |
| Income Tax Effect on Revaluation of Land            | -                                 | 58,154 |
| Deferred Tax Expense Recognised in Statement of OCI | 1,638                             | 58,707 |
| Deferred Tax Expense /(Income)                      | (8,783)                           | 29,209 |

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 2020.

Reflected in the Statement of Financial Position as follows,

| Year ended 31 March 2020                    | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
|---------------------------------------------|-----------------|-----------------|
| <b>Group</b>                                |                 |                 |
| Deferred Tax Assets                         | 235,869         | 142,694         |
| Deferred Tax Liabilities                    | (477,846)       | (393,454)       |
| Deferred Tax Liabilities Net as at 31 March | (241,977)       | (250,760)       |

| Year ended 31 March 2020                                      | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
|---------------------------------------------------------------|-----------------|-----------------|
| <b>Reconciliation of Deferred Tax Liabilities</b>             |                 |                 |
| Balance as at 01 April                                        | (250,760)       | (221,551)       |
| Tax Income/(Expense) Recognised in Profit & Loss              | 10,421          | 29,498          |
| Tax Income/(Expense) Recognised in Other Comprehensive Income | (1,638)         | (58,706)        |
| Balance as at 31 March                                        | (241,977)       | (250,760)       |

## 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 2020                                     | Group           |                 | Company         |                 |
|--------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                              | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| <b>Amounts Used as Numerator:</b>                            |                 |                 |                 |                 |
| Net Profit Attributable to the Equity Holders of the Company | 30,849          | 126,480         | (55,197)        | 54,948          |

| Year ended 31 March 2020                               | 2020<br>Number | 2019<br>Number | 2020<br>Number | 2018<br>Number |
|--------------------------------------------------------|----------------|----------------|----------------|----------------|
| <b>Numbers of Ordinary Shares Used as Denominator:</b> |                |                |                |                |
| 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                      | 0.10           | 0.42           | (0.18)         | 0.18           |



## Notes to the Financial Statements

### 11. DIVIDENDS PAID AND PROPOSED

| Year ended 31 March 2020                           | Company         |                 |
|----------------------------------------------------|-----------------|-----------------|
|                                                    | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| <b>Declared and paid during the year:</b>          |                 |                 |
| Dividends on Ordinary Shares:                      |                 |                 |
| Interim Dividend for 2018/19 - Rs.0.15/- per Share | -               | 44,896          |
| Final Dividend for 2017/2018 -Rs.0.45/- per Share  | -               | 134,686         |
|                                                    | -               | 179,582         |
| Number of Shares                                   | 299,302,840     | 299,302,840     |
| <b>Dividend per Share</b>                          | -               | 0.60            |

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

### 12. PROPERTY, PLANT AND EQUIPMENT

#### 12.1 Group

| Year ended 31 March 2020           | Land<br>Rs. 000 | Building<br>Rs. 000 | Construction<br>In Progress<br>Rs. 000 | Plant<br>and<br>Machinery<br>Rs. 000 | Motor<br>Vehicles<br>Rs. 000 | Office<br>Equipment<br>Rs. 000 | Furniture<br>and<br>Fittings<br>Rs. 000 | Tool<br>and<br>Equipment<br>Rs. 000 | Total<br>Rs. 000 |
|------------------------------------|-----------------|---------------------|----------------------------------------|--------------------------------------|------------------------------|--------------------------------|-----------------------------------------|-------------------------------------|------------------|
| <b>Cost or Valuation</b>           |                 |                     |                                        |                                      |                              |                                |                                         |                                     |                  |
| At 1 April 2019                    | 1,154,863       | 1,193,294           | 40,810                                 | 2,109,534                            | 61,330                       | 78,401                         | 80,509                                  | 50,365                              | 4,769,107        |
| Additions                          | -               | 32,296              | 212                                    | 84,770                               | -                            | 5,224                          | 7,018                                   | 3,373                               | 132,893          |
| Disposals                          | -               | -                   | -                                      | -                                    | -                            | -                              | -                                       | -                                   | -                |
| Transfer                           | -               | -                   | -                                      | -                                    | -                            | -                              | -                                       | -                                   | -                |
| At 31 March 2020                   | 1,154,863       | 1,225,590           | 41,022                                 | 2,194,304                            | 61,330                       | 83,625                         | 87,527                                  | 53,738                              | 4,902,000        |
| <b>Depreciation and Impairment</b> |                 |                     |                                        |                                      |                              |                                |                                         |                                     |                  |
| At 1 April 2019                    | -               | 179,437             | -                                      | 692,398                              | 47,524                       | 37,639                         | 22,182                                  | 16,953                              | 996,135          |
| Charge for the Year                | -               | 75,790              | -                                      | 115,047                              | 6,376                        | 8,359                          | 7,870                                   | 5,153                               | 218,595          |
| Disposals                          | -               | -                   | -                                      | -                                    | -                            | -                              | -                                       | -                                   | -                |
| At 31 March 2020                   | -               | 255,227             | -                                      | 807,445                              | 53,900                       | 45,998                         | 30,052                                  | 22,106                              | 1,214,730        |
| <b>Net Book Value</b>              |                 |                     |                                        |                                      |                              |                                |                                         |                                     |                  |
| At 31 March 2020                   | 1,154,863       | 970,363             | 41,022                                 | 1,386,856                            | 7,430                        | 37,627                         | 57,475                                  | 31,632                              | 3,687,270        |
| At 31 March 2019                   | 1,154,863       | 1,013,857           | 40,810                                 | 1,417,135                            | 13,806                       | 40,762                         | 58,327                                  | 33,412                              | 3,772,972        |

## 12.2 Company

| Year ended 31 March 2020           | Land<br>Rs. 000 | Building<br>Rs. 000 | Construction<br>In Progress<br>Rs. 000 | Plant<br>and<br>Machinery<br>Rs. 000 | Motor<br>Vehicles<br>Rs. 000 | Office<br>Equipment<br>Rs. 000 | Furniture<br>and<br>Fittings<br>Rs. 000 | Tool<br>and<br>Equipment<br>Rs. 000 | Total<br>Rs. 000 |
|------------------------------------|-----------------|---------------------|----------------------------------------|--------------------------------------|------------------------------|--------------------------------|-----------------------------------------|-------------------------------------|------------------|
| <b>Cost or Valuation</b>           |                 |                     |                                        |                                      |                              |                                |                                         |                                     |                  |
| At 1 April 2019                    | 1,064,863       | 1,104,351           | 40,810                                 | 1,981,722                            | 60,896                       | 78,243                         | 79,800                                  | 43,365                              | 4,454,050        |
| Additions                          | -               | 26,157              | 212                                    | 80,577                               | -                            | 5,188                          | 7,011                                   | 2,113                               | 121,258          |
| Disposals                          | -               | -                   | -                                      | -                                    | -                            | -                              | -                                       | -                                   | -                |
| Transfer                           | -               | -                   | -                                      | -                                    | -                            | -                              | -                                       | -                                   | -                |
| At 31 March 2020                   | 1,064,863       | 1,130,508           | 41,022                                 | 2,062,299                            | 60,896                       | 83,431                         | 86,812                                  | 45,478                              | 4,575,308        |
| <b>Depreciation and Impairment</b> |                 |                     |                                        |                                      |                              |                                |                                         |                                     |                  |
| At 1 April 2019                    | -               | 143,551             | -                                      | 619,419                              | 47,250                       | 37,501                         | 21,834                                  | 15,526                              | 885,080          |
| Charge for the Year                | -               | 71,091              | -                                      | 106,723                              | 6,313                        | 8,348                          | 7,783                                   | 4,133                               | 204,391          |
| Disposals                          | -               | -                   | -                                      | -                                    | -                            | -                              | -                                       | -                                   | -                |
| At 31 March 2020                   | -               | 214,642             | -                                      | 726,142                              | 53,563                       | 45,849                         | 29,617                                  | 19,659                              | 1,089,471        |
| <b>Net Book Value</b>              |                 |                     |                                        |                                      |                              |                                |                                         |                                     |                  |
| At 31 March 2020                   | 1,064,863       | 915,865             | 41,022                                 | 1,336,157                            | 7,333                        | 37,582                         | 57,194                                  | 25,818                              | 3,485,837        |
| 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        |

During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs.133 mn. (2019- Rs.476 mn) for cash.

During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.121 mn (2019- Rs.466 mn) for cash.

