

A conceptual image of a green globe with white landmasses. Several green trees are placed on the globe, and several black birds are flying in the sky above it.

# Sustainable Expansion

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**ALUMEX PLC**  
ANNUAL REPORT 2022/23

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## Sustainable Expansion

Following on from the hurdles that we overcame last year, Alumex undertook a series of changes and developments which strengthened us in taking the next steps towards sustainable expansion. With the integral component of sustainability playing the main role in our processes, we looked to new ways in which we offered our portfolio while minimizing our costs. However, our stringent protocols did not compromise the quality that we offer as we continued to compete on an international scale. By moving into product diversification, adopting innovation and streamlining our work processes, thereby bettering ourselves day by day, we remained resilient in the face of challenges and proved, as we have always done, our undisputed market leadership as Sri Lanka's foremost Aluminium extrusion manufacturer.



## Purpose, Vision, Mission and Values

### Purpose Statement

“Together, we elevate living through sustainable and innovative Aluminium solutions”

### Vision

To be the premier Aluminium extrusion manufacturer in the South Asian Region.

### Mission

We will create customer intimacy with innovative Aluminium solutions through world-class, sustainable manufacturing practices.

### Values

<b>H</b>	<b>Honesty and Integrity</b>	Ethical and transparent in all our dealings.
<b>A</b>	<b>Accountability</b>	Holding ourselves responsible to deliver what we promise.
<b>Y</b>	<b>Yes, WE can!</b>	(Team Work) - working with each other and with our partners across boundaries, to make things happen.
<b>L</b>	<b>Love for humanity</b>	Treating everyone with respect and dignity, providing for the development of our people and rewarding them for good performance.
<b>E</b>	<b>Enduring Customer Value</b>	Enhancing experiences for every customer, from the rural farmer to the global consumer.
<b>Y</b>	<b>Yes, we WILL WIN!</b>	(A Will to win) - exhibiting the will to win that which is important to Hayleys and its shareholders.
<b>S</b>	<b>Social Responsibility as a Good Corporate Citizen</b>	Caring for the communities in which we work, actively supporting their growth and being environmentally responsible in all we do.
<b>&amp;</b>		
<b>I</b>	<b>Innovation</b>	Transforming ideas into products and services to create economic, social and environmental value in the pioneering spirit of Hayleys.

## Reasons to Invest in Alumex



01

### Market Leadership

- ❖ Over 50% market share in Sri Lanka, supplying to a wide range of customer segments.
- ❖ State-of-the-art warehousing and logistics infrastructure for island-wide distribution.
- ❖ Solid brands – Alumex, LUMIN and Aloo, Ozon.

5-Year – Compound Average Growth of Local Sales: 33%



02

### Going Beyond Borders

- ❖ Strong, established presence in key South Asian markets.
- ❖ Penetration into high value-added markets in Europe and North America.
- ❖ Entry into the Australian and New Zealand markets.

FY 2022/23 – Growth in Export Market Sales: 136%



03

### Outstanding Returns to Shareholders

- ❖ Delivering a smart strategy combined with best business practices to optimize shareholder returns.

Dividend Paid During the Year – Rs. 268 Mn



04

### State-of-the-Art Manufacturing Facilities

- ❖ Largest manufacturer in Sri Lanka with an annual capacity of 22,000 metric tons of Aluminium extrusions.
- ❖ Capability to produce customized value-added solutions.
- ❖ Strategic investments for ongoing capacity expansion and continuous upgrades.

5-Year – Cumulative Capex: Rs. 2,412 Mn



05

### Upholding Quality and Standards

- ❖ Quality certifications for highest warranty.
- ❖ Multiple quality certifications for finishing processes.
- ❖ Manufacturing licenses for world-renowned proprietary systems.

5-Year – Cumulative Certification and Licensing Investment: Rs. 49 Mn



06

### Product and Process Development

- ❖ Focused research on value addition and new product development.
- ❖ Ongoing process improvements to drive cost efficiencies.

5-Year – Cumulative Research and Development Investment: Rs. 42 Mn

## About this Report

We are pleased to present our Integrated Annual Report for the financial year ending 31st March 2023 – our primary communication to our stakeholders. This Report tells the story of how we create long-term value for our stakeholders, our approach to delivering our strategic ambitions and how we responded to opportunities and risks.

### Scope and Boundaries

The Report covers the operations of Alumex PLC and its subsidiary Alco Industries (Pvt) Ltd for the period from 1 April 2022 to 31 March 2023. Consolidated information included in this Report relates both financial and non-financial data consolidated with the subsidiary. The Group adopts an annual reporting cycle corresponding to our financial reporting year ending 31 March 2023.

### Changes to Reporting

There have been no major restatements of financial or non-financial information presented in the previous year ended 31 March 2022.

After the amalgamation of fully owned subsidiary, Alco Industries (Pvt) Ltd (which did not have any operation during the year) with Alumex PLC, financial statements (from pages 159 to 214) does not present any group information for the FY 22/23, but comparative information is presented for FY 21/22.

Further, financial information pertaining to the Company which were presented in most left to financial statements in the FY 21/22 are now presented in most right to the FY 22/23.

### Combined Assurance

Alumex applies a combined assurance model in its reporting. In addition to the Company's system of internal controls and internal audit function, assurance on the financial statements is provided by Messrs. Ernst and Young.

### By Messrs. Ernst and Young

- ❖ Assurance report on financial reporting (pages 160 to 162)

- ❖ Assurance report on integrated reporting (pages 224 to 225)
- ❖ Assurance report on Sustainability reporting (pages 226 to 227)

### Materiality

This Report provides information on all matters we believe could substantially affect our value creation in a structured manner. In determining these issues, we have considered the needs of our stakeholders (page 25), opportunities and risks in the operating landscape (page 48) and our economic, social and environmental impacts. Please refer to page 27 for further information on how the Group determines its material topics.

### Reporting Frameworks

The content of this report is based on the Six Capitals model incorporated in the International <IR> Framework issued by the International Integrated Reporting Council (IIRC). By adopting the Six Capitals model, we want to portray how we use integrated thinking to transform our capital resources (Inputs) in order to deliver financial results and create value (Outcomes) for our stakeholders.

Other applicable reporting frameworks include the following :

#### Financial Reporting

- ❖ Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka.
- ❖ Sri Lanka Financial Reporting Standards.
- ❖ The Companies Act No. 7 of 2007.

#### Governance, Compliance & Risk Reporting

- ❖ Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka.
- ❖ Listing Rules of the Colombo Stock Exchange.

#### Sustainability Reporting

- ❖ Global Reporting Initiative (GRI) Standards "In Accordance Core".
- ❖ United Nations Sustainable Development Goals (SDG's).

### Forward-Looking Statements

This Report contains certain forward-looking statements with regard to Alumex PLC's financial position, results, operations, and business activities. These statements involve risk and uncertainty as they relate to and depend on events which will occur in the future may differ materially from what was expressed in the forward-looking statements.

As such, all forward-looking statements are deemed to be applicable on the date of publication and Alumex PLC does not accept any obligation to revise information expressed in these forward-looking statements.

### Board Responsibility on Corporate Reporting

As the Board, we acknowledge our responsibility in ensuring the integrity of this Report. We hereby confirm that the 2022/23 Report addresses all relevant material matters and fairly represents the Group's integrated performance. We also confirm that the Report has been prepared in line with the guidance provided in the Integrated Reporting Framework of the International Integrated Reporting Council. Signed on behalf of the Board.



**A M Pandithage**  
Chairman

10 May 2023  
Colombo

### Feedback and Queries

We are committed to consistently enhancing the readability and relevance of our Annual Report and welcome any suggestions you may have in terms of what you would like to see in our next Report. Please direct your feedback to,

The Chief Financial Officer,  
Alumex PLC,  
Pattiwila Road,  
Sapugaskanda, Makola,  
Tel - 94 11 2400332,  
Email: [info@alumexgroup.com](mailto:info@alumexgroup.com).  
[www.alumexgroup.com](http://www.alumexgroup.com)

## Achievements and Awards



Award	Ranking	Awarding Institute
CNCI Achiever Awards 2022	National Gold Award TOP TEN Award	The Ceylon National Chamber of Industries
TAGS Awards 2022	Gold Award in the Manufacturing Sector (Group turnover upto LKR 10 Bn)	The Institute of Chartered Accountants of Sri Lanka
30th NCE Export Awards - 2022	Gold Award under Machinery & Engineering Product Sector	National Chamber of Exporters of Sri Lanka
CMA Excellence in Integrated Reporting Awards - 2022	10 Best Integrated Reports	Institute of Certified Management Accountants of Sri Lanka

# Historical Milestones


**1986**

Alumex (Private) Limited is initiated as a South Korean-Sri Lankan joint venture

**1988**

Commercial operations began with the 5" extruder and an anodizing plant

**1999**

First powder coating plant was added to the production process

**2000**

7" largest extruder in the country was installed at the Makola factory

**2006**

The Korean shareholding was acquired by the Sri Lankan partners

**2008**

Second anodizing plant and first wood finish plant were installed

**2009**

Second powder coating plant for small orders was added to the production line

**2010**

3rd extruder was commissioned to manufacture component products

Hayleys PLC acquires controlling ownership of Alumex

**2011**

Ownership of the Group brought under a single company, Alutec Anodizing and Machine Tools (Private) Limited (AAMT) through a share swap

**2012**

Consolidation process was commenced to simplify the ownership structure and AAMT was renamed as Alumex (Private) Limited

**2013**

Alumex (Private) Limited was re-registered as Alumex Limited and Alutec Extrusions (Private) Limited a fully-owned subsidiary was amalgamated with Alumex Limited

**2014**

Alumex Limited made an Initial Public Offering (IPO) in the Colombo Stock Exchange and registered as Alumex PLC

## 2015

3rd powder coating plant was added to the production line and the residential brand "Lumin" was introduced with the first Lumin Concept Centre in Nawala

## 2016

Eight Alumex-owned, tested systems were launched under the new brand "Alumex TS" together with the "AluSys" design calculation software system

## 2019

Established the international marketing division to explore the foreign markets

## 2017

Started operations of the centralized warehouse

## 2020

A New fighter brand "Alco" was launched. Strategic partnerships were formed with seven international brands for under license manufacturing

## 2021

SAP S4 HANA system implemented

Value-adding operation was expanded to a new location in Lindell Industrial Estate

## 2022

Introduced environment-friendly low carbon aluminium "OZON" to the export market

New state-of-the-art melting plant was opened

New brand "Dwelling" was introduced under the ready-to-fix product range

Alumex commits to Aluminium Stewardship Initiative for Sustainable Society

## 2018

Prime Plant in Ekala was opened with the third extrusion plant and the vertical powder coating plant. Both Qualicoat and Qualanod certifications were obtained for powder coating and Anodizing processes

# Chairman's Statement



## Dear Stakeholder,

It gives me great pleasure to welcome you to the 16th Annual General Meeting of Alumex PLC and to present to you the Integrated Annual Report and Audited Financial Statements for the year ending 31 March 2023.

In a year characterized by unprecedented uncertainty and disruption, your Company demonstrated strategic agility to deliver revenue growth of 6% y-o-y to Rs.10.22 Bn. Foresight in pursuing timely expansion in export markets augured well for the Company, enabling it to somewhat counter the sharp drop in domestic volumes resulting from the downturn in the country's construction sector. Resultantly, export revenue more than doubled during the year, accounting for 34% of total revenue, compared to 14% the previous year. While strengthening the Company's financial performance, pursuit of export markets also enabled Alumex to generate much-needed

foreign exchange income of Rs. 9.59 Mn during the year. I also note with pride that despite the many challenges that prevailed, the Company continued to safeguard the interests of its diverse stakeholders, driving shared value creation across its ecosystem.

## Context to Performance

While intensity of socioeconomic burdens resulting from COVID-19 was not as significant during the year under review, the pandemic had exposed longstanding imbalances and vulnerabilities in the country's economic structure. This, together with exogenous shocks in 2022, pushed the country into an acute and unprecedented economic crisis during the year. As twin deficits in the fiscal and current account led to unsustainable public debt and a downgrade of the sovereign credit rating, forex reserves declined sharply, resulting in shortages in fuel, medicine and other essentials. As rippling effects spread across all sectors of the economy, the country's GDP contracted by 7.8% in 2022.

The construction industry was inevitably affected by the country's economic vulnerabilities, contracting by 21% due to both demand and supply side dynamics. Demand conditions slowed in view of the high interest rates, escalating inflation and disruptions to fuel and energy supply. Meanwhile, shortfalls in foreign currency liquidity and import restrictions on selected products led to an acute shortage in building materials which together with the Rupee depreciation resulted in the sharp escalation in the price of inputs. These dynamics converged to result in a sharp drop in demand for construction materials, including Aluminium profiles.

## Strategic Agility

The Company responded swiftly and proactively to these converging challenges, driving tactical changes to its short-to-medium strategy to ensure continued value creation to all stakeholders. As described in further detail

in the Managing Director's Review on page 10 the Company pursued aggressive growth in export markets, entering several new markets and increasing penetration in existing markets. Export volumes grew by 23% while export revenue nearly doubled, as a result of the favourable exchange rate dynamics. I am proud to note that Alumex is now present in 14 countries across the world, with a strong product proposition and sustainable manufacturing positioning it for continued growth. In a major milestone during the year, the Company also leveraged its research and development capabilities to launch Ozon, a revolutionary, low-carbon product range which features a significantly lower environmental footprint than conventional products. In addition to requiring only 5% of the energy needed to produce conventional products, Ozon's use of recycled Aluminium supports greater circularity, reducing reliance on virgin material. During the year, the Company also secured manufacturing rights for yet another globally renowned proprietary system for Aluminium windows, thereby bringing its total portfolio to 8.

### Strength of our Leadership

In an environment of rapidly evolving complexities, agile, effective and ethical leadership emerges as a key differentiator. As part of the Hayleys Group, the Company benefits from the leadership capabilities, robust governance structures and time-tested frameworks of Hayleys. During the year, the Board proactively monitored emerging developments in the macro-economic, political, social and regulatory landscapes and rapidly activated responses to preserve the Company's viability and value creation to stakeholders.

During the year, the Company unveiled its Purpose Statement clearly articulating its reason for being and long-term value creating promise in the broader economic, social and environmental context. The Purpose Statement, "Together we elevate living through sustainable and innovative Aluminium solutions" will unify our teams, providing a strong platform to drive innovation, growth and shared value creation in an increasingly connected world.

As clearly articulated in the Hayleys Group's bribery and anti-corruption policy, the Company has zero tolerance for

corruption and I, together with the Board of Directors remain committed to ensuring that the Company has in place the required governance structures and internal controls to mitigate the risk of corruption. During the year, the Company was also fully compliant to all relevant laws and regulations, including those pertaining to anti-corruption.

### Embedding Sustainability

As an organization reliant on finite input material, we are acutely aware of the escalating implications of climate change and resource depletion on our business. In line with the ESG aspirations of Hayleys PLC, which is articulated in the Hayleys Life Code, we are keen to embed social and environmental consciousness in our strategy, processes and decision-making. Our environmental aspirations center on driving increased efficiency of energy and water utilization and reducing reliance on virgin material through utilizing recycled Aluminium. During the year, the Company also marked a key milestone through obtaining membership of the Aluminium Stewardship Initiative (ASI), a global collaboration which aims to foster responsible production, sourcing and stewardship of Aluminium.

On the social front, the Company prioritized the needs of its employees given the extremely uncertain and volatile operating conditions that prevailed. In line with the approach of the Hayleys Group, numerous measures were adopted to ensure the financial security of all employees while supporting them in fulfilling basic needs including food security and healthcare. As the market leader in Sri Lanka's Aluminium extrusions industry, the Company has long been a catalyst for skills development across the value chain. As such, ongoing efforts were made to strengthen industry capabilities through training of fabricators, dealers, engineers and students of the Vocational Training Authority and NAITA, among others.

### Way Forward

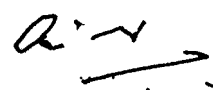
While we are cognizant of short-term challenges, we remain cautiously optimistic that the economy will gain momentum over the medium-term. The approval of an Extended Fund Facility by the IMF, together with coordinated policy interventions to restore macroeconomic stability have set Sri Lanka's economy on a tepid path to recovery.

The downward trajectory of interest rates and inflation, as evidenced in recent months, and the relative stability of the exchange rate are expected to support a gradual recovery of the macro-economy in the medium-term.

Mirroring the broader economy, construction sector activity is expected to remain subdued in the immediate term, reflecting economic uncertainty and affordability concerns, given the sharp increase in cost of living as well as implications of the new tax regime on salaried employees. We, however, anticipate the sector to post gradual recovery towards the second half of the year reflecting gradual improvements in the macroeconomic landscape and the government's efforts to revive the sector through injection of liquidity/Government securities. The country's export sectors have been earmarked to play a vital role in economic recovery, and we look forward to collaborating with the Government and industry stakeholders in creating a conducive environment for value-added exporters. Given recent investments in capacity expansion, innovation and sustainability, Alumex is aptly positioned to capitalize on potential opportunities presented by the economic recovery. We will continue to drive increased penetration in both domestic and export markets while sharpening our competitive edge through new products, sustainable manufacturing methods and process efficiencies.

### Acknowledgements

As we look to the year ahead with hope, I would like to convey my sincere appreciation to my colleagues on the Board for their invaluable support and counsel during the year. I also commend the Managing Director and the entire team of Alumex who have driven the Company's resilience and set the wheels in motion for an ambitious recovery as we continue to raise the bar for Sri Lanka's Aluminium extrusions industry. I would also like to extend my heartfelt appreciation to our customers and all stakeholders for the trust and confidence placed in us and for continuing to inspire us.



**Mohan Pandithage**  
Chairman

10 May 2023

## Managing Director's Review



### Dear Stakeholder,

In the most adverse of operating environs, which posed a multitude of challenges that impacted the entire nation, I am heartened to note that the year still helped prove our mettle. Our collective resourcefulness, relentless pursuit of innovation and a truly sustainable model of value creation helped us sustain market leadership in fully integrated Aluminium manufacturing – in terms of market share, product quality and new product and process development. The adversities that prevailed, however, did not diminish our optimism for the long-term, and we continued to invest in our R&D and production capabilities during the year.

### Performance in Context

We delivered a revenue growth of 6% to Rs. 10.22 Bn, despite a scenario of double jeopardy due to supply as well as demand side factors. Numerous external challenges such as supply chain disruptions, shortages of fuel and other essentials, scheduled power interruptions, sharp rises in inflation and interest rates and a steeply depreciated rupee owing to Sri Lanka's macroeconomic crisis exerted supply side pressure. The downgrade of the country's credit rating and the foreign exchange crisis also prompted our overseas suppliers to change their sales terms to minimize their risks, and the 120-day credit limit available to us was changed to necessitate full payment in advance. The economic crisis combined with public unrest further contributed to lowering purchasing power of local consumers whilst diminishing confidence amongst Sri Lanka's export customers about the country's socioeconomic stability

and hence the ability to fulfill orders. Thus, retaining our export customers required considerable efforts at providing assurance of our ability to serve their requirements. It is creditable that Alumex succeeded in retaining its customers as well as expanding its export portfolio amidst these external factors.

#### Revenue Growth

**+ 6%**



The depreciation of the rupee fueled a sharp increase in the cost of imports to Sri Lanka. Since a majority of industry inputs required for our production process are imports, the price escalation in Sri Lanka rupee (LKR) terms resulted in severe Impact on our costs of production. This

**It's noteworthy that growth of our exports accelerated during the year as we pursued customer acquisition across new and existing markets. We added Germany & New Zealand to our portfolio of countries, expanding our global presence to a total of 14 countries in a span of 4 years.**

impact was further compounded by the rise in Aluminium prices at the London Metal Exchange (LME) and high freight cost during the first half of the year. Our cost of imports of Aluminium thus doubled during the year. Furthermore, a 78% rise in electricity costs and a 237% increase in fuel costs further exacerbated costs of production.

As these factors contributed to exert pressure on our margins, the Company recorded a profit before tax of Rs. 153.54 Mn for the year ending 31 March 2023, compared with the profitability of Rs. 1,381.76 Mn in the previous year. Owing to the increase in income tax rates from 18% to 30%, the increase in deferred tax provision resulted in recording a net loss of Rs. 10.21 Mn for the year compared to the net profit of Rs. 1,151.91 Mn in the previous year.

### Meeting Challenges

As I outlined in my message last year, the slowdown in Sri Lanka's construction industry which began with the pandemic in 2021, exacerbated amidst the supply chain disruptions, escalating costs of imports and erosion of consumer purchasing power. The contraction in demand by as much as over 60% in comparison to 40% in the pandemic-impacted previous year resulted in excess inventory and, hence intense price competition in the market, leaving with little room to offset the rise in cost of production through price increases.

The resulting pressure on margins drove our efforts to further enhance operational efficiencies and productivity, and to minimize risks which stemmed from the uncertainty and volatility of the operating environment. Accordingly, we established 27 cross-functional Special business development teams championed by a Senior Management team member, with each team tasked with focusing on improving 27 determinants of performance such as costs, revenue, employee well being and Sustainability. Each team continues to set itself objectives and sets of targets to achieve within periods of three months and one year. We are encouraged that our initiatives to reduce the import content of our products to meet the challenge of rising import costs resulted in imports accounting for 35% compared to 50% in the previous year. Despite the downturn during the year, it is also noteworthy that the capacity utilization at our factories decreased less this year to 27% in comparison to 34% in the previous year.

### Priming for Growth

It's noteworthy that growth of our exports accelerated during the year as we pursued customer acquisition across new and existing markets. We added Germany & New Zealand to our portfolio of countries, expanding our global presence to a total of 14 countries in a span of 4 years. Alumex was also able to add three more customers in existing markets, whilst three new market segments were also

added during the year with the launch of the Dwelling range in the Maldives, wood finish extrusions to Australia and Mill Finish Extrusions in New Zealand & Germany. Accordingly, export revenue increased by 136% to Rs. 3.42 Bn during the year whilst the quantities we exported also grew to 1,583 MT in 22/23 compared with 1,290 MT in 21/22, supported by the retention of existing customers and the addition of new.

#### Foreign Exchange Earning

**USD 9.6 Mn**



Whilst we made a concerted effort in executing our export market strategies, we also bolstered our leadership in the domestic market through several promotional campaigns via radio and digital media. The three brands we have positioned for different market segments – Lumin, Alumex and Alco, once again contributed to our revenue in equal proportion. However, given the operating environs as well as the competition from an influx of imports which do not meet international standards due to their price factor alone, we created greater brand awareness of Alco – the brand which is positioned for the price sensitive segment of the market.

#### Brand-Wise Performance



## Managing Director's Review

During the year, we also launched the Alumex online portal for Aluminium products and equipment for residential as well as commercial applications in Sri Lanka, with seamless delivery across the island.

The year under review saw us launch a pioneering initiative – the production of recycled, low-Carbon Aluminium in Sri Lanka. Following our investments to build Sri Lanka's first state-of-the-art Aluminium recycling plant in 2021, we were able to complete construction and equip it with the latest technology, to begin commercial operations in October 2022. In keeping with our sustainability-integrated model and the global shift from primary metals to recycled metals, the plant ensures the circulation of used Aluminium in the country and processes them for manufacturing of customized products. Thus, Ozone, Sri Lanka's first environment friendly recycled low-carbon Aluminium brand for the export markets was launched this year. By reducing our carbon footprint, it also helps reduce costs of energy and reduce our environmental footprint. Alumex also rolled out a project in the country to collect used Aluminium beverage cans (UBCs) by setting up large bins across key locations in largely populated districts, with plans to extend the project throughout the island. The initiative encourages the disposal of Aluminium wastage in an appropriate manner that protects and benefits the environment, thereby paving the way for cleaner land and water bodies. We expect further automation-driven optimizations to reduce energy consumption by up to another 20%. A further expansion of capacity under a second phase with an additional investment of Rs. 18 Mn is on our agenda for the year ahead.

As we mentioned last year, Alumex introduced the concept of Do-It-Yourself (DIY) products to Sri Lanka in 2021, with its range of doors and windows which come packaged with all the required accessories and instructions for easy installation by customer or dealer. This range marketed during the year under the new Dwelling brand, included powder coated doors and windows, and continued to make inroads at our premier outlets.

During the year, the Company launched its flagship loyalty program "Divikavuluwa". It is the most recent in a series of community-centric initiatives rolled out to strengthen relationships with our fabricators and to strengthen future prospects for them. Accordingly, a series of regional fabricator training programs are planned for the year ahead.

### Our People

The commitment and talents of our people in these lean times proved to be the key to the Company's resilience and success. Reduced overtime remuneration due to reduced volumes added to their economic burdens but it is most heartening that they continued to give us their best, ensuring that the current challenges did not dampen our outlook for the future.

In a year in which the impacts of the economic crisis spared no one, the Company also gave priority to supporting the wellbeing of our people to help manage mental and emotional stress whilst also helping them to find ways to ease some of the economic pressures brought on by scarcities and inflation. Sessions by a psychologist, mindfulness training, motivational sessions, training on money management and programs to encourage home gardening of food crops, and facilitating the purchase of groceries at reduced prices were amongst our efforts to help mitigate some of the challenges of the times.

The year under review also saw us increase focus on training and development with priority given to the immediate strategic needs of enhancing productivity and efficiencies, as well grooming the Middle Management.

### Environmentally and Socially Sustainable Value Creation

Reflecting our ongoing commitment to embedding ESG considerations across our business model, Alumex became a member of the Aluminium Stewardship Initiative (ASI). The ASI Performance Standard defines environmental, social and

governance principles and criteria which address a broad range of sustainability issues in the Aluminium value chain. Having gained voluntary membership in ASI, Alumex has begun the prescribed four-step journey towards ASI certification. It is currently completing its first step of self-assessment which would be followed by a certification audit, an audit report and the final step of certification which we target to achieve by the end of this financial year.

In keeping with our ASI objectives and the continuous efforts to reduce our carbon footprint, Alumex took steps to make its packaging greener. Following the change to a more environment-friendly gauge of polyethylene in 2021, we also began the process to adopt paper packaging. The transition to paper packaging was, however, embedded with some challenges such as risk of product damage. We will, hence, explore how best we can resolve these challenges to omit or at least minimize the use of polymer in our packaging in the year ahead.

The pioneering venture into recycling of Aluminium launched this year is also being expanded as a classic example of a Triple-Bottom-Line initiative as Alumex has begun to pay those who collect and supply a variety of new Aluminium scrap items, including UBCs to the Company, thus providing many with an additional income.

The Aluminium Fabrication Training school by Alumex launched in 1998 reached its 25th year and continued to create win-win value to industry and youth. The school, with the support of the Sri Lanka Vocational Training Authority and the National Apprentice and Industrial Training Authority, trained approximately 2,185 individuals this year.

**Earning Before Interest  
& Tax**

**Rs. 1,222 Mn**



## Reaching out to Communities

Amongst our CSR efforts during the year was the distribution of books, stationery, school bags and uniforms to school children in Thalawa area in the Anuradhapura district. Considering the dire need of the hour, we have begun to sponsor a total of 100 lunch packs per day for five neighboring schools in the vicinity of our factory. We also created shelf space at these schools to encourage other contributors who could keep lunch packets for the children to pick up.

## Outlook

We are mindful that the year ahead will continue to be challenging as political and socioeconomic uncertainty prevails whilst the consequences of the economic crisis, which have reached far and wide, need remedial measures. As the construction industry in Sri Lanka seems unlikely to revive until the latter part of next year, we will place greater emphasis on capturing export volumes in existing and new markets where construction and reconstruction are likely to see a surge in demand. At the same time, we will continue to reaffirm our leadership in the domestic market with the four brands – Lumin, Alumex, Alco and Dwelling, which cater to the different market segments. Training programs for our fabricators and marketing of the DIY range will also be pursued more aggressively.

Since its inception in 1986, Alumex has risen to become not only the largest manufacturer of Aluminium extrusions in the country but also the largest exporter of Aluminium products of the highest quality. Our commitment to innovation of products and processes and a sustainable platform underpin our buoyancy for the future. With the launch of our greener brand Ozon and the inroads we have made into leading export markets, Alumex stands well-poised to capture new opportunities for growth in the next few years redundant. We will look to increase the share of exports in our portfolio to account for 38% of revenue in 2023-24 compared with 32% in the year that just ended.

Moreover, the growing popularity of Aluminium worldwide as a preferred alternative to other material for its many properties augurs well for the industry and underpins our buoyant outlook for the future. For instance, its limitless recyclability in comparison to other materials, its lighter weight and being seen as a trendier alternative are some of the factors which propel demand across the world today. The percentage of house builders who opt for Aluminium is expected to increase to 50%. In addition, our positive outlook is in addition supported by the expectation that the price of Aluminum which rose in 2022 is likely to remain stable in 2023.

## Acknowledgements

I would like to convey my heartfelt appreciation to my Management Team and employees that make up Alumex for their unstinted commitment, talents and passion which have seen our growth to a leader in the Sri Lankan market and helped us to remain resilient in turbulent times.

I would also like to thank our Chairman, Deputy Chairman and my colleagues on the Board for their visionary leadership and the guidance and confidence unnecessary in me. My sincere thanks also to our customers, suppliers, business partners, shareholders and other stakeholders for their continued trust and loyalty and the inspiration they give us to keep raising the bar for ourselves and the industry.



**Pramuk Dediwela**  
Managing Director

10 May 2023

## Year at a Glance

Turn over

Rs. 10.2 Bn



Total Assets

Rs. 10.5 Bn



Profit Before Tax

Rs. 153.54 Mn



R &amp; D Investment

Rs. 13.04 Mn



### Membered with ASI

Only one Aluminium manufacturer to hold Qualanod & Qualicoat license in Sri Lanka

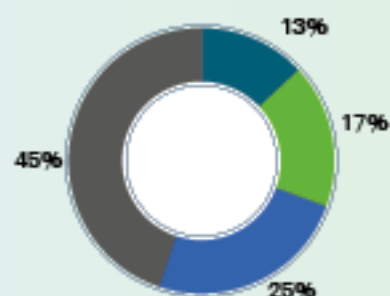
### 8 Proprietary Systems

Rs. 1 Bn investment on new melting plant

60% Reliance on recycled Aluminium

## Launch of Low Carbon Aluminium Billet

Employee Grade Category (%)



- Casual
- Executive
- Staff
- Wages

## Way to success

180

New Products & Designs

Aluminium fabricator trainings to

2,185 people



4,773 MT

Secondary Billet Production

300

Trees Planted



Employee Training Hours

12,270

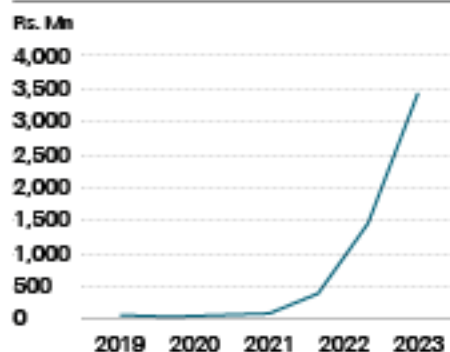


School children received stationery items and school bags

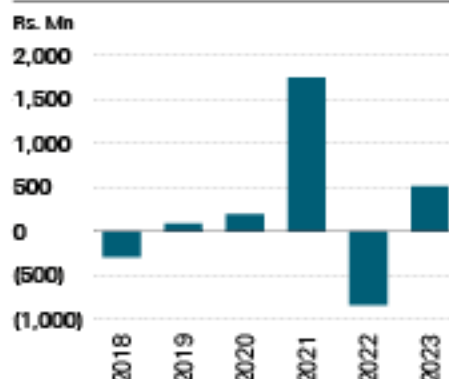
170



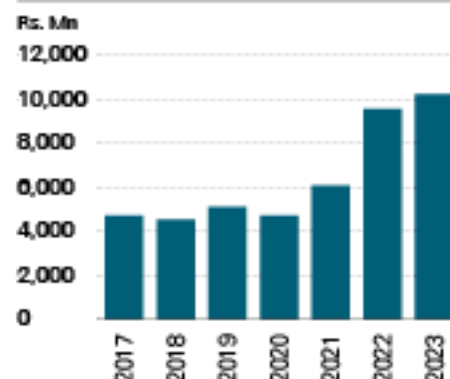
## Export Revenue



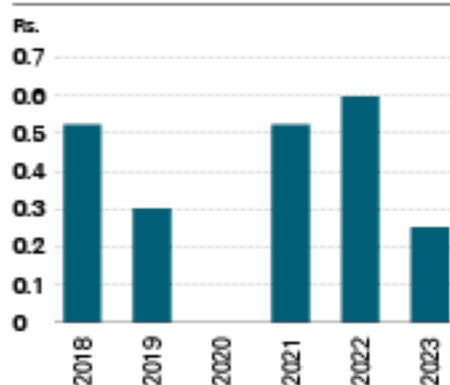
## Cash From Operations



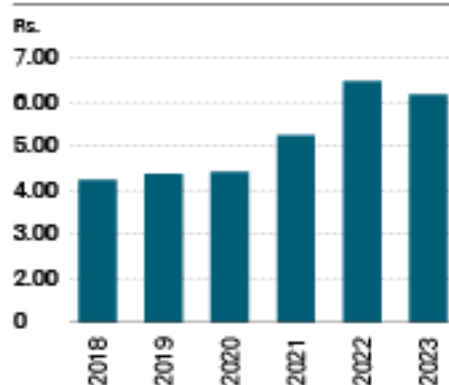
## Revenue



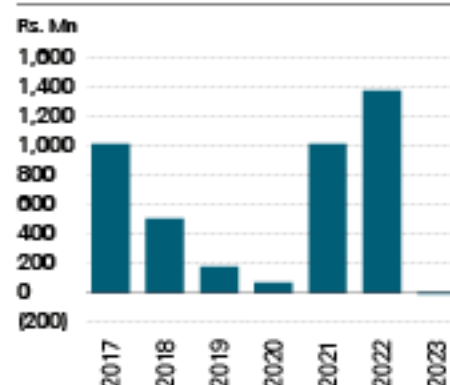
## DPS



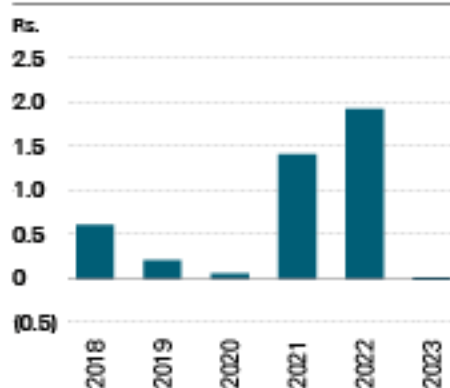
## Net Asset Per Share



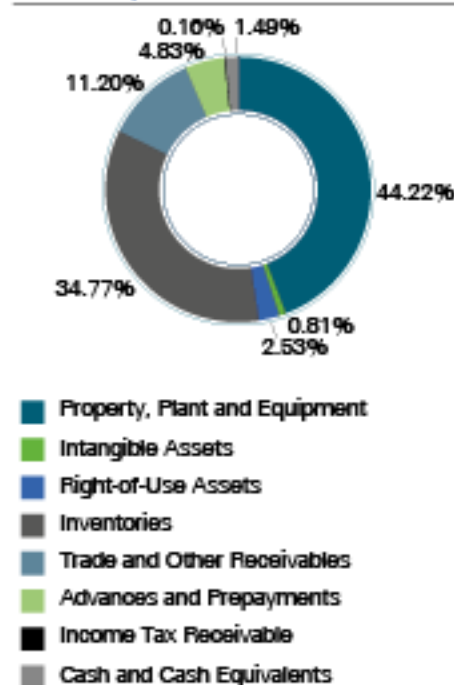
## Profit Before Tax



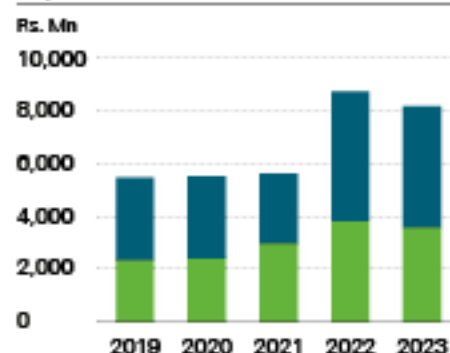
## EPS



## Asset Composition



## Capital Structure



## Who We Are

Alumex PLC is today Sri Lanka's largest and leading manufacturer of Aluminium extrusions with a captive market share of 50% in commercial, industrial, residential and architectural Aluminium extrusion profiles. Since the launch of commercial operations in 1988, Alumex's commitment to excellence and a focus on innovation has propelled it to be a trailblazer who has transformed Sri Lanka's Aluminium extrusion industry on par with global standards. Alumex is a Subsidiary of Hayleys PLC, listed on the Dirisavi Board of Colombo Stock Exchange since 2013.

Since pioneering Sri Lanka's foray into global markets in 2019, Alumex today exports its sustainably manufactured products to 13 countries in five continents. Its contribution to Sri Lanka's export revenue in just a span of four years has seen phenomenal growth well facilitated by its commitment to highest quality, innovation and international accreditations and sustainable practices. The year under review saw another milestone in our journey as we obtained membership in the Aluminium Stewardship Initiative (ASI) which would further enhance our prospects as we compete on an international scale.

Our manufacturing facilities are world-class and comply with international standards. We have over the years invested in strategically expanding our manufacturing capacity which saw the commissioning of the Prime Plant at Ekala, Ja-Ela in 2018. Our most recent capacity expansion is the state-of-the-art melting plant with melting and casting capacity of 1000 metric tons per month, Makola opened in 2022.

Our current capacity stands at over 1,850 metric tons of Aluminium extrusion manufacturing capacity per month, combined with melting and casting, die manufacturing, extruding, surface finishing of profiles and component items. We have developed our capabilities to manufacture Alumex and customers' semi and complete value added extrusion products supplying to both local and export markets.

During the year there were no significant changes to the Company's capital structure or supply chain.

Our product offering reflects our commitment to catering to the full spectrum of market needs:

- ❖ Comprising three core brands which lead their respective market spaces: Alumex, Lumin, Alco.



- ❖ The pioneering newest addition to our portfolio launched in 2022 a low-carbon aluminium brand Ozon.
- ❖ Do-it-Yourself (DIY) range of pre-fabricated doors & windows.

### Our Competitive Edge

- ❖ Ability to meet the full spectrum of market needs.
- ❖ In-house expertise and R&D to innovate and excel.
- ❖ Brand hallmarks of high quality consistency & reliability.
- ❖ State-of-the-art manufacturing plants.
- ❖ Environmentally and socially conscious decision-making.
- ❖ An ESG integrated model for sustainability.
- ❖ International accreditations.

### Our Distribution Network

- ❖ Nine Distribution Centres.
- ❖ Three Company Managed Lumin Concept Centres.
- ❖ Nine Dealer Managed Lumin Concept Centres.
- ❖ Network of dealers and distributors in all nine provinces.
- ❖ A dealer managed LUMIN Concept Centres.

### Our Locations

- ❖ Head office and main factory: Sapugaskanda, Makola.
- ❖ Other factories: Prime Plant at Ekala, Ja-Ela.
- ❖ Value-adding plant and 3R Plant at: Lanka Industrial Estates, Makola.



**Rs. 10.2 Bn**Revenue for FY 2022/23  
(0% growth year-on-year)**Rs. 3.4 Bn**Export Revenue for FY 2022/23  
(130% growth year-on-year)**Rs. 514 Mn**Operating Cash Flow  
FY 2022/23 more than 100%  
(growth year-on-year)**Rs. 10.5 Bn**Asset Base as at  
31 March 2023**Rs. 554 Mn**Investment in Capacity  
Expansion**22,000 Mt p.a**

Manufacturing Capacity

**735**

No. of Employees

**8,909 (Tco2)**

Carbon Footprint

**180**

New Product Portfolio

**65%**

Local Suppliers

**35%**International  
Suppliers**60%**Share of Recycled Aluminium  
used in Production**4,073**

Total Product Portfolio

**Rs. 3,609 Mn**

Equity Capital

**Rs. 4,247 Mn**

Debt Capital

**249**No of Dealer and  
Distributors

## Our Business Partners

### Norway

#### Hydro Aluminium

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



### Germany

#### ORG ADATA AG

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



### USA

#### Dupont Corian

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



#### Candorview

Most innovative system design company based in Wilmington, Delaware, USA.