The gross carrying amount of fully depreciated property, plant and equipment that are still in use as at 31 March 2020 was Rs.294 mn (2019 -Rs.204 mn).

The net carrying amount of temporarily idle property, plant and equipment as at 31 March 2020 was Rs.17.9 mn (2019 -Rs.16.5 mn).

Construction in progress as at 31 March 2020 includes an amount of Rs. 41 mn (2019- Rs.41 mn) relating to the expenditure for plant which is under construction.

## Notes to the Financial Statements

### 12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

#### 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

| Year ended 31 March 2020 | Cost<br>Rs. 000 | Cumulative<br>Depreciation<br>if Assets were<br>Carried at Cost<br>Rs. 000 | Net Carrying<br>Amount<br>2020<br>Rs. 000 | Net Carrying<br>Amount<br>2019<br>Rs. 000 |
|--------------------------|-----------------|----------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| <b>Group</b>             |                 |                                                                            |                                           |                                           |
| Freehold Land            | 473,722         | -                                                                          | 473,722                                   | 473,722                                   |
| Building                 | 1,015,984       | (187,114)                                                                  | 828,870                                   | 436,358                                   |
|                          | 1,489,706       | (187,114)                                                                  | 1,302,592                                 | 910,080                                   |
| <b>Company</b>           |                 |                                                                            |                                           |                                           |
| Freehold land            | 471,613         | -                                                                          | 471,612                                   | 471,612                                   |
| Building                 | 927,349         | (148,766)                                                                  | 778,584                                   | 388,009                                   |
|                          | 1,398,962       | (148,766)                                                                  | 1,250,196                                 | 859,621                                   |

#### Fair Value of Land

#### 12.4 Value of Real Estate

| Year ended 31 March 2020  | Location | Extent<br>(Acres) | No of buildings<br>in each<br>location | Buildings<br>Sq.ft | Market Value<br>of Land<br>Rs. 000 |
|---------------------------|----------|-------------------|----------------------------------------|--------------------|------------------------------------|
| <b>Ownership</b>          |          |                   |                                        |                    |                                    |
| 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 2020         | Group / Company                |                                    |                                    | Total<br>Rs. 000 |
|----------------------------------|--------------------------------|------------------------------------|------------------------------------|------------------|
|                                  | Development<br>Cost<br>Rs. 000 | Software<br>Development<br>Rs. 000 | Patents and<br>licenses<br>Rs. 000 |                  |
| <b>Cost</b>                      |                                |                                    |                                    |                  |
| At 1 April 2019                  | 36,487                         | 554                                | 38,015                             | 75,056           |
| Additions                        | 6,987                          | -                                  | 16,279                             | 23,266           |
| Transfer                         | -                              | -                                  | -                                  | -                |
| At 31 March 2020                 | 43,474                         | 554                                | 54,294                             | 98,322           |
| <b>Amortization</b>              |                                |                                    |                                    |                  |
| At 1 April 2019                  | 5,230                          | -                                  | 14,702                             | 19,932           |
| Amortization Charge for the Year | 1,610                          | -                                  | 4,771                              | 6,381            |
| At 31 March 2020                 | 6,840                          | -                                  | 19,473                             | 26,313           |
| <b>Net Book Value</b>            |                                |                                    |                                    |                  |
| At 31 March 2020                 | 36,634                         | 554                                | 34,821                             | 72,009           |
| At 31 March 2019                 | 31,257                         | 554                                | 23,313                             | 55,124           |

**13.1** Intangible asset consist of patent , licence 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 sytems.

Software development cost represent the cost incurred for modification to manufacturing modules of ERP Software (Microsoft Navision).

## Notes to the Financial Statements

### 14. RIGHT-OF-USE ASSETS / LEASE ASSETS

| Year ended 31 March 2020                           |  | Group / Company<br>2020<br>Rs. 000 |
|----------------------------------------------------|--|------------------------------------|
| <b>14.1 Cost</b>                                   |  |                                    |
| Balance as at the initial adoption date 01.04.2019 |  | 47,277                             |
| Additions and Improvements                         |  | 23,055                             |
| Cost as at 31.03.2020                              |  | 70,332                             |
| <b>Accumulated Amortisation</b>                    |  |                                    |
| Balance as at 01.04.2019                           |  | -                                  |
| Charge for the Year                                |  | 24,511                             |
| Accumulated Amortization as at 31.03.2020          |  | 24,511                             |
| Net Book Value as at 31.03.2020                    |  | 45,820                             |
| <b>14.2 Lease Liability</b>                        |  |                                    |
| Balance as at the initial adoption date 01.04.2019 |  | 53,961                             |
| Additions                                          |  | 23,055                             |
| Accretion of Interest                              |  | 7,918                              |
| Payments                                           |  | (28,196)                           |
| Balance as at 31.03.2020                           |  | 56,737                             |
| <b>Non-Current -Lease liability</b>                |  | 33,039                             |
| <b>Current -Lease liability</b>                    |  | 23,698                             |

### 14.3 Effect of the adoption of SLFRS 16 as at 1st April 2019

The Company has adopted SLFRS 16 using Modified Retrospective Method from 1st April 2019, without restating comparative information. Instead, it has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of Retained earnings at the date of initial application, as permitted under the specific transitional provisions in the standard.

| Year ended 31 March 2020 |  | Group / Company<br>2020<br>Rs. 000 |
|--------------------------|--|------------------------------------|
| Right Of Use Assets      |  | 47,277                             |
| Revenue Reserves         |  | (6,684)                            |
| Lease Liability          |  | 53,961                             |

## 15. INVESTMENTS IN SUBSIDIARIES

| Year ended 31 March 2020  | Holding % |      | Company         |                 |
|---------------------------|-----------|------|-----------------|-----------------|
|                           | 2020      | 2019 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| Alco Industries (Pvt) Ltd | 100%      | 100% | 30,000          | 30,000          |
|                           |           |      | 30,000          | 30,000          |

## 16. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 16.1 Financial Liabilities

| Year ended 31 March 2020                                        | Group           |                 | Company         |                 |
|-----------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                 | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| <b>Current Portion of Long Term Interest Bearing Borrowings</b> |                 |                 |                 |                 |
| Long Term Loans                                                 | 727,900         | 527,500         | 727,900         | 527,500         |
| <b>Short-Term Interest Bearing Borrowings</b>                   |                 |                 |                 |                 |
| Short Term Loans                                                | 656,815         | 1,065,898       | 648,364         | 1,065,898       |
| Bank Overdraft                                                  | 358,954         | 295,202         | 324,545         | 245,562         |
| Total Short-Term Interest Bearing Borrowings                    | 1,015,769       | 1,361,100       | 972,909         | 1,311,460       |
| <b>Non Current Interest Bearing Loans and Borrowings</b>        |                 |                 |                 |                 |
| Long Term Loans                                                 | 1,353,950       | 1,198,750       | 1,353,950       | 1,198,750       |
| Total Non Current Interest Bearing Loans and Borrowings         | 1,353,950       | 1,198,750       | 1,353,950       | 1,198,750       |

#### 16.1.2 Long-Term Borrowings

| Year ended 31 March 2020                                  | Group           |                 | Company         |                 |
|-----------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                           | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| <b>As at 01 April</b>                                     | 1,726,250       | 1,513,750       | 1,726,250       | 1,513,750       |
| New Loans Obtained                                        | 1,000,000       | 674,378         | 1,000,000       | 674,378         |
| Repayments                                                | (644,400)       | (461,878)       | (644,400)       | (461,878)       |
| <b>As at 31 March</b>                                     | 2,081,850       | 1,726,250       | 2,081,850       | 1,726,250       |
| Transfer to Current Liability (Repayable Within One Year) | (727,900)       | (527,500)       | (727,900)       | (527,500)       |
| Repayable After One Year                                  | 1,353,950       | 1,198,750       | 1,353,950       | 1,198,750       |

## Notes to the Financial Statements

### 16. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

#### 16.1.3 Analysis of Long-Term Borrowings by year of Repayment

| Year ended 31 March 2020                                      | Group           |                 | Company         |                 |
|---------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                               | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| Long-Term Loans Repayable within 1 Year from Year-end         | 727,900         | 527,500         | 727,900         | 527,500         |
| Long-Term Loans Repayable Between 2 and 5 Years from Year-end | 626,050         | 671,250         | 626,050         | 671,250         |
|                                                               | 1,353,950       | 1,198,750       | 1,353,950       | 1,198,750       |

Term loan was obtained from Standard Chartered Bank for the period of 5 years, Peoples Bank for the period of 4 years Commercial Bank for the period of 5 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.

### 16.2 Financial Liabilities

#### 16.2.1 Short-Term Borrowings

| Year ended 31 March 2020 | Group           |                 | Company         |                 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|
|                          | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| As at 01 April           | 1,065,898       | 1,149,753       | 1,065,898       | 1,056,392       |
| New Loans Obtained       | 4,998,383       | 3,405,795       | 4,941,031       | 3,280,940       |
| Repayments               | (5,407,466)     | (3,489,650)     | (5,358,565)     | (3,271,434)     |
| As at 31 March           | 656,815         | 1,065,898       | 648,364         | 1,065,898       |

#### 16.2.2 Other current financial liabilities

| Year ended 31 March 2020                 | Group           |                 | Company         |                 |
|------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                          | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| <b>Foreign exchange forward contract</b> |                 |                 |                 |                 |
| As at 01 April                           | 14,649          | -               | 14,413          | -               |
| Additions                                | 4,093           | 14,649          | 3,240           | 14,413          |
| Disposals                                | (17,836)        | -               | (16,862)        | -               |
| Change in fair Value                     | -               | -               | -               | -               |
| As at 31 March                           | 906             | 14,649          | 791             | 14,413          |



### 16.2.3 Fair Value of Financial Assets and Liabilities not Carried at Fair Value

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

| Group<br>Year ended 31 March 2020 | Carrying Amount  |                  | Fair Value       |                  |
|-----------------------------------|------------------|------------------|------------------|------------------|
|                                   | 2020<br>Rs. 000  | 2019<br>Rs. 000  | 2020<br>Rs. 000  | 2019<br>Rs. 000  |
| <b>Financial Assets</b>           |                  |                  |                  |                  |
| Trade and Other Receivables       | 930,439          | 1,085,810        | 930,439          | 1,085,810        |
| <b>Total</b>                      | <b>930,439</b>   | <b>1,085,810</b> | <b>930,439</b>   | <b>1,085,810</b> |
| <b>Financial Liabilities</b>      |                  |                  |                  |                  |
| Trade and Other Payables          | 880,844          | 1,133,900        | 880,844          | 1,133,900        |
| Loans and Borrowings- Current     | 1,743,669        | 1,888,600        | 1,743,669        | 1,888,600        |
| Loans and Borrowings- Non Current | 1,353,950        | 1,198,750        | 1,353,950        | 1,198,750        |
| <b>Total</b>                      | <b>3,978,463</b> | <b>4,221,250</b> | <b>3,978,463</b> | <b>4,221,250</b> |

| Company<br>Year ended 31 March 2020 | Carrying Amount  |                  | Fair Value       |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|
|                                     | 2020<br>Rs. 000  | 2019<br>Rs. 000  | 2020<br>Rs. 000  | 2019<br>Rs. 000  |
| <b>Financial Assets</b>             |                  |                  |                  |                  |
| Trade and Other Receivables         | 774,052          | 840,724          | 774,052          | 840,724          |
| <b>Total</b>                        | <b>774,052</b>   | <b>840,724</b>   | <b>774,052</b>   | <b>840,724</b>   |
| <b>Financial Liabilities</b>        |                  |                  |                  |                  |
| Trade and Other Payables            | 1,153,744        | 1,114,244        | 1,153,744        | 1,114,244        |
| Loans and Borrowings- Current       | 1,700,810        | 1,838,960        | 1,700,810        | 1,838,960        |
| Loans and Borrowings- Non Current   | 1,353,950        | 1,198,750        | 1,353,950        | 1,198,750        |
| <b>Total</b>                        | <b>4,208,504</b> | <b>4,151,954</b> | <b>4,208,504</b> | <b>4,151,954</b> |

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.

## Notes to the Financial Statements

### 17. INVENTORIES

| Year ended 31 March 2020 | Group            |                  | Company          |                  |
|--------------------------|------------------|------------------|------------------|------------------|
|                          | 2020<br>Rs. 000  | 2019<br>Rs. 000  | 2020<br>Rs. 000  | 2019<br>Rs. 000  |
| Raw Material             | 771,854          | 675,608          | 702,936          | 564,081          |
| Work In Progress         | 176,933          | 156,718          | 165,937          | 139,622          |
| Finished Goods           | 604,945          | 685,614          | 537,978          | 579,297          |
| Other Materials          | 95,634           | 122,293          | 87,296           | 117,223          |
| Goods In Transit         | 196,176          | 215,336          | 190,585          | 194,658          |
|                          | <b>1,845,542</b> | <b>1,855,569</b> | <b>1,684,732</b> | <b>1,594,881</b> |

The provision/ (reversal) of the group for obsolete inventory was amounting Rs. 69 mn (2019- Rs.32.2 mn -provision) which was recognised in Cost of Sales.

#### 17.1 Movement in the Provision for Obsolete Inventory

| Year ended 31 March 2020           | Group           |                 | Company         |                 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                    | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| <b>As at 1 April</b>               |                 |                 |                 |                 |
| Provision Made During the Year     | 124,191         | 91,968          | 94,254          | 73,856          |
| Provision Made During the Year     | 79,834          | 32,223          | 67,509          | 21,184          |
| Provision Reversed During the Year | (10,689)        | -               | (6,131)         | (786)           |
| <b>As at 31 March</b>              | <b>193,336</b>  | <b>124,191</b>  | <b>155,632</b>  | <b>94,254</b>   |

### 18. TRADE AND OTHER RECEIVABLES

| Year ended 31 March 2020                     | Group           |                  | Company         |                 |
|----------------------------------------------|-----------------|------------------|-----------------|-----------------|
|                                              | 2020<br>Rs. 000 | 2019<br>Rs. 000  | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| Trade Receivables                            | 854,020         | 1,015,260        | 746,978         | 818,597         |
| Less: Provision for Doubtful Debts           | (60,774)        | (37,607)         | (45,618)        | (29,709)        |
|                                              | <b>793,246</b>  | <b>977,653</b>   | <b>701,360</b>  | <b>788,888</b>  |
| Amounts Due from Related Parties (Note 18.1) | 90,534          | 75,278           | 28,980          | 20,594          |
| Other Receivables                            | 46,659          | 32,879           | 43,712          | 31,242          |
|                                              | <b>930,439</b>  | <b>1,085,810</b> | <b>774,052</b>  | <b>840,724</b>  |

### 18.1 Amounts Due from Related Parties

| Year ended 31 March 2020                  | Group           |                 | Company         |                 |
|-------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                           | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| Advantis Projects & Engineering (Pvt) Ltd | 1,347           | 2,318           | 1,347           | 2,318           |
| Unisyst Engineering PLC                   | 26,259          | 16,736          | 25,115          | 15,776          |
| Energynet (Pvt) Ltd                       | 40,937          | 54,350          | 1,754           | 2,500           |
| Fentons Limited                           | 21,991          | 1,874           | 764             | -               |
|                                           | 90,534          | 75,278          | 28,980          | 20,594          |

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

### 18.2 Movement in the Provision for Doubtful Debts.

| Year ended 31 March 2020           | Group           |                 | Company         |                 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                    | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| <b>As at 1 April</b>               | 37,607          | 17,272          | 29,709          | 14,993          |
| Provision Made During the Year     | 84,135          | 71,142          | 65,512          | 60,682          |
| Write-off Against the Provision    | (750)           | (9,450)         | (490)           | (8,739)         |
| Provision Reversed During the Year | (60,218)        | (41,357)        | (49,113)        | (37,227)        |
| <b>As at 31 March</b>              | 60,774          | 37,607          | 45,618          | 29,709          |

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

| Group | Neither<br>Past Due<br>nor Impaired | Past Due but not Impaired |                |                 |               |                  | Provision<br>for<br>Doubtful<br>Debts | Total<br>(Net) |
|-------|-------------------------------------|---------------------------|----------------|-----------------|---------------|------------------|---------------------------------------|----------------|
|       |                                     | < 60<br>days              | 61-120<br>days | 121-180<br>days | > 180<br>days | Total<br>(Gross) |                                       |                |
| 2019  | 567,462                             | 333,476                   | 66,511         | 22,109          | 25,702        | 1,015,260        | (37,607)                              | 977,653        |
| 2020  | 297,364                             | 334,865                   | 90,395         | 70,591          | 60,805        | 854,020          | (60,774)                              | 793,246        |

| Company | Neither<br>Past Due<br>nor Impaired | < 60<br>days | 61-120<br>days | 121-180<br>days | > 180<br>days | Total<br>(Gross) | Provision<br>for<br>Doubtful<br>Debts | Total<br>(Net) |
|---------|-------------------------------------|--------------|----------------|-----------------|---------------|------------------|---------------------------------------|----------------|
|         |                                     |              |                |                 |               |                  |                                       |                |
| 2019    | 478,124                             | 250,645      | 54,016         | 14,930          | 21,063        | 818,597          | (29,709)                              | 788,888        |
| 2020    | 261,828                             | 293,553      | 82,251         | 63,696          | 45,650        | 746,978          | (45,618)                              | 701,360        |

See Note 30 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.