### Italy

#### AluK

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



### UAE

#### JOTUN MENA

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



#### Emirates Global Aluminium Company

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

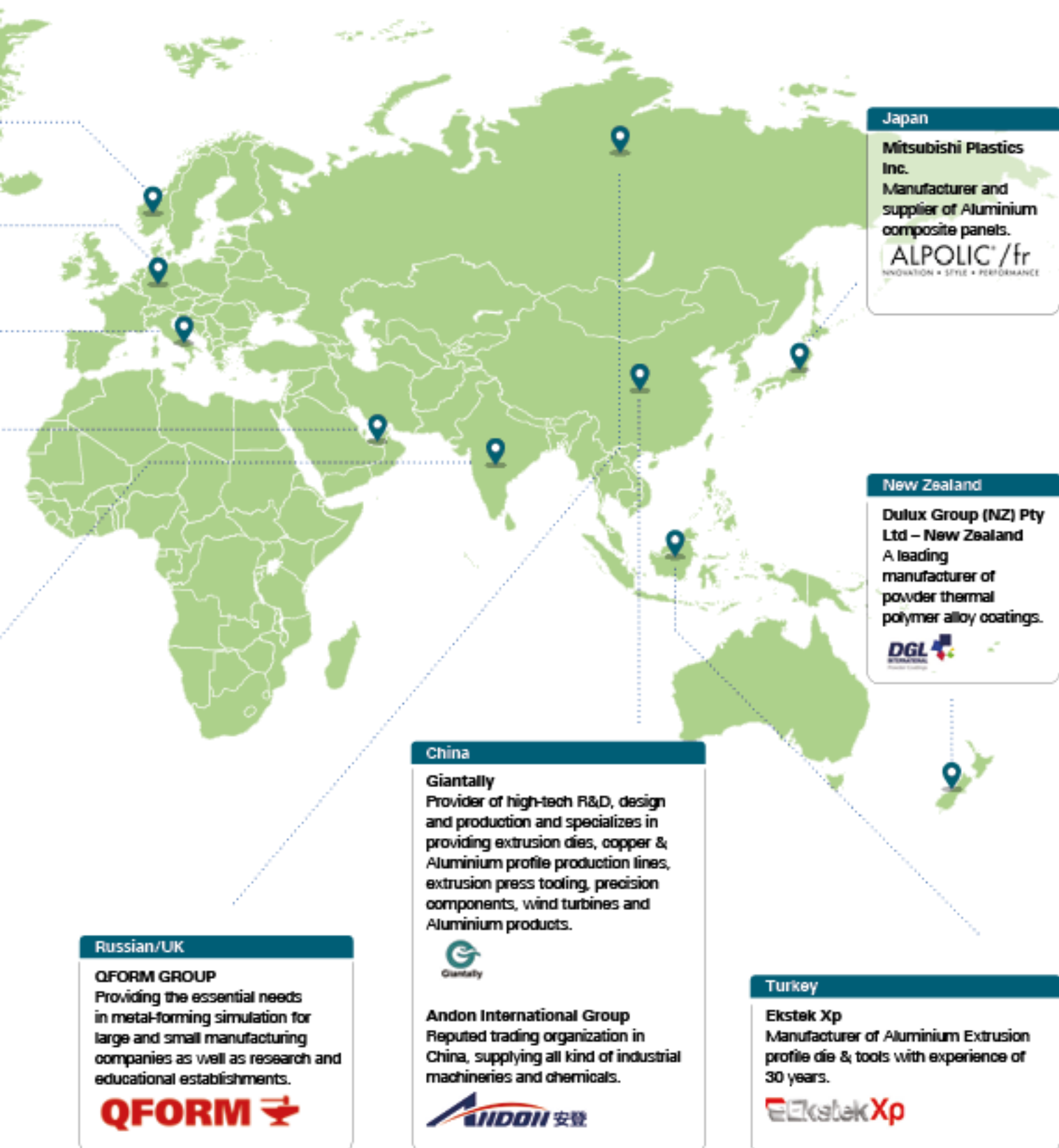


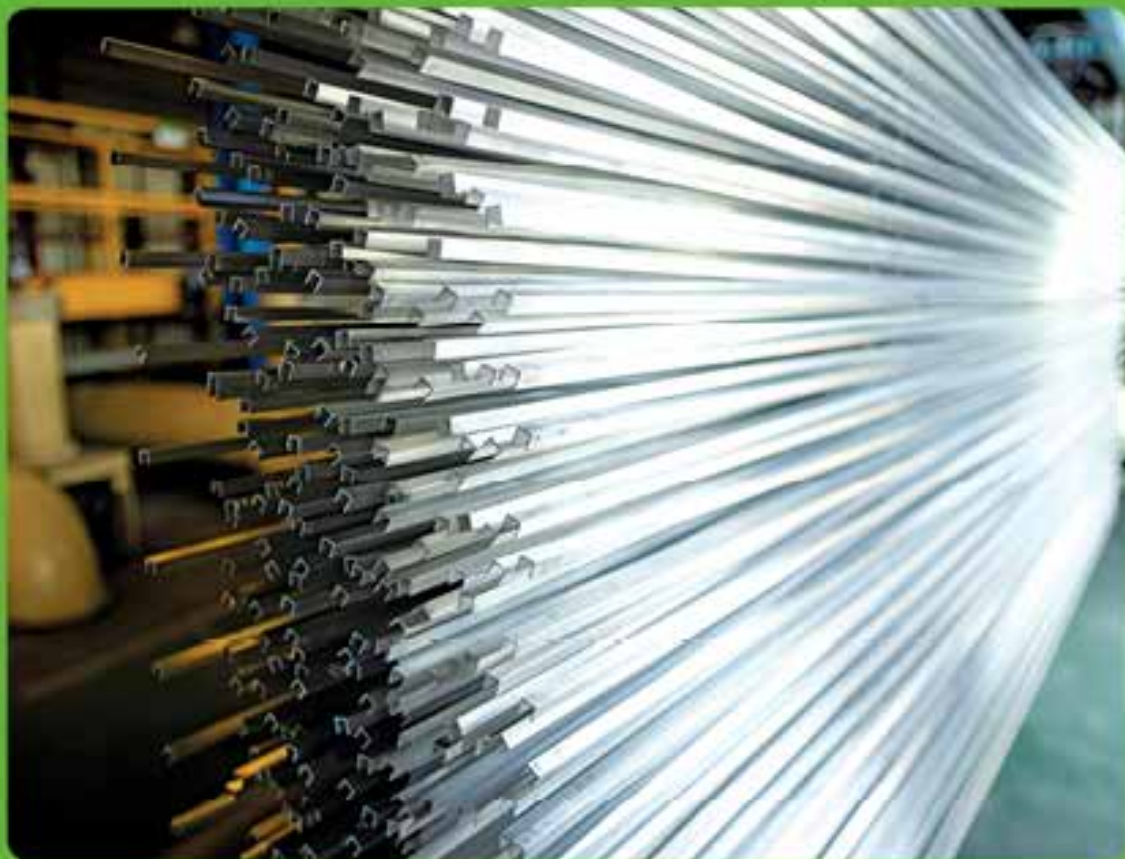
### India

#### Vedanta Limited

Vedanta is a leading producer of Oil & Gas, Zinc, Lead, Silver, Copper, Iron Ore, Steel, Aluminium & Power







# SUSTAINABLE MEASURES THAT MAKE US A LEANER, GREENER BRAND



# Value Creation Model

## Purpose

Together, we elevate living through sustainable and innovative aluminium solutions

## Vision

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



Accountability

Honesty and Integrity

## Values

### Governance

### Strategic Priorities

Export Market Growth

Innovation and Digitalization Initiatives

Local Market Leadership

Operational Excellence

### Primary activities

Sourcing (import and local)

Aluminium scrap recycling

Die Manufacturing

Extrusion Manufacturing

Warehousing

Finishing with powder coating, anodizing and wood finishing

Value adding with fabrication and assembling

Packing and labelling

Customer Engagements

Distribution

Business Activities

Enduring Customer Value

Yes, we will WIN

### Risks and Opportunities



#### Economic

Macro-economic uncertainty  
Exchange rate dynamics  
Interest rate trends  
Inflation  
Disposable income  
Policy direction and stability  
Regulatory developments



#### Social

Skilled labour limitations  
Health and safety  
Population growth and urbanisation  
Changes in consumer behaviour



## Mission

We will create customer intimacy with innovative Aluminium solutions through world-class sustainable manufacturing practices.

Inspired and  
Dedicated  
Teams

Resource  
Optimization

Community  
Development

Yes, we Can

## Supporting activities

Research & Development  
(Products & Processes)

Planning and scheduling

Profile design and estimation

After sales services

Fabricator training

Love for Humanity

Social Responsibility

Innovation



**Environmental**  
Implications of climate  
change

Forest Reservation  
Degradation of natural  
resources  
Increasing energy  
costs

## Outputs

## Financial Capital

Revenue	Rs. 10.22 Bn
Net Loss	Rs. 10.21 Mn
Dividend to Equity Shareholders	Rs. 150 Mn

## Manufactured Capital

Quality Aluminium Products	
Licenses and Certification	
Extrusion Production	5,022 MT
Finished Production	4,831 MT
Local Billet Production	4,773 MT
Die Production	143

## Human Capital

Forwarding Work Environment with  
Opportunities for Career and Skill  
Development

Salaries and Benefits	Rs. 754 Mn
Investment in Training	Rs. 9 Mn
New Employees Hired	57

## Social &amp; Relationship Capital

Customers	
Higher Sales	
Value-Added & New Products	100
Export Sales Growth by	130%
Fabricators Trained	2,185
Reduced customer complaints improved quality and standards	
Suppliers	
Payments to Suppliers	Rs. 12 Bn
New local Suppliers	50
Community	
Tax Payment	Rs. 384 Mn
Community Investments	0.78 Mn
Number of Fabricators Trained	2,185
Distribution of school bags and stationery to students	

## Natural Capital

Preserve our planet through minimizing  
the negative impacts of our operations

## Intellectual Capital

Investment in R&D	Rs. 13 Mn
New Industrial and Customer Designs	
Quality Aluminium Profiles Certification	
Ethical Management Practices	
Brand Value Development	

## Outcomes/Impacts

## Social

While support our community by  
empowering them to provide job  
opportunities and conduct many social  
benefit programs, including school  
material and digital classrooms etc.

Alumex contributed 170 Care bundles  
containing books, a water bottle, other  
stationery, school bags and uniform  
to school children Thakara area in the  
Anandhapur district.



## Economic

The Company boomed its exports  
during the year and developed its  
business as a foreign exchange  
earning source for the country.

The Company contributed to the  
economic development of the  
country by providing materials to the  
construction industry.

Paid income tax, value-added tax  
and other relevant taxes to the  
Government to strengthen the  
Government's financial policies.



## Environment

Minimized the generation of sludge  
and disposed of it in an environment-  
friendly manner.

Alumex carried out a tree planting  
campaign to plant 300 coconut  
saplings.

During the year Company generated  
1.0 Mwh renewable energy from solar  
power.



# Stakeholder Engagement

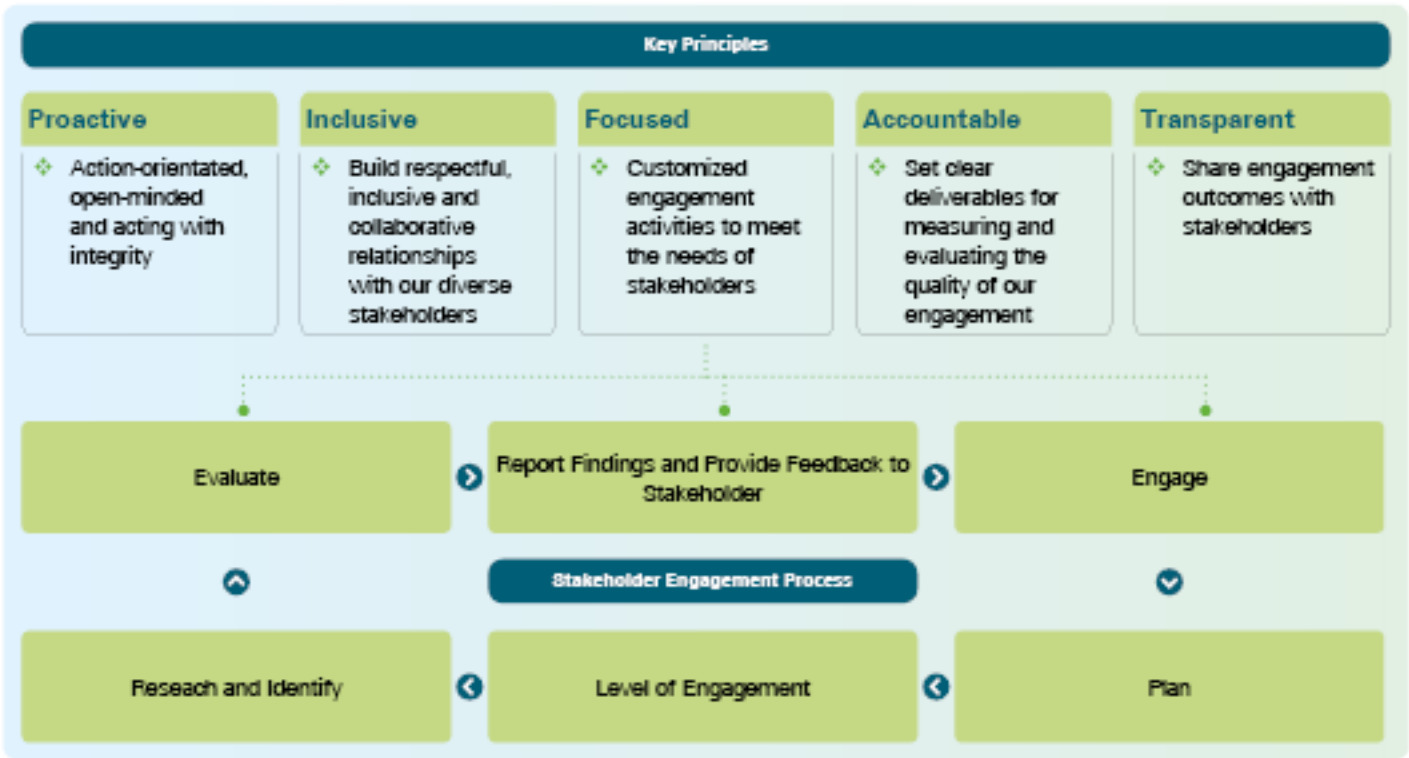
Any business enterprise interacts with multiple stakeholders to varying degrees, in varying numbers and in varying intensity. The Alumex stakeholder network, listed below, includes multiple stakeholders spread across the country and the globe who are important for the Company's value creation.

Furthermore, we consider engaging all of our stakeholders critical to understanding and preempting risks and challenges and foreseeing opportunities and preparing and innovating on the one hand and in building our credibility and communicating the same on the other hand.

Towards this end, we have established a Stakeholder Engagement Framework in line with global best practices, for identifying, prioritizing and engaging with them in the most efficient and effective manner.

Identifying and categorizing stakeholders allows the company to establish strategies for effectively managing all stakeholders. Alumex identifies the stakeholders based on the parties' interest in the firm and their potential to affect the company's operations.

## Alumex PLC Stakeholder Engagement Framework



## Stakeholder Mapping



Mode of Engagement	Frequency	Stakeholder Issues and Expectations	Strategic Response
<b>Shareholder / High Priority Focused Engagement</b>			
Interim Financial Reports	Weekly	❖ Sustainable growth in earnings	❖ Deliver a smart growth strategy with profitability and returns
Annual Report	Monthly	❖ Responsible corporate management	❖ Provide timely disclosures on corporate performance, plans and goals
Company website	Quarterly	❖ Growth opportunities	❖ Comply with laws, rules and regulations
Corporate disclosures	Annually	❖ Future plans	
Press conferences and releases	As and when required	❖ Transparency and timely disclosures	
<b>Customer / High Priority Focused Engagement</b>			
Annual dealer awards	Daily	❖ Architectural designs	❖ New product development
Company website	Quarterly	❖ Product quality and value-addition	❖ Establishing new dealerships
Social media	Monthly	❖ Product innovations	❖ Opening LUMIN concept centres
Customer visits	Annually	❖ Technical training	❖ Extending technical training opportunities
Exhibitions and trade shows	As and when required	❖ Ease of transactions	
Training programmes		❖ Price and availability	
		❖ Timely delivery services	
<b>Employees / High Priority Focused Engagement</b>			
Management meetings	Daily	❖ Organizational developments	❖ Equal opportunity employment
Dialogue with trade unions	Monthly	❖ Workplace improvements	❖ Fair remuneration and benefits
Communications via memos and e-mails	Bi-annually	❖ Review of remuneration policies and practices	❖ Skills training
Employee networking events	Annually	❖ Training and development	❖ Career development
Performance appraisals		❖ Health and safety	❖ Rewarding for performance
Workplace improvement meetings			❖ Ensuring a healthy and safe workplace
Meetings to review goal achievements			
<b>Suppliers and Business Partners / Medium Priority Moderate Engagement</b>			
On-site visits	As and when required	❖ Discussions on ease of transactions, prompt payments and procurement policies	❖ Building long-term relationships
Meetings with suppliers	Annually	❖ Agreements of long-term partnerships	❖ Upholding contractual obligations
Regular dialogue and interaction		❖ Quality of service	❖ Giving fair referrals
Annual Report			❖ Advocating best business practices
<b>Government and Regulatory Bodies / Medium priority Keep informed</b>			
Annual Report	As and when required	❖ Compliance with statutory and regulatory requirements	❖ Best business practices
Annual tax returns	Annually	❖ Corporate governance	❖ Complying with relevant laws, rules and regulations
Submission of special reports		❖ Payment of statutory dues	❖ Timely tax payments
Submission of disclosures			❖ Submission of statutory reports and disclosures
Meetings and workshops			
<b>Local communities and Society / Medium Priority Engage if Necessary</b>			
Focus group discussions	As and when required	❖ Capacity development	❖ Extending technical training opportunities for the community
Training for undergraduates		❖ Discussions on environmental and social impacts	❖ Carrying out community development projects and environmental campaigns
Fabricator training for school leavers		❖ Discussions on sponsorships and donations	❖ Community recruitments
Community development projects		❖ Direct and indirect job opportunities	❖ Employee volunteering for community projects
Written and oral communications			
Company website			
Social media			
Employee volunteerism			

# Economic Contribution

## Overview

Alumex is in a strong position to support Sri Lanka's economy. Backed by a legacy spanning 33+ years, our portfolio of innovative, world-class solutions continue to deliver the best possible outcomes for multiple industries, ranging from construction and industry to renewable energy.

This section encapsulates Alumex's contribution to the economy, with special reference to the value created and distributed to stakeholders.

## Management Approach

Our overall management approach to economic value creation is based on the premise that maintaining financially sound business operations that are also environmentally and socially sustainable. Essentially our aim is to achieve maximum value for shareholders and other stakeholders, with minimum adverse effects. The Alumex Board has implemented a robust strategy supported by specific targets and objectives to drive economic value creation.

## Creating Value

At Alumex we take our responsibility to the nation very seriously. Over the years, we have continued to deepen our contribution to the national economy through consistent investments to enhance our core infrastructure. Today, with an annual manufacturing capacity of 22,000 MT, we are the largest Aluminium extrusions manufacturer in Sri Lanka.

We are also the largest exporter of Aluminium products from Sri Lanka, with our products reaching across four continents – Asia, Australia, Europe and North America.

## Infrastructure Investment

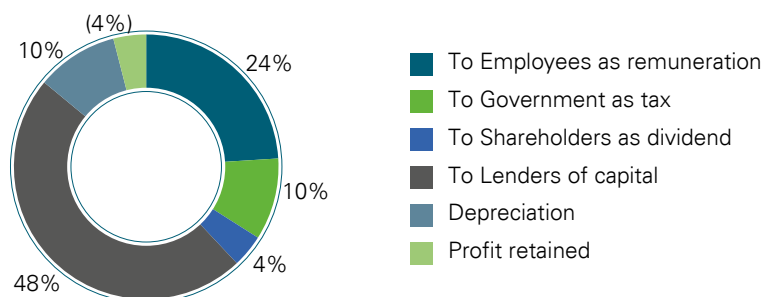
	Investment to Date Rs. '000	Annual Capacity MT
Aluminium Extrusion Plant	1,940,547	22,000
Powder Coating Plant	642,090	16,600
Wood Finish Plant	52,017	1,200
Anodizing Plant	220,168	5,400
Aluminium Melting	899,583	6,000

	2023 Rs. '000	2022 Rs. '000
<b>Value Created</b>		
Revenue from Contracts with Customers	10,214,848	9,595,282
Other Income	84,286	53,141
Finance Income	724,256	452,482
Cost of Materials and Services Bought in	(7,578,380)	(6,740,697)
	3,445,011	3,360,208

	Share %	2023 Rs. '000	Share %	2022 Rs. '000
<b>Value Distributed</b>				
To Employees as Remuneration	27	917,542	29	975,911
To Government as Tax	11	383,765	11	382,104
To Shareholders as Dividend	4	149,651	11	359,164
To Lenders of Capital	52	1,793,194	17	558,455

<b>Value Retained for Expansion &amp; Growth</b>				
Depreciation	10	360,719	9	291,832
Profit Retained (Loss generated)	-5	(159,861)	24	792,742
		3,445,011		3,360,208

## Value Distributed (%)



# Identifying Material Issues

## Scope & Boundary

Alumex PLC creates the financial reporting boundary of the Annual Report 2022/23 with both entities included in the materiality assessment boundary. Materiality is informed in multiple ways: through our ongoing risk assessment efforts, due to changes in both internal and external operating environment, insights from stakeholder feedback, investor queries, industry forums as well as global mega trends. Broader issues identified in this manner are then prioritised using the following assessment criteria to identify the relative importance of these topics to stakeholders and their importance to the organization.

Importance to Organisation	Importance to stakeholders
Financial Impact	Customers
Innovation Opportunity	Employees
Reputation	Shareholders
Externalities	Suppliers
Strategic Link	Business Partners
Risk	Government
	Communities

## Double materiality

We have adopted a 'double lens' to materiality this year, considering the impact on the organisation as well as on economic, social and environmental impacts. The materiality filters have been revised accordingly.

These topics are mapped on a Materiality Matrix to measure their impact on our business against their importance to stakeholders and we have identified a list of 30 Material Topics applicable to Company.

On this basis we have identified a list of 30 material topics applicable to Alumex PLC.



## Identifying Material Issues

The priority ranking derived through this process allows us to establish topic boundaries and thereby determine how best to integrate each material topic into our strategy and business model. Topics that are significant with widespread implications to both the organization and stakeholders are given 'high' reporting priority whilst topics that are coming under high to medium in significance are categorised as 'medium' in reporting priority.

A formal review of material topics is undertaken annually by the Company's sustainability team, where preexisting topics are assessed to determine if they continue to remain relevant in the current business context. This annual review process also helps to identify any new material issues that could potentially affect our strategy, business model and access resources. Any changes observed are presented for Board approval.

Changes to Material Topics	Topic	Reason for Materiality/Change in Priority Ranking
New Material Topics Identified	Energy cost	Energy cost spikes compared to previous year may cause to add this topic
	Government policy	Government policies impacted bottom line severely causes to add this topic.
	Energy supply	Shortage in fuel and electricity causes to business disruptions causes to add this topic
	Best practices along supply chain	We have to adhere stringent practises in supply chain causes to increase the risk score.
Not Considered as Material Topics this Year due to Priority Rankings	Import restrictions	Lifted of import restrictions helped to source materials on time.

No.	Material Topic	GRI Reference	Materiality Compared to 2021/22	Management Approach	Page Reference
1.	Interest rate movements	201	⬆️	Finance Capital	Page 62
2.	Customer satisfaction	Non-GRI	➡️	Social & Relationship Capital	Page 93
3.	Innovation	Non-GRI	⬆️	Intellectual Capital	Page 72
4.	Materials	301	⬆️	Natural Capital	Page 101
5.	Tax	207	⬆️	Finance Capital	Page 62
6.	Exchange rate fluctuations	Non-GRI	⬆️	Finance Capital	Page 61
7.	Energy cost	302, 305	New topic	Natural Capital	Page 102
8.	Emissions	305	⬆️	Natural Capital	Page 103
9.	Operational efficiency	Non-GRI	⬆️	Finance Capital	Page 60
10.	Government policy	205, 206	New topic	Social & Relationship Capital	Page 92
11.	Environmental compliance	303	⬆️	Natural Capital	Page 105
12.	Economic performance	201	⬆️	Finance Capital	Page 59
13.	Market presence	202	⬆️	Social & Relationship Capital	Page 92

No.	Material Topic	GRI Reference	Materiality Compared to 2021/22	Management Approach	Page Reference
14.	Product quality	Non-GRI	✓	Social & Relationship Capital	Page 94
15.	Socio economic compliance	Non-GRI	⬆	Social & Relationship Capital	Page 92
16.	Energy supply	Non-GRI	New topic	Natural Capital	Page 102
17.	Public policy	415, 413	⬆	Social & Relationship Capital	Page 92
18.	Manufacturing capabilities	407	✓	Manufacturing Capital	Page 68
19.	Freedom of association and collective bargaining	407	⬆	Human Capital	Page 77
20.	Training and education	404	⬆	Human Capital	Page 85
21.	Availability of foreign exchange	Non-GRI	✓	Finance Capital	Page 58
22.	Effluents and waste	306	✓	Natural Capital	Page 104
23.	On time delivery (OTD)	204	✓	Social & Relationship Capital	Page 92
24.	Commodity prices	Non-GRI	✓	Finance Capital	Page 61
25.	Procurement practices	204, 414	✓	Social & Relationship Capital	Page 97
26.	Labour/management relations	402	✓	Human Capital	Page 77
27.	Indirect economic impacts	203	✓	Social & Relationship Capital	Page 92
28.	Best practices along supply chain	204	New topic	Social & Relationship Capital	Page 92
29.	Marketing and labelling	417	✓	Social & Relationship Capital	Page 95
30.	Employment	401, 405, 406	New topic	Human Capital	Page 77

## Our Strategy

Our strategies are formulated for the Company to stride towards our Vision; “To be the Premier Aluminium extrusions manufacturer in the South Asian Region”. Our focus (Mission) towards this end emphasizes customer service, innovation and world-class and sustainable manufacturing practices.

The unprecedented challenges in the operating environment over the past few years and our ability to remain resilient as well as thrive, despite some of these challenges, underscore the value of our business model. Moreover, the importance of being nimble enough in strategy and implementation, to meet and respond innovatively to challenges and to identify and capture opportunities amidst these challenges. Accordingly, we periodically review and fine-tune our strategy to meet changing circumstances whilst continuing with those, which remain relevant.

Three key strategic pillars, which we have identified remain relevant still and they are discussed below.



### Resource Allocation and Trade-Off

Given the opportunity cost of all resources, our strategies aim to allocate resources to optimize stakeholder value whilst also ensuring that our social and environmental sustainability objectives are met.

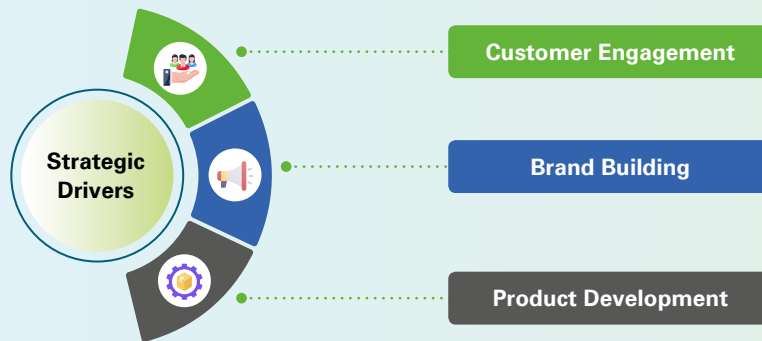
In doing so, we aim to find the right balance between resource allocation and trade-offs, in terms of short and medium to long-term impacts. This process is carried out during our annual corporate planning sessions, where we formulate our action plans (for each Department), with necessary budgets set for the deliverables as aligned with our strategic priorities. All strategic decisions are tabled at Board meetings and deliberated extensively by the Directors prior to finalizing the strategic plans and establishing the mechanics of resource allocation for the year.



### Pillar 1: Local Market Leadership

Alumex is today Sri Lanka's largest and leading manufacturer of Aluminium extrusions with a market share of 50% in commercial, industrial, residential and architectural Aluminium extrusion profiles.

Earnings from local market operations represent 66% of our total Annual revenue and, hence, remains the primary focus of our strategy. And within the local market segment, generic products under the Alumex and Alco brands account for the largest share of our earnings.

The year under review saw the challenging market conditions further exacerbate. The slowdown in Sri Lanka's construction industry, which began with the pandemic in 2021, exacerbated amidst the supply chain disruptions, escalating costs of imports and eroding consumer purchasing power. The construction sector contracted by as much as 20.9%, resulting in a decline in our domestic demand by as much as over 60% in comparison to 40% in the pandemic-impacted previous year. This resulted in excess inventory and, hence, intense price competition in the market (which comprises four players), leaving us with little room to offset the rise in cost of production through price increases.



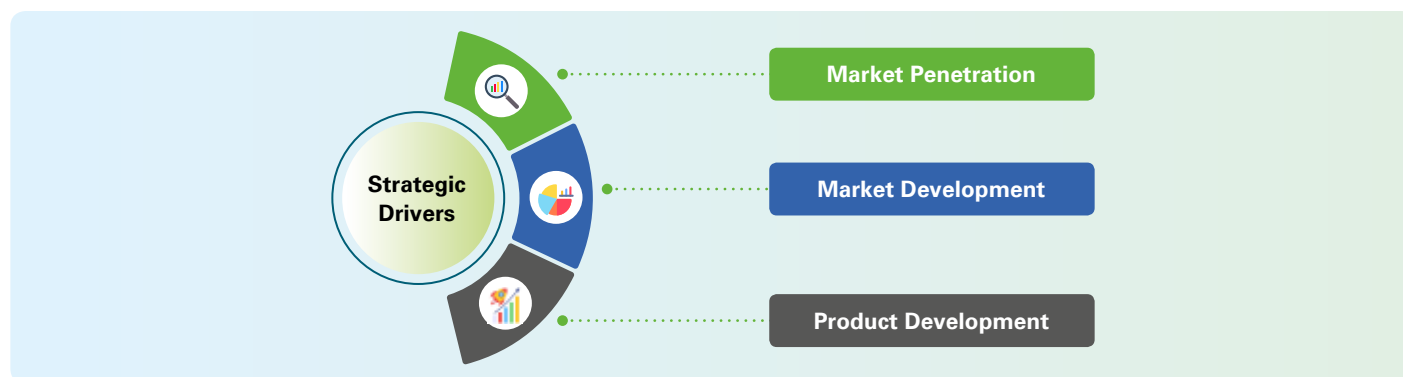
Risks	<ul style="list-style-type: none"><li>❖ Possible return to a path of a depreciating rupee towards year-end.</li><li>❖ Impact of inflation on purchasing power leading to continuation of diminished demand.</li><li>❖ Continuing downturn in the construction industry.</li><li>❖ Prevailing policy uncertainty despite optimism.</li><li>❖ Influx of substandard imports at lower prices leading to unhealthy competition, threatening the long-term sustainability of the local industry.</li></ul>												
Opportunities	<ul style="list-style-type: none"><li>❖ Policies on import substitution and opportunity to develop the domestic industry.</li><li>❖ Changing consumer perceptions and attitudes towards Aluminium as a durable, cost-effective and a more environment-friendly substitute for timber.</li><li>❖ Diverse brand portfolio of differentiated products which provide a strong competitive edge and bolster our position of market leadership.</li></ul>												
Initiatives in 2022/23	<b>Actionable Initiatives</b> <ul style="list-style-type: none"><li>❖ Launching range of Do-it-Yourself (DIY) products marketed under Dwellings brand.</li><li>❖ Launch of flagship loyalty program “Divikavuluwa” to strengthen relationships with our fabricators.</li><li>❖ Launching the Alumex online portal for Aluminium products and equipment for residential and commercial applications.</li><li>❖ Securing manufacturing rights for another globally renowned proprietary system “Capral”.</li></ul>	<b>Alignment to SDGs</b> <div><p>Decent work and Economic growth</p></div>	<div><p>Suitable cities and communities</p></div>										
Measuring Progress	<b>Key Targets and Achievements</b> <table><tr><th>Target</th><th>Performance in 22/23</th></tr><tr><td>Strengthening dealer network</td><td>52 new dealer appointments</td></tr><tr><td>Expanding fabricator training</td><td>124 Programs for 2,185 participants</td></tr><tr><td>Focused brand-building</td><td>Dwelling Brand</td></tr><tr><td>New product development</td><td>180 new product</td></tr></table>	Target	Performance in 22/23	Strengthening dealer network	52 new dealer appointments	Expanding fabricator training	124 Programs for 2,185 participants	Focused brand-building	Dwelling Brand	New product development	180 new product	<b>Resource Allocation</b> <ul style="list-style-type: none"><li>❖ Rs. 94 Mn for advertising and promotion</li><li>❖ Rs. 0.2 Mn for fabricator training</li><li>❖ Rs. 7.8 Mn for R&amp;D</li></ul>	
Target	Performance in 22/23												
Strengthening dealer network	52 new dealer appointments												
Expanding fabricator training	124 Programs for 2,185 participants												
Focused brand-building	Dwelling Brand												
New product development	180 new product												
Outlook for 2023/24	<b>Short-Term</b> <ul style="list-style-type: none"><li>❖ Strengthening distribution network</li><li>❖ Launching fully-fledged marketing and branding campaigns</li><li>❖ Strengthening relationships with fabricators</li></ul>	<b>Medium to Long-Term</b> <ul style="list-style-type: none"><li>❖ Strengthening the fabricator training program to incorporate customized curricula</li><li>❖ Intensifying fabricator training on Lumin range and establish an advanced fabrication training facility</li><li>❖ Carrying out well-structured customer satisfaction and feedback surveys to ascertain market trends</li><li>❖ Opening dealer-managed concept centres island-wide</li><li>❖ Adding new brands to the portfolio to reinforce differentiation in the market</li></ul>											



## Our Strategy

### Pillar 2: Expedite Export Market Growth

Amidst the downturn in the local market, we pursued aggressive growth in export markets, entering several new markets and increasing penetration in existing markets. Export volumes grew by 23% while export revenue nearly doubled, assisted by the favorable exchange rate dynamics. We added two more countries to our portfolio, expanding Alumex presence to 14 countries across the world, with a strong product proposition and sustainable manufacturing operations, positioning the Company well for continued growth. We were also able to add three more customers in existing markets, as well as three new market segments in the Maldives, Australia, New Zealand & Germany.

In a major milestone during the year, the Company also leveraged its research and development capabilities to launch Ozon, a revolutionary, low-carbon product range, which features a significantly lower environmental footprint than conventional products.



Risks	<ul style="list-style-type: none"><li>❖ Possible fluctuations in the exchange rate by the end of 2023</li><li>❖ Projected global recession and geopolitical uncertainties due to Russia/Ukraine tension.</li><li>❖ Possibility of restrictive trade measures against Sri Lanka by the international community due to political concerns.</li></ul>														
Opportunities	<ul style="list-style-type: none"><li>❖ US trade sanctions against China would be favourable to South Asian producers.</li><li>❖ Growing demand for Aluminium as a more environment-friendly alternative due to its properties as an infinitely recyclable metal.</li><li>❖ Growing need for circular economies.</li><li>❖ Untapped global market pre-fabricated and value-added product segments.</li><li>❖ The international accreditations, which endorse the quality of our products and production facilities and the sustainability of our operations, provide a competitive edge in the global market space.</li><li>❖ A possible depreciation of the rupee will boost our margins and opportunity for competitive order pricing in export markets.</li></ul>														
Initiatives in 2022/23	<b>Actionable Initiatives</b> <ul style="list-style-type: none"><li>❖ Launch of a low-carbon billet to export markets, branded as Ozon brand.</li><li>❖ Investment into new machinery and capacities for new product range.</li></ul>	<b>Alignment to SDGS</b> <div><div><p>Affordable Clean Energy</p></div><div><p>Industry, innovation and infrastructure</p></div></div>													
Measuring Progress	<b>Key Targets and Achievements</b> <table><tr><th>Target</th><th>Performance in 22/23</th></tr><tr><td>Revenue growth</td><td>By136% to Rs. 3.42 Bn</td></tr><tr><td>Expanding to new markets</td><td>Two new countries</td></tr><tr><td>Expanding value-added product portfolio</td><td>37 new value-added products</td></tr><tr><td>Adding new customers</td><td>Three new customers</td></tr><tr><td>Promotions to new customers</td><td>Participation in 6 international exhibitions</td></tr></table>	Target	Performance in 22/23	Revenue growth	By136% to Rs. 3.42 Bn	Expanding to new markets	Two new countries	Expanding value-added product portfolio	37 new value-added products	Adding new customers	Three new customers	Promotions to new customers	Participation in 6 international exhibitions	<b>Resource Allocation</b> <ul style="list-style-type: none"><li>❖ Rs. 31 Mn for promotions</li><li>❖ Rs. 5.2 Mn for R&amp;D</li><li>❖ Rs. 18 Mn for participating in exhibitions</li></ul>	
Target	Performance in 22/23														
Revenue growth	By136% to Rs. 3.42 Bn														
Expanding to new markets	Two new countries														
Expanding value-added product portfolio	37 new value-added products														
Adding new customers	Three new customers														
Promotions to new customers	Participation in 6 international exhibitions														
Outlook for 2023/24	<b>Short-Term</b> <ul style="list-style-type: none"><li>❖ Customer acquisition through digital marketing and participation in exhibitions</li><li>❖ Promote new products</li><li>❖ Capacity expansions</li></ul>	<b>Medium to Long-Term</b> <ul style="list-style-type: none"><li>❖ Develop markets across all six continents</li><li>❖ Increase production capacity and capability on the Value-added product segment</li></ul>													

Pillar 3: Operational Excellence

Operational excellence has been a key factor in the Company’s rise to be local market leader and its rapid export expansion within a mere span of four years since venturing into exports.

Our priority of operational excellence prompts us to obtain international accreditations, which, guide our actions and also endorse our commitment. Over the years, we have adopted global standards such as the ISO 9001: Quality Management System. Since recently, our product quality has received the Qualicoat, Qualicoat SeaSide and Qualnod international accreditation labels.




As a sustainability focused enterprise, whose decisions are guided by social and environmental impacts, our continuous striving for manufacturing excellence is also integrated with our environmental aspirations.

In an operating environment of double jeopardy in 2022 of sharply escalating production costs and diminished demand, enhancing operational efficiencies and productivity were key imperatives during the year. Accordingly, we established 27 cross-functional, special business development teams, championed by a Senior Management team member, with each team tasked with focusing on improving 27 determinants of performance such as costs, revenue, employee well being and sustainability.