## Notes to the Financial Statements

### 19. ADVANCES AND PREPAYMENTS

| Year ended 31 March 2020                     | Group           |                 | Company         |                 |
|----------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                              | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| Advances                                     | 65,881          | 48,865          | 65,881          | 48,863          |
| Receivables from Related Parties (Note 19.1) | -               | 3,900           | -               | 3,900           |
| Prepayments                                  | 26,832          | 16,600          | 24,317          | 12,810          |
|                                              | 92,713          | 69,365          | 90,198          | 65,573          |

#### 19.1 Receivables from Related Parties

| Year ended 31 March 2020   | Group           |                 | Company         |                 |
|----------------------------|-----------------|-----------------|-----------------|-----------------|
|                            | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| Heyleys Aventura (Pvt) Ltd | -               | 3,900           | -               | 3,900           |
|                            | -               | 3,900           | -               | 3,900           |

### 20. CASH AND SHORT TERM DEPOSITS

| Year ended 31 March 2020  | Group           |                 | Company         |                 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
|                           | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| Cash at Banks and on Hand | 69,402          | 87,996          | 67,558          | 56,934          |
| Short-Term Deposits       | 3,242           | 10,559          | 3,170           | 3,027           |
|                           | 72,644          | 98,555          | 70,728          | 59,961          |

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

| Year ended 31 March 2020                                         | Group           |                 | Company         |                 |
|------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                  | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| Cash at Banks and on Hand                                        | 69,402          | 87,996          | 67,558          | 56,934          |
| Short-Term Deposits                                              | 3,242           | 10,559          | 3,170           | 3,027           |
| Short Term Interest Bearing Borrowing                            | (1,015,769)     | (1,361,100)     | (972,910)       | (1,311,460)     |
| Cash and Cash Equivalents for the Purpose of Cash Flow Statement | (943,125)       | (1,262,545)     | (902,182)       | (1,251,499)     |

## 21. STATED CAPITAL

| Year ended 31 March 2020 | Company        |                 |                |                 |
|--------------------------|----------------|-----------------|----------------|-----------------|
|                          | 2020<br>Number | 2020<br>Rs. 000 | 2019<br>Number | 2019<br>Rs. 000 |
| Ordinary Shares          | 299,302,840    | 283,735         | 299,302,840    | 283,735         |

All authorised ordinary shares are issued and fully paid

## 22. RESERVES

| Year ended 31 March 2020        | Group           |                 | Company         |                 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                 | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| Revaluation Reserve (Note 22.1) | 578,964         | 584,249         | 546,551         | 551,836         |
| Capital Reserve                 | 228,056         | 228,056         | 228,056         | 228,056         |
|                                 | 807,020         | 812,305         | 774,607         | 779,892         |

### 22.1 Revaluation Reserve

| Year ended 31 March 2020                            | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
|-----------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| As at 1 April                                       | 584,249         | 437,425         | 551,836         | 412,212         |
| Revaluation Surplus During the Year                 | -               | 210,263         | -               | 201,263         |
| Income Tax effect on Revaluation Surplus            | -               | (58,154)        | -               | (56,354)        |
| Excess Depreciation Transfer on Revaluation Surplus | (5,285)         | (5,285)         | (5,285)         | (5,285)         |
| As at 31 March                                      | 578,964         | 584,249         | 546,551         | 551,836         |

### 22.2 Capital Reserve

Capital reserve was made with funds transferred from retained earnings in previous years with the purchase of capital nature assets.

## Notes to the Financial Statements

### 22. RESERVES (CONTD.)

#### 22.3 Other Comprehensive Income items, Net of Tax

The disaggregation of charges of OCI by each type of reserve on equity is shown below.

| Group                                            | Revaluation<br>Reserve<br>Rs. 000 | Retained<br>Earnings<br>Rs. 000 | Total<br>Rs. 000 |
|--------------------------------------------------|-----------------------------------|---------------------------------|------------------|
| <b>As at 31 March 2019</b>                       |                                   |                                 |                  |
| 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          |
| <b>As at 31 March 2020</b>                       |                                   |                                 |                  |
| Remeasurement of Defined Benefit Plan Net of Tax | -                                 | 4,383                           | 4,383            |
|                                                  | -                                 | 4,383                           | 4,383            |
| <b>Company</b>                                   |                                   |                                 |                  |
|                                                  | Revaluation<br>Reserve<br>Rs. 000 | Retained<br>Earnings<br>Rs. 000 | Total<br>Rs. 000 |
| <b>As at 31 March 2019</b>                       |                                   |                                 |                  |
| 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          |
| <b>As at 31 March 2020</b>                       |                                   |                                 |                  |
| Remeasurement of Defined Benefit Plan Net of Tax | -                                 | 3,901                           | 3,901            |
|                                                  | -                                 | 3,901                           | 3,901            |

### 23. PROVISIONS

| Year ended 31 March 2020    | Group           |                 | Company         |                 |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|
|                             | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| <b>Maintenance Warranty</b> |                 |                 |                 |                 |
| <b>As at 01 April</b>       | 9,020           | 6,251           | 7,557           | 5,152           |
| Provisions During the Year  | 2,604           | 2,769           | 2,374           | 2,405           |
| <b>As at 31 March</b>       | 11,624          | 9,020           | 9,931           | 7,557           |

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

## 24. RETIREMENT BENEFIT LIABILITY

The Group measures the present value of Defined Benefit Obligation (PVDBO) which is a defined benefit plan with the advice of an actuary using Project Unit Credit Method.

### Changes in the present value of the Retirement Benefit Plan as follows:

|                         | Group           |                 | Company         |                 |
|-------------------------|-----------------|-----------------|-----------------|-----------------|
|                         | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| <b>As at 1 April</b>    | 111,766         | 108,230         | 99,292          | 96,644          |
| Interest Cost           | 12,446          | 9,093           | 11,035          | 7,825           |
| Current Service Cost    | 14,557          | 11,180          | 13,178          | 10,262          |
| Benefit Paid            | (7,463)         | (14,527)        | (6,862)         | (14,054)        |
| Actuarial (Gain) / Loss | (6,021)         | (2,210)         | (5,418)         | (1,385)         |
| <b>As at 31 March</b>   | <b>125,285</b>  | <b>111,766</b>  | <b>111,225</b>  | <b>99,292</b>   |

### 24.1 Expense Recognised during the year in Income Statement

|                                                          | Group           |                 | Company         |                 |
|----------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                          | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| Interest Cost                                            | 12,446          | 9,093           | 11,035          | 7,825           |
| Current Service Cost                                     | 14,557          | 11,180          | 13,178          | 10,261          |
|                                                          | 27,003          | 20,273          | 24,213          | 18,086          |
| Actuarial gains recognised in Other Comprehensive Income | 6,021           | 2,210           | 5,418           | 1,385           |

Messrs. Actuarial and Management consultant (Pvt) Ltd , carried out an actuarial valuation of the defined benefit plan gratuity on 31 March 2020. The principal financial assumptions underling the valuation are as follows.;

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

|                         |                                                                      |
|-------------------------|----------------------------------------------------------------------|
| Discount rate           | 10% (2019 - 11%)                                                     |
| Rate of Salary Increase | 9% (2019 - 10%)                                                      |
| Retirement Age          | 55-60 Years as specified by the Company (2019 - 55-60 Years )        |
| Staff Turnover          | 14%                                                                  |
| Mortality               | Based on A1967/70 Mortality Table ( Institute of Actuaries , London) |



## Notes to the Financial Statements

### 24. RETIREMENT BENEFIT LIABILITY (CONTD.)

24.3 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) |
| 9%                    | 9%            | 134,994 | (9,709)               | 9%                    | 9%            | 119,401 | (8,175)               |
| 9%                    | 11%           | 119,989 | 5,296                 | 9%                    | 11%           | 106,170 | 5,056                 |
| 8%                    | 10%           | 119,361 | 5,924                 | 8%                    | 10%           | 105,606 | 5,619                 |
| 10%                   | 10%           | 135,558 | (10,273)              | 10%                   | 10%           | 119,908 | (8,683)               |

24.4 Average future working life time as per the assumptions made is 5.98 years as of 31 March 2020.

24.5 Maturity Profile of the Defined Benefit Obligation as at 31 March 2020.

| Year ended 31 March 2020            | Defined Benefit Obligation |                 |                 |                 |
|-------------------------------------|----------------------------|-----------------|-----------------|-----------------|
|                                     | Group                      |                 | Company         |                 |
|                                     | 2020<br>Rs. 000            | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| <b>Expected Future Working Life</b> |                            |                 |                 |                 |
| Within the Next Twelve Months       | 15,573                     | 11,583          | 13,573          | 5,935           |
| Between One to Five Years           | 49,647                     | 44,989          | 44,688          | 44,563          |
| Between Five to Ten Years           | 36,505                     | 33,145          | 32,228          | 29,745          |
| More than Ten Years                 | 23,560                     | 22,048          | 20,736          | 19,049          |
|                                     | 125,285                    | 111,766         | 111,225         | 99,292          |

### 25. TRADE AND OTHER PAYABLES

| Year ended 31 March 2020                    | Group           |                 | Company         |                 |
|---------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                             | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| Trade Payables                              | 247,102         | 572,161         | 225,184         | 527,068         |
| Payable to Subsidiaries (Note 26.2 )        | -               | -               | 330,048         | 81,040          |
| Amounts Due to Related Parties (Note 26.1 ) | 182,038         | 89,077          | 177,185         | 87,108          |
| Other Payables                              | 122,919         | 211,590         | 110,327         | 176,180         |
| Accruals and Sundry Creditors               | 328,785         | 261,072         | 311,000         | 242,848         |
|                                             | 880,844         | 1,133,900       | 1,153,744       | 1,114,244       |

## 26. AMOUNTS DUE TO RELATED PARTIES

### 26.1 Amounts Due to Related Parties

| Year ended 31 March 2020                           | Group           |                 | Company         |                 |
|----------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                    | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| Hayleys PLC                                        | 159,878         | 84,717          | 156,098         | 82,867          |
| Advantis Freight (Private) Ltd                     | 1,780           | 16              | 1,780           | 16              |
| Hayleys Business Solutions International (Pvt) Ltd | 428             | 904             | 359             | 786             |
| Logiwiz Limited                                    | 88              | 20              | 88              | 20              |
| MIT Cargo (Pvt) Ltd                                | -               | 71              | -               | 71              |
| Fentons Limited                                    | 12,042          | -               | 12,042          | -               |
| Hayleys Aventura (Pvt) Ltd                         | 2,077           | -               | 1,272           | -               |
| Hayleys Travels (Pvt) Ltd                          | 103             | 54              | 103             | 54              |
| Agility Logistics (Pvt) Ltd                        | -               | 487             | -               | 487             |
| Mountain Hawk Expresses (Pvt) Ltd                  | 441             | 665             | 397             | 665             |
| Hayleys Agriculture Holdings Limited               | 26              | 23              | 26              | 23              |
| Puritas (Private) Limited                          | 2,808           | 785             | 2,653           | 785             |
| Advantis Projects & Engineering (Pvt) Ltd          | -               | -               | -               | -               |
| Mabroc Teas (Pvt) Ltd                              | 16              | 49              | 16              | 49              |
| Quality Seeds (Pvt) Ltd                            | -               | 1,286           | -               | 1,286           |
| Unisyst Engineering PLC                            | 1,225           | -               | 1,225           | -               |
| Singer (Sri Lanka PLC)                             | 1,126           | -               | 1,126           | -               |
|                                                    | 182,038         | 89,077          | 177,185         | 87,108          |
| <b>26.2 Payable to subsidiaries</b>                |                 |                 |                 |                 |
| Alco Industries (Pvt) Ltd                          |                 |                 | 330,048         | 81,040          |
|                                                    |                 |                 | 507,233         | 168,148         |

#### 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 30.

## Notes to the Financial Statements

### 27. COMMITMENTS AND CONTINGENCIES

#### 27.1 Capital Expenditure Commitments

The “Group” has following major capital commitments as at 31 March 2020.

| Company    | Nature of transaction                               | Capital Commitment<br>Rs. 000 |
|------------|-----------------------------------------------------|-------------------------------|
| Alumex PLC | Furniture & fittings                                | 725                           |
| Alumex PLC | Aluminium Fabrication Charges for Lumin Center Clo. | 621                           |
| Alumex PLC | Capacitor Bank 450KVAR (460V)                       | 1,460                         |
| Alumex PLC | Fabricating Lighting Arrays                         | 258                           |
| Alumex PLC | Lumin Center - Katugastota                          | 2,200                         |
| Alumex PLC | Installation of Exhaust duct system for Nitriding   | 457                           |
| Alumex PLC | Automatic powder spray gun                          | 1,072                         |
| Alumex PLC | Computer & equipments                               | 2,283                         |
|            |                                                     | 9,076                         |

#### 27.2 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.

The contingent liabilities as at 31 March 2020 on guarantees given by Company and Group to third parties amounted to Rs 1.6 Mn & Rs 1.8 Mn respectively (2019 - Rs Nil & 0.44 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 13 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 2020.

### 28. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no events that has occurred as at 31 March 2020 which require adjustment to or disclosure in the Financial Statements.

### 29. RELATED PARTY DISCLOSURES

#### 29.1 Transaction 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.

## 29.2 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<br>2020 | 2019 |
|---------------------------|--------------------------|---------------------------|------|
| 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 2020 ,31 March 2019, refer to Notes 18 and 26):

\* Purchases from Alco Industries (Pvt) Ltd during the year includes interest paid amounting to Rs. 8.89 Mn. (2019- Rs. nil)

|                                                           |      | Sales<br>to Related<br>Parties<br>Rs. 000 | Purchases<br>from<br>Related<br>Parties<br>Rs. 000 | Net Funds<br>Transfer<br>from / (to)<br>Related<br>Parties<br>Rs. 000 | Amounts<br>Due from<br>Related<br>Parties<br>Rs. 000 | Amounts<br>Due to<br>Related<br>Parties<br>Rs. 000 |
|-----------------------------------------------------------|------|-------------------------------------------|----------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------|
| <b>Parent :</b>                                           |      |                                           |                                                    |                                                                       |                                                      |                                                    |
| Hayleys PLC                                               | 2020 | -                                         | 77,550                                             | -                                                                     | -                                                    | 156,098                                            |
|                                                           | 2019 | -                                         | 78,195                                             | -                                                                     | -                                                    | 82,867                                             |
| <b>Subsidiaries :</b>                                     |      |                                           |                                                    |                                                                       |                                                      |                                                    |
| *Alco Industries (Pvt) Ltd                                | 2020 | 264,191                                   | 177,470                                            | 335,729                                                               | -                                                    | 330,048                                            |
|                                                           | 2019 | 667,463                                   | 266,068                                            | 379,291                                                               | -                                                    | 81,040                                             |
| <b>Entities with significant influence over the Group</b> |      |                                           |                                                    |                                                                       |                                                      |                                                    |
| Hayleys Business Solutions International (Pvt) Ltd        | 2020 | -                                         | 1,635                                              | -                                                                     | -                                                    | 359                                                |
|                                                           | 2019 | -                                         | 1,605                                              | -                                                                     | -                                                    | 786                                                |
| Hayleys Consumer Products Ltd                             | 2020 | -                                         | -                                                  | -                                                                     | -                                                    | -                                                  |
|                                                           | 2019 | -                                         | -                                                  | -                                                                     | -                                                    | -                                                  |
| Hayleys Travels (Pvt) Ltd                                 | 2020 | -                                         | 5,113                                              | -                                                                     | -                                                    | 103                                                |
| (Formerly known as Hayleys Travels & Tours (Pvt) Ltd)     | 2019 | -                                         | 10,222                                             | -                                                                     | -                                                    | 54                                                 |
| Hayleys Electronics Lighting (Pvt) Ltd                    | 2020 | -                                         | -                                                  | -                                                                     | -                                                    | -                                                  |
|                                                           | 2019 | -                                         | 489                                                | -                                                                     | -                                                    | -                                                  |
| The Kingsbury PLC                                         | 2020 | -                                         | 1,341                                              | -                                                                     | -                                                    | -                                                  |
|                                                           | 2019 | -                                         | 2,793                                              | -                                                                     | -                                                    | -                                                  |
| Puritas (Pvt) Ltd                                         | 2020 | -                                         | 6,006                                              | -                                                                     | -                                                    | 2,653                                              |
|                                                           | 2019 | -                                         | 9,313                                              | -                                                                     | -                                                    | 785                                                |