Risks	<ul style="list-style-type: none"><li>❖ High cost of frequent technology adoption.</li><li>❖ Possibility of further increases in costs of electricity and fuel.</li><li>❖ High environmental footprint in terms of using non-renewable material, energy usage, water withdrawal, solid waste including hazardous waste and carbon emissions.</li><li>❖ Unit cost increases in low production order volumes and fixed overheads.</li><li>❖ Retaining experience and talent within the Company amidst the current brain drain from the country.</li></ul>
Opportunities	<ul style="list-style-type: none"><li>❖ Local recruitment for income generation and distribution amongst a wider community.</li><li>❖ Being a benchmark for local Aluminium industry to uplift standards.</li><li>❖ Leading the way in the industry to drive innovation.</li><li>❖ Capacity development and skills development to empower youth.</li><li>❖ Advance technology and know-how by securing the license to manufacture proprietary systems.</li><li>❖ SAP and ERP systems, which facilitate data accuracy and timely reporting.</li></ul>

## Our Strategy

Initiatives in 2022/23	<div><b>Actionable Initiatives</b><ul style="list-style-type: none"><li>❖ Establishing 27 cross-functional, special business development teams focusing on improving 27 determinants of performance</li><li>❖ Reducing import content of our products to meet the challenge of rising import costs</li><li>❖ Reducing working capital by managing inventory and debtors</li><li>❖ Use of alternative fuel to control fuel cost increase</li><li>❖ Introducing environment-friendly packaging</li></ul></div>	<div><b>Alignment to SDGS</b><div><p>Decent work and Economic growth</p></div><div><p>Responsible consumption and production</p></div><div><p>Life on land</p></div></div>																		
Measuring Progress	<div><b>Key Targets and Achievements</b><table><tr><th>Target</th><th>Performance in 22/23</th></tr><tr><td>Continue to maintain existing portfolio of licenses</td><td>All existing licenses were renewed</td></tr><tr><td>Digitalize operation management</td><td>Use of smart sheet for operation management</td></tr><tr><td>Reduce rejects</td><td>Reduced by 17%</td></tr><tr><td>Improve net yield</td><td></td></tr><tr><td>On-time delivery</td><td>Maintained at 95% level</td></tr><tr><td>Energy intensity</td><td>8,909 TCo2</td></tr><tr><td>Increase use of recycled Aluminium</td><td>Increased by 40%</td></tr><tr><td>Increase value created for the community</td><td>Food donation to schools 124 Fabricator training programs</td></tr></table></div>	Target	Performance in 22/23	Continue to maintain existing portfolio of licenses	All existing licenses were renewed	Digitalize operation management	Use of smart sheet for operation management	Reduce rejects	Reduced by 17%	Improve net yield		On-time delivery	Maintained at 95% level	Energy intensity	8,909 TCo2	Increase use of recycled Aluminium	Increased by 40%	Increase value created for the community	Food donation to schools 124 Fabricator training programs	<div><b>Resource Allocation</b><ul style="list-style-type: none"><li>❖ Rs. 15.6 Mn on license &amp; certification</li><li>❖ Capital Ex: Rs. 15 Mn for digitalization and improvements</li><li>❖ Rs. 1,248 Mn worth of Aluminium scrap purchased from the local market</li><li>❖ Rs. 9 Mn investment in training and development</li><li>❖ Rs. 0.76 Mn investment in CSR activities</li></ul></div>
Target	Performance in 22/23																			
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Outlook for 2023/24	<div><b>Short-Term</b><ul style="list-style-type: none"><li>❖ Launch of Group-wide cost reduction program</li><li>❖ Invest on rooftop solar projects</li></ul></div>	<div><b>Medium to Long-Term</b><ul style="list-style-type: none"><li>❖ Supervisory, Executive and Management development programs</li><li>❖ Technical skills development programs for operational employees</li><li>❖ Investment in new technologies</li><li>❖ Driving medium to long-term agreed ESG targets</li></ul></div>																		

## Strategy in action – Our triple-bottom-line performance

The success of our strategy manifests in various ways across different areas of our business. We consider these indicators to be a reflection of Alumex's triple-bottom-line performance – essentially depicting the Company's capacity to generate value from economic, social and environmental perspectives.

Overall Operations Key Indicators, Targets vs. Actuals					
Key Indicators	Unit of Measurement	Target 2022/23	Achievement %	Actuals	
				2022/23	2021/22
Economic Indicators					
Local Market Share	%	53	92	49	50
Exports Share in Revenue	%	32	106	34	15
Exports Sales	MT	1,664	95	1,583	1,291
Brand Portfolio	Number	4	100	4	4
Dealers and Distributors	Number	200	1	231	153
Aluminium Extrusions Production	MT	6,850	71	4,831	8,840
Worker Productivity	Metric Tons/ Worker	1 MT	50	0.5 MT	0.78
Capital expenditure	Rs. Million	483 Mn	115	554 Mn	751
Social Indicators					
Training Hours - overall	Hours	7,396	166	12,270	8,425
Training Hours on Health and Safety	Hours	430	78	334	269
New Fabricator Trainings	No of Trainees	2,000	109	2,185	155
Environmental Indicators					
Use of Recycled Aluminium	%	3,000	97	2,907	5,239
Investment on Environment Management	Rs. Million	56.49	100	56.51	52.55

## Performance Highlights

		2023	Change %	2022	2021
<b>Earnings Highlights and Ratios</b>					
Revenue	Rs. Mn	10,215	6.46	9,595	6,022
Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)	Rs. Mn	1,578	(11.33)	1,779	1,481
Results from Operating Activities (EBIT)	Rs. Mn	1,222	(17.83)	1,488	1,233
Profit Before Tax	Rs. Mn	154	(88.89)	1,382	1,022
Income Tax	Rs. Mn	(164)	(171.24)	230	181
Profit After Tax	Rs. Mn	(10)	(100.89)	1,152	841
Profit Attributable to Shareholders	Rs. Mn	(10)	(100.89)	1,152	841
Dividends	Rs. Mn	150	(58.33)	359	314.27
Gross Profit Margin	%	20.07	(15.48)	23.75	28.39
Operating Profit Margin	%	11.97	(22.81)	15.50	20.47
Net Profit Margin	%	(0.10)	(100.83)	12.00	13.97
Earnings Per Share (Basic)	Rs.	(0.02)	(100.89)	1.92	1.40
Return on Assets (ROA)	%	(0.10)	(101.02)	9.54	10.96
Return on Capital Employed (ROCE)	%	0.14	(30.15)	0.21	0.23
Return on Equity	%	(0.003)	(100.81)	0.34	0.31
Interest Cover	No. of times	1.03	(81.51)	5.55	5.62
<b>Financial Position Highlights and Ratios</b>					
Total Assets	Rs. Mn	10,518	(12.85)	12,069	7,674
Total Debt	Rs. Mn	4,542	(7.74)	4,923	2,635
Equity Attributable to Equity Holders of the Parent	Rs. Mn	2,391	(8.56)	2,615	1,827
Stated Capital	Rs. Mn	284	0.00	284	284
Revenue Reserve	Rs. Mn	934	(5.03)	983	863
Gearing	%	55.73	(0.33)	55.91	46.98
Debt/Equity	%	125.88	(0.75)	126.83	88.62
Equity Asset Ratio	%	34.31	6.67	32.16	38.75
Net Assets Per Share	Rs.	6.03	(7.02)	6.49	4.97
Current Ratio	No. of times	1.02	(11.24)	1.15	1.10
Quick Asset Ratio	No. of times	0.35	(40.81)	0.58	0.52
No. of Shares in Issue	No. Mn	598,605,680	0.00	598,605,680	598,605,680
<b>Market / Shareholder Information</b>					
Market Value Per Share	Rs.	8.20	6.49	7.70	10.80
Highest Market Price Per Share	Rs.	11.00	(40.22)	18.40	32.20
Lowest Market Price Per Share	Rs.	5.40	(22.86)	7.00	6.00
Value as at End of Financial Year	Rs.	4909	12.33	4370	6465
Dividend Per Share	Rs.	0.25	(58.33)	0.60	0.53
Price Earnings Ratio	No. of times	(481)	(12115.51)	4.00	7.69
Effective Dividend Rate (Dividend Yield)	%	3.05	(60.87)	7.79	4.86
Dividend Payout Ratio	%	(1,466)	(4801.18)	31.18	37.37
Dividend Cover	No. of times	(0.07)	(102.13)	3.21	2.68
<b>Others</b>					
Economic Value Generated	Rs. Mn	3,445	2.52	3,360	6,554
Economic Value Distributed	Rs. Mn	3,244	42.56	2,275	5,731
- Government	Rs. Mn	384	0.43	382	341
- Employees	Rs. Mn	918	(5.98)	976	507
- Others	Rs. Mn	1,301	(4.18)	1,358	4,884
Value Added Per Employee	Rs. Mn	4.69	22.61	3.82	6.88
Group/Company Employment	Number	735	(16.38)	879	953
Average Revenue Per Employee	Rs. Mn	13.90	27.31	10.92	6.32
Average Operating Income Per Employee	Rs. Mn	1.66	(1.73)	1.69	1.29
Interest Rate of Comparable Government Security					
- Treasury Bill (1 year)	%	0.24	97.96	0.12	0.05
- Treasury Bond (5 year)	%	0.28	39.09	0.20	0.07

		2023	Change %	2022	2021
<b>Consolidated Statement of Social Performance</b>					
<b>Employees</b>					
Employees on payroll	No.	735	(16)	879	953
Female representation	%	4%	(99)	4.1	3.36
New recruits	No.	57	(82)	311	576
Investment in training	Rs. Mn	9.03	22	7.38	2.61
Income tax	Rs. Mn	163.75	(29)	229.85	181.29
Training hours	Hours	12270	225	3,779.00	4,460.00
Average training hours per employee	Hours	16.69	288	4.3	4.7
Dividends	Rs. Mn	150	(58)	359.16	314.27
Retention rate	%	87.43	(1)	88.5	88.7
Workplace Injuries	No.	22	115	27	19
Lost working days	No.	61	(86)	425	49
<b>Customers</b>					
Customers acquired	No.	55	150	22	5
Revenue generated	Rs. Mn	10,215	6	9,595.28	6,021.53
<b>Suppliers and Business Partners</b>					
Total number of suppliers (as at end-March)	No.	2435	122	1,096.00	895
SME suppliers	No.	1837	101	916	774
Payments to suppliers	Rs. Mn	11,495	6	10,842.76	3,706.50
Proportion of spending on local suppliers	%	65%	(99)	50.5	54.95
Suppliers supported through development programs	No.	-	-	1	-
<b>Community Engagement</b>					
Investment in CSR	Rs. Mn	0.76	(87)	5.89	1.73
No. of new products developed	No.	180	(5)	189	176
Investment in R&D	Rs. Mn	13.04	113	6.11	14.11
<b>Consolidated Statement of Environmental Performance</b>					
Total Energy consumption	GJ	66,719	(67)	199,376.18	92,475.24
Non-renewable energy consumption	GJ	28.15	(100)	122,667.61	92,475.24
Renewable energy generated	KWh	1,826,299	0	1,829,380	143,545.29
Renewable energy generated %					
Out of total energy consumed	%	10	233	3	0.56
Out of total electricity consumed	%	28	38	20	1.87
Total Carbon footprint (GHG emission)	tCO <sub>2</sub> e	8,909	(34)	13,426	10,428.00
Scope 01 emissions	tCO <sub>2</sub> e	4,119	(33)	6,159	4,562.00
Scope 02 emissions	tCO <sub>2</sub> e	3,738	(33)	5,562	5,430.00
Scope 03 emissions	tCO <sub>2</sub> e	1,052	(38)	1,703	436
Total water withdrawal	m <sup>3</sup>	74,540	(25)	98,995	88,830.00
Recycled water usage	%	18%	(99)	13.33	14.86
Solid waste	MT	1,785,617	(12)	2,018,231.00	799,801.00
Effluents discharged	m <sup>3</sup>	74540	(1)	75,246.00	66,622.00
Waste water treated through internal treatment plants	%	100	0	100	100
Energy Intensity (energy per revenue)	MJ / Rs. Mn	3.32	(74)	12.78	15.36
Emission intensity (emission per revenue)	KgCO <sub>2</sub> e / Rs. Mn	1.15	(18)	1.4	1.73
Water intensity (water withdrawal per revenue)	L / Rs. Mn	7.29	(29)	10.32	14.75
<b>Consolidated Statement of Economic Performance</b>					
Foreign exchange income earned	USD Mn	9.59	39	6.88	1.98
Supplier reach	No.	2435	122	1,096.00	895
<b>Capacity Building</b>					
Property, Plant and Machinery	Rs. Mn	554.43	(26)	747.48	288.8
Job creation outside the Western Province	No.	19	(67)	58	103
Tax paid	Rs. Mn	383.76	0	382.1	340.66
Innovations (total new products introduced)	No.	180	(5)	189	176

# SUSTAINABLE WAYS IN WHICH OUR PRODUCTS MAKE A GLOBAL IMPACT





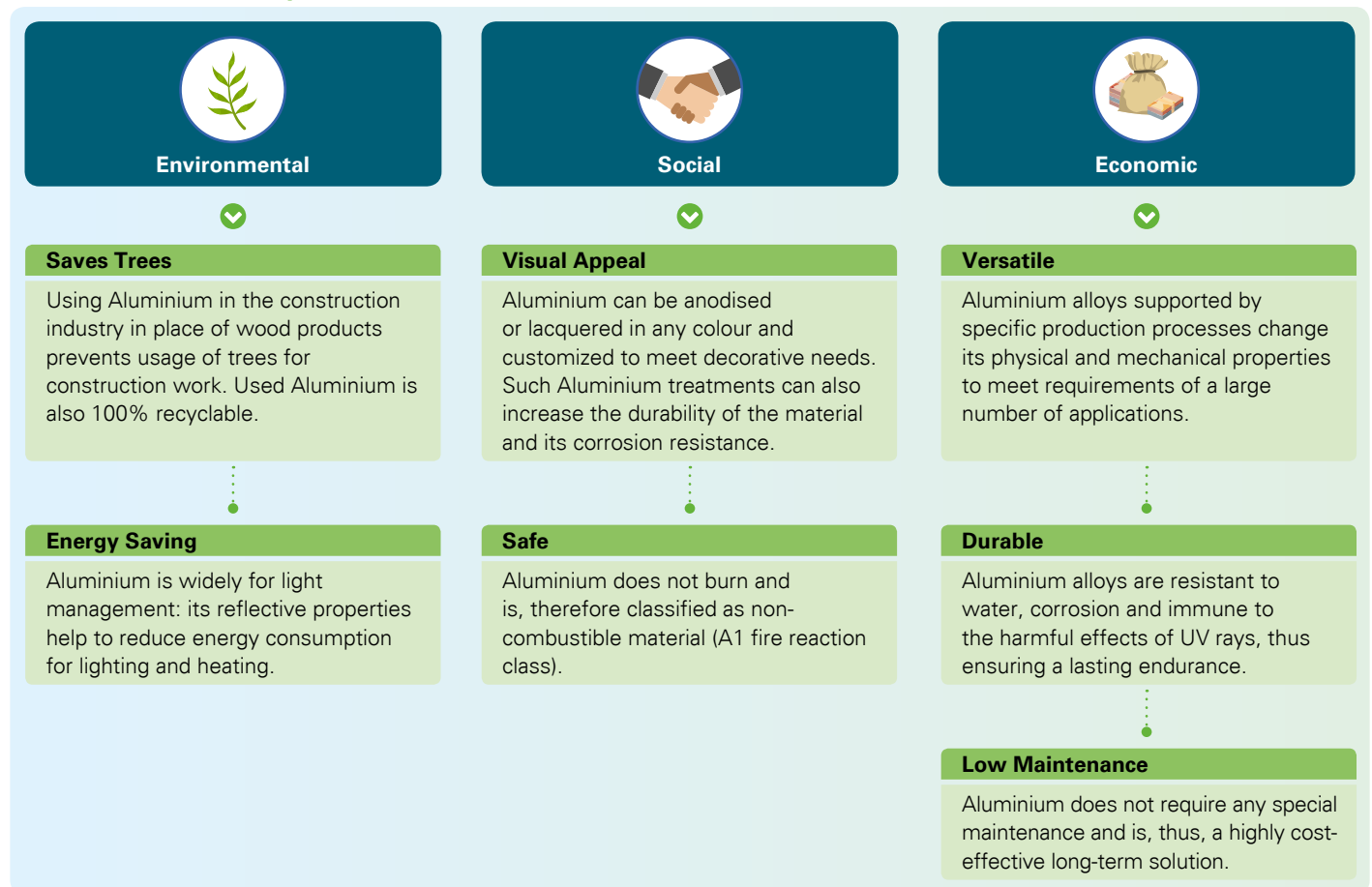
# Aluminium Industry Review

## Aluminium Industry Environment

Aluminium (produced using bauxite extracted from the earth's core) has been in use for more than 100 years. And its importance has grown over the decades with many technological innovations made possible by this metal. The recent past has seen its production increase exponentially due to the many advantages of the metal. It is the fastest growing, by twenty-fold over the last 60 years (in comparison to a six to seven-fold for other metals). And to today it is the second most used metal, being second to steel. Its limitless recyclability in comparison to other materials, its lighter weight, its corrosion free and relatively maintenance free qualities and being seen as a trendier alternative are some of the factors that propel demand across the world today.

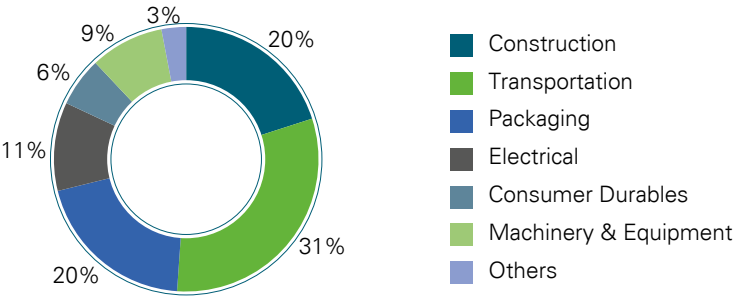
Depicted in diagram below are the triple-bottom-line advantages of Aluminium.

## Aluminium and the Triple-Bottom-Line



The incomparable recyclability of Aluminium, which is part of its genetic code, is a key factor in its environmental friendliness. Its recycling requires only 5% of the energy required during its initial production. Moreover, it does not lose any of its properties during recasting.

Global Aluminium Market Share, By End-use, 2021



The construction industry accounts for one of the top three applications of Aluminium in the world market. The Empire State building in New York was the first skyscraper to use Aluminium extensively in its construction. Today, the use of Aluminium in has become increasingly more mainstream and is widely sought-after in construction today.

The Aluminium Market in 2022

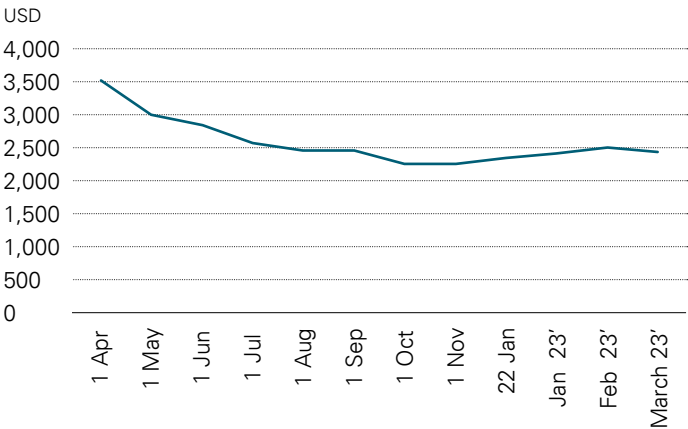
The year under review saw prices of Aluminium experience high volatility as depicted in the graph below due to the Russia-Ukraine war, logistical constraints, increasing recessionary fears and the effects of the Covid-19 pandemic in countries such as China.

Soaring energy costs following Russia’s invasion of Ukraine also contributed to the decline in Aluminium production and price volatility, as being one of the most energy intensive metals to produce had higher impact on producer margins than metals such as copper.

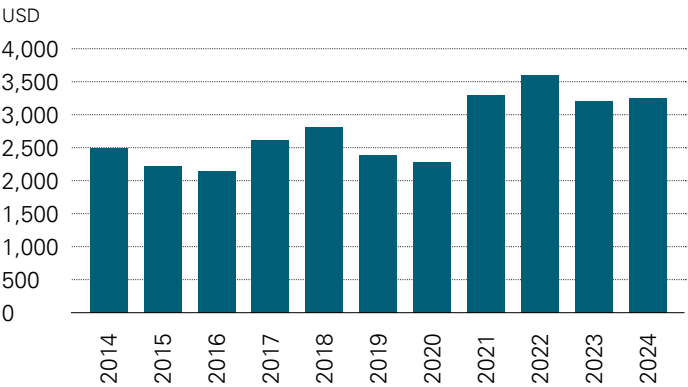
London Metal Exchange prices reached a peak of \$3,849/t in March but declined by more than 40% thereafter in the immediate aftermath of the Russian invasion of Ukraine.

Looking Ahead

London Metal Exchange Aluminium Historical Price



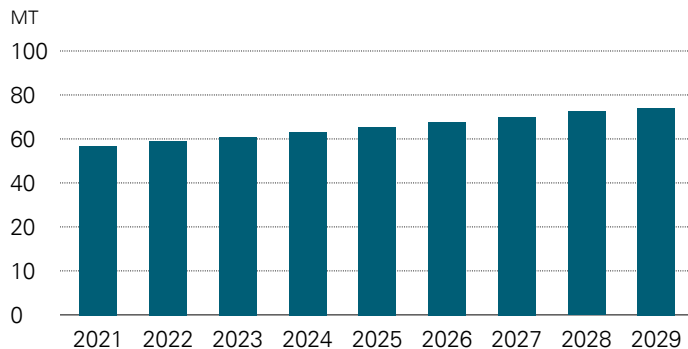
Average Prices for Aluminium from 2014 to 2024



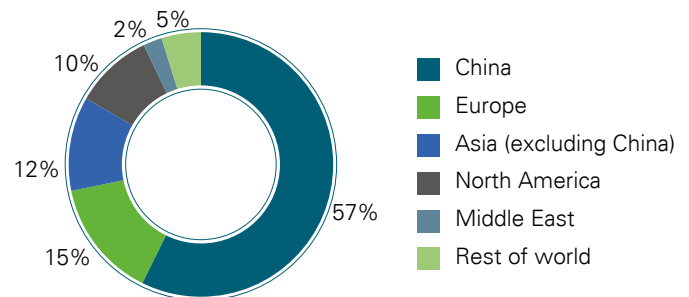
As per international research estimates, the price of Aluminium is expected to decelerate in 2023 mainly owing to inhibited demand due to global recessionary conditions and high inflation. Furthermore, downward pressure is projected to be compounded by an Aluminium surplus in 2023 in comparison to the deficit that prevailed in 2022.

# Aluminium Industry Review

**Global Aluminium Consumption Projections from 2021 to 2029**



**Distribution of Primary Aluminium Demand Worldwide in 2021 by Region**



However, there are several potential sources of price volatility. For one, the imposition of sanctions on Russian-manufactured Aluminium either by the US or the EU. Metals have been mostly spared in the rounds of sanctions imposed on Russia that followed its invasion of Ukraine on 24 February 2022 but it has been reported that the US is considering an effective ban on Russian imports of the metal. The US reportedly could carry out sanctions on the metal in one of three possible ways: namely a complete ban on Russian Aluminium, increasing tariffs to levels that would effectively act as a ban and sanctioning the company that produces Russian Aluminium; Rusal. Such sanctions would effectively freeze the Russian producer out of Western markets, depending on the severity of sanctions, and thus boost global prices for the metal and distort global Aluminium trade flows. The decision of LME not to take action on the delivery of Russian metals into LME warehouses, however, has given some stability to the market. Another threat to supply is the possible escalation in energy costs. Further, smelter closures and curtailments in production are seen as likely, given the uncertainty over energy prices through next year. Any announcement of further closures as per ING research could see Aluminium prices spike but any potential rallies are not expected to be sustainable.

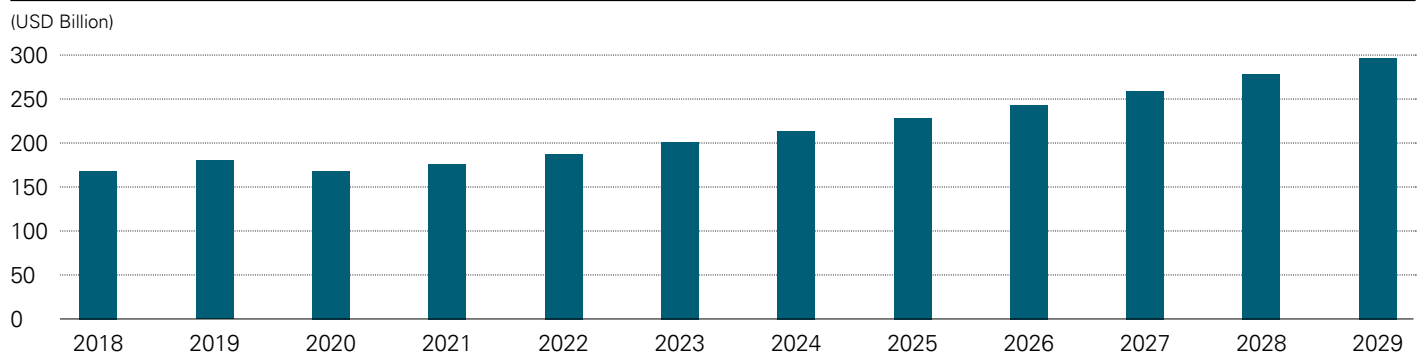
## LME Forecasts

2023	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Year
LME Aluminium (US\$/t)	2,150	2,200	2,300	2,500	2,290

In the medium-term the global aluminium market is projected to grow from \$168.84 Bn in 2022 to \$255.91 Bn by 2029, at a CAGR of 6.1% in the forecast period 2022-2029.

The demand is estimated to be highest in the Asia Pacific region. Here are the actual and projected demand.

**Asia Pacific Aluminium Market Size 2018-2029**



## Economic Review

### Global Economy

Global economic activity is estimated to have decelerated sharply in 2022 due to synchronous policy tightening by central banks globally, aimed at containing elevated inflation stemming from the Russia-Ukraine war and a resurgence of COVID-19 in China. Tightening financial conditions amidst the global fight against inflation and the continuation of the Russia-Ukraine war are expected to impact global economic activity in 2023 but the favorable impact of the reopening of China is expected to partially offset this impact. According to the World Economic Outlook (WEO) update of the IMF released in April 2023, global economic growth is forecast at 3.4 % in 2022 and is expected to fall to 2.8% in 2023 and settle at 3% in 2024. Advanced economies, including the United States, Euro Zone, and the United Kingdom, are expected to see an especially pronounced growth slowdown, from 2.7 % in 2022 to 1.3 % in 2023, but expected to pick up modestly in 2024.

Global inflation which peaked in 2022 is expected to remain elevated for longer than previously forecast (in January) but is projected to ease in 2023 amidst weakening demand and easing commodity prices according to the WEO, driven by war-induced commodity price increases. Soaring inflation in 2022 reflected a combination of demand and supply factors, where on the demand side, the lagged effects of ultra easy monetary and fiscal support following the pandemic contributed to persistent price pressures. With respect to the supply side, shortages of key commodities, exacerbated by the Russia-Ukraine war, along with capacity constraints and supply chain disruptions, contributed substantially to higher prices. Inflation is projected to decline to 7% in 2023 from 8.7% in 2022 on the back of lower commodity prices and to 4.6% in advanced economies and 8.1% in emerging market and developing economies in 2023, as per the WEO of the IMF.

Subdued economic activity in advanced economies could have an impact on Sri Lanka's exports, as low external demand could result in reduced exports of major items, mainly textiles and garments. As

the US and the European Union serve as the largest export destinations for Sri Lanka, any reduction in demand from these regions would have a sizeable negative impact on export performance, thereby affecting economic growth. Furthermore, lower growth in income levels in advanced economies could mean a reduction in global tourist movements originating from such nations. Meanwhile, economic activity in emerging markets and developing economies is projected to increase marginally from 3.9 % in 2022 to 4 % in 2023, mainly due to the anticipated growth rates in emerging and developing Asia, particularly in China, and a higher growth rate projected for Russia.

Actual and Projected Performance				
	2021 %	2022 %	2023 %	2024 %
World output	6.2	3.4	2.9	3.1
Advanced economies	5.4	2.7	1.2	1.4
USA	5.9	2.0	1.4	1.0
Euro	5.3	3.5	0.7	1.6
U.K.	7.6	4.1	-0.6	0.9
Japan	2.1	1.4	1.8	0.9
Emerging markets & developing economies	6.7	3.9	4.0	4.2
Emerging markets & developing Asia	7.4	4.3	5.3	2.2
China	8.4	3.0	5.2	4.5
India	8.7	6.8	6.1	6.8
World trade volumes	10.4	5.4	2.4	3.4
Price movements	-	-	-	-
Consumer prices	-	-	-	-
Advanced economies	3.1	7.3	4.6	2.6
Emerging markets & developing economies	5.9	9.9	8.1	5.5
Commodity prices	-	-	-	-
Oil	65.8	39.2	-16.2	-7.1
Non-fuel	26.4	7.0	-6.3	-0.4

Source: World Economic Outlook

### Sri Lankan Economy

In 2022, Sri Lanka experienced its harshest economic downturn in post-independence history, as it sought to adjust to macroeconomic instability resulting from a depletion of foreign reserves and a debt crisis. As per the Central Bank of Sri Lanka (CBSL) statistics, real GDP contracted by 7.8%, reversing the post-pandemic growth of 3.5% in 2021. Long-standing macroeconomic weaknesses due to persistent budget deficits and external current account deficits, worsened during 2022 owing to the impact of policy delays in addressing these imbalances and wrong policy decisions in the months preceding, especially with regard to taxation and agriculture, amongst others. The crisis led to political upheaval and disruption of all activity. Acute fuel shortages due to the dearth of foreign exchange caused supply chain disruptions and power outages, whilst import curtailment (as necessitated by the dearth of foreign exchange) resulted in a scarcity of raw materials and

## Economic Review

a surge in cost of production. Furthermore, significant upward revisions in major utility prices amidst soaring global energy prices and the depreciation of the exchange rate, exacerbated supply side pressures, while accelerated inflation and tax hikes affected the disposable income of households.

Against this backdrop, the CBSL and the Government initiated several containment and remedial policy measures. These include the significant tightening of monetary policy, unprecedented fiscal reforms in taxation and revision of utility prices, and fuel rationing among others. These helped contain excessive price pressures from the demand side, improve foreign exchange liquidity, reduce external and fiscal sector pressure, support economic activity and steer the economy towards stability, albeit with some significant adjustment costs in the near term.

Having sought assistance from the IMF for a funding arrangement and following a debt standstill, Sri Lanka sought assistance from the IMF and, following a debt standstill, managed to secure IMF Executive Board approval for an Extended Fund Facility of SDR 2,286 Mn (approximately US dollars 3,000 Mn) in March 2023. The country received the first tranche of SDR 254 Mn (approximately US dollars 333 Mn) in late March 2023.

The real economy faced a broad-based contraction in 2022, with all three sectors, agriculture, industries and services, contracting. The energy crisis and tighter monetary conditions also weighed on the performance of the industry subsectors. The construction subsector, which accounted for 28% of the industry sector, registered a year-on-year contraction of 20.9 %, while overall manufacturing activities, which accounted for about 59 % of the total industry sector, contracted by 12.6 %, year-on-year, in 2022. Despite resilient performance of the Services sector during the first quarter of 2022, supported by the gradual normalization of services sector activity following the fading out of the COVID-19 pandemic, the economic headwinds that intensified thereafter hindered further expansion in the Services sector, resulting in an overall contraction of 2% year-on-year.

It is noteworthy that the stability of Sri Lanka's financial system was preserved during the year; amidst the multitude of pressures in the crisis-ridden economy. Sovereign rating downgrades, high sovereign exposure of the banking sector, economic contraction, acute foreign exchange shortage and a high level of inflation, along with the announcement of the standstill on external debt servicing on account of bilateral and commercial debt by the Government in April 2022, created a significant and unprecedented adverse impact on the activities of the financial sector. It is particularly noteworthy that the stability of the banking sector was maintained, despite the looming challenges posed by the crisis such as declining credit quality, acute pressure on liquidity, low level of profitability due to high impairments and deteriorating capital margins.

### Construction Sector

Construction activities in the country suffered a severe setback owing to both supply and demand side impediments, resulting in a contraction of 20.9 % in 2022 in value-added terms, compared to the growth of 4.4 % reported by the CBSL in 2021. Shortages of raw materials and fuel, coupled with soaring input costs, lack of supplier credit and overdue payments on completed Government-funded projects, led supply side issues in construction activities. This was exacerbated by demand side hindrances stemming from the suspension of Government-funded projects and the high interest rate environment that curtailed private investments. Lackluster performance in the construction industry was reflected in construction-related indicators as well. Accordingly, the demand for Aluminium extrusions declined whilst total cement availability in the country recorded a substantial decline of 35.9 %, compared to the marginal decline of 0.8 % recorded in 2021. Building material imports also declined substantially by 35.8 % in 2022, compared to 4.7 % growth in 2021. Further, credit to the private sector granted by licensed commercial banks for personal housing construction also recorded a contraction as of end-December 2022.

### Key Economic Indicators

#### Interest Rates

The Central Bank continued the tight monetary policy stance that commenced in August 2021 through 2022, as its key mechanism for arresting inflationary pressures and preempting the escalation of adverse inflationary expectations. The extended period of the accommodative monetary stance since the onset of the COVID-19 pandemic, from early 2020 until August 2021, and a sharp depreciation of the Sri Lanka rupee against the US dollar during March 2022, resulted in significant upside risks to the inflation outlook, compelling the Central Bank to raise the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), in January, March, April and July of 2022.

Market lending interest rates also increased notably during 2022 in response to the unprecedented increase in CBSL's policy rates, whilst certain lending interest rates began to moderate towards end of 2022. Certain market lending interest rates reached the highest levels on record in 2022. The Average Weighted Lending Rate (AWLR) increased by around 9% points to 18.70% by the end of 2022, while the Average Weighted New Lending Rate (AWNLR) recorded the historically highest value of 26.20 % in December 2022, increasing by around 17 % points compared to end-2021. Meanwhile, the monthly Average Weighted Prime Lending Rate (AWPR), the lending interest rate for prime customers, closely followed the yields on government securities and peaked at 28.25 % in November 2022, surpassing other lending interest rates.

The Average Weighted Prime Lending rate as at 31st December 2022 stood at 27.24% in comparison to 8.61% in 2021. Interest rates are expected to move downwards as the CBSL would consider the deceleration in the pace of inflation and the need to rekindle investments into economic activity.

## Inflation

Headline inflation continued to accelerate in 2022, reaching a historic high of 69.8% in September 2022, with the sharpest escalation being between March and September, before trending downward thereafter due to the effects of tight monetary conditions and the gradual easing of supply side disruptions. The unprecedented increase in headline inflation as reported by the CBSL was mainly due to the notable rise in food prices and other supply side disruptions, the sharp depreciation of the Sri Lanka rupee against the US dollar and the subsequent adjustments in administered prices, such as energy and transport, and aggregate demand pressures owing to the lagged impact of monetary accommodation undertaken over the past few years. Price escalation of both food particularly due to the substantial weakening of domestic agriculture, and elevated commodity prices in the world market as well as higher freight charges. However, the impact of significantly tight monetary policy and other demand management measures, such as prioritizing essential imports, along with the softening of food and energy prices, helped moderate the pace of headline inflation from the latter part of 2022. Accordingly, year-on-year headline inflation, as measured by the Colombo Consumer Price Index (CCPI, 2013=100), which was recorded at 12.1 % at the end of 2021, was at 57.2 % by December 2022. Following a similar trend, year-on-year headline inflation, based on the National Consumer Price Index (NCPI, 2013=100), was recorded at 73.7% by end September 2022 and 59.2% by end-2022, compared to 14% at end-2021.

Inflation is expected to stabilize at the targeted levels over the medium-term, following the disinflation that is taking place since the onset of 2023, supported by subdued aggregate demand, the easing of supply disruptions both globally and domestically, along with the favorable statistical base effect. Improved availability of fertilizer and fuel are expected to contribute to easing supply-related constraints in 2023. On the other hand, further monetary tightening, implemented by the CBSL would inhibit growth of credit to the private sector, thereby restraining

demand pressures. The substantial revenue-based fiscal consolidation measures undertaken by the government may lead to a considerable reduction in the spending power of the public in the near future.

## Exchange Rate

The Sri Lanka rupee experienced high volatility and registered the historically largest depreciation against the US dollar during the first half of 2022, before stabilizing around the guidance band introduced in May 2022. The significant shortage of liquidity in the domestic foreign exchange market exerted pressure on the exchange rate, necessitating a measured adjustment in the exchange rate in early March 2022 by the Monetary Board. However, market speculation resulted in an overshooting of the exchange rate subsequently, and the rupee to depreciate substantially by 41.4% against the US dollar by end of April 2022. From mid-May 2022, with the aim of curbing any significant intraday volatility due to excessive speculation, the CBSL commenced offering market guidance by publishing a middle rate and a variation margin applicable to the interbank weighted average spot exchange rate. This measure proved effective in stabilizing the exchange rate since then, helping to mitigate the adverse macroeconomic implications of excessive depreciation and volatility of the currency. The rupee's depreciation for the year 2022 as per CBSL calculations thus amounted to 44.8%.

Accordingly, the annual average exchange rate in 2022 declined to Rs. 324.55 per US dollar from Rs. 198.88 in 2021, whilst the year end rate on 31 December 2022 stood at Rs. 363.33 per US dollar compared with Rs. 200.43 on 31 December 2021.

However, the rupee's depreciation has begun to see a reversal since February this year, appreciating by over 12% between the last week of February and the first week of May 2023. Although cumulative export earnings have recorded a decline (YoY) in the first two months of 2023, a strong rebound in remittance inflows and improvement in earnings from tourism supported the strengthening of the rupee

whilst growing foreign interest in treasury bills and bonds in the recent weeks also augmented positive sentiments. Moreover, on the supply side, import controls and the drop in oil prices in the global market have helped to curtail foreign exchange outflows, helping to bolster the rupee in the past three months. The exchange rate is hence expected to remain stable over the next few months. However, US, UK and Euro area central banks have hinted at more policy rate hikes with a view to taming inflation as such measures would strengthen their currencies, which in turn would exert pressure on currencies of emerging markets such as Sri Lanka.

## Fiscal Sector

Fiscal sector imbalances that persisted for several decades reached a tipping point in 2022, resulting in an unprecedented socio-economic and political crisis. Public debt reached an unsustainable level due to perpetual budget deficits and significant fiscal slippages in recent years amidst the COVID-19 pandemic and policy missteps, despite limitations enshrined in the Fiscal Management (Responsibility) Act No. 3 of 2003 and its amendments, as well as the Active Liability Management Act No. 8 of 2018.

Over the years, falling Government revenue and rising debt service obligations heightened the country's vulnerabilities to domestic and global economic shocks. A series of sovereign credit rating downgrades by international rating agencies that started in January 2020 and intensified during the second half of 2021 through early 2022 posed a formidable challenge to the Government in mobilizing foreign financing required for servicing foreign debt. Lack of access to foreign financing and the depletion of usable official reserves to near-zero levels in early 2022 constrained foreign debt servicing by the Government. Consequently, the Government announced a temporary suspension of selected foreign debt service payments on 12 April 2022.

The Government initiated major fiscal reforms to address fiscal sector vulnerabilities, whilst taking measures to restructure public debt aimed at ensuring debt sustainability over the medium

## Economic Review

term. However, the budgetary estimates presented in the Budget 2022 were proved unachievable due to low revenue collection during the first half of 2022 and expenditure overruns owing to high domestic interest rates and inflation. Hence, the Government implemented an array of fiscal consolidation measures since April 2022 and obtained parliamentary approval for an Interim Budget 2022 in September that year, aimed at strengthening revenue enhancement measures and fiscal consolidation efforts.

Supported by the revenue enhancement measures implemented in 2022 and the elevated price levels in the economy, Government revenue in nominal terms grew year-on-year by 35.8% to Rs. 1,979.2 Bn in 2022, reflecting higher tax and non-tax revenue collections. Tax revenue increased by 34.9% in 2022, benefitting from the increased revenue mobilization from income taxes, VAT, PAL and excise duties on liquor and cigarettes. Meanwhile, the rise in revenue collection from all the subcategories of non-tax revenue, except profit and dividend, resulted in an increase of 43.4% in non-tax revenue during the year. Most revenue enhancing measures initiated during the year were implemented in the second half of 2022 and early 2023. As a result, Government revenue as a percentage of GDP recorded a marginal decline due to the notable growth in nominal GDP.

All key fiscal balances as a percentage of GDP improved in 2022 compared with 2021, benefitting from substantial growth in nominal GDP and the efforts towards fiscal consolidations. Accordingly, the overall budget deficit declined to 10.2% of GDP in 2022, in comparison to 11.7% of GDP in 2021.

### Share Market

Ongoing economic contraction, high inflation, accelerated moves to raise policy rates domestically and abroad, an anticipated decline in corporate profits due to high tax adjustments, geopolitical tensions and adverse global economic conditions contributed to the volatility in the equity market. Even though the All Share Price Index (ASPI) recorded the historically highest value of 13,462.4 on 19th January

2022, the indices witnessed a declining trend since early February 2022, reversing the expansionary trend observed during 2021. Accordingly, ASPI and Standard & Poor's Sri Lanka 20 (S&P SL 20) Index contracted by 30.6% and 37.7%, respectively during 2022, while market capitalization deteriorated by 29.9% and stood at Rs. 3,847.2 Bn as at end 2022. Market capitalization as a percentage of GDP declined to 15.9% as at end-2022 compared to 31.2% as at end-2021. Meanwhile, the Colombo Stock Exchange (CSE) recorded an average daily turnover of Rs. 2,972.3 Mn in 2022, which was a considerable decline compared to Rs. 4,888.2 Mn recorded in 2021.