## Notes to the Financial Statements

### 29. RELATED PARTY DISCLOSURES (CONTD.)

|                                              |      | Sales<br>to Related<br>Parties<br>Rs. 000 | Purchases<br>from<br>Related<br>Parties<br>Rs. 000 | Net Funds<br>Transfer<br>from / (to)<br>Related<br>Parties<br>Rs. 000 | Amounts<br>Due from<br>Related<br>Parties<br>Rs. 000 | Amounts<br>Due to<br>Related<br>Parties<br>Rs. 000 |
|----------------------------------------------|------|-------------------------------------------|----------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------|
| Advantis Projects & Engineering (Pvt) Ltd    | 2019 | 3,915                                     | -                                                  | -                                                                     | 1,347                                                | -                                                  |
|                                              | 2020 | 4,927                                     | -                                                  | -                                                                     | 2,318                                                | -                                                  |
| Advantis Freight (Pvt) Ltd                   | 2019 | -                                         | 4,472                                              | -                                                                     | -                                                    | 1,780                                              |
|                                              | 2020 | -                                         | 1,695                                              | -                                                                     | -                                                    | 16                                                 |
| Sampath Bank PLC                             | 2020 | -                                         | 12,340                                             | -                                                                     | -                                                    | -                                                  |
|                                              | 2019 | -                                         | 24,732                                             | -                                                                     | -                                                    | -                                                  |
| Unisyst Engineering PLC                      | 2020 | 47,942                                    | -                                                  | -                                                                     | 25115                                                | -                                                  |
|                                              | 2019 | 17,418                                    | -                                                  | -                                                                     | 15,776                                               | -                                                  |
| Logiwiz Limited                              | 2020 | -                                         | 438                                                | -                                                                     | -                                                    | 88                                                 |
|                                              | 2019 | -                                         | 617                                                | -                                                                     | -                                                    | 20                                                 |
| COSCO Shipping Lines Lanka (Private) Limited | 2020 | -                                         | -                                                  | -                                                                     | -                                                    | -                                                  |
|                                              | 2019 | -                                         | 105                                                | -                                                                     | -                                                    | -                                                  |
| MIT Cargo (Pvt) Ltd                          | 2020 | -                                         | 1,866                                              | -                                                                     | -                                                    | -                                                  |
|                                              | 2019 | -                                         | -                                                  | -                                                                     | -                                                    | 71                                                 |
| Hayleys Agriculture Holdings Ltd             | 2020 | -                                         | 1,205                                              | -                                                                     | -                                                    | 26                                                 |
|                                              | 2019 | -                                         | 186                                                | -                                                                     | -                                                    | 23                                                 |
| Mabroc Teas (Pvt) Ltd                        | 2020 | -                                         | 66                                                 | -                                                                     | -                                                    | 17                                                 |
|                                              | 2019 | -                                         | 435                                                | -                                                                     | -                                                    | 49                                                 |
| Hayleys Aventura (Pvt) Ltd                   | 2020 | -                                         | 8,019                                              | -                                                                     | -                                                    | 1,272                                              |
|                                              | 2019 | -                                         | 19,762                                             | -                                                                     | -                                                    | -                                                  |
| Mountain Hawk Express (Pvt) Ltd              | 2020 | -                                         | 4,333                                              | -                                                                     | -                                                    | 397                                                |
|                                              | 2019 | -                                         | -                                                  | -                                                                     | -                                                    | 665                                                |
| Quality Seeds (Pvt) Ltd                      | 2020 | -                                         | -                                                  | -                                                                     | -                                                    | -                                                  |
|                                              | 2019 | -                                         | 3,363                                              | -                                                                     | -                                                    | 1,286                                              |
| Fentons Ltd                                  | 2020 | 828                                       | 12,042                                             | -                                                                     | -                                                    | 11,279                                             |
|                                              | 2019 | -                                         | -                                                  | -                                                                     | -                                                    | -                                                  |
| Agility Logistics (Private) Limited          | 2020 | -                                         | -                                                  | -                                                                     | -                                                    | -                                                  |
|                                              | 2019 | -                                         | 1,047                                              | -                                                                     | -                                                    | 487                                                |
| D P L Universal Gloves Limited               | 2020 | -                                         | -                                                  | -                                                                     | -                                                    | -                                                  |
|                                              | 2019 | 120                                       | -                                                  | -                                                                     | -                                                    | -                                                  |
| Energynet (Pvt) Ltd                          | 2020 | -                                         | -                                                  | -                                                                     | 1,754                                                | -                                                  |
|                                              | 2019 | 2,500                                     | -                                                  | -                                                                     | 2,500                                                | -                                                  |
| Singer (Sri Lanka) PLC                       | 2020 | -                                         | 3,446                                              | -                                                                     | -                                                    | 1,126                                              |
|                                              | 2019 | -                                         | -                                                  | -                                                                     | -                                                    | -                                                  |

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 ultimate parent of the Group is Hayleys PLC

#### **The Entity with significant influence over the Company**

Hayleys Business Solutions International (Pvt) Ltd, Haycarb PLC, The Kingsbury PLC, Hayleys Travels (Pvt) Ltd, Advantis Projects & Engineering (Pvt) Ltd, Puritas (Pvt) Ltd, Hayleys Electronics Lighting (Pvt) Ltd, Hayleys Industrial Solutions (Pvt) Ltd, Advantis Freight (Pvt) Ltd, Hayleys Consumer Products Ltd, Unisyst Engineering PLC, Dean Foster (Pvt) Ltd, Logiwiz Limited, CMA CGA Lanka (Pvt) Ltd, Maritime Agencies (Pvt) Ltd, COSCO Shipping Lines Lanka (Pvt) Ltd, MIT Cargo (Pvt) Ltd, Mountain Hawk Express (Pvt) Ltd, Quality Seeds (Pvt) Ltd, Hayleys Fibre PLC, Hayleys Aviation and Project (Pvt) Ltd, Agility Logistics (Pvt) Ltd, Singer (Sri Lanka) PLC, Hayleys Agriculture Holdings Ltd, Hayleys Aventura (Pvt) Ltd, Fentons Ltd, D P L Universal Gloves Limited, Energynet (Pvt) Ltd, Mabroc Teas (Pvt) 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 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2019 - 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.

### **30. 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.

## Notes to the Financial Statements

### 30. FINANCIAL MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

#### 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. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Company establishes an allowance for impairment that represents its estimate of expected 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.930 mn (2019-Rs. 1,086 mn) which is disclosed in Note 18. The Company evaluates the concentration of risk with respect to trade receivables as low.

#### Cash and Cash Equivalents

The Group/Company held cash and cash equivalents of Rs. 73 mn and Rs.71 mn respectively as at 31 March 2020 (2019-Rs.99mn and Rs.60 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(lka)
- Sampath Bank PLC – A+(lka)
- Bank of Ceylon – AA+( lka)
- DFCC Bank – AA-(lka)
- Hatton National Bank PLC– AA-( lka)
- Standard Chartered Bank- AAA(lka)
- Nation Trust Bank PLC - A-(lka)
- Deutsche Bank BBB+(lka)

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

| Year ended 31 March 2020              | On Demand<br>RS. 000 | Less than 3 Months<br>RS. 000 | 3 to 12 Months<br>RS. 000 | 1 to 5 years<br>RS. 000 | >5 years<br>RS. 000 | Total<br>RS. 000 |
|---------------------------------------|----------------------|-------------------------------|---------------------------|-------------------------|---------------------|------------------|
| <b>Group</b>                          |                      |                               |                           |                         |                     |                  |
| Interest-Bearing Loans and Borrowings | 358,954              | 838,790                       | 545,925                   | 1,353,950               | -                   | 3,097,619        |
| Other Liabilities                     | 12,530               | -                             | -                         | -                       | -                   | 12,530           |
| Trade and Other Payables              | 328,185              | 122,919                       | 429,140                   | -                       | -                   | 880,844          |
|                                       | 700,269              | 961,709                       | 975,065                   | 1,353,950               | -                   | 3,990,993        |

| Year ended 31 March 2020              | On Demand<br>RS. 000 | Less than 3 Months<br>RS. 000 | 3 to 12 Months<br>RS. 000 | 1 to 5 years<br>RS. 000 | >5 years<br>RS. 000 | Total<br>RS. 000 |
|---------------------------------------|----------------------|-------------------------------|---------------------------|-------------------------|---------------------|------------------|
| <b>Company</b>                        |                      |                               |                           |                         |                     |                  |
| Interest-Bearing Loans and Borrowings | 324,545              | 830,339                       | 545,925                   | 1,353,950               | -                   | 3,054,759        |
| Other Liabilities                     | 10,722               | -                             | -                         | -                       | -                   | 10,722           |
| Trade and Other Payables              | 311,000              | 110,327                       | 732,417                   | -                       | -                   | 1,153,744        |
|                                       | 646,267              | 940,666                       | 1,278,342                 | 1,353,950               | -                   | 4,219,225        |

### 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

## Notes to the Financial Statements

### 30. FINANCIAL MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance when this is effective

#### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### Interest Rate Risk

The Company adopts a policy of ensuring that 9.29 % 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<br>Interest Rate | Effect on Profit<br>Before Tax |                            |
|--------------------------------|----------------------------------------|--------------------------------|----------------------------|
|                                |                                        | 2020<br>Group<br>Rs. 000       | 2020<br>Company<br>Rs. 000 |
| Only Using                     | .+ 1%                                  | 23,403                         | 23,403                     |
| Long term Loans and Borrowings | . - 1 %                                | (23,403)                       | (23,403)                   |

#### Foreign Currency Risk

The Group is exposed to currency risk on sales and purchases. The Company manages its foreign currency risk by hedging transactions that are expected to occur within a maximum period of 4 months by using foreign currency forwards contracts.

The following table demonstrate the sensitivity to a reasonably possible change in the US Dollar rate with all other variables held constant. The impact on the Group's and Company's Profit before tax due to the change in the exchange rate is as follows.

|                            | 2020             |                    |
|----------------------------|------------------|--------------------|
|                            | Group<br>Rs.'000 | Company<br>Rs.'000 |
| Liability -Creditor        | 249,877          | 239,800            |
| Assets -Deposit in \$      | (60,652)         | (60,652)           |
| Net Position               | 189,226          | 179,149            |
| If Rupee Depreciated by 5% | 198,687          | 188,106            |
| Impact to the PBT          | (9,461)          | (8,957)            |
| If Rupee Appreciated by 5% | 179,764          | 170,191            |
| Impact to the PBT          | 9,461            | 8,957              |

### 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<br>Year-End Price | Effect on Profit<br>Before Tax |                            |
|---------------|-----------------------------|--------------------------------|----------------------------|
|               |                             | 2020<br>Group<br>Rs. 000       | 2020<br>Company<br>Rs. 000 |
| Raw Aluminium | +5%                         | (104,297)                      | (91,149)                   |
|               | -5%                         | 104,297                        | 91,149                     |

### Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group's net debt to adjusted equity ratio at the reporting date was as follows;

|                                       | Group           |                 | Company         |                 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                       | 2020<br>Rs. 000 | 2019<br>Rs. 000 | 2020<br>Rs. 000 | 2019<br>Rs. 000 |
| Interest Bearing Loans and Borrowings | 3,097,619       | 3,087,350       | 3,054,759       | 3,037,710       |
|                                       | 3,097,619       | 3,087,350       | 3,054,759       | 3,037,710       |
| Equity                                | 2,381,845       | 2,353,295       | 1,675,555       | 1,733,537       |
| Equity and Net Debts                  | 5,479,464       | 5,440,645       | 4,730,314       | 4,771,247       |
| Gearing Ratio                         | 56.53%          | 56.75%          | 64.58%          | 63.67%          |

## 31. 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 operation are treated as one segment.

## Investor Information

### TOP 20 SHAREHOLDERS

|    | Name of the Shareholder                                         | No.of<br>Shares as at<br>31/03/2020 | %            | No.of<br>Shares as at<br>31/03/2019 | %            |
|----|-----------------------------------------------------------------|-------------------------------------|--------------|-------------------------------------|--------------|
| 1  | Hayleys PLC                                                     | 157,413,032                         | 52.59        | 157,413,032                         | 52.59        |
| 2  | Akbar Brothers Pvt Ltd A/C No.1                                 | 40,617,782                          | 13.57        | 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.Senthilvel                                | 2,208,041                           | 0.74         | 2,208,041                           | 0.74         |
|    | Dr. T.Senthilvel                                                | 1,179,775                           | 0.39         | 1,179,775                           | 0.39         |
| 7  | Mrs. G. I. Vasunthara                                           | 2,200,000                           | 0.74         | 1,500,000                           | 0.50         |
| 8  | Ceylon Investment PLC A/C No.1                                  | 1,352,489                           | 0.45         | 1,352,489                           | 0.45         |
| 9  | Mr. T.H.D.I.U.Thrimanne                                         | 1,081,040                           | 0.36         | 1,081,040                           | 0.36         |
| 10 | 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         |
| 11 | Mrs. Vasudevan Saraswathi                                       | 883,521                             | 0.30         | 241,941                             | 0.08         |
| 12 | Hatton National Bank PLC A/C No.4 (HNB Retirement Pension Fund) | 858,230                             | 0.29         | 858,230                             | 0.29         |
| 13 | Arunodhaya Industries (Private) Limited                         | 850,000                             | 0.28         | 850,000                             | 0.28         |
| 14 | Merchant Bank of Sri Lanka and Finance PLC/K.K. Wickramasinghe  | 820,000                             | 0.27         | -                                   | -            |
| 15 | Arunodhaya Investments (Private) Limited                        | 760,000                             | 0.25         | 760,000                             | 0.25         |
| 16 | Arunodhaya (Private) Limited                                    | 750,000                             | 0.25         | 750,000                             | 0.25         |
| 17 | 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         |
| 18 | Mr. K.N.J.Balendra                                              | 622,365                             | 0.21         | 622,365                             | 0.21         |
| 19 | Seylan Bank PLC/J. A. Wijeratne                                 | 620,000                             | 0.21         | 460,000                             | 0.15         |
| 20 | Peoples Bank                                                    | 565,298                             | 0.19         | 1,498,732                           | 0.50         |
|    | <b>Total</b>                                                    | <b>270,433,373</b>                  | <b>90.34</b> | <b>268,845,227</b>                  | <b>89.79</b> |

### DIRECTORS' SHAREHOLDINGS-( AS DEFINED IN COLOMBO STOCK EXCHANGE RULES)

| Name of the Director                                | As at 31/03/2020  | As at 31/03/2019  |
|-----------------------------------------------------|-------------------|-------------------|
| Mr. A.M.Pandithage                                  | 10,000            | 10,000            |
| Mr. D.W.P.N.Dediwela                                | 10,669,200        | 10,669,200        |
| Mr. S.C.Ganegoda                                    | 92,939            | 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            | 19,907            |
| Mr. T.Akbarally (Alt. Director to Mr.A.A.Akbarally) | 100,000           | 100,000           |
| <b>Total</b>                                        | <b>11,155,995</b> | <b>11,108,295</b> |

## PUBLIC HOLDING

- The percentage of shares held by public as per the Colombo Stock Exchange Rules as at 31st March 2020, was 15.55% (2019 - 15.63%) held by 2635 ordinary shareholder (2019 - 2404).
- Float adjusted market capitalization as at 31st March 2019 was Rs. 335,048,083.20