### Outlook

The Sri Lankan economy is poised to recover gradually from its deepest economic contraction witnessed in 2022. This recovery and the medium term outlook however, depend heavily on the timely and effective fulfillment of performance criteria, structural benchmarks and reforms outlined in the IMF-EFF arrangement.

	Actual	Projections by CBSL				
	2022	2023	2024	2025	2026	2027
<b>Real sector</b>						
Real GDP Growth	-7.8	-2	3.3	4.0	4.5	5.0
Per Capita GDP	3,474	3,489	3,621	3,811	4,030	4,281
<b>External sector</b>						
Exports – US \$ Bn	13.1	14.1	15.5	17.1	18.8	20.2
Imports – US \$ Bn	18.3	19.4	21.6	22.9	24.4	26.0
Current Account Balance as a % of GDP	-1.9	-1.1	-1.3	-1.2	-1.1	-0.9
<b>Fiscal sector</b>						
Current Account Balance as a % of GDP	-6.4	-4.5	-2.1	-0.7	-0.4	0.0
Overall Budget Deficit as a % of GDP	-10.2	-8.0	-6.4	-3.0	-4.8	-5.0
Annual Average Inflation %	46.4*	20.6 ^	5.0 ^	5.0 ^	5.0 ^	5.0 ^

❖ \* Based on CCPI (2013=100)

❖ ^ Based on CCPI (2021=100)

Source: Central Bank of Sri Lanka, Annual Report 2022

As Sri Lanka has reached crossroads in its post-independence economic journey, there is some reasonable expectation that policy commitment to implementing long overdue reforms and public support for such decisive reforms will prevail in the ensuing period. As observed by the CBSL, the progress of the reforms implemented thus far is notable.

Nevertheless, the envisaged medium-term path is also fraught with uncertainties due to possible risks associated with the timing of completion of the ongoing debt restructuring negotiations and the pace and magnitude of the post-restructuring economic recovery.

The reform improvements, combined with the domestic supply side developments and easing of foreign exchange liquidity pressures, are expected to provide strong impetus for the near-term recovery in economic activity in Sri Lanka. Furthermore, a restoration of debt sustainability through a comprehensive debt restructuring process is expected to create opportunity for foreign funding from international financial agencies and thereby strengthen investor confidence in the ensuing period.

Moreover, the expected stabilization of inflation is likely to create a conducive environment for investments over the medium-term, whilst greater flexibility in the exchange rate is also expected to spur stability in the external sector and strengthen competitiveness of the economy in the ensuing period. At the same time however, the tightened monetary and fiscal policies and the balance of payments constraints could slow the pace of recovery in 2023.

Further downside risks could stem from broad-based slowdown in global economic growth in 2023 as per the projections of the IMF. This could impede the country's trade potential and discourage prospective foreign exchange inflows and foreign investment. In addition, a lower-than-expected external demand due to lower global growth, envisaged monetary policy tightening in advanced economies and the continuation of global supply chain issues could pose a risk to the pace of recovery of economic activity in Sri Lanka.

Inflation in Sri Lanka is expected to stabilize at the targeted levels over the medium-term and is projected to average around 20% for the year by the CBSL, following the rapid disinflation in 2023, supported by subdued aggregate demand, owing to tight monetary and fiscal policies, an appreciating rupee and lessening of supply disruptions both globally and domestically, along with the favourable statistical base effect. Large monetary tightening implemented by CBSL would contain the growth of credit to the private sector, thereby restraining demand pressures. The substantial revenue-based fiscal consolidation measures

undertaken by the government may lead to a considerable reduction in the spending power of the public in the near future. Meanwhile, the improved availability of fertilizer and fuel would contribute to easing supply-related constraints. However, any possible increase in global food and energy prices has the possibility of slowing down the disinflation process in Sri Lanka.

Most major central banks in the world are expected to maintain tight monetary conditions throughout 2023 and possibly in early 2024 to arrest inflationary pressures, although the volatilities in global financial conditions could affect the conduct of global monetary policy to some extent.

Strengthening of the Sri Lanka rupee, if it persists, could also contribute to lower price pressures in the near-term. Furthermore with funding support from the IMF and other multilateral agencies, along with the successful implementation of the debt restructuring process, the country would be able to gradually relax the prevailing import restrictions prioritizing essential needs, thereby further easing supply bottlenecks.

However, possible depreciation pressure on the exchange rate after such relaxation may need to be carefully managed as it could swiftly affect the general price level. Meanwhile, the expected enactment of the proposed Central Bank Act would allow more independence to the Central Bank, enabling it to limit monetary financing and thereby strengthen policies targeted at managing inflation and inflation expectations. The Act if passed augurs well for the medium to long term health of the Sri Lankan economy. The global supply conditions are also expected to normalize over the medium-term, although the direction and impact of the recent financial turmoil and ongoing Russia-Ukraine war remain largely uncertain.

The external sector outlook for 2023 and beyond will largely depend on the progress of debt restructuring, a continuation of the IMF-EFF supported programme and global economic and financial outlook. The trade deficit is likely to widen moderately in 2023 with a projected increase in

merchandise imports triggered by the gradual normalization of economic activity and possible relaxation of some trade restrictions over the next few months. The trade deficit for 2023 could also be affected by a possible economic downturn in the United Kingdom, the European Union, and the United States, which would likely lead to a dampening of external demand for Sri Lanka's exports. In addition, any further escalation of the Russia-Ukraine war could impact global supply chains, thereby increasing import expenditure.

Considering the positive sentiments and progress since the agreement with the IMF, the economy is likely to be on a path to recovery, despite the many downside risks. As per CBSL projections, the country is likely to see a reduced contraction in terms of real GDP to around -2% in 2023.

## SWOT Analysis



### Strengths (S)

- ❖ Over 50% of Market Share
- ❖ 34 years of industry experience
- ❖ Brand image
- ❖ In-House fabricator training facility
- ❖ Product diversification
- ❖ Licensed products
- ❖ Alumex proprietary systems
- ❖ International accreditations
- ❖ Being part of a large conglomerate
- ❖ In-House Aluminium casting technology
- ❖ Advanced manufacturing technology
- ❖ Advanced technology in dye designing & manufacturing
- ❖ Workforce with experience in key manufacturing areas
- ❖ High production capacity
- ❖ Advanced product testing facility
- ❖ Largest Aluminium export in the country.
- ❖ Advanced ERP system
- ❖ Over 22 years' relationship with Key suppliers.
- ❖ Public listed company.
- ❖ Exclusive Dealer Network.
- ❖ Approved applicator status



### Weaknesses (W)

- ❖ Periods of High inventory holding
- ❖ Space management in the premises
- ❖ Resistance to adhering to a system
- ❖ Technical know-how of new employees
- ❖ Low compliance with Preventive Maintenance
- ❖ High energy utilization
- ❖ High overhead costs
- ❖ High Gearing ratio
- ❖ Information Security
- ❖ Hazardous work conditions
- ❖ Handling of waste
- ❖ Employee awareness of Company values
- ❖ Employee satisfaction
- ❖ Organizational learning culture



### Opportunities (O)

- ❖ Import restrictions on Aluminium profiles
- ❖ Possible export market expansion
- ❖ Possibility of recycling
- ❖ Usage of green labeled raw material
- ❖ Government enforcement on renewable energy (Solar)
- ❖ Government encouragement on export market
- ❖ High competitiveness on export market due to rupee depreciation
- ❖ Export restriction for Aluminium scrap
- ❖ Changing consumer perceptions and attitudes towards aluminium as durable, cost-effective and environmentally friendly compared to its substitute timber.
- ❖ Increasing green consciousness and of the importance of trees.



### Threats (T)

- ❖ Low foreign currency availability in the country
- ❖ Sri Lanka's low Credit rating
- ❖ High inflation
- ❖ Reduction of purchasing power of people
- ❖ High interest rate
- ❖ Design transcription
- ❖ Rupee depreciation against US dollar
- ❖ COVID-19 Pandemic
- ❖ Substandard products of local competitors
- ❖ External debtors
- ❖ Ad-hoc changes to laws, policies and regulations which lead to business uncertainty and loss of confidence.
- ❖ High-income tax rates
- ❖ Political instability
- ❖ High lead times for purchase
- ❖ Shortage of local suppliers.
- ❖ Import restrictions for some raw materials
- ❖ FTAs by the Government and removal of duty
- ❖ Declined growth of construction industry
- ❖ Country's economic contraction and projected low growth rates.
- ❖ Emigration of high caliber employees from the country
- ❖ Fluctuations in Aluminium prices in the world market.
- ❖ Risk of Bad Debts
- ❖ Higher competition due to excess capacity build up amongst all major players.
- ❖ Shortage of skilled Labor.
- ❖ Aluminium is categorized as duty free for high-end projects

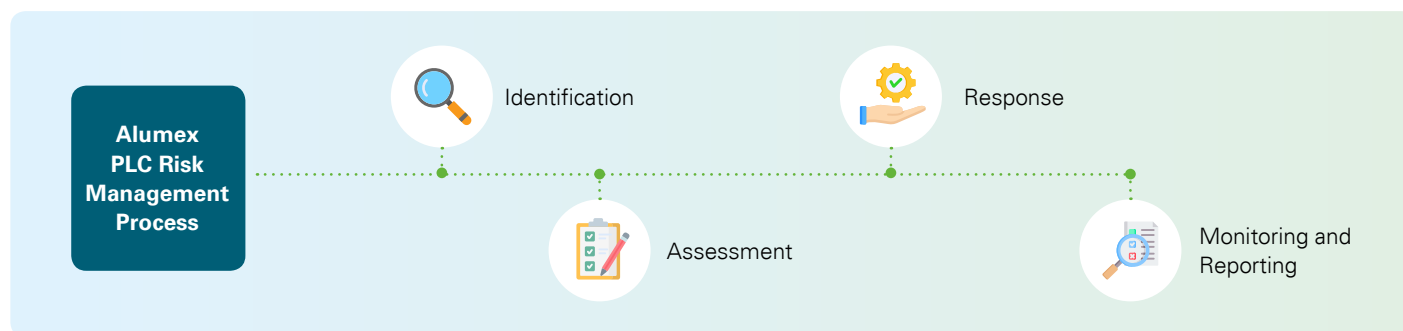
# Risk Management

## Risk Environment

The operating landscape during the year under review was rife with rapidly evolving and diverse risks, owing to Sri Lanka's socioeconomic crisis that led to the disruption of activities and supply chains across the country as well as public unrest. The year represents yet another year of volatility and uncertainty, following the unrepresented risk implications of the pandemic in 2021/22. The most significant of risks during the year from those we have listed below, were interest rate risks, liquidity risks, foreign currency risks, economic and political instability and risk of bad debts.

## Risk Management Approach

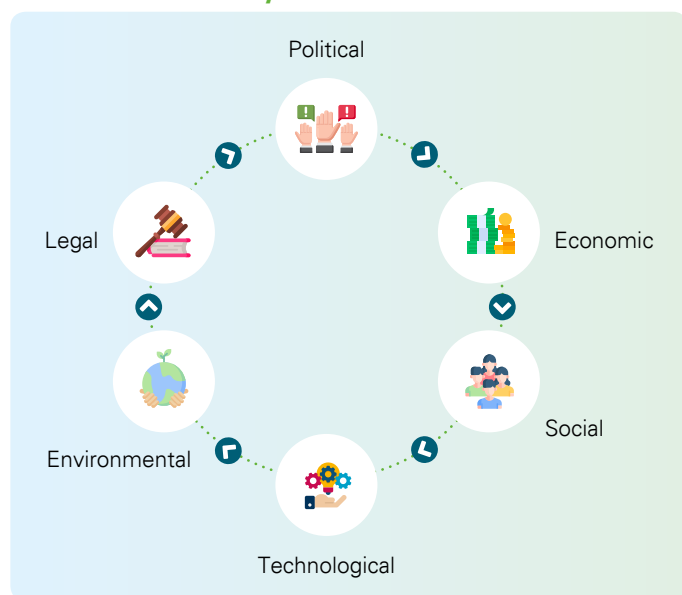
Alumex PLC's approach to risk management aims to balance the expectations of our stakeholders whilst effectively safeguarding the interests of the Company. Towards this end, we have adopted the precautionary principle to identify, assess and quantify all risks faced by Alumex PLC. It covers inherent, residual and emerging risks in the context of the Company's annual business plan and the five-year strategic roadmap. Risks associated with specific objectives are identified and documented at the time of setting the objectives.



## Risk Identification

Identifying of risks is the initial step on which the entire risk management process rests and, hence, critical to effectively managing risk. At Alumex, the formal risk identification process starts alongside the annual corporate planning and budgeting exercises, whereby the Group Management Committee of Alumex PLC reviews the PESTEL analysis and Porter's Five Forces analysis prepared by the Finance Department highlighting the risks and opportunities that will influence the development of the Company's strategy and Objectives. Similarly, risk factors that emerge on an ongoing basis are identified by the Hayleys Group business advisory & control units, the Hayleys Group Management committee as well as during ongoing management discussions with Alumex & external stakeholders.

## Environmental Analysis



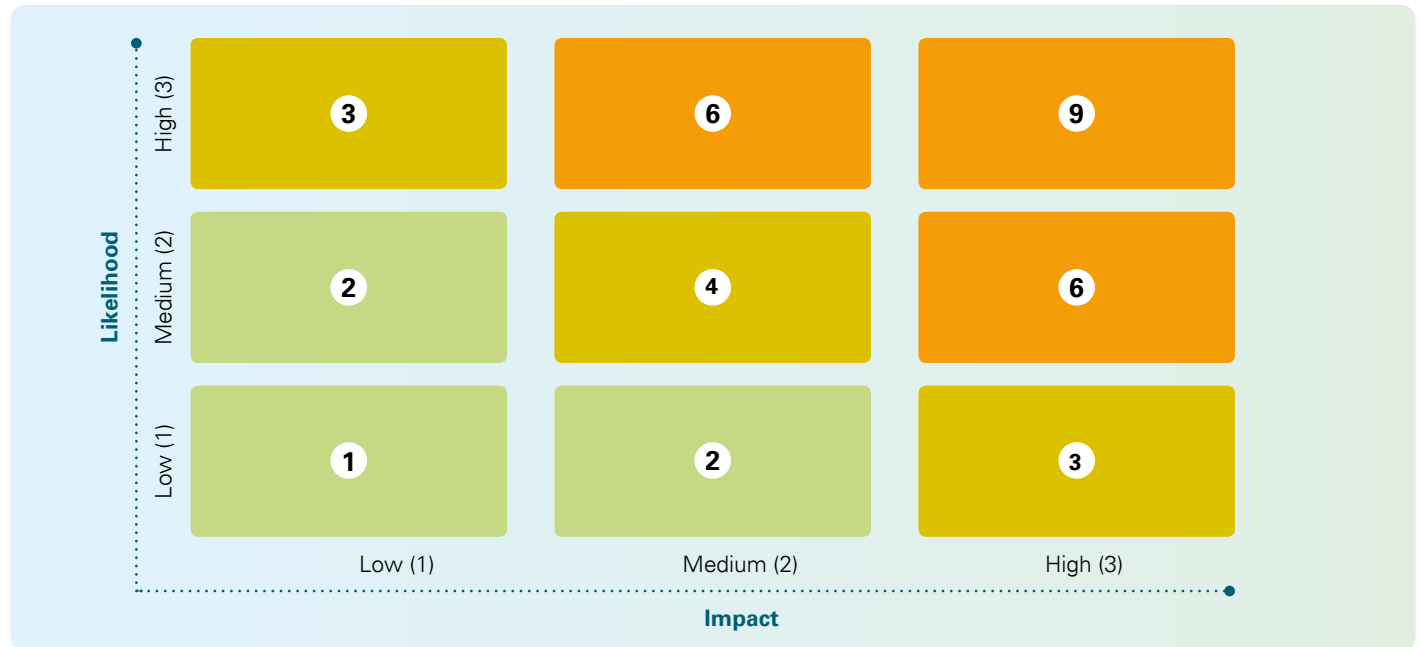
## Industry Analysis



# Risk Management

## Risk assessment

Alumex uses the COSO Framework to assess risk based on the likelihood and impact of a specific type of event, with the output denoting the probability-weighted impact. The high-risk areas mapped into the top right corner of the matrix demand higher and prompt attention.



## Response

The Company's response is based on the significance of the risk and decisions are made to appropriately manage the risk by accepting, reducing, sharing or avoiding it. Appropriate risk responses are formulated in keeping with the Company's business and strategic objectives and implemented in relevant areas of the business.

## Monitoring and Reporting

In the final stage of the risk management process Alumex evaluates the efficiency and efficacy of implemented strategies and the monitoring process is carried out at multiple levels of the organization by different parties.

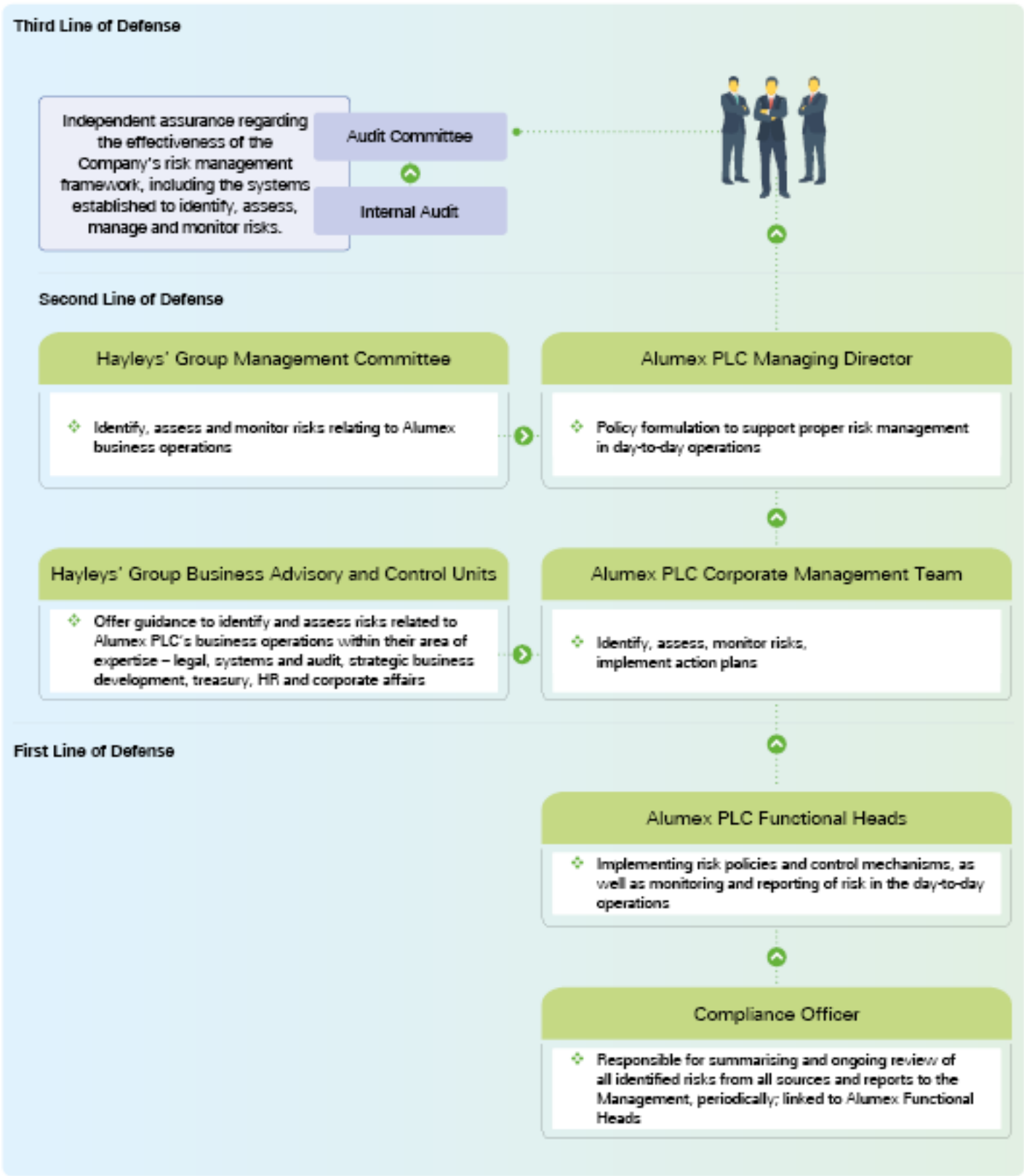
During the monthly performance review meetings, all significant risks and their action plans are reviewed by the Corporate Management team and the Group Managers. The Hayleys Group's Board Director in charge of the Alumex Group also reviews these risk areas on a monthly basis. The Audit Committee, which 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 Governance

The risk governance model is a vital element of our approach to risk management. In a dynamic operating environment with increasing regulatory requirements, rapidly changing market trends and technologies and new competitors, Alumex PLC's risk governance model stipulates both individual responsibility and collective oversight supported by a comprehensive reporting process to ensure that all risks are monitored, managed and reported on.

The Alumex PLC Board is the apex body responsible for the Management of risk across the organization and it applies the principles of sound corporate governance to assess and manage risks to ensure that risk taking is aligned with the Company's risk governance structure.

Alumex PLC Risk Governance Structure



# Risk Management

The Alumex Group Management Committee takes a leadership role in the total risk management process, the identification of risks and, finally, the implementation and monitoring of identified risks.

A bottom-up process is taken in the process of risk identification. The Management team also evaluates the options available to mitigate risks. Functional Heads, with the assistance of their respective teams, provide useful information and feedback for risk management.

The Hayleys Group's Management Committee; the business advisory and control units in legal, management audit, systems review and strategic development; treasury; HR; and corporate affairs also play a key role.

## Risk Awareness Culture

A strong awareness of risk at all levels of the business is central to ensuring the efficacy of our risk management approach. We strive to build a Company-wide risk culture by focusing on devolving the appropriate values and behaviours to shape the risk decisions of the Management and employees to ensure the efficacy. The Alumex PLC's Board and Senior Managers are required to play a vital role in setting the tone at the top and cascading a sound risk awareness to all levels of the business.

## Risk Vs Resource Allocation



Strategy development and implementation depends on the risks and opportunities identified and assessed by the management. While all investment decision is evaluated for both Operational risks as well as Financial risk factors; other operational decisions on market development, product development, human resource development, IT and digitalization, are mainly evaluated for Operational risk factors supported by the Environmental, Social and Financial risk factors. A detailed discussion on risks and opportunities pertaining to Strategies and Resource allocation are summarized in pages 31 to 34.

## Risk Management Actions

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

## Risk Factors Identified

The tables below set out the broader categories of risks along with the specific risks Alumex is exposed to, their implications and the measures we have in place mitigate/preempt them.

 Taken action to mitigate
  Remain unchanged
  Risk level increased

					Risk Level					
					Past Assessments		Forecast			Risk Trend
No	Risk Category	Risk Element	Implications	Mitigating Measures	2021/ 22	2022/ 23	Short Term - 2023/24	Medium Term	Long Term	
01.	Risk of Financial Capital	Interest rate risk arising due to the sensitivity to interest rate changes	Short-term and long-term increase in interest rates could impact on the cost of Aluminium due to high cost of financing and increase in the cost of borrowing	<ul style="list-style-type: none"><li>❖ Effective management of working capital</li><li>❖ Maintain a proper combination of fixed and floating rates</li></ul>	High	High	High	Medium	Medium	↔
02.	Risk of Financial Capital	Foreign currency risk arising from exposure to foreign currency positions	Short-term and long-term losses can arise when foreign currency assets and liabilities are translated into local currency as at the balance sheet date, or when transactions are carried out in foreign currency	<ul style="list-style-type: none"><li>❖ Maintain foreign currency denominated assets to hedge against liabilities</li><li>❖ Increase export earnings</li></ul>	High	High	Medium	Low	Low	↓
03.	Risk of Financial Capital	Macro economic vulnerabilities Arises due to increase in interest rates, inflation and unstable political environment	Short-term and long-term may impact to the demand, hindering profit and cash flows negatively	<ul style="list-style-type: none"><li>❖ Identify alternative revenue sources</li><li>❖ Implementation of cost reduction initiatives</li></ul>	Low	High	High	Medium	Medium	↑
04.	Risk of Financial Capital	Liquidity risk Inability to meet payment obligations in full and on time when they become due	Short-term and long-term non-availability 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>	High	Medium	Medium	Low	Low	↓

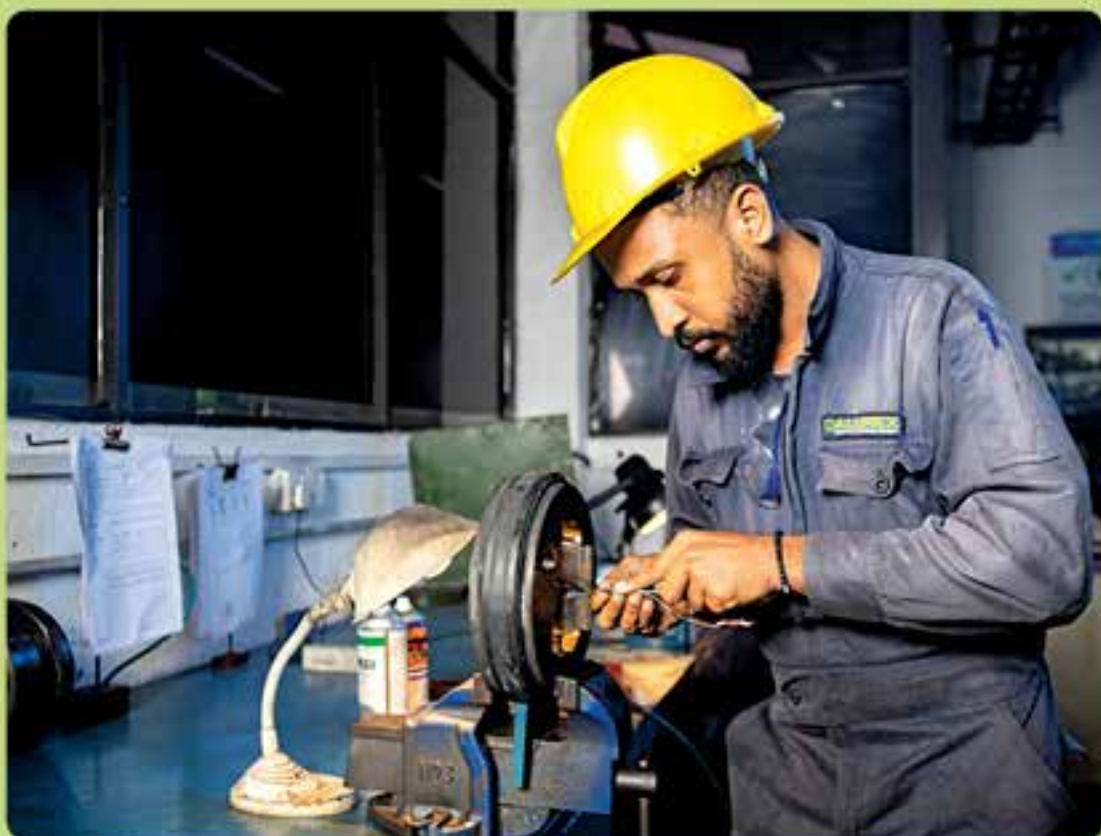
# Risk Management

					Risk Level					
					Past Assessments		Forecast			Risk Trend
No	Risk Category	Risk Element	Implications	Mitigating Measures	2021/ 22	2022/ 23	Short Term - 2023/24	Medium Term	Long Term	
05.	Risk of Financial Capital	Political Instability unstable political environment	Short-term and long-term Ad hoc policy decisions affect the business as a whole	<div><div>❖</div>Stay up-to-date with the policy changes and them impact on the business</div> <div><div>❖</div>Effective decision-making to mitigate the negative impact on Company</div>	High	Medium	Medium	Medium	High	↑
06.	Risk of Natural Capital	Using hazardous chemicals Risk of using hazardous chemicals for the production can cause health and safety issues	Short-term and long-term public resistance and/ or regulatory involvement on environmental pollution protection	<div><div>❖</div>Shifting to environment-friendly chemicals</div> <div><div>❖</div>Developing effluent water treatment process</div> <div><div>❖</div>Safe disposal of solid waste</div>	Medium	Medium	Medium	Medium	Medium	↔
07.	Risk of Finance Capital	Risk of bad debts occurs due to settlement default by credit customers	Short-term and long-term could result in direct losses due to bad debts and increase in finance cost due to delayed payments	<div><div>❖</div>Implementation of Group credit policy</div> <div><div>❖</div>Periodic review of receivables, legal and other recovery actions</div>	High	Medium	Medium	Medium	Low	↔
08.	Risk of Social & Relationship Capital	Single customer/ supplier Risk of having a few major customers and/ or suppliers	Short-term and long-term loss of a major customer can affect revenues and loss of a major supplier affects the supply of critical raw material for manufacture	<div><div>❖</div>Diversify and increase the customer bases</div> <div><div>❖</div>Develop a multiple supplier networks</div>	Medium	Low	Low	Low	Low	↔
09.	Risk of Human Capital	Labour shortages and reduction in skilled and unskilled labour	Short-term and long-term increase in production costs due to higher wages	<div><div>❖</div>Automation</div> <div><div>❖</div>Increase living standards of employees to reduce turnover</div>	Medium	Medium	High	High	Medium	↑

					Risk Level					
					Past Assessments		Forecast			
No	Risk Category	Risk Element	Implications	Mitigating Measures	2021/ 22	2022/ 23	Short Term - 2023/24	Medium Term	Long Term	Risk Trend
10.	Risk of Human Capital	Industrial health and safety could lead to workplace accidents, penalties, negative image and hiring difficulties on future requirements	Short-term and long-term lower productivity due to higher employee turnover and dissatisfaction of existing employees	<ul style="list-style-type: none"><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	Low	Low	Medium	Medium	↑
11.	Risk of Finance Capital	Commodity price risk fluctuations in Aluminium prices in the world market	Short-term and Long-term Increase in Aluminium raw material prices will create losses due to fixed selling prices	<ul style="list-style-type: none"><li>❖ Monitor price trends and book forward</li><li>❖ Quote variable prices to customers, based on the LME prices</li></ul>	High	Medium	Low	Medium	Medium	↔
12.	Risk of Intellectual Capital	Confidentiality of Information Loss of confidential data through security breaches in the IT systems	Short-term and Long-term Loss of the unique profile designs of Alumex to competitors	<ul style="list-style-type: none"><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	Low	Medium	Medium	Medium	↔
13.	Risk of Social & Relationship Capital	Availability of Raw Materials Risk of nonavailability of the local and imported raw materials	Short-term and Long-term Loss of a major customer can affect revenues and loss of a major supplier affects the supply of critical raw material for manufacture	<ul style="list-style-type: none"><li>❖ Maintain adequate stock</li><li>❖ Develop a multiple supplier network</li></ul>	Medium	Low	Low	Low	Low	↓

## SUSTAINABLE WAYS IN WHICH WE ELEVATE OUR WORK PROCESS





# Financial Capital



## Management Approach

Managing the financial capital is a crucial task for any enterprise and it is essential to outline the approach used in the annual report. This report discusses the management approach used by Alumex PLC to manage its finance capital in the fiscal year 2023.

At Alumex PLC, we understand the importance of efficient financial management to sustain and grow our business and our approach is centered around the following key principles:

### Equity of

**Rs. 3,609 Mn**  
44%

### Debt

**Rs. 4,542 Mn**  
56%

### Highlight for 2021/22

- ❖ Revenue increased by 6%.
- ❖ Investment in Fixed Assets Rs. 525
- ❖ Operating Cash Flows Rs. 508

### Value Created

- ❖ Revenue: Rs. 10.21 Bn
- ❖ Gross Profit: Rs. 2.04 Bn
- ❖ Operating Profit :Rs. 1.22 Bn

- ❖ Fixed Assets: Rs. 5.00 Bn
- ❖ Total Assets: Rs. 10.51 Bn
- ❖ Working Capital: Rs. 133 Mn

### Plans 2023/24

- ❖ Revenue of Rs. 13 Bn
- ❖ Gross Profit of Rs. 2.65 Bn

## Strategic Imperatives & Strategic Action

### Strategic Financial Planning

- ❖ We start by developing a clear and comprehensive financial plan that aligns with our overall business objectives. This involves setting financial goals and objectives, forecasting future financial performance and developing strategies to manage financial risks.

### Effective Budgeting

- ❖ We develop a detailed budget that is aligned with our strategic financial plan. Our budgeting process is rigorous and comprehensive, and we involve all relevant stakeholders in the process. This enables us to allocate resources efficiently and effectively, monitor spending and identify potential cost savings.

### Robust Financial Controls

- ❖ We have implemented robust financial controls and internal audit procedures to ensure the integrity of our financial reporting. We have established a strong control environment, which includes policies and procedures for financial reporting, risk management and compliance.

### Continuous Improvement

- ❖ We are committed to continuous improvement in our finance capital management processes. We regularly review and update our financial plans and budgets to ensure they remain relevant and aligned with our business objectives. We also monitor our financial performance against our targets and make adjustments as necessary.

### Stakeholder Engagement

- ❖ We engage with our stakeholders regularly to ensure they are informed about our financial performance and understand our approach to finance capital management. This includes providing regular financial reports, hosting investor briefings and engaging with our employees, customers, and suppliers.
- ❖ In summary, at Alumex PLC, we take a strategic and comprehensive approach to finance capital management. We believe this approach helps us to effectively allocate resources, manage financial risks, and ensure the long-term sustainability of our business.

## “The Company delivered yet another stellar performance, with top-line growth driven by strong commodity pricing.”

### Overview

The financial year under review, as for the entire country, was a challenging one for Alumex due to lower demand in the local market and high interest rates in an economic crisis environment in the country. The Government of Sri Lanka declared bankruptcy on 12th April 2022, announcing a temporary suspension of the repayment of all external debt owing to the country's poorer financial position caused by external and internal shocks. An unprecedented rise in inflation which exceeded 70%, a depletion of foreign exchange reserves, shortages of fuel and medical supplies led

to a socioeconomic crisis and a disruption of all activity. In this environment, the demand for Aluminium Extrusions declined owing to the contraction in the construction sector.

The company explored new strategies to stimulate demand, optimize its operations, reduce costs and improve its financial performance in the near future. The company reviewed its financing structure and strategies to reduce interest expense and improve its financial performance in the foreseeable future.

### Financial Performance

Revenue for the year increased marginally by 6% to Rs. 10.21 Mn, supported by a remarkable performance by the export segment and the increase in prices in the local market to offset the increase in cost of production owing to skyrocketing inflation and the sharp depreciation of the rupee vis-a-vis the US dollar.

Moreover, the high-interest rates resulted in increased financing costs for the Company, thereby negatively impacting profitability.

The operating profit for the year also decreased compared to the previous year by 18% to Rs. 1.22 Mn .

## Financial Capital

Financial Stability 2019-2023						
Criteria	Performance indicator	2023	2022	2021	2020	2019
Capital Structure	Debt: Equity (%)	56:44	56:44	48:52	57:43	57:43
	Cash flows from operations (Rs. Mn)	515	(839)	1,785	188	80
	Dividend payout ratio (%)	-	31	37	-	142
Liquidity	Current assets ratio	1.02	1.15	1.10	1.12	1.03
	Quick assets ratio	0.35	0.58	0.52	0.42	0.42
	Finance facilities - trade (Rs. Mn)	5,329	4,155	2,230	2,130	1,920
	Finance facilities - bank OD (Mn)	690	595	470	470	310
	Finance facilities - remaining long-term loans (Mn)	-	-	-	-	-
Solvency and reserves	Interest cover (times)	1.03	6.87	5.76	1.27	1.8
	Net reserve position (Rs. Mn)	3,609	3,598	2,690	2,098	2,070
	No. of financial institutions providing funds	9	8	8	8	8

### Capital Performance

#### Financial Review

##### Revenue

We are pleased to report that our total revenue for the fiscal year 2022 increased by 6% compared to the previous year, reaching a total of Rs. 10.21 Bn. Our growth was driven by a significant 136% increase in our export revenue to reach Rs. 3.42 Bn while our local revenue experienced a 20% decline to Rs. 6.8 Bn.

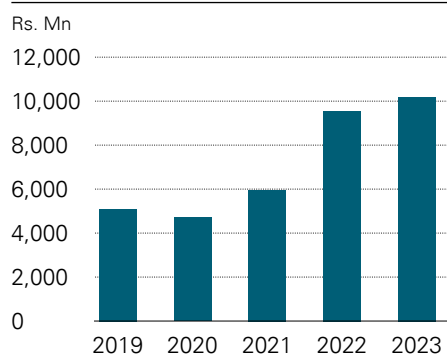
Our export revenue growth was primarily due to the successful expansion of our international sales and marketing/as well as the positive impact of favourable exchange rates. We made significant investments in our sales and marketing efforts and were able to leverage our strong brand reputation and high quality products to gain market share in key overseas markets.

Despite the decline in our local revenue, Alumex continues to invest in its local operations and enhance our service to our local customers. We expect local demand to pick up as the economy gradually recovers. The local marketing team, together with our R & D team,

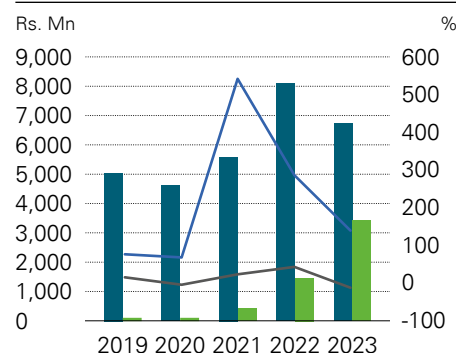
introduced several value-added products to the local market, such as sliding door series, multipurpose rack, Earth lug for solar, Aluminium U-channel series for glass, thresholds, etc. We believe that our long-term growth strategy requires a balanced approach that seeks both local and global expansion.

Looking ahead, we remain buoyant about the prospects for growth and confident in our ability to continue delivering value to our customers and shareholders. We will continue to focus on innovation, operational excellence and customer-centricity to drive growth and maximize shareholder value.

##### Revenue



##### Revenue – Local vs. Export



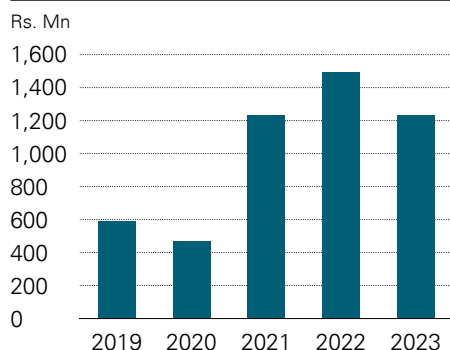
##### Earnings Before Interest and Tax (EBIT)

The gross profit declined by 10% to Rs. 2.04 Bn, reflecting the sharp escalation of the cost of all materials, including imported inputs due to the rupee's depreciation. The pressure exerted on our margins by hyperinflation was somewhat offset by an upward adjustment of selling prices.

This helped the company to record a gross profit margin of 20% compared to 24% in the last financial year. However, the sharp drop in local demand led to a need to absorb overhead costs. Moreover, cost reduction initiatives driven by employees at each level throughout the year also helped to record a sustainable margin.

The reduction in gross profit combined with the increase in selling and distribution expenses by Rs. 54 Mn and administrative expenses by Rs. 13 Mn which is also included the Social Security Responsibility Levy (SSCL) of Rs. 70 Mn. The increase in Other Income of Rs. 31 Mn contributed to a decline in EBIT by 18 % to Rs. 1,222 Mn from Rs. 1,488 Mn previous year. The group's operating expenses were maintained at the same level with a increase of Rs. 67 Mn.

#### EBIT



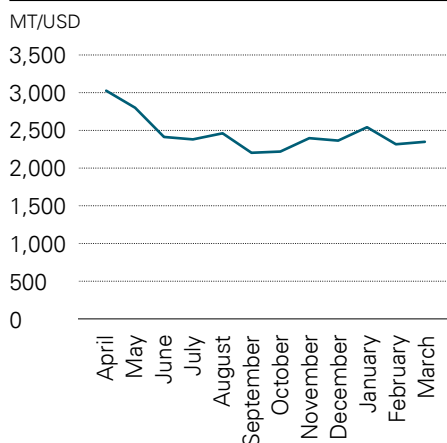
#### Commodity Prices

The prices of Aluminium on the London Metal Exchange (LME) are quoted in US dollars per metric ton (MT). The prices of Aluminium can be quite volatile and are influenced by a number of factors, including supply and demand dynamics, geopolitical events and macroeconomic conditions. The Aluminium prices on the LME started at \$3,039 per MT in April and declined steadily in the ensuing months continuing into July and August, with prices falling to \$2,368 per MT and rebounding slightly to \$2,450 per MT in August. This rebound may have been due to some positive

news in the Aluminium market, such as an increase in demand or a decrease in supply. However, the rebound proved to be short-lived, and the price of Aluminium fell again in September and October, reaching a low of \$2,179 per MT in September before bouncing back to \$2,197 per MT in October. The price of Aluminium then increased in November and December, reaching \$2,386 per MT in November and \$2,360 per MT in December. The price of Aluminium increased in January, reaching \$2,533 per MT. This represents a significant increase of more than 7% compared to the December price. However, the price of Aluminium then declined again in February and March, falling to \$2,300 per MT and rebounding slightly to \$2,336 per MT in March. Overall, the prices of Aluminium on the LME have been quite volatile over the past year, recording a 33% reduction, with significant fluctuations in response to various market and economic factors.

Prices of other main imported raw materials, namely colored polyester powders, chemicals and wood effect paper, saw a slight upward movement, whilst prices of all materials in rupee terms showed a considerable increase due to the rupee's depreciation against the USD following the decision to float the exchange rate in March 2022. This resulted in a sharp 82% depreciation, with the exchange rate increasing from Rs. 202 per US dollar in March 2022 and to Rs. 367 per US dollar in April 2023.

#### LME Price per MT in USD



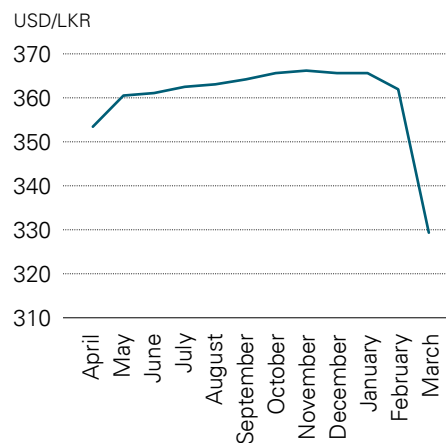
#### Foreign Exchange Availability and Exchange Rate Movement

Sri Lanka faced an unprecedented economic crisis in 2022 owing to debt crisis and a balance of payments crisis, which led to a disruption of the country's economic activity. The dearth of foreign exchange subjected the Sri Lankan rupee to immense pressure, which required a measured adjustment of the determination of the exchange rate by the CBSL in May 2022. Fundamentals prompted a downgrade of Sri Lanka's international credit rating, which, combined with public unrest, further contributed to diminishing confidence amongst Sri Lanka's export customers about the country's socioeconomic stability. This measured adjustment was followed by a policy of flexibility, which resulted in a large overshooting by market forces, reflecting the significant liquidity pressures that prevailed in the domestic foreign exchange market as well as the delay in market correction.

The exchange rate movement in Sri Lanka from March 2022 to March 2023 proved very volatile. However, it started to appreciate again in March 2023 and the depreciation from March 2022 to March 2023 thus reducing to 10%.

The high fluctuation of the exchange rate had a significant impact on the profitability of Alumex PLC.

#### Exchange Rate Movement



## Financial Capital

### Import restrictions

Sri Lanka has implemented various import restrictions in recent years, particularly since 2020, in an effort to address the country's trade deficit and balance of payments crisis. While these import restrictions have had the desired favourable impact on the country's balance of payments, they have also led to price increases of many goods in the local market, thus impacting consumers across the board.

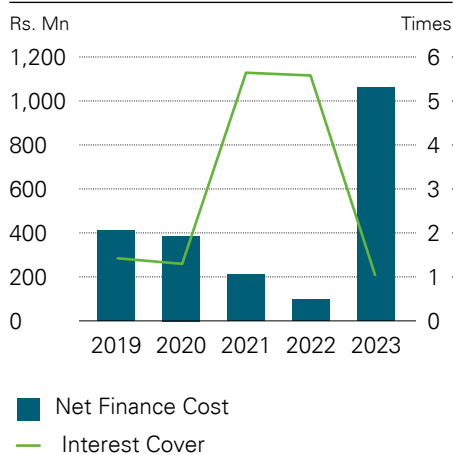
The inputs required by Alumex has thus far not been impacted by the restrictions as they are not categorized under the suspension list, and the risk remains low as the Government recently lifted the ban on several items.

### Net Finance Cost and Interest Cover

The net finance cost and interest cover are important financial indicators that provide insight into the efficiency and profitability of a company's capital structure. The significant increase in the net finance cost in the FY 2022/23 which reached an unprecedented high of Rs. 1,069 Mn reflects the higher interest rates in the market and the strain it had on the Company's profitability and cash flow. In the proceeding financial year, the Group funded its working capital requirements through borrowing to cope with the skyrocketing inflation of commodity prices; and, hence, the Group's loans were at a considerably high level. The year under review saw the Average Weight Prime Lending Rate (AWPLR) move closer to 30% towards the middle of the financial year. This resulted in the Group having to service its loan portfolio at an interest rate of 33% for a considerable period during the year under review. The Group finance costs hence increased by 908% to Rs. 1,069 Mn in the FY 2022/23 from the Rs. 106 Mn in FY 2021/22. The Group recorded a net exchange gain of Rs. 122 Mn. during the year compared to net exchange gain of Rs. 144 Mn largely supported by the increased export operation of the group.

Interest cover is a measure of a company's ability to cover its interest expenses with its operating income. Along with higher interest cost, the Group interest cover in 2022/23 decreased significantly to 1.03 times from 5.55 times. The Group used a strategy of maintaining part of its loan portfolio in low-cost USD term loans, maintaining a right balance of foreign currency exposure risk.

#### Net Finance Cost/ Interest Cover



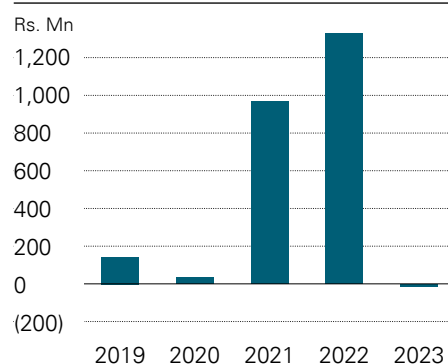
### Profit After Tax

The profit after tax is a critical indicator of a company's financial health and reflects the amount of profit generated after accounting for all expenses and taxes. In the financial year 2022/23, despite the increase in our revenue, financial performance declined significantly, with a loss of Rs. 10 Mn. This represents a decrease of Rs. 1,162 Mn from the previous year. The Company faced several challenges, including increased competition and a decline in demand for its products in the local market, leading to reduced revenue and much higher finance costs. In addition, an increase in the corporate tax rate in the manufacturing sector, from 18% to 30% led to a record Rs. 164 Mn as deferred tax expenses in the reporting financial year. As a result of a reversal of Rs. 0.6 Mn in the income tax expenses and a deferred tax provision, the group's taxes rose significantly to Rs. 164 Mn. Hence, although the Group was able to record a profit before tax of Rs. 154 Mn in the financial year profit after tax declined to report a loss of Rs. 10 Mn.

The Company's focus on enhancing operational efficiency, innovation and cost reduction will help improve its financial performance. Continuous adaptation to changing market conditions and investments into new technology and products to maintain its competitive edge and sustain its profitability are key strategic imperatives.

The reconciliation between accounting profit and taxable income is available in Note 9, in the Notes to the Financial Statements. A summarized computation of deferred tax is given in Note 10.

#### PAT



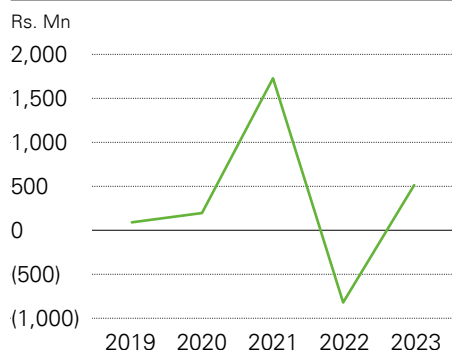
### Cash Flow and Liquidity Position

The cash flows from operating activities show a net inflow of Rs. 515 Mn compared to a net outflow of Rs. 839 Mn in the previous year. This improvement is primarily due to the decrease in the amount of trade and other receivables. However, it is important to note that the Company had to incur a significant expenditure on finance costs and income tax during the year, which impacted the net cash generated from operating activities. The cash flows from investing activities show a net outflow of Rs. 508 Mn as compared to a net outflow of Rs. 733 Mn in the previous year. This decrease in outflow is mainly due to a decrease in the amount spent on the acquisition of property, plant and equipment (PPE). The main investment of PPE was the continuing investment from previous year into the state-of-the-art Aluminium recycling plant with a total investment amounting to Rs. 1 Bn at the point of beginning commercial operations in 2022.

The cash flows from financing activities show a net outflow of Rs. 894 Mn compared to a net outflow of Rs. 58 Mn in the previous year. This increase in outflow is primarily due to the repayment of interest-bearing loans and borrowings during the year. The Company also paid a dividend of Rs. 269 Mn during the year relating to the interim and final dividend of year 2021/22.

The liquidity position of the Company has improved compared to the previous year, as the net cash generated from operating activities increased whilst the net cash outflow from investing activities decreased. However, the net cash outflow from financing activities increased significantly due to the repayment of interest-bearing loans and borrowings. The Company focuses on managing its cash flows efficiently and reducing its debt burden to improve its liquidity position further.

#### Cash from Operations



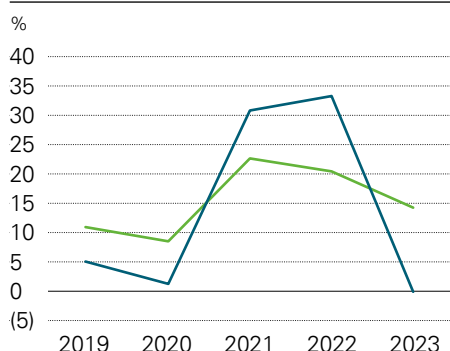
#### ROCE and ROE

The return on capital employed (ROCE) and return on equity (ROE) are key financial metrics to help investors understand our Company's financial performance.

ROCE measures the return generated on the capital employed in the business. It takes into account both equity and debt financing. Our ROCE decreased to 14% in 2022/23 from 21% in the financial year 2021/22. This decline was due to a decrease in our operating profit before tax, which decreased from Rs. 1,488 Mn in 2022 to Rs. 1,222 Mn in 2023.

ROE measures the return generated on the equity invested in the business. The decline in ROE in the current year was due to a decrease in our net PAT, which decreased from Rs. 1,152 Mn in 2022 to Loss of Rs. 10 Mn in 2023. The group will continue to focus on optimizing our capital structure and improving the efficiency of our operations to maximize our returns.

#### ROCE/ROE



— ROCE  
— ROE

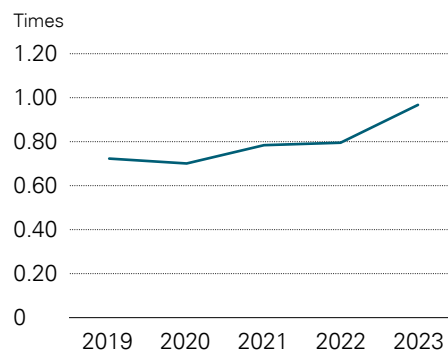
#### Asset Turnover

In analyzing the group's asset turnover ratios, it is evident that the overall asset turnover (ATO) has been improving gradually over the past five years. In FY 2021/22, the ATO was 0.79, which increased to 0.97 in FY 2022/23. This indicates that the group is generating more revenue from its assets.

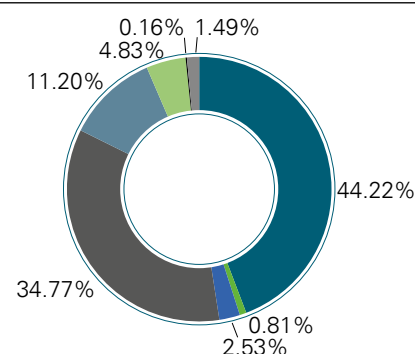
Additionally, the non-current ATO also recorded a noteworthy improvement. The fixed asset (FA) turnover ratio in FY 2021/22 was 2.02, which increased to 2.04 in FY 2022/23. This indicates that the Company is generating more revenue from its investments in fixed assets such as PPE. The installation of new state-of-the-art technology for the local billet manufacturing plant was a key contributor to the expansion in the fixed asset base in the reporting financial year.

The group continues to monitor its asset turnover ratios and ensure that it is generating revenue in a sustainable and responsible manner.

#### Asset Turnover



#### Asset Composition



- Property, Plant and Equipment
- Intangible Assets
- Right-of-Use Assets
- Inventories
- Trade and Other Receivables
- Advances and Prepayments
- Income Tax Receivable
- Cash and Cash Equivalents

#### Borrowings

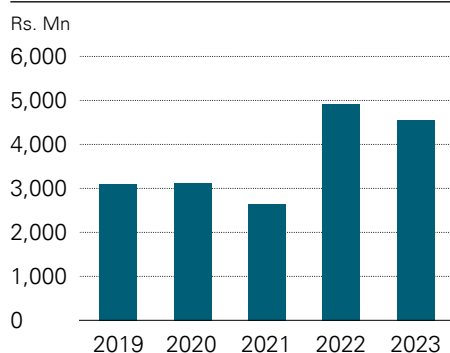
Due to marginal profitability during the year, the group resorted to relying more on external borrowings for its operations. The increased level of borrowing since 2021 continued into this year. Total borrowings of the group decreased by Rs. 381 Mn to Rs. 4,542 Mn during the financial year, from Rs. 4,923 Mn in 2021/22. Nevertheless, short-term borrowing was increased to Rs. 3,018 Mn by Rs. 178 Mn from Rs. 2,840 Mn in the previous financial year. Short-term borrowings accounted for 66% of the group's debt profile while long-term borrowings accounted for 34% of the group's debt profile.

## Financial Capital

We are confident that our financial position remains strong and sustainable, and have put in place appropriate measures to manage our borrowings and meet our obligations.

Moving forward, we will continue to monitor our borrowings levels and manage them prudently to ensure that we maintain a healthy balance between borrowing and generating internal funds.

### Borrowings



#### Funding Channels

**Rs. 12 Bn**  
Assets

#### Shareholder Funds

**32%**

#### Long-Term Funding

**15%**

#### Short-Term Funding/Creditors

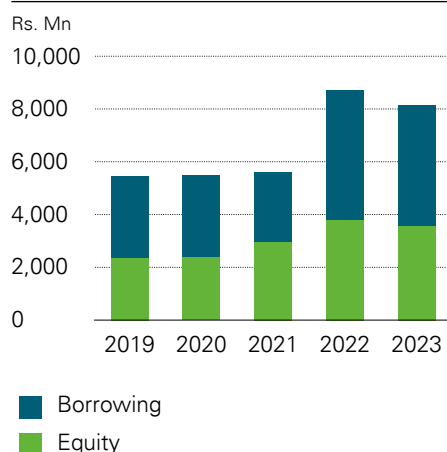
**53%**

### Capital Structure and Gearing

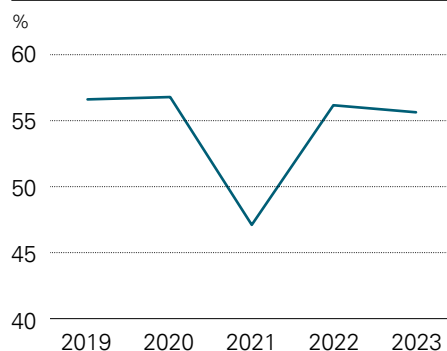
The group capital structure has been supported by both equity and borrowings. As of 2022, the group had a total equity of Rs. 3,819 Mn and borrowings of Rs. 4,923 Mn. By 2023, the group equity decreased to Rs. 3,609 Mn while its borrowings remained close to the same level, at Rs. 4,542 Mn.

The group gearing ratio, which measures the proportion of borrowings in relation to equity was maintained at the same level of 56% in FY 2022/23. The relatively high gearing made the Company more vulnerable to economic downturns and interest rate fluctuations. Accordingly, we aim to maintain a healthy balance between equity and borrowing to ensure a sustainable capital structure while managing interest rate risks effectively.

### Capital Structure



### Gearing

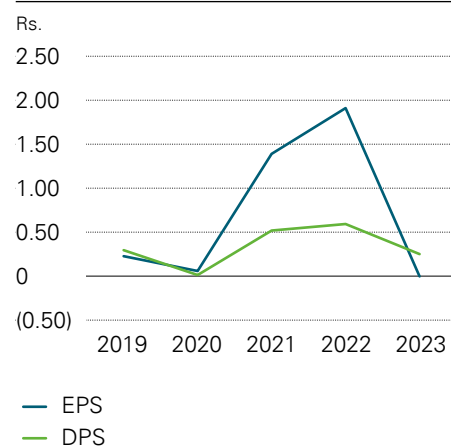


### Earnings per Share (EPS), Dividend per Share (DPS), Shareholder Returns

Resulting from the negative profitability in the year under review, the Group EPS decreased to a negative value of (Rs. 0.02) per share, due to the provision of deferred tax at a rate of 30% as a result of the tax rate increase on 1 October 2022.

The group declared and paid a dividend of Rs. 0.25 per share in the current financial year, which was the final dividend of FY 2022/23. Net asset per share decreased by 6% to Rs. 6.03 by end-March 2023 owing to the above-described proceedings. The computation of EPS is given in Note 4.7 in the Notes to the Financial Statements.

### EPS/DPS



### Solvency and Reserves

Section 56 of the Companies Act No. 07 of 2007 requires that a solvency test be performed prior to the payment of dividends. In order to satisfy this requirement, the group conducted solvency tests prior to the payment of the final dividends for the FY 2021/22. As per the Act, prior to the payment of dividends, the independent auditors have certified the following:

- ❖ The company is able to honor its debt commitments
- ❖ The value of the company's assets is greater than the value of its liabilities and stated capital.

Following is a computation of solvency criteria for the Group as at the year-end:

As at 31 March	2022/23 Rs. '000	2021/22 Rs. '000
Non-Current Assets	5,002,590	4,557,885
Current Assets	5,515,437	6,678,499
Total Assets	10,518,027	11,236,383
Non-Current Liabilities	1,526,406	1,753,943
Current Liabilities	5,383,024	6,589,681
Total Liabilities	6,909,430	8,343,624
Assets Less Liabilities	3,608,598	2,892,759
Stated Capital	283,735	283,735
Net Position	3,324,862	2,609,023

### Financial Strength

The group obtained several financial facilities from local and international banks (as shown below) for the purpose of funding its import and working capital requirements. Interest rates and commissions for these facilities were reviewed periodically, while rate changes on facilities were determined based on market rates. The group did not receive any direct financial assistance from the Government during the reporting year.

- ❖ Facilities for letters of credit and Import loan – Rs. 5,329 Mn
- ❖ Facilities for bank overdrafts – Rs. 690 Mn

### Financial Risk Management

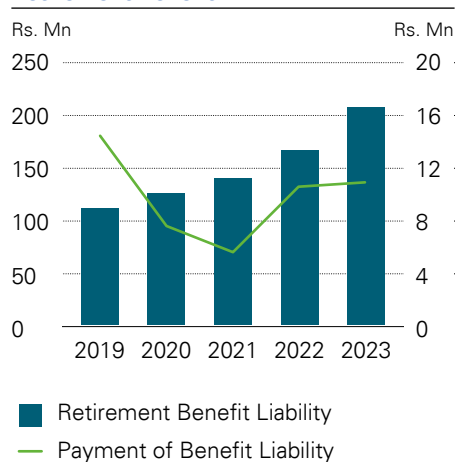
The risk elements affecting the financial operations of the group in relation to credit, liquidity, operations and the markets are duly explained in Note 30 in the Notes to the Financial Statements and the Risk Management section on page 210. However, the main risk elements substantially affecting the results of the group in the year under review were interest rate risk and foreign currency risk. The group manages its foreign currency risk to a large extent by maintaining foreign currency-denominated assets to hedge against the liability. However, the group was exposed to interest rate risk at a high pace due to the majority of its loan portfolio having a variable interest rate.

### Benefit Plan Obligations and Other Retirement Plans

The group's defined benefit plan is in line with statutory requirements outlined under the Payment of Gratuity Act No.12 of 1983. The defined benefit is calculated by independent actuaries using the Project 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 of maturity approximating to the terms of the related liability. The present value of Rs. 207 Mn on 31 March 2023.

The group paid Rs. 10.09 Mn to employees retiring during the reporting period, compared to Rs. 10.55 Mn paid in the previous financial year.

#### Retirement Benefit



### Performance of the Share

The Alumex PLC share price has shown a rising trend, reflecting increasing investor confidence following the early signs of a tepid economic recovery in the aftermath of the grant of the IMF Extended fund facility.

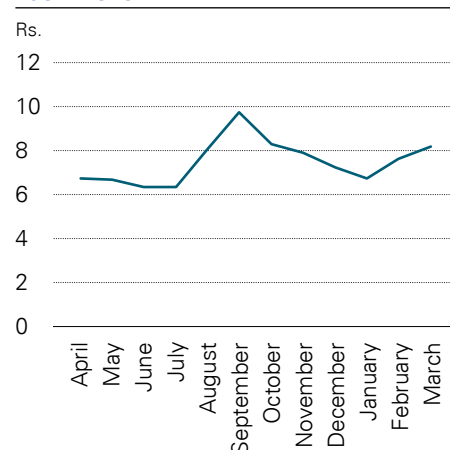
In April 2022, the share price was recorded at Rs. 6.70, which was followed by a dip to Rs. 6.60 in May. June and July saw the share price further decrease to Rs. 6.30. However, August marked a significant increase in the share price, which reached Rs. 8.10. This positive trend continued in September, when the share price increased to Rs. 9.80. However, it saw a slight decline in October to Rs. 8.30 and a further decrease in November to Rs. 7.90. December recorded a share price of Rs. 7.20, which was lower than that recorded at the beginning of the year.

However, the new year began on a positive note, with the share price increasing to Rs. 6.70 in January. February saw a significant increase in the share price, which rose to Rs. 7.60. The year ended on a high note, with the share price at Rs. 8.20 in March.

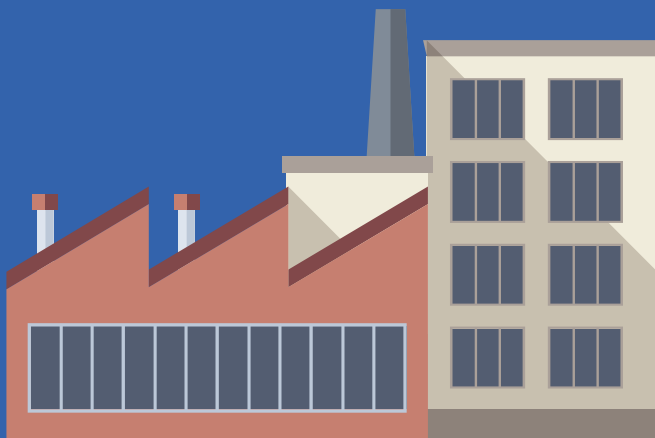
Overall, despite the fluctuations in the share price, the company's performance was positive, with a noticeable increase in the share price during the latter half of the year. This is a promising sign for the company and its shareholders.

Alumex PLC recorded a market capitalization value of Rs. 4,909 Mn as at 31st March 2023, compared to Rs. 4,370 Mn at the end of the previous financial year.

#### Movement of Share Price at the end of Each Month



# Manufactured Capital



## Management Approach

Our Manufactured Capital comprise the physical assets and technological assets which are cornerstones of our value creation.

To ensure our Manufactured Capital performs at all times, we maintain a disciplined approach based on the following principles.

## Strategic Imperatives & Strategic Action

### Capacity Expansions

- ❖ Strategically invest in new buildings, plants, machinery and equipment in line with best practices in procurement and awarding of contracts.

### Technology upgrades & Maintenance

- ❖ Keep abreast of the latest technological developments in the industry and ensure timely upgrades to factory buildings, plant and machinery.
- ❖ Carry out daily preventive maintenance in manufacturing plants to ensure a smooth flow in operations, safety and cost optimisation.

## New Infrastructure Investments

All new investments and capacity expansions are fully aligned to our business objectives. Such decisions are taken annually by the Board in line with the Company's 3-year strategic plan. Annual CAPEX budgets are prepared with clear return on investment parameters set for various investment thresholds. CAPEX decisions are made by the Board based on investigative reports to assess not only financial viability but also consider environmental & social impacts associated with these investments.

Our highly streamlined procurement process which has been developed in line with global best practices is a key enabler in our efforts to acquire the most desirable assets suit our precise needs. We follow procurement best practices to verify supplier credibility, in terms of product quality, installed capacity, availability of spare parts, pre and after sales service and to scrutinize their environmental and social performance. These also include plant safety standards. In the case of infrastructure projects, we look at the contractor's track records and their ability to meet deadlines and other requirements.

## Maintenance and Upkeep

The Company has a team of trained engineers to oversee routine maintenance and upkeep of our machinery and equipment as per the manufacturers' specifications. Moreover, to ensure that our plants operate at optimal levels we proactively review and renew all service contracts as required.

## Asset Rationalization

Our asset rationalization initiatives phase out old and underperforming assets from our portfolio.

### Manufacturing and Distribution Infrastructure

Alumex PLC's manufacturing infrastructure comprises strategic investments made by the company to build manufacturing capacity to enable value creation by the Company. Today our core infrastructure accounts for 44 % of our asset base.

### Capacity Expansion and Acquisition of New Technology During the Year

Following our investments to build Sri Lanka's first state-of-the-art Aluminium recycling plant in 2021, we were able to complete construction and equip it with the latest technology as it opened for production of a low-carbon Aluminium in 2022. The new plant and technology have increased the value of our manufactured capital by Rs. 554 Mn.



## Manufactured Capital



### Installed Capacity & Utilisation FY 2022/23

	Plant Capacity FY 2022/23 (MT p.a)	Utilisation FY 2022/23 (MT p.a)	Plant Capacity FY 2021/22 (MT p.a)	Utilisation FY 2021/22 (MT p.a)
Extrusion	22200	5022	22200	8840
Anodizing	5400	832	5400	1933
Powder coating	16600	3039	16600	5817
Wood effect finishing	1200	320	1200	435
Aluminium melting	12000	4773	6000	5395

### New additions to our Manufactured Capital in 2022/23

- ❖ Melting Facility
- ❖ Acid Recovery System
- ❖ A measuring tool which enables accurate and detailed measurements within just 10 seconds to provide our customers with products that best fit their needs
- ❖ Automated loading process
- ❖ Automated protective application
- ❖ Double head cutter and routing machine – DIY product range

### Technology Assets

Alumex continues to intensify its focus on technology-based assets and applications to transform its core infrastructure in line with global Aluminium industry standards. A cautious approach underpins our technology investments as we seek out the most appropriate technologies to augment our unique business model.

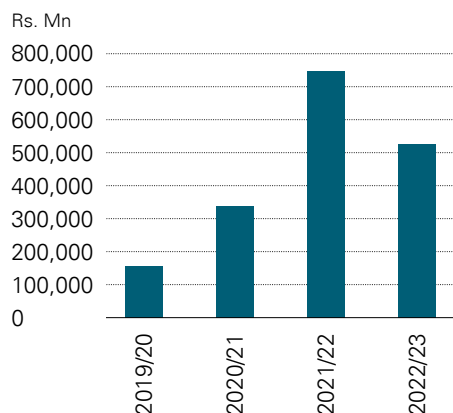
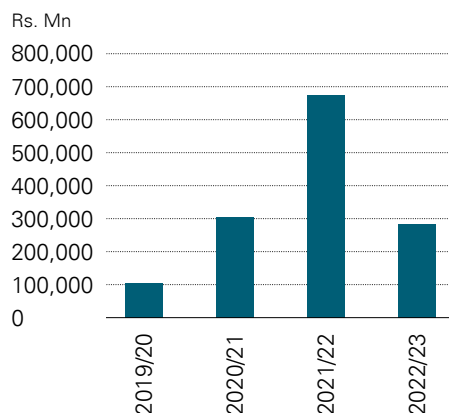
### New Infrastructure Investments in 2022/23

	Value (Rs. '000)
Buildings	353,386
Plant & Machinery	206,053
Motor Vehicles	6,870
Office Equipment	11,239
Furniture & Fittings	5,634
Tools & Equipment	79,002

### Asset Mix



- Technology Assets
- Manufacturing and Distribution Assets

**Total Capital Expenditure****Investment in new technology****Future Plans****Short-Term**

Acquire CNC machinery for die manufacturing department which will increase efficiencies to maximize throughput.

Invest in shot blasting machinery to introduce new products for unique markets.

Automate the process of the container/truck loading and unloading to maximize efficiencies with a dock leveler.

Obtain environment license (ISO 14001) and occupational health & safety license (ISO 45001) to align standards of sustainability.

**Medium-Term**

Expand the existing renewable energy infrastructure to ensure the addition of 1,384 Kw to Company's energy requirements, namely solar power.

Source energy-efficient machinery, a committee has been appointed to look into this.

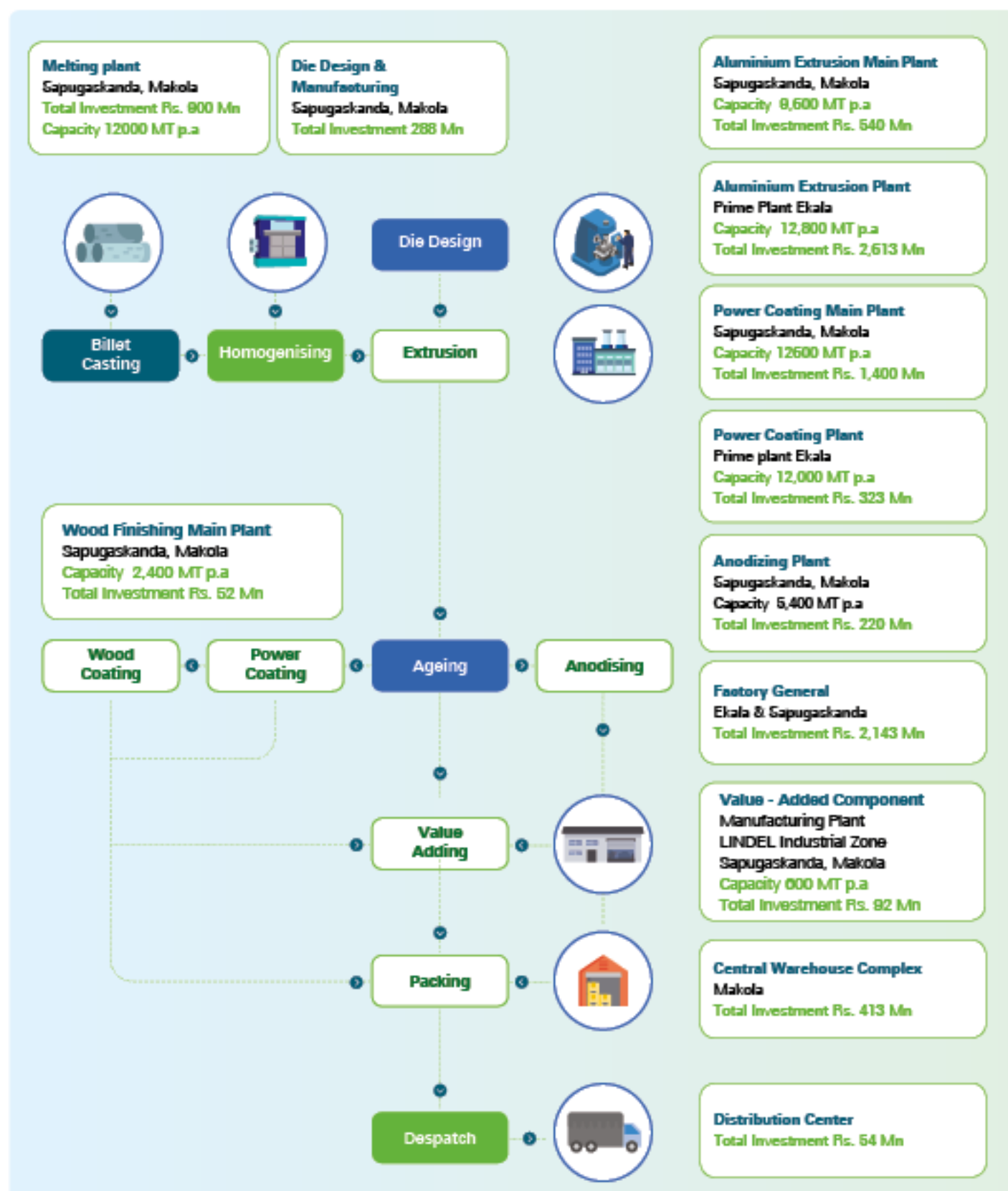
The majority invested on acquiring state of the art Aluminum melting plant and scrap processing equipment to increase the production capacity by 4,800 metric tons per year.

**Long-Term**

Obtain ASI performance standard and COC standard in terms of sustainability initiatives.

Invest die casting machine for new market ventures.

# Manufactured Capital



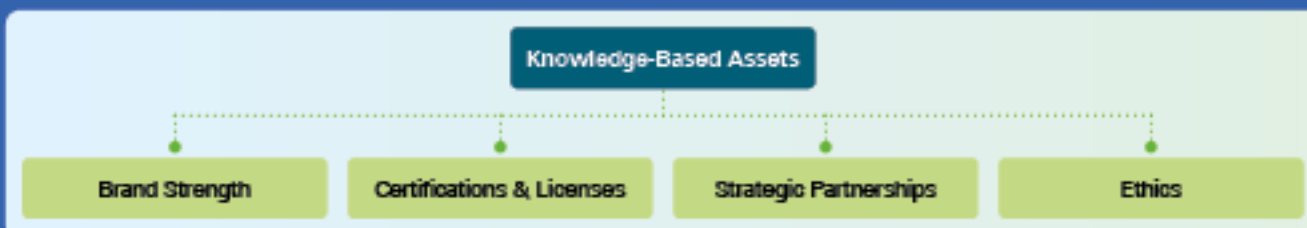
# Intellectual Capital



## Management Approach

Becoming Sri Lanka's leading manufacturer of Aluminium extrusions within a span of just 34 years has been a result of expertise, a commitment to quality, strategy and its execution, the dedication of our people and the state-of-the-art in manufacturing facilities. Over the years, the systems and processes we have set in place, the ability to ensure quality in what we produce and how we produce and the brands we have built have become an important elements of Alumex PLC's ability to create and grow value for all its stakeholders. The expertise and quality have been well supported by the strategic partnerships and accreditations it has sought and continues to seek. And we identify these factors as our intellectual capital, which is vital for future sustainability and growth of Alumex.

One of the Company's strategic priorities is, hence, to ensure the allocation of necessary resources to enhance all key components of our intellectual capital. Accordingly, the management ensures the allocation of resources through systematic planning, annual strategic planning and budgeting processes, which are aligned with the Company's short-to medium-term goals, the operating environment and global trends.



## Strategic Imperatives & Strategic Action

### Corporate Capital Standing

- ❖ Nurture Alumex values and leverage corporate standing to stay ahead of competition.

### Tacit Knowledge and Improvements

- ❖ Strategically strengthen and draw upon tacit knowledge for growth and expansion.

### Enhance Brand Equity

- ❖ Build and leverage brand equity of Alumex and Lumin.

### Research & Development

- ❖ Prioritize and invest in R&D to improve processes, develop products and enhance product standards.

### Licensing and Certifications

- ❖ Invest in accredited testing for products to obtain international certifications and partner with international brands for licensing their Aluminium solutions locally.

## Intellectual Capital

### Brand Strength

As Sri Lanka's largest and leading manufacturer of Aluminium extrusions, the Company's continuous focus on innovation has positioned Alumex as a trailblazer in transforming Sri Lanka's construction industry.

Alumex has three core brands – Alumex, Lumin and Alco, which occupy leadership positions in their respective spaces. They also represent our commitment to catering to the full spectrum of market needs.



Our flagship brand Alumex is known for its pioneering role in promoting the mainstream use of Aluminium extrusions in large scale construction projects in the country. Today, three decades on, Alumex stands proud as the brand most trusted by all stakeholders in the construction industry. High quality, consistency and reliability are the brands hallmarks, that have propelled it to market leadership in Aluminium extrusions in Sri Lanka with a captive market share of 50%.

Lumin was launched in 2015 and has established a significant presence in the residential housing market of Sri Lanka through its range of versatile and practical solutions for houses and condominiums.

The newest addition to our brand portfolio is a fighter brand 'Alco', which targets the lower to mid tier market.

Driven by our core strategy of innovation, Alumex launched its first proprietary system Alumex Building System, in 2021. The system is possessed with ultra-high-performance design for Sliding and Curtain Wall. It has been tested for water, air leakages and wind resistance. Suited to almost any commercial or architectural application. ABS series is consisting with extended product options for large configurations. High performance roller hardware for very high durability, also being offered through ABS series.

Following our groundbreaking foray into export markets as the first Aluminium extrusions manufacturer to do so in 2019 with an export of 43 MT, the Company has been able to record quantum growth in its exports since then, with a near-tenfold increase in 2020 and a doubled in 2022. Considering this phenomenal contribution towards Sri Lanka's export earnings in a short span of time, Alumex won the gold award for the second consecutive year by the National Chamber of Exporters in the Manufacturing & Engineering Sector (Medium) category, at the 30<sup>th</sup> annual NCE Export Awards, conducted in December 2022.

We appreciate the external recognition we received for our commitment to excellence.

### Accolades

- ❖ National Gold Award by the Ceylon National Chamber of Industries at the CNCI Achiever Awards and the Gold Award for the second consecutive year by the National Chamber of Exporters in the Manufacturing & Engineering Sector (Medium) category at the 30<sup>th</sup> annual NCE Export Awards.
- ❖ National Gold Award by the Ceylon National Chamber of Industries, at the CNCI Achiever Awards.



## Certifications and Licenses

Certifications and Licenses are valuable mechanisms by which we benchmark ourselves vis a vis global best practices and, thus, raise the bar for ourselves as well as the industry. In turn, to have obtained them after rigorous investigation and assessment of our systems and processes, factory capacities and sustainability parameters by the principals, is a valuable external endorsement of a variety of attributes such as our quality standards and sustainability into the future, which give us a competitive edge. The certification is followed by routine, periodic due diligence to ensure continuity of our commitment to maintaining those standards.

As a result of these consistent measures and standards we adopt, Alumex is the only Aluminium extrusions manufacturer in the South Asian region, which possess three globally acclaimed licenses. Namely, the Qualicoat license for lacquering, painting and coating of Aluminium architectural applications, Qualicoat Seaside for quality weather-proof Aluminium applications for coastal construction; and Qualanod to assure the quality of anodized Aluminium.

### Certifications and Licenses FY 2022/23

#### Certifications

##### Systems and Processes

**QMEA**, The Quali Middle East Association (QMEA) is an international non-profit membership-based organisation formed under the Law No. 9 of 2012 Concerning the Organisation of Dubai Chamber of Commerce and Industry



**License validity: 31 December 2023**

**QUALICOAT**, Zurich, Switzerland

(A global quality label organisation, licensing for lacquering, painting and coating on Aluminium architectural applications.)



##### Scope

Entire powder coating process and product quality

**License validity: 31 December 2023**

**Qualanod**, Zurich, Switzerland

(A global quality label organisation, licensing quality of anodised Aluminium.)



##### Scope

Entire anodising process and product quality

**License validity: 31 December 2023**

**"Alumex is the only Aluminium manufacturer to hold Qualanod license in Sri Lanka."**

**Sri Lanka Standards**

(National level standards body to protect consumer from business malpractices)



##### Scope

Third party guarantee on product quality  
Standardise product quality base on BS standard.

**Certification validity: 12 May 2023**

# Intellectual Capital

## Certifications and Licenses FY 2022/23

### ISO 9001:2015 Quality Management System

(International standards body, advocating proprietary, industrial and commercial standards)



#### Scope

Assurance of quality management processes and improvements to systems  
Risks and opportunities in relation to context and objectives

**Certification validity: 26 April 2023**

### JOTUN MENA, United Arab Emirates

(Premier brand of powder coating range of products in Europe and the Middle East)



**Alumex Scope:** Exclusive and approved applicator in Sri Lanka.

**Warranty :** Up to one years

**License validity : 31 December 2023**

## Licenses

### DuPont Corian, USA, Japan

(Manufacturer of an advanced composite product as a decorative material for residential and commercial applications.)