\*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 2020

| 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            | 1,357               | 495,171       | 0.1654  | 6                   | 2,731         | 0.0009 | 1,363               | 497,902       | 0.16635   |
| 1,001-10,000       | 849                 | 3,592,658     | 1.2003  | 6                   | 25,432        | 0.0085 | 855                 | 3,618,090     | 1.20884   |
| 10,001-100,000     | 343                 | 11,465,595    | 3.8308  | 8                   | 384,028       | 0.1283 | 351                 | 11,849,623    | 3.95907   |
| 100,001-1,000,000  | 65                  | 22,105,476    | 7.3857  | 4                   | 956,190       | 0.3195 | 69                  | 23,061,666    | 7.70513   |
| OVER 1,000,000     | 11                  | 260,275,559   | 86.9606 | 0                   | -             | 0.0000 | 11                  | 260,275,559   | 86.96060  |
|                    | 2,625               | 297,934,459   | 99.5428 | 24                  | 1,368,381     | 0.4572 | 2,649               | 299,302,840   | 100.00000 |

| 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 | %        |
| <b>Category</b>    |                     |               |         |                     |               |        |                     |               |          |
| Individuals        | 2,472               | 40,230,045    | 13.4412 | 23                  | 1,208,381     | 0.4037 | 2,495               | 41,438,426    | 13.8450  |
| Institutions       | 153                 | 257,704,414   | 86.1016 | 1                   | 160,000       | 0.0535 | 154                 | 257,864,414   | 86.1550  |
|                    | 2,625               | 297,934,459   | 99.5428 | 24                  | 1,368,381     | 0.4572 | 2,649               | 299,302,840   | 100.0000 |

As at 31st March 2020, there were 2649 (31st March 2019 - 2,417) registered shareholders.

## Investor Information

### SHARE TRADING INFORMATION

#### FOR THE FINANCIAL YEAR

The market value of Alumex PLC, ordinary share during the year:

|                        | 2019/20<br>Rs. | Date       | 2018/19<br>Rs. | Date      |
|------------------------|----------------|------------|----------------|-----------|
| Highest Price          | 15.80          | 11/29/2019 | 18.00          | 4/12/2018 |
| Lowest Price           | 6.50           | 3/20/2020  | 9.70           | 3/27/2019 |
| Closing Price          | 7.20           | 3/20/2020  | 10.00          | 3/29/2019 |
| No. of Transactions    | 7,312          |            | 4,029          |           |
| No. of shares traded   | 19,976,459     |            | 7,482,338      |           |
| Value of shares traded | 248,047,668.90 |            | 114,226,986.50 |           |

#### FOR THE THREE MONTHS ENDED 31.03.2020

|                        | Rs.           | Date      |
|------------------------|---------------|-----------|
| Highest Price          | 14.80         | 1/6/2020  |
| Lowest Price           | 6.50          | 3/20/2020 |
| Closing Price          | 7.20          | 3/20/2020 |
| No. of Transactions    | 1,138         |           |
| No. of shares traded   | 3,262,980     |           |
| Value of shares traded | 32,761,401.30 |           |

## Five Year Summary

|                                                    | 2020      | 2019      | 2018        | 2017      | 2016      |
|----------------------------------------------------|-----------|-----------|-------------|-----------|-----------|
| Turnover                                           | 4,729,950 | 5,031,000 | 4,422,461   | 4,634,761 | 3,915,668 |
| Profit before Tax                                  | 66,887    | 176,835   | 514,726     | 1,016,400 | 801,260   |
| Taxation                                           | (36,038)  | (50,355)  | (150,368)   | (262,904) | (212,137) |
| Profit after Tax                                   | 30,849    | 126,480   | 364,358     | 753,496   | 589,123   |
| Non-Controlling Interest                           | -         | -         | -           | -         | -         |
| Profit Attributable to the Group                   | 30,849    | 126,480   | 364,358     | 753,496   | 589,123   |
| <b>Funds Employed</b>                              |           |           |             |           |           |
| Stated Capital                                     | 283,735   | 283,735   | 283,735     | 283,735   | 283,735   |
| Reserves                                           | 807,020   | 812,305   | 665,481     | 780,323   | 684,503   |
| Retained Earnings                                  | 1,291,090 | 1,257,256 | 1,303,415   | 1,251,876 | 930,218   |
| <b>Assets Employed</b>                             |           |           |             |           |           |
| Non-Current Assets                                 | 3,805,099 | 3,828,096 | 3,335,359   | 1,957,941 | 1,332,559 |
| Current Assets                                     | 2,992,572 | 3,148,422 | 3,067,145   | 2,305,879 | 1,547,307 |
| Current Liability Net of Borrowings                | 894,208   | 1,173,347 | 1,136,353   | 1,190,794 | 813,753   |
| Capital Employed                                   | 5,536,202 | 5,440,646 | 4,936,370   | 2,875,637 | 1,901,540 |
| <b>Cash Flow</b>                                   |           |           |             |           |           |
| Net Cash Inflow/Outflow from Operating Activities  | 187,623   | 80,162    | (300,316)   | 523,680   | 494,194   |
| Net Cash Inflow/Outflow from Investing Activities  | (150,710) | (466,898) | (1,458,418) | (619,429) | (126,623) |
| Net Cash Inflow/Outflow from Financing Activities  | 282,508   | 77,814    | 687,482     | 74,927    | (439,601) |
| Net Increase/Decrease in Cash and Cash Equivalents | 319,421   | (308,922) | (1,071,253) | (20,820)  | (72,030)  |
| <b>Key Indicators</b>                              |           |           |             |           |           |
| Current Ratio                                      | 1.12      | 1.03      | 1.14        | 1.85      | 1.90      |
| Gearing Ratio                                      | 0.57      | 0.57      | 0.54        | 0.19      | 0.00      |
| Asset Turnover Ratio                               | 0.70      | 0.72      | 0.69        | 1.08      | 1.36      |
| Earnings per Share                                 | 0.10      | 0.42      | 1.22        | 2.52      | 1.97      |
| Dividends per Share                                | -         | 0.60      | 1.05        | 1.45      | 1.00      |
| Net assets per Share                               | 7.96      | 7.86      | 7.53        | 7.74      | 6.34      |
| Return on Average Shareholders' Funds              | 0.01      | 0.05      | 0.16        | 0.36      | 0.33      |
| Return on Capital Employed                         | 0.08      | 0.11      | 0.13        | 0.37      | 0.43      |
| Price Earnings Ratio                               | 69.86     | 23.66     | 13.88       | 7.55      | 7.82      |
| Interest Cover                                     | 1.29      | 1.81      | 5           | 166       | 948       |
| Dividend Payout Ratio                              | -         | 1.42      | 0.86        | 0.58      | 0.51      |



## Notice of Meeting

### ALUMEX PLC

Company Number PV 539 PQ

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of Alumex PLC will be held at Hayleys PLC, No.400, Deans Road, Colombo 10, Sri Lanka on Tuesday, 21st July, 2020 at 12.00 Noon 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 2020, with the Report of the Auditors thereon.
2. To re-elect Dr. H. Cabral, PC, who retires by rotation at the Annual General Meeting, a Director.
3. To re-elect Mr. S. Munaweera, 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 2020/21.
5. To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been reappointed as Auditors for the Financial year 2020/21 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 12.00 Noon on 19th July 2020.

By Order of the Board

**ALUMEX PLC**

HAYLEYS GROUP SERVICES (PRIVATE) LIMITED  
Secretaries

Colombo  
23rd June 2020

## 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 (\*\*) .....

of .....or 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 Thirteenth Annual General Meeting of the Company to be held on Tuesday, 21st July, 2020 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 2020 with the Report of the Auditors thereon.                                                                                                      | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To re-elect Dr. H. Cabral, PC who retires by rotation at the Annual General Meeting, a Director.                                                                                                                                                                     | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-elect Mr. S. Munaweera, 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 2020/21.                                                                                                                                                                   | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been reappointed as Auditors for the financial year 2020/21 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 of .....2020.

Witnesses: Signature: .....

Name: .....

Address: .....

NIC No.: .....

.....  
Signature of Shareholder

### Notes:

- Please delete the inappropriate words.
- 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.
- A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
- Instructions are noted on the reverse hereof.
- 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 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](http://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*)

## 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](mailto:info@cau.hayleys.com)

## SECRETARIES

Hayleys Group Services (Private) Limited  
400, Deans Road, Colombo 10,  
Sri Lanka  
Telephone: +94 11 262 7659  
Facsimile: +94 11 262 7645  
Email: [info.sec@hayleys.com](mailto: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



**Alumex PLC**

Pattiwila Road, Sapugaskanda, Makola, Sri Lanka.

Telephone No.: +94 11 240 0332 | Website: [www.alumexgroup.com](http://www.alumexgroup.com)