**Alumex Scope :** Authorised agent to import and distribute DuPont Corian in Sri Lanka since 2015

### CandorView, USA

This is a USA brand with superior designs for large size windows. The operation mechanism of the doors and windows is very smooth although the sizes are above the norms.



**Alumex Scope :** Manufacturing Candor View proprietary system under license in Sri Lanka since 2020

**License Validity :** One year

### Hydro Aluminium, Oslo, Norway

(The largest Aluminium company with a presence in over 50 countries and renowned brands including Wicona (Germany), SAPA (Belgium) and Technal (France).)



**Alumex Scope :** Manufacturing hydro Aluminium systems under license in Sri Lanka since 2019.

**License validity :** One Year

### AluK, ITALY

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



**Alumex Scope:** Manufacturing AluK Aluminium systems under license in Sri Lanka.

### Mitsubishi Plastics Inc. Japan

(Manufacture of the world's most popular Alpolic Aluminium composite panels since 1971.)



**Alumex Scope :** National distribution rights in Sri Lanka since 2011

**GUTMANN, German** The company GUTMANN ALUMINIUM DRAHT GMBH (GAD) is one of the leading German suppliers of drawn Aluminium round wires, Aluminium round rods and Aluminium profile bars.



**Alumex Scope :** Manufacturing hydro Aluminium systems under license in Sri Lanka since 2019.

**License validity :** One Year

### Membership in Industry Associations

- ❖ Ceylon Chamber of Commerce
- ❖ National Chamber of Exporters

### Knowledge-Based Assets

Given the rapidly evolving nature of the construction industry, advancing our know-how is a strategic priority. Over the years we have invested significantly in R&D and harnessed the dividends of doing so being able to augmenting our design capability and respond dynamically to changing market trends and customer demands. For instance, the expertise in dies and profile designing with designers counting over 35 years of experience and the abilities of our Die Designers and Die Correctors, equip Alumex with the capability to design to suit any end-user requirement, thereby augmenting our competitive advantage.

The die correction team has overall 80+ year experience being involved in corrections and testing. This tacit knowledge buildup has helped Alumex PLC to cater complex extrusion requirements of customers. Inhouse die design team analyzes and simulate designs offered for die making and provide optimized options for customers considering cost, lead-time and finish of the product.

We will continue to invest in innovating what we produce and how we produce it. Our designs registered with the National Intellectual Property Office under the Intellectual Property Act of Sri Lanka No. 52 of 1979.

The pioneering launch of the low Carbon Aluminium brand Ozon, during the year, is an example of the value of our knowledge capital through, which we harness the investments into state-of-the-art in manufactured capital.

The Company's ties with overseas principals and strategic business partners are another important source of knowledge capital, especially in terms of access to new technologies, market intelligence, and current international best practices in the Aluminium industry.

The tacit knowledge within our Company from employees, who have served us for a long time and have gathered significant insight into our business, operations, products, the industry and trends are also a valuable repository of knowledge capital. Alumex, hence, actively encourages all our senior employees to act as mentors and share their experiences and learnings with newer employees. At the same time, we invest in targeted training interventions to strengthen the technical and industry knowledge of all teams across the organization.

To automate the shop drawing offering facility for generic product ranges, we have utilized European technology, hence improving overall lead-time for customers, fabricators waiting to obtain drawings, cut lists of Alumex products. The Lumin showrooms and key dealers, fabricators of Alumex are equipped with this technology. Smartsheet has been used by internal users for Die Development progress tracking and sharing lead times.

### Business Ethics

As a respected industry leader, Alumex strives to lead by example in ensuring its business activities at all times are conducted in a manner that is beyond reproach.

Business ethics are a fundamental part of Alumex's overall approach to business, of which compliance plays a critical role. Since the inception we have made a conscious effort to maintain a 100% regulatory compliance record across all facets of the business. Moreover, in seeking to portray Alumex as a compliance leader, we have further prioritised the early adoption of recommendations by the various regulatory governing bodies applicable to our business.

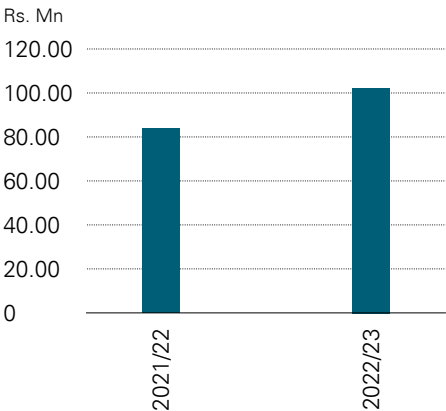


# Intellectual Capital

Our commitment to ethics goes beyond compliance and permeates across all aspects of our business through the Alumex Code of Ethics, which sets out guidelines to enable all employees to practice the Company’s corporate value system during the course of their day-to-day work both in their internal activities as well as when acting on behalf of the Company with external parties.

Our focus on ethics is further reinforced through a robust internal assurance and reporting framework based on routine due diligence activities conducted by the Company’s own internal compliance teams, annual surveillance audits by certification bodies and independent verifications by licensing partners.

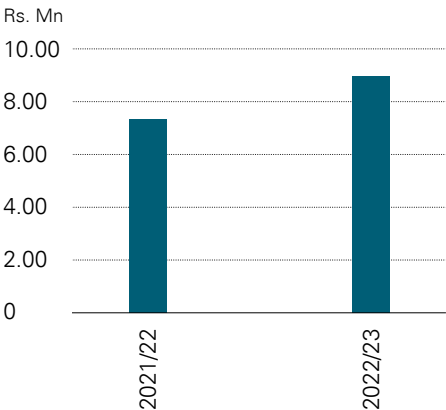
Branding, Marketing and Promotions



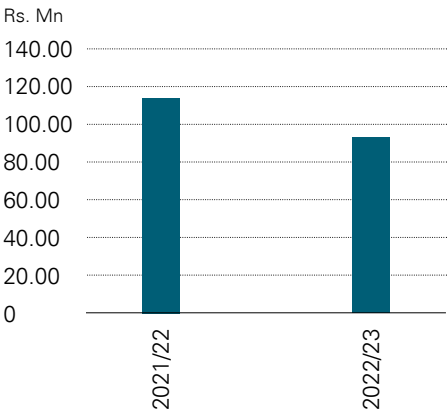
Research and Development Investment



Investment in Specialised Competency Training



Investment in Digitalization and Automation



# Human Capital



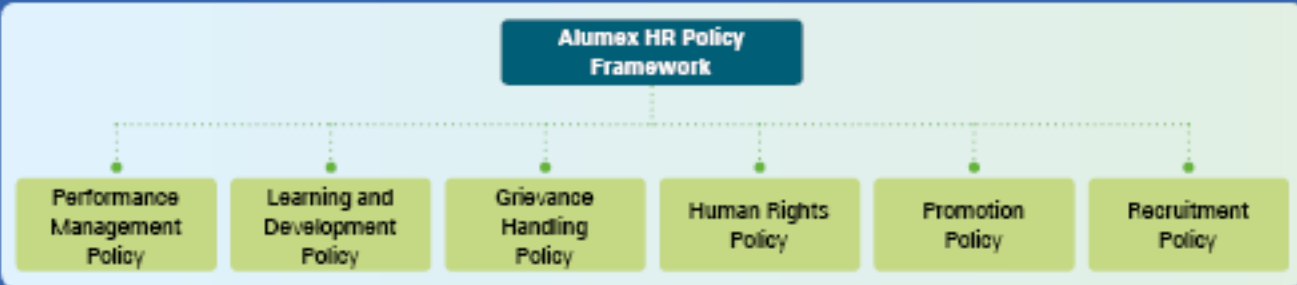
## Management Approach

Our people have been the key to Alumex becoming Sri Lanka's market leader in the Aluminium extrusion industry. And in the lean times of this year, the commitment and talents of our people proved to be the key to the Company's resilience and success.

We consider our human capital to be our strategic business partners, and our vision is based on "attracting, sustaining, developing and inspiring human resources whilst empowering them to work with great passion towards making Alumex a desired place to work".

In a highly competitive industry, which has external pressures exacerbated by the unprecedented economic conditions in the country over the past year, we continued to build the capacities of our most valuable asset in line with future growth prospects with the objective of ensuring an efficient, effective and highly motivated workforce with a commitment to excellence in what they do and how they do it.

Our HR practices are supported by a solid HR policy framework, which enables the Company's commitment to comply with all governing labour laws in Sri Lanka, alignment with ILO standards, the UNGC principles on labour, human rights, safety and non-discriminatory employment and, more recently, their capacities to meet the environmental standards of ASI.



# Human Capital

## The Strategic Priorities Actioned in 2022

### Cost Management

- ❖ Reached 2 MOUs on cost effective roster systems & flexible operations mechanisms
- ❖ Per-head productivity improved
- ❖ Froze recruitment
- ❖ Voluntary terminations
- ❖ Work from home arrangements
- ❖ Use of Hayleys Group synergies and internal venues for training & development to not compromise on total training hours despite a reduction in T&D investments

### Employee Engagement & Empowerment

- ❖ Reward & recognition
- ❖ Online leave applying and approval facility

### Employee Wellbeing Amidst Strife

- ❖ Psychosocial support
- ❖ Encouragement of home gardening through a competition “Wawanno Dinanno”
- ❖ “Suwethi Diviyak” programme
- ❖ Held medical screening programmes
- ❖ Money management awareness programme
- ❖ Mindfulness training and lifestyle development training programmes
- ❖ Promoted home gardening cultivation
- ❖ Work from home option
- ❖ Organized the purchase of dry rations at concessionary prices

### Skills Training

- ❖ Launched People Leadership Development Program for Middle Management
- ❖ Increased the number of training programmes, total training hours and per head training hours despite a reduction in financial investments in training and development
- ❖ Developed export marketing skills
- ❖ Enhanced skills to meet the changing profiles of our orders from generic to more complex profiles

### Green HR Concept

- ❖ Introduced a web application to mark attendance and a GPS-enabled smart mobile app for field staff
- ❖ ESG and ASI training for all categories of employees

## Highlights

The adverse impacts of Sri Lanka's economic crisis in 2022 spared no one, and the myriad of challenges ranging from galloping cost of living to food and fuel scarcities, other supply chain disruptions and reduced economic activity impacted our employees as well as the Company, albeit to varying degrees. In this backdrop, we consider it most encouraging that we were able to arrive at two MOUs with factory and staff unions. The collaborative spirit and understanding with which employees agreed on operational flexibility, new work rosters and interdepartmental transfers necessitated by the reduction in production volumes owing to market conditions, is a reflection of the strength of our employee relations – the Alumex approach of considering its employees as business partners.

## The Strategic Imperatives of Human Capital Management

Whilst we fine tune our strategies in keeping with evolving needs and changing business strategies of the Company, the following are the overarching strategies, which are based on the Company's ESG commitment linked to Hayleys Group principles.

### Employee Diversity

- ❖ Advocate "equal opportunity" and create a fair and an inclusive workplace.

### Recruitment and Turnover

- ❖ Attract and recruit "right profiled" candidates through a fair recruitment process.
- ❖ Be proactive and uphold best labour practices to retain talent within the organization.

### Compensation and Welfare

- ❖ Extend industry Competitive and fair compensation along with comprehensive welfare benefits.
- ❖ Uphold responsibility in meeting statutory payment obligations.

## Human Resource Development

- ❖ Develop skills to build a competent workforce.
- ❖ Develop management technical and leadership skills for succession planning.

## Performance Management System

- ❖ Nurture a performance-based work culture and duly reward, incentivise and recognize high achievers.
- ❖ Support poor performers to improve their confidence and job delivery.

## Employee Engagement and Work-Life

- ❖ Closely engage the workforce and encourage work-life balance to boost employee productivity, confidence and loyalty.
- ❖ Could uphold the annual inter departmental cricket match after 3 years.

## Occupational Health & Safety

- ❖ Train employees and invest in safe manufacturing practices and in handling chemicals and substances.
- ❖ Create staff awareness on health, nutrition and hygiene.
- ❖ Extend medical camps and health facilities for employee wellbeing.
- ❖ Monthly medical consultation facility.
- ❖ "Suvethi Diviyak" monthly health educational programmes.

## Industrial Relations and Compliance

- ❖ Closely work with unions to achieve mutual goals.
- ❖ Address employee grievances and maintain good industrial relations.
- ❖ Comply with labor laws, rules and regulations.

## Total Employees by Employment Contract by Gender and Region

Province	Permanent		Temporary		Total
	Female	Male	Female	Male	
Central	-	22	-	3	25
Eastern	-	7	-	1	8
North central	-	7	-	3	10
North western	-	17	-	4	21
Nothern	-	4	-	-	4
Sabaragamuwa	-	19	-	4	23
Southern	1	28	2	5	36
Uva	-	17	-	3	20
Western	27	473	3	85	588
<b>Total</b>	<b>28</b>	<b>594</b>	<b>5</b>	<b>108</b>	<b>735</b>

# Human Capital

Alumex has no any part time employees during the reporting period.

Employment Category	19-30		31-40		41-50		51<		Total
	F	M	F	M	F	M	F	M	
Casual	1 (0.14%)	51 (6.94%)	1 (0.14%)	21 (2.86%)	-	20 (2.86%)	-	2 (0.27%)	96 (13.06%)
Executive	4 (0.54%)	28 (3.81%)	6 (0.82%)	40 (5.44%)	-	35 (4.76%)	1 (0.14%)	15 (2.04%)	129 (17.55%)
Staff	16 (2.18%)	79 (10.75%)	3 (0.41%)	30 (4.08%)	-	41 (5.58%)	1 (0.14%)	11 (1.5%)	181 (24.63%)
Wages	-	99 (13.47%)	-	88 (11.97%)	-	107 (11.97%)	-	35 (4.76%)	329 (44.76%)
<b>Total</b>	21 (2.86%)	257 (34.97%)	10 (1.36%)	179 (24.35%)	-	203 (24.35%)	2 (0.27%)	63 (8.57%)	735 (100%)

Age	Headcount	%
18-25	119	16
26-30	159	22
31-35	98	13
36-40	91	12
41-45	108	15
46-50	95	13
Over 50	65	9
<b>Total</b>	735	100

we do not discriminate against people by age, gender, marital status, religion or caste. The Only considerations for employment are if they meet the described job criteria and satisfy the Company's employment requirements. Given the nature of the manufacturing industry, which requires manual handling of metal products, our female ratio amongst factory floor staff has been low and hence the reason for the total percentage of female employees to be low despite the higher ratio amongst administration staff.

Hiring wages/salary, benefits, promotions are strictly merit based and depends solely on his/her ability perform a job function. We also ensure that all employees have equal opportunity to benefit from training and development for career progression.

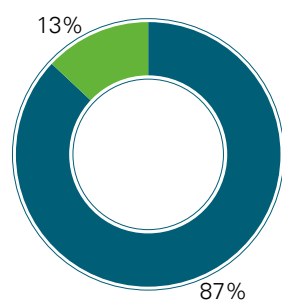
As a non-discriminatory employer, all Alumex employees are treated with dignity and respect and our value system is aligned with the employment and work-related policies as set out by the International Labour Organization (ILO). The Company upholds and conforms to ILO standards and the Universal Declaration of Human Rights. Accordingly, adequate measures have been put in place to safeguard human rights within the organization and ensure that disciplinary action when required, does not violate human rights of the individual.

As part of their orientation, all new recruits are required to complete mandatory training in the Code of Conduct, which encapsulates our approach to inclusion and non-discrimination. In addition, our leadership principles dictate that those in managerial roles should lead by example in the treatment of colleagues with respect and dignity. A formal grievance-handling process in place for reporting incidents of discrimination.

No incidents of discrimination or harassment were recorded in the reporting period.

As per the existing collective agreement, the minimum period for notifying of operational changes is 3 days.

## Cadre Mix



■ Permanent  
■ Contract

## Best practices

### Diversity, Inclusion and Non-Discriminatory Employment

We value the diversity of perspectives, ideas and talents as important to enhancing the value we create to our customers and our shareholders. As an equal opportunity employer, our workforce represents ethnic, religious and gender diversity and

Department	Female Representation
Central Procurement and Material	2
Corporate Office	1
CWH	3
Design	1
Die Design & Manufacturing	2
Ekala Dispatch	1
Ekala HR & Admin	1
Ekala Quality Control	1
Finance	4
HR & Admin	4
International Marketing	2
Invoicing	2
Lumin - Galle/Nawala	2
Marketing	2
Production Office	3
Production Planing	1
Sales Admin	1
<b>Total</b>	33

## Child Labor and Forced Labor

Alumex upholds and adheres to the UN Convention on the Rights of the Child and to Principle Five of the UN Global Compact (UNGC) regarding child labor. Thus, our recruitment procedures include strict screening protocols to ensure all potential new recruitments comply with the minimum age regulations as stipulated by Sri Lanka's labor laws.

Moreover, as per the principle of no forced labor stipulated under the ILO Convention, Alumex ensures all employees enter into and remain in employment voluntarily and at their free will. The HR policies are structured to prevent forced labor. Accordingly, Alumex operations are not subject to the risk of child labour or forced labor.

We also reject the use of child labor and forced labor practices by suppliers. Our supplier onboarding process, hence, includes a series of verification protocols to assess labor compliance status of all our service providers.

Our legal agreements contain appropriate compliance clauses on minimum age and minimum wage regulations along with other ethical considerations. Over and above this we also conduct routine due diligence to monitor labor management practices of these suppliers and service providers. Our investigations did not indicate any reported incidents of child labor or forced or compulsory labor amongst organization operations and supplier base during the year under review.

## Freedom of Association

Alumex is fully supportive of our employees' right to freedom of association. To demonstrate our commitment towards this principle, we continue to maintain cordial relations with the two branch unions that represent clerical, supervisory, and manual grade workforce of the Company. In fact, the agreeability with which we reached two MOUs during the year to make changes to the working rosters, and facilitate interdepartmental transfers, as necessitated by the business conditions, is a result of the healthy relationships we have with the unions. The unionized employees represent more than 40% of the total Non-Executive permanent cadre.

## Recruitment and Selection

The recruitment process we follow is a highly streamlined one, which combines both internal and external recruitment strategies to support our goal of sourcing the candidates who are the best fit in terms of talents and capabilities as well as their ability to align with our unique culture and values system.

The external recruitment strategies focus on attracting suitable candidates from different areas of the country. In this regard, we work closely with local universities, vocational technical training institutes and professional bodies and schools. The highest number of new recruits in any year has been from the Western province as a majority of our operations are located in it. Another valuable source for recruitment is the Alumex internship programme that offers graduate students from various universities and technical or vocational training institutes the opportunity to complete their practical training modules.

The search for the individuals that best fit the job profile is followed by a stringent selection process. Applicants for Executive level positions are subject to multiple screening tests and several rounds of interviews before final selections are made, whilst floor-level employees (manual grade) face one interview with the participation of respective Head of Department and HR representation.

All new recruits remain on probation for six months during which time the employee's performance is closely monitored by their immediate Supervisor. They are also scrutinized holistically to assess not only their work performance, but also their mindset, attitudes, relations with team, physical and mental aptitudes, general intelligence, and the ability to acquire new knowledge.

## Recruitments in 2022/23

Category	Male	Female	Total
Casual	19	-	19
Executive	8	3	11
Staff	14	6	20
Wages	7	-	7
<b>Total</b>	<b>48</b>	<b>9</b>	<b>57</b>

# Human Capital

## Recruitments by Gender, Region and Age

Age Category Province	18-25		26-30		31-35		36-40		41-45		46-50		Over 50		Total	
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
Central	1	-	1	-	-	-	-	-	-	-	-	-	-	-	2	-
Northwestern	-	-	1	-	-	-	-	-	-	-	-	-	-	-	1	-
Nothorn	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sabaragamuwa	2	-	1	-	1	-	1	-	-	-	-	-	-	-	5	-
Southern	-	-	-	2	1	-	-	-	-	-	-	-	-	-	1	2
Uva	4	-	-	-	-	-	-	-	-	-	-	-	-	-	4	-
Eastern	-	-	1	-	1	-	-	-	-	-	-	-	-	-	2	-
North Central	-	-	-	-	2	-	-	-	-	-	-	-	-	-	2	-
Western	5	3	14	3	5	1	2	-	3	-	1	-	1	-	31	7
<b>Total</b>	12	3	18	5	10	1	3	-	3	-	1	-	1	-	48	9
% of Total																
Number of Employees (%)	1.6	0.4	2.4	0.7	1.4	0.1	0.4	0.0	0.4	0.0	0.1	0.0	0.1	0.0	6.6	1.2

## HR Governance

### Diversity of Governance Bodies and Employees

The Alumex HR function operates under the purview of the Company's Managing Director, who provides oversight for the governance of Company-wide human capital development activities in line with the Company's HR strategic plan. The HR strategic plan is formulated annually and serves as the basis of ensuring the right people with the right skills are in the right positions at the right time in order to execute operational plans leading to the fulfillment of corporate objectives. The process of formulating the HR strategic plan provides the HR function the opportunity to consider new economic, legislative, technological, and competitive trends that impact the Company's human resources.

Alumex HR function is tasked with ensuring the implementation of HR policies and that HR systems are up to date and a conducive work environment is in place in compliance with legal or regulatory changes and other best practices. The HR function also plays a vital role in ensuring a strong culture and ensuring that all employees stay committed to the Alumex culture and values.

## Remuneration and Benefits

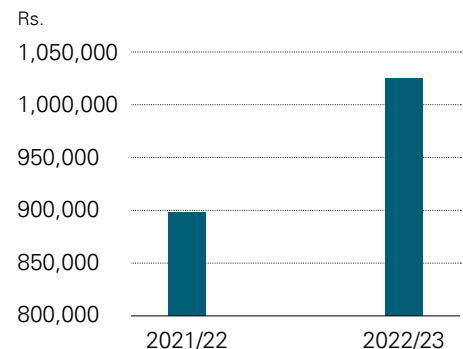
Alumex offers competitive remuneration and benefits on par or above industry standards and in compliance with statutory requirements of the country. Section 10 of the Shop and Office Employees (Regulation of Employment and Remuneration) Act serves as the basis for establishing salary structures for all employee grades in shops and offices. The National Minimum Wage Act prescribes the minimum wage levels for any category. Alumex maintains an unbiased approach to ensure men and women in similar roles are remunerated equally. Accordingly, the ratio of basic salary of female to male is 1:1 Company-wide.

The Alumex standard entry-level wage is 33% higher than the minimum wage stipulated by the National Minimum Wage of Workers Act No. 3 which mandates the entry level wages.

Alumex remains fully committed to honoring all statutory retirement benefit obligations pertaining to its employees. In adherence with the labor laws in Sri Lanka, the Company contributes an equivalent of 12% of the Employees' total earnings to the Employees' Provident Fund and an equivalent of 3% of the total earnings to the Employees Trust Fund. At the same time, we provide necessary allocations to meet our gratuity obligations.

Remuneration of key Management personnel are decided by the Board of Directors at the Hayleys Group-level, as per recommendations by the HR and sector leadership teams. This committee also reviews staff salaries periodically. Remuneration structures are also reviewed periodically and updated to be on par with market rates and to reflect the Company's future aspirations.

### Average Remuneration and Benefits per Employee



### Resignation by Gender, Region and Age

Province	Age Category	18-25		26-30		31-35		36-40		41-45		46-50		Over 50		Total	
		M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
Central		3	-	2	-	1	1	1	-	-	-	-	-	-	-	7	1
Northwestern		2	-	2	-	1	-	-	-	-	-	-	-	-	-	5	-
Nothern		1	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
Sabaragamuwa		1	-	3	-	1	-	-	-	-	-	-	-	-	-	5	-
Southern		3	-	1	-	-	-	2	-	-	-	-	-	-	-	6	-
Uva		8	-	-	-	-	-	-	-	-	-	1	-	-	-	9	-
Eastern		-	-	-	-	1	-	-	-	1	-	-	-	-	-	2	-
North Central		-	-	1	-	3	-	-	-	1	-	-	-	-	-	5	-
Western		45	3	29	5	23	2	17	-	18	-	10	-	7	1	149	11
<b>Total</b>		63	3	38	5	30	3	20	-	20	-	11	-	7	1	189	12
% of Total Number of Employees (%)		8.6	0.4	5.2	0.7	4.0	0.4	2.8	0.0	2.8	0.0	1.6	0.0	1.0	0.1	25.8	1.7

### Resignation by Employee Category

Category	Male	Female	Total
Casual	116	2	118
Executive	19	6	25
Staff	27	4	31
Wages	27	-	27
Grand Total	189	12	201

Maternity Leave	No. of Employees
Employees entitled to maternity leave	33
Employees who took maternity leave	2
Employees who returned after maternity leave	1
Total number of employees that returned to work after maternity leave ended and still employed 12 months after	1
Paid maternity leave days	84

# Human Capital

## Key Benefits to Permanent Employees

Benefit	Executive	Clerical	Manual
Life insurance	✓	✓	✓
Healthcare insurance - outpatient medical expenses and spectacles	✓	-	-
Disability and invalidity cover	✓	✓	✓
Retirement provision	✓	✓	✓
Loan scheme	-	✓	✓
Meal facility	✓	✓	✓
Transport	✓	✓	✓
Uniforms	✓	✓	✓
Personal protective equipment	✓	✓	✓
Production, attendance, shift and grading incentives	-	✓	✓
Department, shift and cost of living allowances	-	✓	✓
Sales incentives	✓		
Bonus	✓	✓	✓
Leave encashment	-	✓	✓
Company doctor service	✓	✓	✓
Mobile phone and mobile expenses reimbursement	✓	✓	
Subscriptions payments for professional bodies and sponsorship for higher studies	✓		
Membership of Hayleys Group Recreation Club	✓	✓	
Library service	✓	✓	✓
Employee sale – Aluminium profiles at discounted rate	✓	✓	✓
Cash awards for children of employees who passed grade 5 scholarships, highest achievements at o/l and govt. University entrance	✓	✓	✓
School bag & stationeries – for children of the employees	✓	✓	✓
Subsistence – Official duty	✓	✓	✓
Study leave – Professional exams	✓	✓	
Financial assistance for critical illness	✓	✓	✓
Workmen's compensation insurance	✓	✓	✓
Long service award (25 years)	✓	✓	✓
Death donation scheme	✓	✓	✓
Personal accident cover	✓		

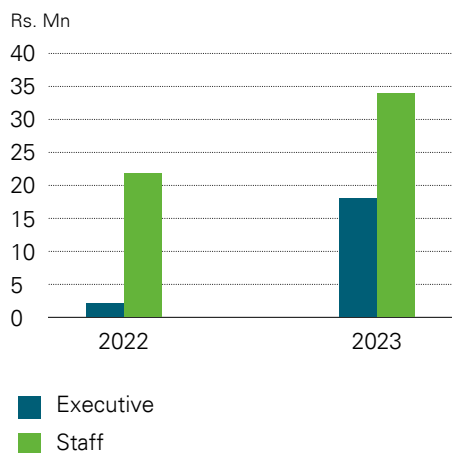
## Performance Management

Alumex has a comprehensive performance management system, which has been developed to incorporate an enlightened approach to goal-based performance appraisal across executive, clerical and manual grades in the Company. All employees across the Company have an opportunity for a two-way appraisal process conducted bi-annually, where performance is measured against Goals agreed on at the beginning of the year. The final performance appraisal of Executives and above are done online via Oracle, whilst staff and manual grade reviews are conducted manually.

Performance at departmental and company-level is reviewed at monthly Management meetings chaired by the Managing Director at which strategies, operations and markets are discussed in relation to the performance of the preceding month and action plans for the following month.

Performance of floor-level manual employees is conducted annually and serve as the basis for determining Bonus awards and training needs. They are evaluated for behavior and performance criteria with predefined weightage assigned to aspects such as job knowledge, quality of work, dependability, positive attitude, teamwork, safety and housekeeping.

### Promotions During the Year



The performance of clerical and supervisory grade employees is evaluated bi-annually and annually based on their Goals. A balance scorecard system is used to determine employee goals. The Company evaluates level of competencies under 8 categories; namely, customer focus, building high performance teams and developing people, using initiatives, decision making and problem solving, effective communication, team work, innovation and sound business judgment.

Performance of Executive grade employees are evaluated through a web-based HR information system using a balance scorecard system similar to that applied for clerical and supervisory grades but higher weightage is given to competency-based KPIs, in particular, to assess their willingness to take on greater responsibility and accountability for the Company's strategic performance. The Executive category does not receive any production based incentives monthly as they are accountable for the overall results for the year.

119 Executive grade employees and 178 clerical grade and 319 manual grade employees received performance reviews during the year.

Just as recognition and reward of high performers are an important part of performance management, helping the underperformers to find out the root causes of their underperformance and ways to address those shortcoming(s) is also part of the performance management, as per the Company's strategic imperatives. The underperformers are assigned a designated mentor who could provide guidance and input to overcome challenges and improve performance. Where mentoring also does not do the needful, the HR Department would arrange counselling or specialized training interventions, as needed.

## Training and Development

Although our financial investment into training was reduced during the year owing to the market conditions, it is commendable we were able to increase the total number of training hours, the number of training programmes as well as the per-head hours of training during the year despite the decreased financial investment. The use of the online portal, inhouse auditorium space in place of external venues and harnessing the synergies of Hayleys Group HR were some of the ways in, which we improved training resource efficiency to meet our multiple objectives in a challenging year. It reflects the importance we place on training at Alumex, as a critical element for sustainability of the business.

The training plan and budget serve as the basis for all mainstream training conducted during an year. Our training and development initiatives include continuous training as well as needs-based training. Continuous training involves providing training programmes regularly to motivate individuals, create the appropriate culture, build leadership skills and enhance knowledge.

Needs-based training is most often specialized such as technical training to enhance hard skills, or soft skills for specific functions or operations, or for specific purposes. The requirement for export marketing knowledge is an example of a specific need that has become urgent over the past two years.

Over the past few years, Alumex has expanded the scope of its T&D activities with the aim of inculcating a continuous learning culture.

Training priorities during the year under review included enhancing skills levels to meet the changing profiles of the orders that the Company receives, from generic profiles to the more sophisticated and complex, thus requiring an upgrade of in-house skills in manufacturing and engineering. Our people are also being trained to meet new cycle times and products at costs that export buyers demand.

# Human Capital

## Categories of Training Programmes and Hours

Area of Training	Internal Programmes		External Programmes		Total Participants		Training Hours	
	2023	2022	2023	2022	2023	2022	2023	2022
Technical Skills Development	245	31	22	37	1,004	763	5,728	4,176
Refresher Programmes (Work Standards & Operational Procedure)	3,473	25	-	0	9	378	4,901	1,125
Awareness Programmes (Health and Safety, Quality and Productivity Techniques)	128	43	17	5	1,503	451	127	1,478
Individual Development Training (Soft Skill Development)	32	1	5	23	335	364	1,514	1,646
<b>Total</b>	<b>3,877</b>	<b>100</b>	<b>44</b>	<b>65</b>	<b>2,851</b>	<b>1,956</b>	<b>12,270</b>	<b>8,425</b>

## Average Training Hours Per Gender

Gender	Hours
Male	16
Female	27

## Average Training Hours Per Employee Category

Category	Hours
Casual	31
Executive	49
Staff	4
Wages	7

Standard salary increments for clerical, supervisory and manual grades are negotiated annually at the time of review of the wage agreement.

Promotion Levels	No of Employees Promoted
Manual Grade to Clerical and Supervisory	4
Clerical and Supervisory to Executive	6
Executive to Assistant Manager	4
Assistant Manager to Manager	4

Sales incentives to motivate higher revenue generation combines both fixed and variable elements. Fixed incentives are granted for achieving the set targets whilst the variable component is awarded when he or she exceeds targets.

## Some of the ways in which we recognized and awarded our people this year

- ❖ Long Service Awards for those who have completed 25 years at Alumex
- ❖ Letters of Appreciation for remarkable effort
- ❖ Best Performer based on results from the entire Company
- ❖ Best Performer from the entire company, based on initiative/leadership

## Rewards & Recognition

Annual salary increments and bonus payments for executives are linked to their individual performance. The annual bonuses of all permanent non-executive employees are linked to their performance. The salary increment rate is dependent on the appraisal marks received on the balance scorecard, which determines the individual's position on the bell curve. The increment percentage is calculated using a statistical process in line with the approved budget, with top performers on the bell curve awarded additional merits in the increments and bonus computation. This standardized method of computation assures that the performance reward system is fair and equitable for all levels of employees.

## Incentives

Productivity incentive schemes for floor-level employees have been designed so that monetary awards are linked to productivity ratios monitored periodically. Production incentives are based on actual production volumes with higher incentives offered for exceeding targets. Production and productivity incentives for team performance is based on performance factors such as efficiency, productivity yield and rejects.

Attendance incentives based on monthly attendance are in place to promote higher attendance of Non-Executive employees.

## Occupational Health & Safety

As a manufacturer of Aluminium extrusions, a significant component of our operations involves manual handling of products, machinery, equipment and chemicals that have potential safety risks. Hence, ensuring the safety, health and welfare of our employees is a high priority at Alumex. In addition to full compliance with all legal and regulatory frameworks applicable to our business, we also take pride in having a world-class management systems, which support our efforts to keep people safe in their operations. Safety governance is a critical component of our management system and it includes a comprehensive framework of policies and procedures through, which our safety vision is cascaded and internalized by employees.

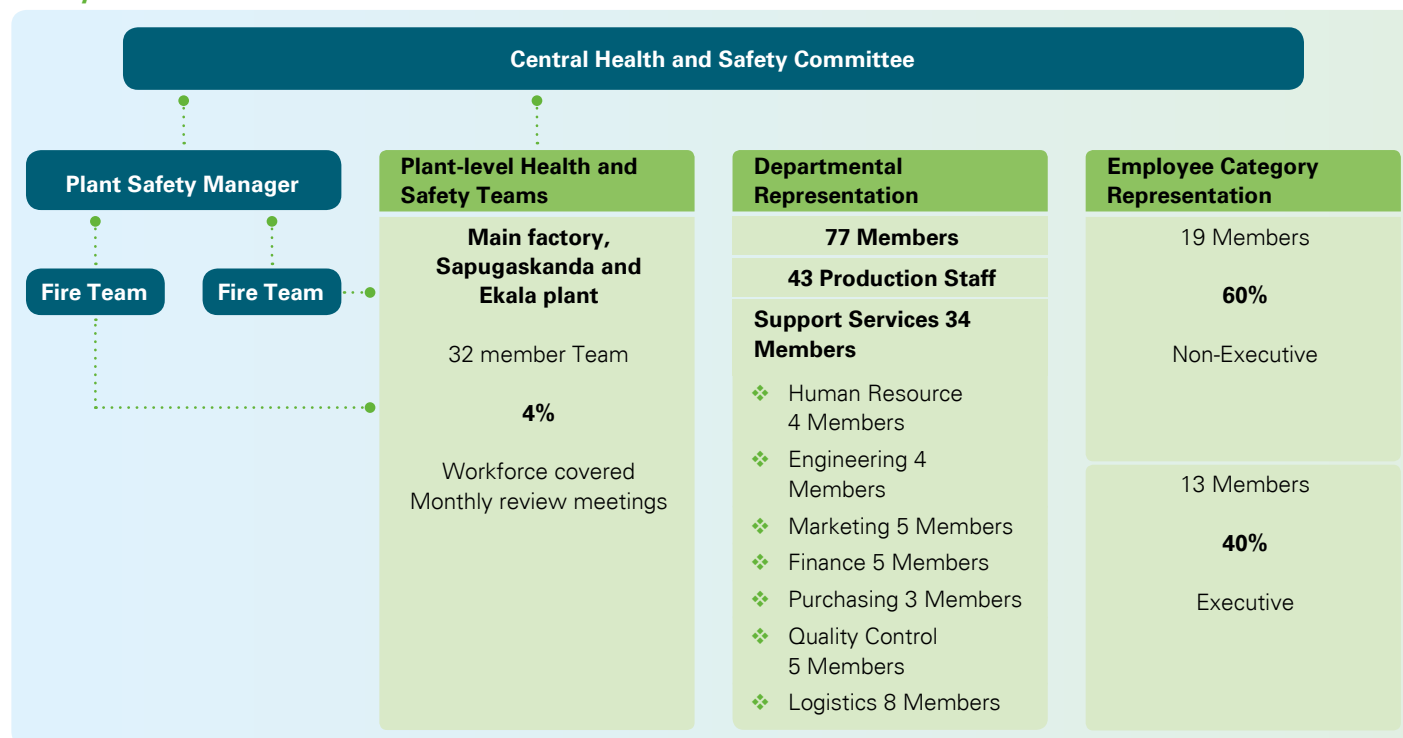
Moreover, our collective bargaining agreements, which cover key health and safety topics also play a vital role in preserving workplace safety. All our employees are protected by the Workmen's Compensation insurance cover.

During the year, our health and safety (H&S) measures went beyond mere occupational safety and health, reflecting our holistic approach, to look at mental wellness of our people. Especially in the context of the economic crisis of last year of which the impacts spared no one, we arranged psychosocial support by enabling the expertise of a psychologist at several talks and through counselling sessions. The health and wellbeing sessions covered aspects such as mindfulness training and health awareness as well as more practical guidance on matters such as money management – a need of the hour amidst the escalating cost of living, which impacts all our people.



# Human Capital

## Safety Governance Structure



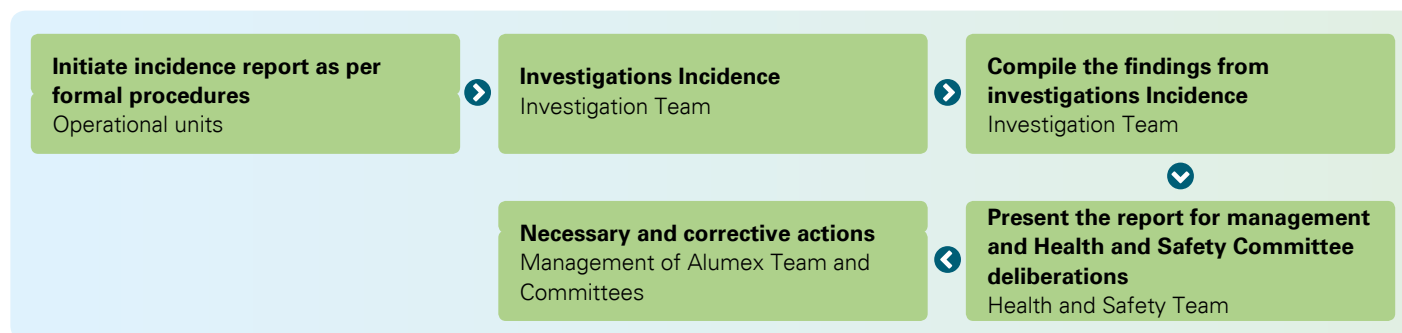
A Central Safety Committee headed by the MD/Executive Director is the apex body in charge of safety across the organization and is responsible for the following:

- ❖ Formulating H&S standards in compliance with regulatory requirements and international best practices.
- ❖ Setting the tone to promote the company-wide safety culture.
- ❖ Initiate new measures to upgrade employee H&S.
- ❖ Review accident investigation reports and remedy any lapses in the workplace.
- ❖ Monitor workplace injuries and implement corrective action.
- ❖ Formulate the annual H&S plans in consultation with H&S Manager.

Focus Area	Number of Participants	Training Hours
Confined space standard training	7	14
Fire prevention training	6	12
Safe driving awareness	14	105
General safety awareness	22	44
Hazard identification awareness	30	45
Introduction to safety management systems	13	52
Awareness for hot work standard	12	48
Workshop on risk assessment	7	14
Grand total	111	334

Accordingly, following are the safety certifications and regulatory frameworks we comply with that we have obtained and the measures in place.

<b>Compliance and Best Practices</b> <ul style="list-style-type: none"> <li>❖ National and international laws, regulations standards</li> <li>❖ Guidelines and codes of practice</li> <li>❖ OSHAS</li> <li>❖ ISO 14001</li> <li>❖ ISO 45001</li> <li>❖ ILO</li> <li>❖ Factory Ordinance of Sri Lanka</li> </ul>	<b>Safe Manufacturing</b> <ul style="list-style-type: none"> <li>❖ Process and machine modifications with improved safety features and ergonomics</li> <li>❖ First-aid treatment centre 24/7</li> <li>❖ Personal protective equipment</li> <li>❖ Awareness training sessions on first aid and responsiveness to emergency situations</li> </ul>	<b>Fire Emergency</b> <ul style="list-style-type: none"> <li>❖ Fire drills</li> <li>❖ Established fire assembly points</li> <li>❖ Fire emergency evacuation plan</li> <li>❖ Fire and rescue teams</li> <li>❖ Periodic risk assessment, investigation and reporting</li> </ul>
<b>Administration</b> <ul style="list-style-type: none"> <li>❖ Dedicated health and safety manager carrying out daily factory visits</li> <li>❖ Health and safety committee represented by all departments and employee categories</li> <li>❖ Periodic audits on health and safety aspects</li> <li>❖ WhatsApp message board to inform staff on safety issues, violations and remedial action</li> <li>❖ Formal accident reporting and investigation</li> <li>❖ Accident statistics compiled and deliberated at monthly management meetings</li> </ul>	<b>Safe Chemical Usage</b> <ul style="list-style-type: none"> <li>❖ Awareness building and special training on chemical handling, transport, storage and application</li> <li>❖ Personal protective equipment for chemical handlers</li> <li>❖ Follow best practices and guidelines set by chemical regulatory authorities</li> </ul>	<b>Health, Nutrition and Hygiene</b> <ul style="list-style-type: none"> <li>❖ Duty-leave for clinic visits</li> <li>❖ Ex gratia medical leave for long-term illness</li> <li>❖ In-house doctor service with a government doctor for consultations, twice a week</li> <li>❖ Free medical consultations</li> <li>❖ Free general medicines</li> <li>❖ Awareness sessions on health, nutrition, first aid and sanitation</li> <li>❖ Medical testing - COVID -19</li> <li>❖ Awareness building on non-communicable diseases</li> <li>❖ Awareness building on virus outbreaks and preventative action</li> <li>❖ Formal accident reporting and investigation</li> <li>❖ Accident statistics compiled and deliberated at monthly management meetings</li> </ul>



During the period under review, there were no permanent or partial disability or fatality causing incidents reported. There were 58 injuries reported. The total man-hours lost due to these accidents was 61 days. These losses were covered under the workmen's compensation insurance cover.

# Human Capital

## Occupational Health & Safety 2022/23

	2022	2023
Reportable injuries	27	22
Lost-time injury rate	2.4	0.81%
Severity injury rate	1.7%	0.51%

\* Note: injury rate is calculated based on man-hours

\*\* Lost days are calculated based on scheduled work days

## Employee Relations

Employee interaction at Alumex is actively sought through formal and informal channels as we appreciate the value of engagement in building strategic business partnerships with our people.

The formalized channels of engagement include the following :

### 2022/23 Meetings

**Town Hall meetings:** designed as a common forum for employees from similar grades to voice their issues and concerns directly with the top Management including the MD and Executive Director without the presence of the Supervisors and Heads of Departments. Two meetings held during the year and 159 participated.

**The workplace improvement meetings:** held once every two months with the participation of the Senior Management is a forum for employee representatives of different divisions to raise and resolve workplace-related issues and staff grievances.

**"We care":** under which the HR team visits all divisions to discuss individual employee grievances and address common and recurring issues.

Formal meeting schedules and ongoing discussion are held to facilitate effective dialogue between union officials and various Department heads. The clerical, supervisory and manual grade employees are unionized under the Free Trade Zone and General Services Employee's Union

**A Grievance Handling Policy & Procedure:** Any employee who does not receive a satisfactory solution for his or her grievance with their Department can raise their concerns and seek a solution via the grievance process. The process is managed independently by the Hayleys Group and mediated by the Group HR Manager. Should the need arise, the grievance could also be escalated for review by the Head of HR, Executive Director and/or the Managing Director.

**An Open-Door Policy:** where any employee can walk into his or her Superior's including MD's office

**"Tell MD" – a suggestion/complaint box:** into which anyone can drop in a comment. Suggestions of a complaint which goes directly to MD and MD's Assistant where MD directs action and informs HR.

Alumex is a member of the Employer's Federation of Ceylon, which handles all the Company's industrial relations concerns, which fall within its professional and legal purview.

Alumex also encourages and supports informal channels of interaction, which build camaraderie and a cohesive team as important to the sustainability of its human capital. The annual inter departmental cricket match, held after lapse of 3 years due to the Covid pandemic, the Long Service Awards, the annual Pirith ceremony and Avurudu celebrations held last year were amongst those most appreciated for a lot of engagement.

Some of the ways in which we reached out to our employees during times of strife include facilitation of groceries at reduced rates in our factory premises whilst we also continued with the annual donation of books and schoolbags to employees' children.

## Succession Plan

The Company believes that the top positions of the Company should be built today and, therefore, some of the selected individuals are being trained and guided gradually. They will take over the key positions in their respective areas and replace the retirements and resignations of such key positions. Adequate job exposure in terms of projects, assignments, foreign tours and job expansions is being done to grow the selected best performers to higher levels.



## Priorities for the Future

Perspective	Objectives	Strategies & Actions
Financial Perspective	<ul style="list-style-type: none"> <li>❖ Manage the per-head HR on cost within the budgetary level</li> <li>❖ Manage the per-head admin cost within the budgetary level</li> <li>❖ Automate administrative and HR processes for better efficiency and better use of available resources</li> </ul>	<ul style="list-style-type: none"> <li>❖ Manage the Headcount at least at 98% at any given month</li> <li>❖ Manage employment ratio between company and outsourced employees at 80%:20%</li> <li>❖ Effective rate negotiations with outsourced service providers</li> <li>❖ Automate non-value adding HR and administrative services for the better use of resources through self-service portals and intranet</li> </ul>
Customer Focus	<ul style="list-style-type: none"> <li>❖ To secure 80% of GPTW employee satisfaction level by 2025</li> <li>❖ Achieve and continue the GPTW accreditation status from 2024 onwards</li> <li>❖ To manage employee absenteeism of permanent cadre (non-annual) less than 5% by 2025</li> <li>❖ To reduce employee turnover of permanent staff up to 6 % by 2025</li> <li>❖ Achieve 90% satisfaction level in Admin and Welfare measures by 2024</li> <li>❖ Address 90% of the issues identified through “We Care” visits within a month</li> </ul>	<ul style="list-style-type: none"> <li>❖ Conduct employee satisfaction surveys every two years and take remedial actions for the issues observed and for improvements</li> <li>❖ Reduce absenteeism to less than 5% through better visibility and sharing of information, increased employee motivation and through timely implemented administrative controls and reward management initiatives</li> <li>❖ Secure reasonable income levels, increased motivation, career development of employees and better employee relations for the retention of employees</li> <li>❖ Establish and maintain platforms for employee dialogue and participation via “We Care”, facility developments and WPI forums</li> <li>❖ Roll out one key engagement activities per quarter</li> </ul>
Internal Business Perspective	<ul style="list-style-type: none"> <li>❖ Improve and develop HR landscape of the Company by adopting industry best practices to achieve national-level award by 2024</li> <li>❖ Win a national level CSR award by 2025</li> <li>❖ Create a conducive and ergonomically sound working environment in all operational areas</li> <li>❖ Introduce ER initiatives and enhance employee engagement level year by year</li> <li>❖ Ensure zero industrial disputes and zero lost time due to industrial actions of unions</li> </ul>	<ul style="list-style-type: none"> <li>❖ Conduct a gap analysis and implement actions with industry best practices from 2023</li> <li>❖ Introduce and implement long-term strategic plan for CSR and roll out the same from 2023</li> <li>❖ Implement a program to upgrading all work locations by 2024</li> <li>❖ Create a better workplace with legal and procedural compliance, sound industrial relations, employee engagement and sound employee relations to ensure zero lost time and zero complaints by 2023</li> <li>❖ Drive employee suggestion scheme and Kaizen scheme with the collaboration of ops team from 2023 H2</li> </ul>
Learning and Growth	<ul style="list-style-type: none"> <li>❖ Enhance employee capabilities to yield improved operational indicators with the implementation of competency development system from 2023</li> <li>❖ Drive competency assessment and competency development programs covering all employees</li> <li>❖ Achieve 80% of competency availability by 2027</li> <li>❖ Develop Alumex talent pool by 2023 H2 and Alumex talent academy with in-house training modules by 2025</li> </ul>	<ul style="list-style-type: none"> <li>❖ Roll out an Executive development program in 2024</li> <li>❖ Implement internal trainer pool and run the Alumex talent academy</li> <li>❖ Implement a company-wide program for attitudinal change, and a long-term program for cultural change from 2023</li> <li>❖ Maintain 15 hours per-head training hours for Executives and 8 hours for Non-Executives from 2023</li> <li>❖ Develop individual competency development road map for each Executive by 2024</li> <li>❖ Develop Alumex course manuals for internal training programs by 2024</li> </ul>

# Social and Relationship Capital



## Management Approach

We see Social and Relationship Capital as a key enabler in the continuity and sustainability of our business. As such we maintain a highly disciplined approach to Customer Capital, Supplier Capital and Community Capital where our efforts are driven by robust strategies that seek to earn the trust and respect of these stakeholder groups.

## Strategic Imperatives and Strategy

### Local Market Development

- ❖ Expand outreach & strengthen ties with distribution network to increase market share.

### International Business Development

- ❖ Explore and capture new market opportunities to expand & diversify the international business segment.

### Customer Engagement

- ❖ Closely engage customers & redress their grievances in an effective & timely manner.
- ❖ Extend pre and after sales support to ensure seamless customer service.
- ❖ Consolidate concept stores to support end users with hands of product experience.
- ❖ Use digital solutions to create awareness and support customers on product usage.

### Marketing Communication

- ❖ Consolidate and responsibly promote the brand along with focused marketing and product promotions.

### Product Development

- ❖ Collaborate with academia and allocate adequate resources for R&D to value to existing products and to develop new products.

### Product Responsibility

- ❖ Follow guidelines set by well-recognised certification bodies to observe highest quality and standards across the value chain.
- ❖ Conform to stringent safety standards to ensure customer health & safety.
- ❖ Extend necessary product information and ensure accurate labelling to secure buyer confidence.
- ❖ Learn international best practices by collaborating with international manufacturers/suppliers.
- ❖ Maintain customer privacy and security of data and information.
- ❖ Comply with relevant laws-rules & regulations in terms of product responsibility.

Customer Capital

Our customer capital ranges from large industries and contractors who collaborate with us on joint bids for large tender projects, to fabricators, architects and building consultants who promote our products, to the end-consumers and our network of channel partners, dealers and distributors who show case our products in the retail market. Dealers and distributors account for a 50% share of Alumex's overall revenue mix. Meanwhile, our overseas clients are predominantly large B2B customers based in Australia, Germany, India, Italy, New Zealand, USA and Canada.

As the leading producer of Aluminium extrusions, we remain equally committed to serve all customers, where we focus on exceeding customer expectations in product and service at every point of interaction.

Expanding our Export Customer Base

Since becoming Sri Lanka's first Aluminium extrusions manufacturer to venture into the export market with its first shipment in 2018; we added Germany to our portfolio of countries, expanding our global presence to a total of 13 countries in a span of 4 years. Alumex was also able to add three more customers in existing markets, whilst three new market segments were also added during the year with the launch of the Dwelling range in the Maldives, wood finish extrusions to Australia and Extrusions to New Zealand.

Product Diversity

Alumex has a diverse product portfolio that meet the needs of diverse customer segments. The Company's focus on innovation and a full time R&D team supports its efforts to continuously deliver new products and to enhance its existing products. To further augment our efforts, we invest in the latest technology and expertise and pursue early adoption of best practices to maximize value creation to our customers.



Product Reach	New Product Portfolio	
	Retail Market	Industrial Market
144 Dealers 09 Distributor Centers	99	90
 ALUMEX <sup>®</sup> ULTIMATE IN ALUMINIUM PROFILES		
88 Dealers 09 Distributor Centers		
 ALCO		
3 Lumin Concept Centers		
 LUMIN INVITE LIGHT		

## Social and Relationship Capital

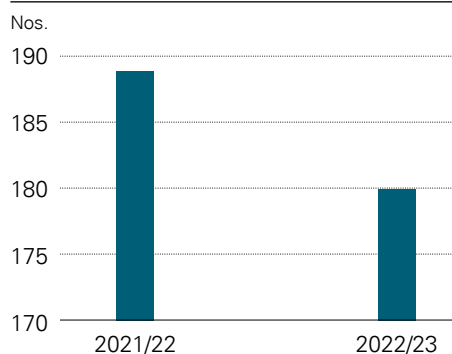
### Product Availability

Ensuring that our products are readily available and easily accessible to customers is an important factor in our customer experience management strategy. Our channel partners – the network of 177 dealers and 05 exclusive Alumex-branded distributors play a vital role in maintaining our island wide reach. Since recently, we have also appointed a network of 20 authorized dealers to expand the reach of our newest brand “Alco”, the total Alco dealer network now is 84 nos. Downstream logistics support through our warehouses in Sapugaskanda and Ekala add synergies and ensure uninterrupted distribution and seamless connectivity across our distributor network.

We have established warehouses in each province to make the products available to dealers and customers are benefitted immensely.

Our higher-end brand Lumin products, which is designed for the residential market segment, is made available through 3 Lumin concept centers located in three key cities in the country, Colombo, Kandy and Jaffna, and with the customer managed 11 centers the total LUMIN concept centers all over the Island are 14 nos. The architects, fabricators & contractors in addition to the end users get the services from these centers. Lumin centers provide shop drawings free of charge to customers and give the details of the Lumin-Certified Fabricators who have the knowledge and skills to handle the high-end product series that ensures customer satisfaction.

#### New Products Launched



### Marketing Communication

Whilst we made a concerted effort in executing our export market strategies, we also bolstered our leadership in the domestic market through several promotional campaigns via radio and digital media. The three brands we have positioned for different market segments -Lumin, Alumex and Alco, once again contributed to our Revenue in equal proportion. However, given the operating environs as well as the competition from an influx of imports which do not meet international standards due to their price factor alone, prompted us to create greater brand awareness of Alco -the brand which is positioned for the lower end of the market.

During the year, we also launched the Alumex online portal for Aluminium products and equipment for residential as well as commercial applications in Sri Lanka with seamless delivery across the island.

There were no incidents of non-compliance concerning Marketing Communication.

### Launch of Ozon-in a Pioneering Initiative

The year under review saw the groundbreaking initiative of the launch of Sri Lanka's first low Carbon Aluminium thus helping us green our footprint as well as expand horizons for Sri Lanka's exports. Branded as Ozon this is a pioneering venture in the south Asian region and would capture and expand the opportunities in the emerging global green economy.

Production of Ozon follows the successful opening of the Phase I of our new state-of-the-art melting facility at Sapugaskanda with an investment of over Rs. 1 Bn. The investment is intended to develop our export markets and a further capacity building with an additional investment is on our agenda.

This pioneering venture would add new life to Sri Lanka's construction sector to sustainably reduce its environmental and Carbon footprint and Alumex will maintain its commitment to the highest global quality standards.



### Responsibility

All Aluminium extrusions produced by Alumex comply with the regulatory framework set out under SLS 1410:2011 and SLS 1411:2011. Moreover, the certifications and manufacturing licenses secured by the Company and the knowledge transfers it has access to through its global partner network provide additional assurances regarding the quality of the products and the manufacturing systems. Hence is the quality assurance of up to 30 years that we are able to give all Alumex products.

Furthermore, Alumex products are further endorsed by the voluntary adoption of industry specific quality and technical standards such as the British & European Standard specification, British Standards and relevant ISO standards for Aluminium extrusions.

The Company's long-standing policy has been to use only AA 6063 Aluminium alloy in the manufacture of its products. All raw materials including Aluminium billets, Chemicals and Powders are sourced only from globally reputed suppliers.

Comprehensive information on certifications licenses and strategic partnerships are given in the Intellectual Capital Section of this report in pages 71 to 76.

Our commitment to product quality is also reinforced through a rigorous framework of due diligence conducted by governing bodies and various licensing agencies that we have aligned with. Routine audits conducted by these institutions create a viable platform to identify potential areas for improvement on an ongoing basis.

There were no incidents of non-compliance of product safety regulation or violation of voluntary codes reported in the current financial year and hence no fines penalties that the Company had to pay.

## Packaging and Labeling

Whilst there are no industry specific packaging regulations for Aluminium extrusion products, Alumex follows international best practices in packaging. Accordingly anodized and mill finish extrusions are securely packed with polythene whilst bronze anodized products are packed with an additional protective tape layer. Finished, powder coated and wood finish Aluminium profiles are foam wrapped prior to polythene packaging.

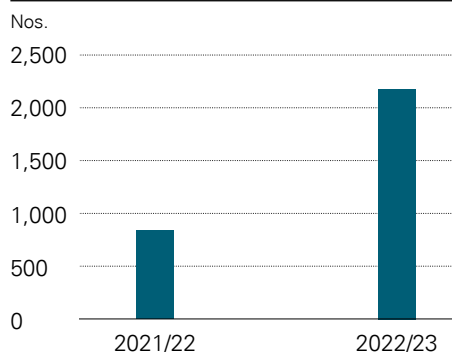
We comply with all relevant product labelling guidelines applicable to our business, with our labels carrying relevant bar codes and information including instructions for the safe use of the product.

There were no incidents of non-compliance concerning product and service information and labelling during the reporting year.

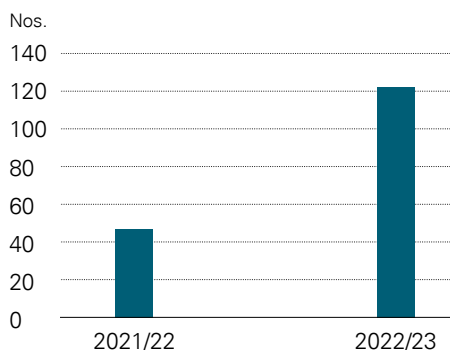
## Customer Support & Engagement

Our objective of providing best in class customer experience prompts us to ensure comprehensive customer support for both pre and after sales service. Pre sales service includes technical assistance, free consultations, site visits, technical drawings and necessary guidance. Our technical teams along with the Company recommended fabricators are well-trained and possess the necessary expertise to support the installation process and to extend to after sales service.

### Fabricators Training



### No. of Training Programs



The marketing and communication activities are an important element of our overall approach to customer support and engagement. Whilst maintaining regulatory requirements are applicable to our marketing and communications activities, our internal code of ethics and industry best practices serve as a guide in preserving the integrity of our customer communications. These principles are encapsulated in all our published materials including advertisements, social media content as well as the printed instruction manuals/booklets distributed to fabricators, contractors and end-users to guide them in proper use of Alumex products.

In addition, we also have a broad-based framework within which we customize our engagements with various customer groups. A dedicated sales team is assigned to manage engagement with our island wide network of channel partners whilst routine customer satisfaction surveys reach out to a wider audience of end users. Furthermore, our technical training initiatives and product awareness forums for fabricators and others also serve the purpose of strengthening ties with these stakeholders.

The year under review saw us launch a new Customer loyalty programme which also fulfilled a need of the challenging times and is a win-win for both Company and the fabricators, as described in boxed story below.

## Further Strengthening Customer relationships with the launch of 'Divikavuluwa' – as a flagship loyalty program

'Divikavuluwa' is the most recent of a series of customer engagement measures and community- centric initiatives which we have rolled out to strengthen the future prospects of fabricators.

The growth of Alumex is intrinsically linked to that of its community of fabricators, suppliers and broader network and as an industry leader we are aware the responsibility as well as the potential we have to support the growth of this sector. Divikavuluwa – a reward programme, is such an initiative to strengthen and grow the network of Aluminium fabricators in the nation."

All Alumex products will now feature a barcode in the form of stickers, enabling fabricators to earn points and have them credited to their accounts to redeem the points against future purchases. The fabricator can accumulate points over time, which can be redeemed against future purchases, saved for retirement, or used in case of an emergency. A mobile is to be launched soon to streamline the process and for real time updates and redemption of points.

Alumex also plans to conduct seasonal promotional campaigns, and roll out bonus points and rewards in the near future.

The Alumex marketing teams who maintain a close rapport with its fabricator network, realized the challenging times that the fabricators faced due to the all-time high cost of raw materials. Thus, by bundling significantly greater value into repeat purchases Alumex is able to offer a helping hand to our fabricators, and help them to grow together with us." This initiative is hence a win-win initiative which also offers relief during challenging times.

The programme is open to the entire community of Aluminium fabricators to make use of this unique opportunity. Once registered they will be eligible for multiple rewards.

## Social and Relationship Capital

Moreover, Alumex has supported the community and trained over 2,500 fabricators annually since it opened the doors of its training programme 25 years ago.

### Complaint Handling

We consider customer feedback a valuable input to ensure the sustainability as well as growth of our business by being a catalyst for enhancing our product and service delivery and for maintaining our reputation as a manufacturer of high-quality Aluminium extrusions. Addressing all complaints speedily and effectively is a priority and accordingly we have opened up multiple channels for customers to report complaints. All complaints are documented and channeled through our formal complaints handling process which is managed under the purview of our customer support team. All complaints are also analyzed to facilitate continuous improvement which may result in appropriate action to amend our business practices or policies.

### Customer Privacy

Alumex has introduced all necessary protocols and systems to protect customer confidentiality and our employees stay reminded of the importance of maintaining same. As a large-scale manufacturer Alumex PLC enters into non-disclosure agreements (NDA's) with its B2B customers both locally and overseas. The NDA's include data and information of end customers, sales plans, pricing formulas and discounts amongst other information.

There were no complaints received regarding breach of customer information and/or loss of customer data and there were no incidents of non-compliance concerning health and safety impacts of products and services during the reporting year.

There were no significant incidents of non-compliance with laws and regulations during the reporting period.

### Customer Satisfaction

Satisfaction of our customers we recognize is a sine qua non for our sustainability. Accordingly, customer satisfaction is tracked via our day-to-day front-end operations and we have set in place a mechanism to gather quarterly data on customer satisfaction across five key metrics. Data thus collected is analyzed to understand the ratings under each category and the findings are shared at the monthly management review meetings. In 2022 overall customer satisfaction reached 94%.

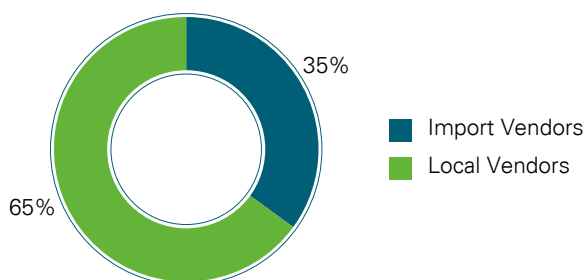
In the Service category, our main indicator is readiness to delivery (RTD) of the orders 85% and delivery in full, on time (DIFOT) 65% maintained.

### Supplier Capital

For the manufacture of Aluminium extrusions, Alumex sources goods from a wide range of suppliers; both locally and overseas. Fair and equitable procurement and continuous engagement are the two key underpinning principles that frame our approach to managing Supplier capital.



### Suppliers- Foreign and Local



Sourcing Partners Destinations/Countries

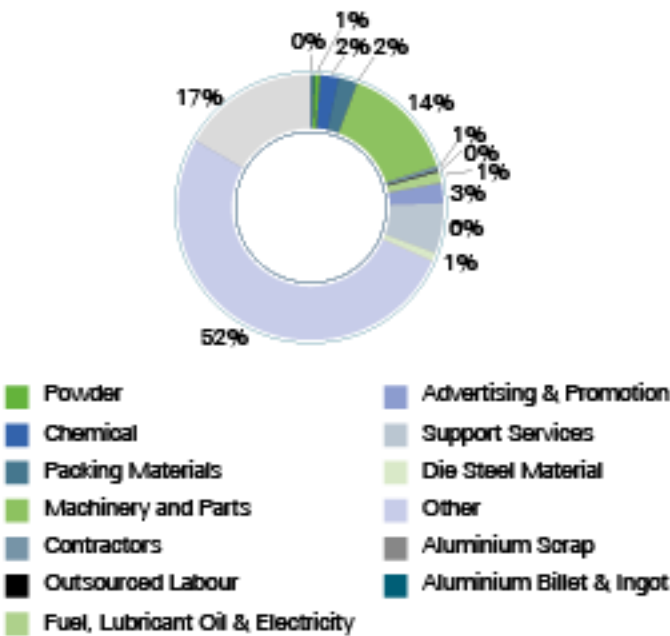


Procurement Best Practices

Aligned with our ESG framework and core values, we seek to act with integrity and to be fair, honest and open in all our dealings with suppliers. Led by our non-discriminatory approach, we ensure all new suppliers are screened using Alumex PLC's Supplier Evaluation Checklist which has been developed in line with global best practices and industry norms including mandatory environmental and social screening.

As stipulated in our procurement guidelines, high-value contracts are subject to a tender process, where all contracts are evaluated by a separate committee and/or the tender board based on pre-agreed procurement criteria to assess the supplier's quality and standards, certifications, licenses, delivery track record and overall reputation.

Supplier Category



## Social and Relationship Capital

### Supplier Due Diligence

The Alumex supply chain is dominated by large international suppliers and several leading local entities who are industry leaders in their respective fields, whose business credentials along with their social and environmental credentials are verified independently and disclosed publicly. We hence do not seek to conduct annual environmental and social assessments of these suppliers.

However, for certain specific supplier categories such as our labor outsourcing partners, we do carry out an annual due diligence to verify their social performance with regard to compliance with labor laws and adherence to global best practices for the safeguarding of human rights and the prevention of child labor and forced and compulsory labor. We also have a special audit framework, which includes site visits to verify the environment credentials of packing material suppliers. We share the findings of these audits with the relevant suppliers and work closely with them to find solutions to meet any gap areas if any. The entire supplier audit framework is managed independently by the Alumex Internal Control Department.

From the Suppliers evaluated during the year, there were no negative environmental and social impacts on the supply chain.

### Supplier Reviews

To ensure the sustainability of our supply chain which is vital to the sustainability of our manufacturing operations, Alumex seeks to build long term relationships with suppliers based on trust. Thus, we reach out to suppliers who share our value system. Alumex maintains regular dialogue with these suppliers, and also conduct annual reviews to monitor and follow-up on their agreed commitments in relation to social and environmental responsibility. Suppliers who provide outsourced labor are assessed annually specifically to review their compliance in terms of labor laws including wages and statutory benefits.

### Community Capital

Our approach to engagement with Community Capital is twofold, where on the one hand we reach out to meet immediate needs of the communities whilst on the other hand, we invest in long-term high impact projects aimed at uplifting the lives of underserved communities across the country.

All CSR activities for the year are planned with the annual budgeting process to enable necessary resource allocations to be made accordingly. We also make special allocations within our budgets to support projects by the Hayleys Group Foundation. The annual CSR budget requires the approval of the Managing Director. The Marketing Department, under the guidance of the Managing Director, is responsible for overseeing the projects execution to meet stated objectives. Our Marketing Department hold is responsible for maintaining ongoing dialogue with community stakeholders to assess their needs and determine how the Company can contribute towards finding appropriate solutions.

### Community Investment

We continued with our flagship community initiative – the White Cane Donation programme which we launched in 2012 and now in its 10th successive year. Our commitment to the programme is met through the manufacture of white canes for visually impaired members of society.

Alumex also initiated a project to sponsor 100 lunch packs a day to school children in the vicinity of its factories to meet the dire need of the times in the backdrop of economic hardships and escalating costs essentials which has made even a meal prohibitive for many. The project also entails shelf space at these schools to encourage any other donors to add to the daily contribution of lunch packs kept for the children.

Another one of our community contributions, to “Sathdiyawara” – The rural school development project which was begun by one of the Hayleys Group’s sister companies during the Covid pandemic; continued during the year as well, fulfilling a dire need of many poverty-stricken rural villages. Alumex contributed to the

care bundles containing books, a water bottle, other stationary, school bags and uniform to school children enabling them to continue their education. The packs were distributed to children in Thalawa area in the Anuradhapura district. A total of 170 children from schools have benefited from this initiative to date. Alumex contribution amounted to Rs. 0.76 Mn during the year. Blood donation campaign 97 employees volunteered and donated blood.



The Aluminium Fabrication Training school by Alumex, launched in 1998 reached its 25th year and continued to create win-win value to industry and youth. The school, with the support of Sri Lanka Vocational Training Authority and the National Apprentice and Industrial Training Authority trained approximately 2,500 individuals every year. During the year trained 2,185 individuals covering many institutions.

### Community Service & Recruitment

Accelerating our philanthropic efforts amidst the pandemic relate, challenges, we invested a sum of Rs. 0.76 Mn on community service in the FY 2022/23.

Hiring from the community is one of our key sustainability commitments. We recruit most of our staffing requirements from communities living in and around our plants. As of the reporting year-end, 75% of the total permanent cadre was sourced from the communities in which we operate. Of this, 18% hold executive and management roles within the organisation. In terms of gender, 4% of the community recruits are female employees. Meanwhile 80% of temporary staff hired from the local community.

### Community Impacts and Compliance

Earning the trust and respect of the community is important to us and to the sustainability of our value creation. Alumex has accordingly adopted preventive measures to manage effluents, noise controls and toxic emissions that affect the environment and human rights such as discrimination and forced and child labor issues from a social perspective. In addition, we strive to maintain close relationships with relevant local and central government authorities community leaders and associations.

We have also established a sound mechanism to allow the community to escalate their complaints/grievances on social and environmental impacts.

There were no significant complaints of negative impacts to the local community in the reporting year due to our operations. No fines and non-monetary sanctions were recorded for non-compliance with laws and regulations in social and economic realms.

### Statutory Payments

Alumex abides by all tax laws and ensure that all tax and statutory obligations and payments are met on time. In the year under review, we contributed Rs 803 Mn. by way of taxes and other duties to the Government. Other statutory payment including contributions to the Income Tax, VAT, SSCL, PAL, CESS, PAYE obligations to the Inland Revenue on employee earnings, were paid in full and on time.

Alumex did not extend any political contributions either in financial terms or in-kind. We also did not receive any financial assistance from the Government in the form of subsidies, tax relief and grants.

### Memberships, Associations and Affiliations

As the largest Aluminium extrusions manufacturer in Sri Lanka, we are aware of the capacity we have for greater policy advocacy within the local Aluminum industry. We thus proactively participate in key associations in the country, where we contribute to lobbying for significant industry issues and advocate best business practices. Some of our Senior Managers hold positions in many of these associations. Currently our Managing Director and Group Manager Marketing hold the following positions:

The Managing Director is a

- ❖ Council Member of the Foundry Development and Services Institute, Sri Lanka
- ❖ The Light Engineering Sector of Export Development Board
- ❖ Member of the Economic Association of Sri Lanka.

The Group Manager Marketing is a Council Member of the manufacturing and Engineering Services Industry Skills Council (MESSCO).

### Membership in Industry Associations

- ❖ Chamber of Construction Industry
- ❖ International Chamber Commerce
- ❖ National Chamber of Exporters of Sri Lanka
- ❖ The Ceylon Chamber of Commerce
- ❖ The Employers' Federation of Ceylon

### Compliance, Anti-Competitive Behavior and Ethics

The "Alumex Way" policy, which is also aligned with the Hayleys Group's ethics and principles, serves as the overarching mandate to guide the Board, the management and employees. The code sets out clear anti-corruption, anti-competitive behaviors, non-discrimination and equal opportunity guidelines. Periodic employee training and access to the Company's intranet ensures that all policies are well internalized. Our Compliance function is also well structured and maintained under the stewardship of a dedicated team. An effective whistleblower policy is also in place, and offers an avenue to report any perceived breach of Alumex values and policies or any violations of laws and regulations. All complaints submitted through the whistleblower mechanism is taken up by the senior management and escalated to the Board, if necessary, for corrective action.

During the reporting year there were no incidents of corruption, discrimination or legal actions taken by or against the Company on anti-competitive behavior, anti-trust and monopoly practices.

Short-Term	Medium-Term	Long-Term
Strengthen customer engagement through targeted initiatives for each customer group	Expand the focus on social and environmental criteria in the supplier audit framework to cover a wider base	Streamline community investments to achieve specific targets

# Natural Capital



## Management Approach

Being a manufacturer of Aluminium extrusions, Alumex PLC's operations have several negative impacts on the environment. These are mainly owing to the emissions from energy intensive operations, and the effluents released at various stages of production and the use of water in our manufacturing processes. Following an analysis and a comprehensive understanding of the environmental interaction points across our value chain, Alumex has adopted a meticulous approach to planning, controlling and managing the six key points of impacts, namely the management of materials, energy, water resources, our emissions and solid waste and the compliance with environmental regulations and standards.

The compliance requirements stipulated under the Environmental Protection license issued by the Central Environmental Authority (CEA) forms the foundation for our efforts whilst we also benchmark our environmental management with global best practices and subscribe to or voluntarily pledge commitment to a number of global initiatives.

## Minimising Our Footprint

Strategic priorities and action towards a greener footprint

### Materials Management

- ❖ Carefully monitor material consumption
- ❖ Opt for recycled material wherever possible

### Energy Management

- ❖ Measure and monitor energy usage
- ❖ Adopt energy efficient measures
- ❖ Opt for alternate renewable energy measures

### Water Resources Management

- ❖ Monitor and be conscious of water consumption
- ❖ Treat and test water before discharging to water bodies

### Emissions Management

- ❖ Measure, monitor and be responsible in greenhouse gas emissions

### Environmental Compliance, Benchmarking and Commitment to External Initiatives and Standards

- ❖ Comply with applicable environmental laws and regulations.
- ❖ Follow best practices in water management focusing on "3R"s- Reducing, Reusing and Recycling.

### Introducing Low Carbon Aluminium to Sri Lanka with the Launch of “Ozon” - Impacting a Double Bottom Line

The year under review saw the ground breaking initiative of the launch of Sri Lanka's first low Carbon Aluminium thus helping us green our footprint as well as expand horizons for Sri Lanka's exports.

This newly launched range of low carbon Aluminium branded as “Ozon” follows the successful opening of the Phase I of our new state of the art melting facility at Sapugaskanda with an investment of over Rs. 1 Bn. The investment is intended to develop our export markets and a further capacity building with an additional investment is on our agenda.

The facility equipped with the most modern and environmentally friendly technologies in the world enables Alumex to produce the highest quality Aluminium billets utilizing just 5% of the total energy consumed for manufacturing primary Aluminium from bauxite. We also expect further automation driven optimisations to reduce energy consumption by another 20%.

This pioneering venture would add new life to Sri Lanka's construction sector to sustainably reduce its environmental and Carbon footprint and Alumex will maintain its commitment to the highest global quality standards.

“Aluminium is a material with infinite possibilities and a near limitless life cycle. When processed correctly it can be used, melted down and reshaped with near zero loss in quality and physical integrity. Our new facility enables our efforts to support greater circularity, drastically reduce our environmental impact and energy dependence and deliver the highest quality products in South Asia to both local and global markets. ”

### Ridding the environment of used Aluminium

Backward integrating for our pioneering venture of the launch of manufacture using recycled Aluminium the Company also rolled out an initiative to collect used Aluminium beverage cans (UBCs) by setting up large bins across key locations in largely populated districts, with plans to roll out the project across the island. The initiative encourages the disposal of Aluminium wastage in an appropriate manner that protects and benefits the environment, thereby paving the way for cleaner land and water bodies. The project is also being expanded to enable individuals or small businesses such as sellers of canned beverages to collect their empty containers and earn money by weight.

### We Obtained ASI Certification

During the year Alumex obtained the certification and membership of Aluminium Stewardship Initiative (ASI). ASI is a global non-profit standard setting and certification organization headquartered in the United States, and being ASI certified demonstrates our commitment to sustainability in the Aluminium supply chain. The ASI promotes measurable and continual improvements in the key environmental, social and governance impacts of Aluminium production, use and recycling. And in addition, it also makes us a part of the global effort to drive positive change through collective action.

### Material Management

Large quantities of Aluminium logs/billets are a key raw material used in the manufacture of Aluminium extrusions. These billets which we import from overseas are made of mined bauxite which is a non-renewable material. Recent technological advancements have enabled us to recycle these scrap Aluminium logs back into our production process; and it is significant that we are now able to ensure that recycled material account for almost 60% of our annual raw material consumption. And since recently we have also begun to utilize pre-used Aluminium for our manufacture of extrusions. The

reclaimed Aluminum accounts for 4% of our total annual material consumption and the resulting foreign exchange savings during the year amounted to US Dollars 9 Mn.

### Material Consumption

Product Category	2022/23 MT	2021/22 MT	Variance %
Non-recycled Aluminium logs	2,967	5,231	-43%
Recycled Aluminium logs	4,369	5,395	-19%
Recycled Aluminium as % of total Aluminium consumed	60%	51%	17%

### Recycled and reclaimed Products

Product Category	2022/23 MT	2021/22 MT	Variance %
Recycled Aluminium billets/logs - onsite	2,907	5,395	-46%
Aluminium extrusions sold	4,981	8,198	-39%
Reclaimed products	3,689	3,530	5%
Reclaimed as % of extrusions sold	74%	43%	72%

### Energy Management

As an energy intensive industry, efficient use of energy and maximizing the use of renewable energy remains a priority at Alumex. Hence investments into energy efficient equipment through the CAPEX plan and annual budgetary allocation for maintenance and upkeep to enhance overall

## Natural Capital

efficiency of our production equipment are part of our strategic imperatives. Continuous employee awarded creation and measurement of daily energy consumption vis-a-vis benchmark levels and addressing deviations if any are among our actions towards energy efficiency.

	2022/23 Mega Joules	2021/22 Mega Joules	Variance %
<b>Energy Consumption Within the Organisation</b>			
Petrol for vehicles	695,108	652,744	6
Diesel for vehicles	465,132	398,880	17
Diesel for plant and generators	17,099,030	37,863,580	-55
Furnace oil for plants	19,566,340	33,750,410	-42
LP gas	2,405,620	9,487,765	-75
	40,231,230	82,153,379	
<b>Indirect</b>			
Electricity for plants	19,364,182	26,728,115	-28
Electricity for administration areas	3,987,398	5,503,750	-28
	23,351,580	32,231,865	-28
Total energy consumed within the organisation (1)	63,582,810	114,385,244	-44
<b>Energy Consumption Outside the Organisation</b>			
<b>Direct</b>			
Petrol for vehicles	564,777	0	100
Diesel for vehicles	2,571,896	4,990,939	-48
Total energy consumed outside the organisation (2)	3,136,673	4,990,939	-37
Total energy consumed (1+2)	66,719,483	119,376,183	-44

### Conversions: Average Energy Content of Fuel

The methodology used for energy consumption within the organization is the direct measurement of actual consumption at the factories and administration areas.

Energy Consumption outside the organization refers to external transportation (third -party) used by the Company for bringing in raw material to our locations as well as outward carriage of finished goods to the eight warehouses located across the island. This also includes the pooled transportation provided (occasionally) to our employees. The methodology used for energy consumption outside the organization is the estimation based on predetermined distances multiplied by an average fuel consumption rate.

### Energy Intensity

Energy Consumed	2022/23 Mega Joules	2021/22 Mega Joules	Variance %
Total energy consumed	66,719,483	119,376,183	-44
Total material consumed	7,336	10,626	-31
Total production output	4,830	8,840	-45
Average energy consumption-Material consumed	9,095	11,234	-19
Average energy consumption-Output	13,814	13,504	2

## Emissions Monitoring

Emissions released from our manufacturing operations have an impact on the surrounding environment and hence the communities that live in and around our plants. To mitigate this impact, we refrain from using any ozone depleting chemicals or substances stated under the Montreal Protocol. However, the nature of our business is such that certain ozone depleting substances are released as a result of metal cleaning in our laboratory, our heating and cooling systems and from the use of motor vehicles for commuting and transport purposes.

Significant emissions which the Company is responsible for are, Oxygen, Carbon Monoxide, Oxides of Nitrogen and Sulfur Dioxide. We take responsibility for these emissions and have set clear control limits to manage them in line with CEA guidelines, whilst stringent monitoring ensures these parameters are not exceeded.

Our efforts to minimize our emissions footprint also include the continuing emphasis on improvement to energy efficiency across our operations.

The Aluminium recycling efforts also make a noteworthy contribution towards reducing energy consumption. Recycling in effect saves as much as over 90% of the energy required to produce Aluminium logs from bauxite ore. On average recycling one Kilogram of Aluminium saves 55 megajoules of energy. Recycling also minimized the emission of toxic gasses such as Sulfur Oxide (SOX) and Nitrogen Oxide (NOx) released during the production of Aluminium logs, thereby indirectly lowering Alumex PLC's overall footprint.

Alumex PLC measures and reports on Scope 1, Scope 2 and Scope 3 emissions as per the GHG protocol. Emissions are calculated in-house and overall operations of the Company.

## Emissions Intensity

Scope	Description	2022/23 (Tco2)	% Share	2021/22 (Tco2)	% Share	Variance %
Scope 1	Scope 1 Emission (Tco2)	4,119	46	6,160	45	-33
Scope 2	Scope 2 Emission (Tco2)	3,738	42	5,562	41	-33
Scope 3	Scope 3 Emission (Tco2)	1,052	12	1,703	13	-38
<b>Total</b>	Greenhouse gas emissions	8,909	100	13,426	100	-34

Our greenhouse gas emissions intensity stood at 1.21 tCO<sub>2</sub>e per metric ton of material consumed. Emissions intensity in the year increased by 2% over the previous year.

## Tree Planting

Alumex carried out a tree planting campaign to plant 300 coconut saplings on an empty plot on the Othara estate in Giriulla.

## Water Management

Alumex interaction with water remains relatively high as water is used across almost 76% of the production processes, including anodizing, power coating, cooling towers as well as for consumption by employees. The water requirements are met through different sources. At our main factory in Sapugaskanda which is located within the Lindel Industrial Zone water is provided by the zone's water system which in turn extracts water from the Kelani river. Our Prime plant in Ekala sources water from onsite deep tube wells. We also extract small quantities of water from shallow wells at our sites, mainly for use at our Aluminium recycling foundry and for the fire extinguishing hydrant system. Water drawn from onsite wells does not impact any common water bodies located in these areas.

We have set ourselves a goal to reduce our water consumption across our manufacturing processes by at least 3% each year. Meticulous planning coupled with coordinated action and continuous monitoring underpins our efforts to achieve this objective.

# Natural Capital

## Water Resources Statement

Consumption base	2022/23 (m <sup>3</sup> )	2021/22 (m <sup>3</sup> )	Variance %
<b>Water Withdrawal</b>			
Total water withdrawal (third party withdrawal, surface water)	74,540	98,995	-25
<b>Water Consumed</b>			
Water consumed in manufacturing plants	56,658	75,246	-25
Water consumed by employees	17,882	23,749	-25
Water recycled/ reused	13,200	13,200	0
Total water recycled as % of water consumed	18	13	33
<b>Water Discharged</b>			
Purified water discharged	74,540	98,995	-25
Purified water discharged as % of water withdrawn	100	100	

## Effluent Treatment

All waste water generated from our manufacturing processes, prior to being released to the environment, is treated at our on-site effluent treatment plants which confirm to CEA guidelines. The quality of treated water is monitored and measured against the CEA's water quality parameters whilst water quality is tested daily at our in-house lab prior to being released to the environment. We also engage the service of an accredited laboratory for independent sampling of water quality on a monthly basis.

## Waste Management

We ensure that all our factories adhere to best practices in handling and managing waste. In addition to compliance with all regulatory requirements, we also ensure global best practices for waste management.

Waste Generated			
Category	2022/23 (m <sup>3</sup> )	2021/22 (m <sup>3</sup> )	Variance %
Non-hazardous	292	376	-22
Hazardous	1,494	1,642	-9
<b>Total waste generated</b>	<b>1,786</b>	<b>2,018</b>	<b>-11</b>

Category	Type of Waste	Type	Waste	Percentage %
Hazardous	ETP Sludge	Incineration(mass burn)	1,023	68
	Ash	Recycling	381	26
	Ash	Reuse	90	6
<b>Total</b>			<b>1,494</b>	
Non-Hazardous	Garden Waste	Composting	20	7
	Biomass Waste	Energy Recovery	21	7
	Polythene Waste	Incineration(mass burn)	4	1
	Plant Waste	Recycling	238	82
	Cardboard Waste	Reuse	9	3
<b>Total</b>			<b>292</b>	

Environmental Investments	2022/23 Rs. Mn	2021/22 Rs. Mn	Variance %
Recycling of scrap Aluminium (market value)	2,403	1,781	35
Purifying cost of waste water	56	52	9
<b>Total</b>	<b>2,459</b>	<b>1,833</b>	<b>44</b>

## Environmental Compliance

The Company was not subject to any fines due to non-compliance with environmental regulations, during the year.

## Future Plans

Our Industry, as most other sectors, is aware of the immediate threat of climate change, such as the disruptions to supply chain; of extreme weather patterns and their implications on our physical assets to the demand for our products. At the same time, and perhaps even more important to us is the medium to long term implications for business where the global market is increasingly being motivated to lessen the Carbon footprint and thus its preference for environmentally sustainable products and services. We appreciate that Companies who fail to adopt those practices and adapt would lose market share and find it challenging to sustain profitability. Just as this adaptation is hence a strategic imperative, we also recognize new opportunities for innovation and growth in the emerging green economy. We recognize that it is ultimately a win-win. Environmental sustainability is thus a key priority in our business strategy. The launch of Ozon described at the start is an example of a business integrated proactive environmentally friendly initiative that takes us to new tiers of growth.

Moreover, aligning our strategies and systems to the Hayleys ESG framework and completion of the requirements to receive the ISO 14001 certification in the next quarter is among our immediate tasks. The specific objectives through which we will continue to reduce our Carbon footprint is given below.

No	Pillar	Objective	UOM	Baseline ss at FY 21-22	Target	
					FY 23-24	FY 27-28
01	Energy	24% reduction of energy intensity by FY 27/28	GJ/MT	14.96	13.77	11.37
02	Energy	Achieve 12% sustainable/renewable energy application over total energy consumption	%	5.27	8.51	12
03	GHG Emission	60% reduction of GHG emissions intensity by FY 27/28	tCo2e/MT	1.64	1.48	0.66
04	Water	20% reduction of water intensity by FY 27/28	m3/MT	12.08	11.79	9.66
05	Water	25% sustainable water sourcing by FY 27/28 over total water consumption	%	10.3	15	25
06	Waste	25% reduction of waste intensity by FY 27/28	MT/MT	0.25	0.23	0.18
07	Bio Diversity	Increase the biodiversity enhancing program to cover 5 times the area occupied by Company by FY 27/28	Times of area	-	0.1	0.5

## Future Targets



### Future Targets



#### Economic

**53%** Local Market Share

**54%** Exports Share in Revenue

**15** LUMIN Concept Centres

**260 MT** Extrusions Production

**6,228 MT** Extrusions Production

**01 MT** Worker Productivity

**Rs. 328 Mn** Capital Expenditure



#### Social

**Rs. 1.7 Mn** Training Investment

**5,000** Training Hours

**1,200** Training Hours on Health and Safety

**Rs. 6.2 Mn** Investment on Community Initiatives

**80%** GPTW Employee Satisfaction

**1,000** New Fabrication Training

**30** Customer Experience Centres



#### Environment

**30%** Reduction in the Absolute Carbon Emission of Scope 1 and 2 by 2030

**24%** Reduction in Energy Intensity

**60%** Reduction GHG Emission Intensity

**20%** Reduction in Water Intensity

**5,896** Local Billet Production

**1,250 Kwh** Solar power Generator

Achieve ISO 45001:2008 Certification

**Rs. 102 Mn** Investment on Environment Management

# Alumex Commitment to Sustainability

The Alumex business model is one which has long since integrated social and environmental concerns and our decision-making takes into account the social and environmental implications.

We marked an important milestone in this regard, when we started reporting on Environment, Social and Governance (ESG) principals in our annual report of the financial year 2013.

The year 2021 marked yet another important milestone as we adopted a formal ESG framework based on the direction of our parent Company Hayleys PLC. In addition to addressing emerging social and environmental issues, the framework will also help the Company to fine tune the identification of stakeholder concerns and strengthen its ethical reporting of information related to ESG.

During the year under review, Alumex progressed further to embed social and environmental consciousness in our strategy, processes and decision-making in a more concrete manner by paving the way for its implementation. Accordingly, the year under review saw the appointment of a ESG Team comprising a team of employees at management level and above, representing experience, relevant expertise and decision-making ability, to give leadership to ESG sustainability at Alumex and implement the strategic objectives set forth in the framework.

The framework has set specific targets for year 2030 across all three aspects and our progress is to be monitored on a quarterly basis by the sustainability team.

- ❖ Purpose – Thriving business that shapes a better future
- ❖ Environmental – Minimize our footprint while seizing opportunities to shape a greener future
- ❖ Social – Striving and thriving together for a better tomorrow
- ❖ Governance – Responsible and responsive corporate citizenry

## Governance of Sustainability

The Board of Directors of Alumex PLC takes the leadership and responsibility in establishing ESG principals at Alumex. The Company's Managing Director with the Alumex Group Management Committee provides strategic oversight for sustainability, while the Alumex Sustainability Team together with cross functional teams facilitates the implementation of sustainable initiatives. The Sustainability Team is also tasked with monitoring and reporting progress to the Alumex Group Management Committee on a quarterly basis.

A customized portal captures and analyses sustainability information on a monthly basis and summarizes environmental and social performance for review by the management. The Hayleys Group's sustainability division provides satellite supervision in policy formulation, monitoring and governance of all sustainability activities.

Since sustainability is not the responsibility of a single division, various functional heads also take part in the sustainability governance process. The below chart elaborates the different teams that form the Alumex sustainability governance process.

### Board Accountability and Executive Leadership

- ❖ Board of Directors
- ❖ Managing Director

### Cross Functional Leadership

- ❖ Alumex Group Management Committee
- ❖ Hayleys Group Sustainability Team

### Cross Functional Working Groups

- ❖ Alumex Sustainability Team
- ❖ Human Resource Team
- ❖ Health and Safety Committee
- ❖ Engineering Team
- ❖ Fabrication Training Team
- ❖ Quality Assurance Team
- ❖ Departmental project teams

## Reporting Boundary

The sustainability reporting boundary covers the sustainability initiatives pertaining to all locations of Alumex PLC and its subsidiary of Alco Industries Private limited for the period from 1 April 2022 to 31 March 2023.

## Policy Architecture

The ESG framework provides directions in terms of policy documents to initiate and manage sustainable actions.

# Alumex Commitment to Sustainability

Environment	Social	Governance
Material and Waste Management Policy	<b>Employee-related policies</b>	Board Charter
Energy and Emissions Management Policy	Industrial Relations Policy	Board Committee Charters
Water Management Policy	Disciplinary Policy	Stakeholder Engagement
Biodiversity Conservation Policy	Grievance Handling Policy	Information Disclosure Policies
Chemical Management Policy	Recruitment Policy	IT Policy
Sustainability Compliance Guideline	Learning & Development Policy	Intellectual Capital Policy
	Talent Management and Succession Planning Policy	Information Security Policy
	Performance Management Policy	Business Data Back-up Policy
	Human Rights Policy	
	Whistleblower Policy	
	Anti-Sexual Harassment Policy	
	Health and Safety Policy	
	<b>Policies related to other stakeholders</b>	
	Customer Management Policy	
	Procurement Policy	
	CSR Policy	

## Key Sustainability Concerns of 2022

The year 2022 was one in which the entire economy faced a multitude of challenges that threatened the short to medium-term sustainability of the economy as well as many enterprises. Alumex faced demand side as well as supply side challenges. The recessionary conditions combined with a contraction in construction activities contributed to the local market for Aluminium to decline by over 50%. The resulting pressure on margins drove our efforts to further enhance operational efficiencies and productivity, and minimize risks which stemmed from the uncertainty and volatility of the operating environment. Moreover, financial uncertainties stemmed from the rapidly depreciating Lankan rupee and the high interest rates. These external conditions led to higher costs of production and high costs of borrowing. One of our key initiatives during the year to mitigate the challenges posed by the operating environment was to establish 27 cross functional, Special Business Development teams, with each team tasked with focusing on improving 27 key areas such as Costs, Revenue, and Employee Well Being. We are encouraged that our initiatives to reduce the import content of our products to meet the challenge of rising import costs, resulted in imports accounting for 35% compared to 50% in the previous year.

In a recessionary economy where inflation rose steeply impacting lives and life styles our people were amongst those affected. Thus we prioritized the needs of employees. We adopted numerous measures to help support the financial security of all employees while supporting them in fulfilling basic needs including food security and mental and physical wellbeing.

Our initiatives for sustainability for the industry also continued. As the market leader in Sri Lanka's Aluminium extrusions industry, the Company has long-since been a catalyst for skill development across the value chain. The ongoing efforts to strengthen industry capabilities through training of fabricators, dealers, engineers and students of the Vocational Training Authority and NAITA, among others continued during the year.

## Sustainability Objectives and Achievements

Stemming from the newly-launched Sustainability Framework Alumex has set out targets for the long term to be achieved in 2030 supported by a series of annual short-term targets.

ESG Strategy	Long-Term Target	Target 2022/23	Achievement	Results
Reliance on Sustainable and Renewable Energy Sources	15% energy requirement to be met through renewable energy by 2030	5% energy requirement to be met through renewable energy	Achieved	Generated 1,578 MWh (24% of total electricity consumed during FY 2021/2022 Financial Year) from its two roof solar plants at the Sapugaskanda and Ekala Premises.
Reduction in Energy Intensity by Improving Operational Efficiencies	5% Reduction in energy intensity by 2030	1% Reduction in Energy intensity	Not Achieved	Deteriorated by 2% compared to last year.
Phase-Out Our Absolute Carbon Footprint	5% Reduction in Scope 1 and 2 Emissions	1% Reduction in Scope 1 and 2 Emissions	Achieved	Improved by 33% compared to last year.
	10% reduction in absolute carbon emissions of scope 3 by 2030	1% reduction in Scope 3 GHG emissions compared with last year	Not Achieved	Improved by 38% compared to last year.
Application of Sustainable Water Sources	10% improvement of total waste water recycled from 19/20 level	2% improvement of total waste water re-cycled or reclaimed	Not Achieved	No change
Reduction in Water Intensity Through Efficiency Improvements	5% improvement of Water Intensity from 2019/20 level	1% improvement of water intensity	Achieved	Improved by 24% compared to last year.
Value Additions Through Waste Generation	Zero landfilling by 2030	5% reduction in landfilling	Achieved	Zero land fill during the current financial year.
	30% recycled/reclaimed material used in the production process by 2030	20% recycled/reclaimed material used in the production process by 21/22	Achieved	51% recycled material used in the production process
Biodiversity Conservation and Preservation Relating to Our Business Operations	Reforestation projects to be conducted every year to achieve 15 acres in 2030.	Reforestation to cover 2 Acres in 2021/22	Partially Achieved	300 trees planted.

## Sustainable Development Goals

At Alumex PLC, sustainability is at the core of everything we do. Our approach to sustainability aims to reflect how our responsible business practices are making a positive impact on economic activity as well as on the environment and on society, as a whole. As the scope of our business grows, we continually rethink and reframe our impact.

We now strive to align our efforts with the UN Sustainable Development Goals (SDGs). The SDGs provide the framework to direct our efforts more meaningfully as to what we, as a Company, can and must achieve in order to sustain our business, build a strong society and preserve the environment for future generations. On this basis, we have discovered that, due to our broad positioning and our multilayered business model, Alumex contributes in some way to all 17 SDGs - some more significantly than others.

Alumex PLC's Executive Director provides strategic oversight for sustainability, while the Manager Safety & Health acts as the lifecycle champion in executing sustainability initiatives. The Hayleys Group sustainability division provides satellite supervision in policy formulation, monitoring and governance of all sustainability activities.

### Alumex Contribution

#### United Nations Sustainable Development Goals

##### No Poverty



We pay a salary which is on par or above the minimum wages of Sri Lanka and in addition allowances to our employees. Alumex distributed 28% value created to our employees reaching over Rs. 918 Mn. We also distributed Rs 7.5 Bn to local suppliers and Rs 164 as tax obligations.

##### Zero Hunger



We provide meals and tea for all our employees. In the aftermath of last year's economic crisis, we also began providing 100 food parcels per day for students of five schools in the vicinity of our factories, and continue today.

##### Good Health & Well Being



We secure the health and wellbeing of our employee through our Health and Safety scheme and organize monthly health awareness and well being programs.

We invested Rs 3 Mn on health and safety initiatives in the reporting year.

##### Education



We continuously build the capacities of our people through knowledge sharing and training and development through a variety of programmes held throughout each year.

This year we invested Rs. 9.03 Mn in Training & Development.

##### Gender Equality



We provide equal opportunities in recruitment, remuneration and promotions and none of our decisions are influenced by gender.

##### Clean and sanitation



Both factories provide clean water and sanitation facilities to facilitate the health of our staff. We also have in place water treatment facilities to clean the water used in production before it is discharged into water bodies. Water and sanitation facilities investment for the year amounted to Rs 50 Mn.

##### Affordable and clean energy



We continue to focus on enhancing energy efficiency. Investments were made to install 2 rooftop solar energy plants at our Central Warehouse in Sapugaskanda and Prime Plant at Ekala. We also use recycled Aluminium in the manufacturing process, in place of Bauxite which requires much higher energy for processing. This contributes significantly to energy savings. In indirect terms, this translates to savings of 50,012 liters of fossil fuels and reduces our carbon footprint by 133 tCO<sub>2</sub>e. Page 103

##### Decent work and economic growth



We introduced a DIY concept in Aluminium doors and windows (which come pack-aged in ready to fix states) under the Dwelling brand for our customers to improve their lifestyle.

We conducted lean six sigma green belt course to improve workplace productivity for our executive team to adopt this culture.

We established 3 Sustainable Business Development Units to improve efficiency in consumption and production.

We conducted 124 inhouse fabrication training sessions for 2,185 students from the VTA, other governmental and non-governmental bodies to help Sri Lanka's economic capacities for value creation.

### Industry innovation and infrastructure



We launched a new re-melting plant achieving mammoth reductions in energy consumption and emissions at our local billet manufacturing facility. We commenced the operation of Scrap Collection and a processing plant (3R Plant) to improve quality of billets.

### Reduced Inequities



We maintain equity in all our decisions and policy matters

### Sustainable cities and communities



We collect used Beverage Cans and recycle them by using them for local billets manufacturing for a greener environment and footprint. We invests a sum of Rs. 27.27 Mn in solid waste disposal.

### Responsible consumption and production



We save 1,100,000 Lires per month through the DI plant at our Sapugaskanda plant.

### Climate Action



Through our use of recycled Aluminium: we saved 2,907 MT of Aluminium, reduced GHG emissions by 34% and Reduced total energy consumption by 82% over the previous year. Thus contributing towards reducing 'Global Warming'

### Life Below Water



To ensure a greener world and zero harm to the natural water bodies. We re-cycled all processed water through Effluent Treatment plants. Recycle, Reuse, incinerate all plastic and polyethene to prevent their pollution of marine and fresh water resources.

### Life on land



We continued the annual re-forestation project by planting 300 trees to minimize global warming this financial year.

Aluminium being a greener alternative to wood has meant that Alumex has saved a total of 1,530,000 trees for the country.

### Peace justice and strong institutions



We follow the regulatory and procedural guidelines of the statutory bodies and Employers' Federation of Ceylon.

### Partnership for the goals



We obtained membership of the Aluminium Stewardship Initiative (ASI).

We distributed Rs. 104 Mn of the value generated to the government as taxes for sustainable development.

We facilitated knowledge transfer and bring in the latest in technology from advanced nations.



## SUSTAINABLE WAYS IN WHICH WE INCORPORATE TECHNOLOGY AND INNOVATION



## Board of Directors



Mr. Sarath Ganegoda  
Deputy Chairman

Mr. Mohan Pandithage  
Chairman

Dr. Harsha Cabral, PC  
Independent  
Non-Executive Director

Mr. Pramuk Dediwela  
Managing Director



Mr. Asghar Akbarally  
Non-Executive Director

Mr. Somasiri Munaweera  
Independent  
Non-Executive Director

Mr. Prageeth Rajapaksha  
Executive Director

Mr. Ranil Pathirana  
Non-Executive Director

## Board of Directors

### Mohan Pandithage

#### Chairman

Mohan Pandithage currently serves as the Chairman and Chief Executive of Hayleys PLC, a position he has held since his appointment in July 2009.

Appointed to the Board of Alumex PLC in 2010.

As an accomplished industry veteran and respected leader in the field of transportation and logistics, he was honoured with the prestigious 'Best Shipping Personality' Award by the Institute of Chartered Shipbrokers, in recognition of his outstanding contributions to the industry. Additionally, he was presented with a Lifetime Achievement Award by the Seatrade-Sri Lanka Ports, Trade and Logistics (SLPTL). He was the first Sri Lankan to be awarded the Pinnacle Lifetime Award by the Chartered Institute of Logistics and Transport (CILT). He was also inducted as a 'Legend of Logistics' by the Sri Lanka Logistics and Freight Forwarding Association, in acknowledgement of his invaluable services to Sri Lanka's logistics industry.

Mr. Pandithage serves as Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. He is a Fellow of the Chartered Institute of Logistics and Transport (UK) and a Member of the Advisory Council of the Ceylon Association of Shipping Agents (CASA). He also serves as a Council Member of the Employers' Federation of Ceylon.

As an Executive Chairman of multiple companies within the Hayleys Group, Mr. Pandithage possesses extensive leadership experience across a broad spectrum of industries. Presently, he holds the position of Executive Chairman at Dipped Products PLC, Haycarb PLC, Hayleys Fibre PLC, Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC, Horana Plantations PLC, Hayleys Fabric PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC, Hayleys Leisure PLC and Unisyst Engineering PLC. He also serves on the Board of Diesel & Motor Engineering PLC.

### Mr. Sarath Ganegoda

#### Deputy Chairman

Mr. Ganegoda rejoined Hayleys in March 2007. He was appointed to the Group Management Committee in July 2007 and he appointed to the Board of Alumex PLC in November 2010. He is a fellow Member of CA Sri Lanka and a Member of the Institute of Certified Management Accountants of Australia. Mr. Ganegoda holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. He worked for the Hayleys Group between 1987 and 2002, ultimately as an Executive Director. Subsequently, he held several senior management positions in large private sector entities in Sri Lanka and overseas. He has responsibility for the Strategic Business Development Unit, Group Information Technology of Hayleys PLC and was appointed as the Deputy Chairman of Alumex PLC in October 2020. He serves on the Boards of Unisyst Engineering 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, Horana Plantations PLC and Hayleys Leisure PLC.

### Mr. Pramuk Dediwela

#### Managing Director

Mr. Dediwela started his career in January 1989 and has over 34 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 financial economist cum marketer and holds a Master in Financial Economics (University of Colombo), Master of Business Administration (University of Southern Queensland), postgraduate Diploma in Business and Financial Administration (CA Sri Lanka/Cranfield -

UK), Postgraduate Diploma in Marketing (Chartered Institute of Marketing - UK) and Diploma in Management (OUSL).

Mr. Dediwela is a member of the Advisory Committee on Metal & Light Engineering under EDB/Ministry of Industry & Commerce and Member of the Sri Lanka Economics Association. He is a Council Member of the Foundry Development & Services Institute of Sri Lanka (a UNDP-funded Institute).

### Mr. Ranil 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 and Chairman of WindForce PLC.

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

### Mr. 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. He currently serves as the Executive Chairman of WindForce PLC and Chairman of Amana Bank.

He holds a degree in Industrial 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 Hashemite 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-six (36) years' experience in the field of Intellectual Property Law, Company Law, Commercial Law, Commercial Arbitration, Securities Laws, International Trade Law, covering both civil and criminal aspect of the said areas of the law. He has been a President's Counsel for seventeen (17) years and commands an extensive practice in the Commercial High Courts and the Supreme Courts of Sri Lanka, and has sixteen (16) Attorneys-at-Law working in his Chambers. He holds a doctorate in Corporate Law from the University of Canberra, Australia. He was a sitting member of the International Chamber of Commerce (ICC) International Court of Arbitration in Paris for a period of six years till 2021. He is a 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 Fellow of the Institute of Chartered Governance Institute (UK & Ireland). He is a former Member of the Board of Investment (BOI) of Sri Lanka. He was the Founder Board Member of the Sri Lanka International Arbitration Centre and was involved in the drafting of the Arbitration Act No. 11 of 1995, the current Act. Dr. Cabral is also a Member of the Law Commission of Sri Lanka, a Member of the Intellectual Property Advisory Commission in Sri Lanka and the Chairman of the Intellectual Property Law Reform Project of the Ministry of Justice, a member of the Corporate Governance Faculty and the Corporate Governance Committee of the Institute of Chartered Accountants of Sri Lanka, and University Grants Commission (UGC) Nominee on the postgraduate Institute of Medicine (PGIM). 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. Dr. Cabral is also a Senior Advisor to the Ministry of Sports in drafting the new National Sports Law, a Senior Advisor to the Ministry of Justice on the new House of Justice Project (Chairman) and a Senior Advisor to the Ministry of Justice on Commercial Law Reform.

Dr. Cabral serves as the Chairman of the Tokyo Cement Group, which commands the largest market share for cement in Sri Lanka.

He was the past Chairman of LOLC Finance PLC, one of the largest Finance Companies in Sri Lanka. He was also a Director of LOLC Insurance Company Limited, Commercial Leasing & Finance Limited and Richard Pieris Distributors Limited (Arpico Supermarkets). He was also the past Acting Chairman of Hatton National Bank PLC (HNB). In addition, Dr. Cabral was a Senior Director of the Union Bank of Sri Lanka. He was also a Member of the Cabinet appointed Committee on the National Trade Policy and also a Member of the Presidential Commission appointed on reformulating laws of Sri Lanka.

Dr. Cabral currently serves as Independent Non-Executive Director of DIMO PLC, Hayleys PLC, Tokyo Cement Company (Lanka) PLC, Tokyo Super Cement Company Lanka (Private) Limited, Tokyo Cement Power Lanka (Private) Limited, Tokyo Eastern Cement Company (Private) Limited, Tokyo Super Aggregate (Private) Limited, Tokyo Supermix (Private) Limited, World Export Centre Limited, Chevron Lubricants Lanka PLC, Darley Property Holdings (Private) Limited, CCC-ICLP International ADR Centre (Guarantee) Limited, National Olympic Committee (NOC) Ethics Committee (Chairman) and Sri Lanka Institute of Information Technology (Guarantee) Limited (SLIIT), SLIIT International (Private) Limited, Nanadiriya (Guarantee) Limited (Chairman) and he serves on several Audit Committees, Nomination Committees, Remuneration Committees, Recoveries Committees and the Related Party Transaction Committees, chairing most of them.

Dr. Cabral is a Senior Visiting Lecturer at several universities here and abroad, a regular speaker at public seminars and an author of several books. He has also presented several papers on Corporate Law, Intellectual Property Law, Commercial Arbitration, International Trade Law here and abroad. In addition to his active practice in courts and lecturing, he has been a counsel in many Arbitrations and has served as Sole-Arbitrator, Co-Arbitrator and Chairman in a large number of Arbitrations, domestic and international.

Following are the books Dr. Cabral has published:

- ❖ Corporate Law, Derivative Actions: A Comparative Approach.
- ❖ Intellectual Property Law in Sri Lanka.
- ❖ Companies Act No. 07 of 2007 & the Corporate Law of Sri Lanka.
- ❖ Duties of Company Directors & Corporate Governance in Sri Lanka.
- ❖ Law & Practice of Commercial Arbitration in Sri Lanka.
- ❖ Cabral's Arbitration Law Reports (Vol I) [1895 – 2020].
- ❖ Cabral's Intellectual Property Law Reports (Vol I) [1888 – 1995].
- ❖ Cabral's Intellectual Property Law Reports (Vol II) [1995 – 2020].
- ❖ Cabral's Company Law Reports (Vol I) [1881 – 1982].
- ❖ Cabral's Company Law Reports (Vol II) [1983 – 1993].
- ❖ Cabral's Company Law Reports (Vol III) [1994 – 2012].
- ❖ Cabral's Company Law Reports (Vol IV) [2013 – 2021].

## Board of Directors

### Mr. Somasiri Munaweera

#### **Independent Non-Executive Director**

Mr. Munaweera was appointed to Alumex Board in January 2014. He counts over 35 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 Deputy Chairman of New Anthony's Farms (Private) Limited, Managing Director of Southern Management and Corporate Services (Private) Limited, Independent Director of Unisyst Engineering PLC, Director of SM Bentley Corporate Services (Private) Limited and New Anthony's Feeds Limited.

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

### Mr. Prageeth Rajapaksha

#### **Executive Director**

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 20 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 Degree from the University of Colombo and a Diploma in Information Systems Security Control and Audit from the Institute of Chartered Accountants of Sri Lanka. He is 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 Hirdaramani

#### **(Alternate to Mr. R. P. Pathirana, Non-Executive Director)**

Mr. Hirdaramani was appointed to the Board of Alumex PLC in November 2010. He holds a Bachelor's degree in Business Economics from the Brown University in 2001. From 2001 to 2003, Mr. Hirdaramani worked as an Investment Banking Analyst at Credit Suisse in New York. In 2003, he was appointed to the Board of the Hirdaramani Group. He is the immediate past Chairman of the Sri Lanka Apparel Exporters' Association and is a Member of the Young Presidents' Organization. In 2016, Mr. Hirdaramani was selected to the Forum of Young Global Leaders by the World Economic Forum. Mr. Hirdaramani serves as the Honorary Consul General of Guatemala in Sri Lanka.

### 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 and is currently the Group Managing Director. 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 the Chairman of Amana Takaful Maldives PLC, and is on the Board of several other companies.

## Corporate Management



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

**Mr. Pramuk Dediwela**  
Managing Director

**Mr. Dithan Jayawardena**  
General Manager -  
Supply Chain Management

**Mr. Dushan Waduwasala**  
General Manager -  
International Marketing

**Mr. Prageeth Rajapaksha**  
Executive Director

**Mr. Chaminda Senarathne**  
General Manager -  
Manufacturing

**Mr. Asitha Jayweera**  
Deputy General Manager -  
Engineering, Research & Development

# Corporate Management

## Mr. Pramuk Dediwela

### Managing Director

Please refer page 116 for profile.

## Mr. Prageeth Rajapaksha

### Executive Director

Please refer page 118 for profile.

## Mr. Chaminda Senarathne

### General Manager – Manufacturing

Mr. Senarathne joined Alumex PLC as the Group General Manager with effect from 2nd December 2020 with the overall manufacturing responsibility of both our state-of-the-art facilities in Ekala and Sapugaskanda. Further, he leads the engineering, die manufacturing, quality and planning pillars in the aforementioned position.

Chaminda is a Lean Six Sigma and Manufacturing specialist with more than 14 years of experience in multinational manufacturing organizations. He has a proven track record of business transformation and change management through employee engagement and Lean Six Sigma principles.

He is Lean Six Sigma Master Black Belt and a TPM/TPS practitioner and holds a BSC Engineering degree from University of Ruhuna. Currently he is reading for MBA (PIM).

## Mr. Dilhan Jayawardena

### General Manager - Supply Chain Management

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

In 2018, Mr. Jayawardena was assigned new responsibilities in logistics operations. He has over 31 years of broad expertise in areas such as market research, customer services, promotions and production planning, whilst managing many local as well as international brands across industries such as apparel, logistics and transportation, accessories, electric & electronics, household decorative, hardware, advertising, printing and fabrication.

Mr. Jayawardena was instrumental in elevating the logistics function to support business growth and created multiple distribution networks to enhance customer service at Alumex PLC.

He obtained his professional postgraduate diploma in marketing from the Chartered Institute of Marketing (CIM) UK. Also, he is a Member of Chartered Institute of Marketing (UK) and Chartered Institute of Logistics and Transport.

## Mr. Dushan Waduavala

### General Manager - International Marketing

Mr. Waduavala joined Alumex PLC and was appointed as a member of the corporate management team with effect from 8th September 2019 with overall responsibility for international marketing (exports) functions.

Mr. Waduavala has diversified experience in international marketing and business development over 18 years in different industries such as rubber, printing & packaging, coconut etc. In the global market, he is specialized in international business development, marketing and strategy development and execution, new market development etc.

He obtained his professional postgraduate diploma in marketing from the Chartered Institute of Marketing (CIM) UK and holds an MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura.

## Mr. Rajitha Perera

### Deputy General Manager - Sales & Marketing

Mr. Perera joined Alumex PLC and was appointed as a member of the corporate management team with effect from 1st March 2019 with overall responsibility for both domestic sales & marketing functions.

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

He holds a BSc (hons) Degree from Metropolitan University of Manchester UK, MBA from University of Queensland Australia & a member of Chartered Institute of Marketing (UK).

## Mr. Asitha Jayweera

### Deputy General Manager – Engineering, Research & Development

Mr. Jayaweera is an accomplished engineering and energy management professional with over 25 years of experience in senior management positions in multinational and local companies. His expertise in operation management has helped him streamline processes and optimize production efficiency, resulting in significant cost savings for his employers. He has a keen eye for identifying areas of improvement and implementing solutions that deliver measurable results.

With a strong technical background in engineering and a deep understanding of project management principles, Asitha is well-equipped to manage cross-functional teams and deliver projects on time, within budget, and to the highest quality standards. He is known for his strong communication skills and his ability to build and maintain strong relationships with stakeholders at all levels. He is a Lean Certified TPM practitioner and holds B.Sc. Engineering - University of Peradeniya and Master of Energy Management - Open University. Currently, he is reading for his MBA.

As an accredited energy manager, Asitha is passionate about sustainability and is committed to finding innovative ways to reduce energy consumption and minimize environmental impact. He has worked on a variety of renewable energy projects, has helped to reduce carbon footprint and achieve sustainability goals. Overall, Mr. Jayaweera is a highly accomplished engineering professional with a diverse range of skills and experience. His proven track record of success in project management, operation management and energy management makes him a valuable asset to any organization.

## Management Team



**Mr. Dharmasiri Namal**  
Group Manager –  
HR & Administration

**Mr. Tissa Jayatilake**  
Group Manager – Marketing

**Mr. Sardha Perera**  
Group Manager – Sales

**Mr. Kavinda Rajapaksha**  
Group Manager – Engineering

**Mr. Sanjaya Kumarasekara**  
Group Manager – Production

**Mr. Jebendran Indran**  
Group Manager – Business Development

# Corporate Governance

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

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

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

## The Governance Structure

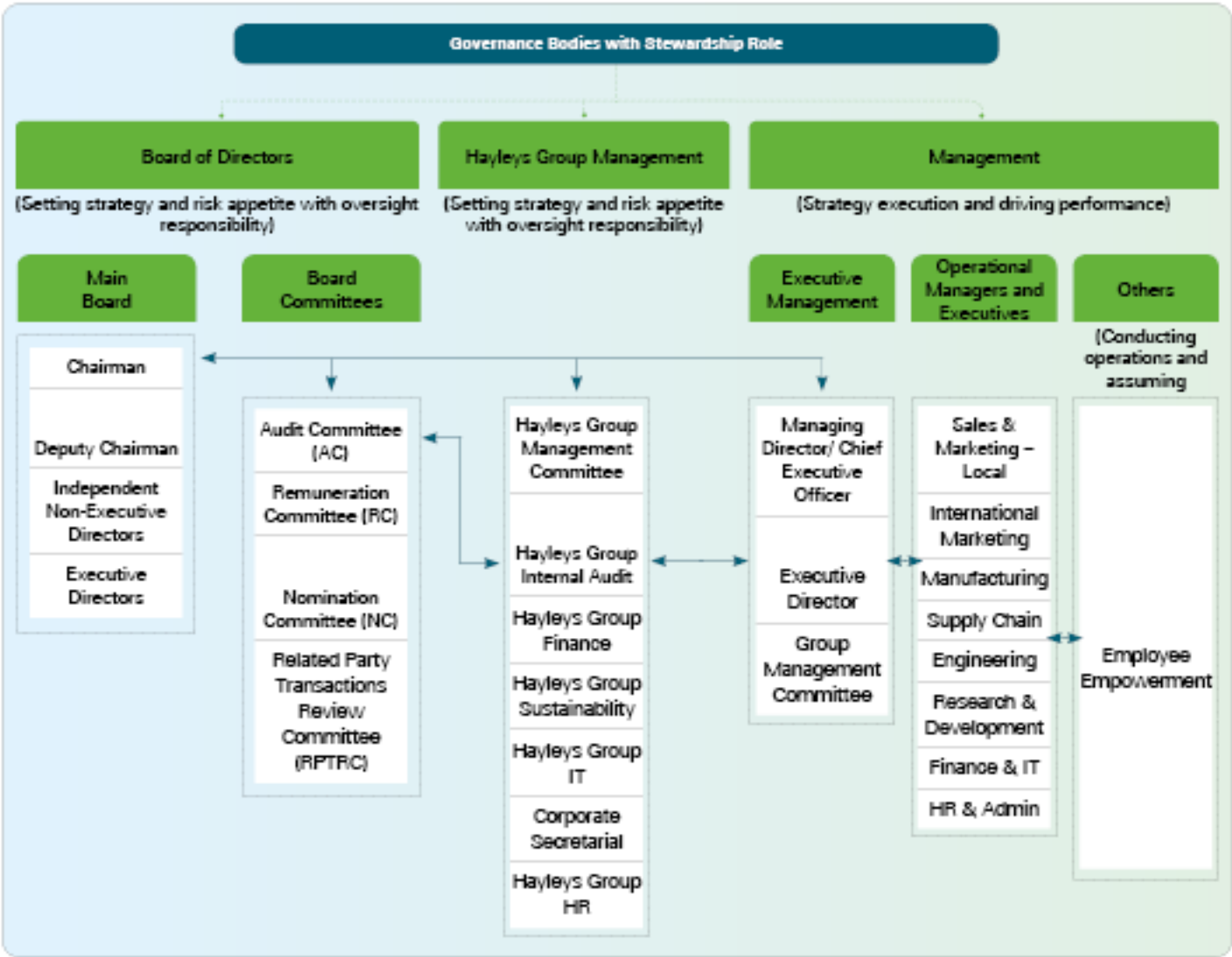
The governance structure of Alumex PLC, illustrates below shows the key components of the Corporate Governance framework of the Company. It depicts the internal governance structure, from the Board of Directors (the 'Board') cascading down to employee level. The Board in discharging their responsibilities always strives to operate within this framework and to promote good governance at all levels of the Company. This practice strengthens our continuing commitment to adhere to regulatory benchmarks and go beyond the norms.

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, Three (3) General Manager and four (04) Deputy General Managers led by the Managing Director.

The Board has delegated some of its functions to the Board sub committees - the Audit Committee and the Remuneration Committee - chaired by Independent and Non-Executive Directors. Further, the Nomination Committee and the Related Party Transactions Review Committee of the parent Company, Hayleys PLC, act as the Nomination Committee and the Related Party Transactions Review Committees for the Company and make recommendations and give directions to the Board.

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



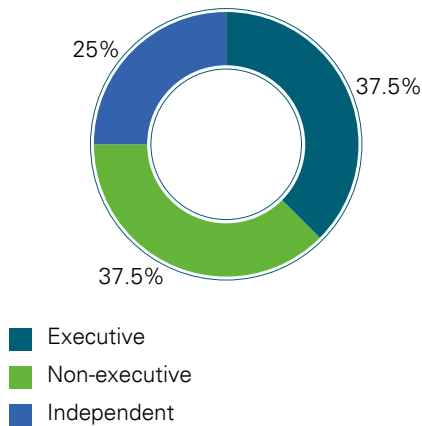
**The Board Composition**

Composition is key to the effective functioning of the Board as we need people with sound credentials and domain expertise. They must be able to articulate their opinions and exercise their informed judgment regarding matters set before the Board with a broad understanding of its impacts on our businesses and our stakeholders. Diversity of skills, perspectives and opinions enrich the deliberations which are a necessary part of good governance. Consequently, Board balance and diversity are critical factors that are determined in consultation with the Board Nomination Committee.

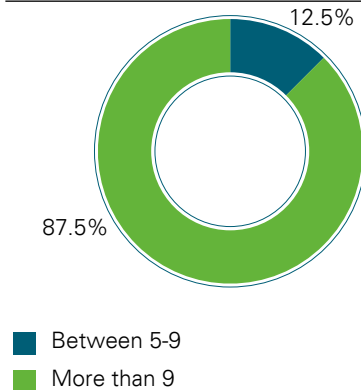
The Board of Directors of Alumex PLC comprises eight (08) Directors of which three (03) are Executive Directors and five (05) are Non-Executive Directors. Of the five (05) Non-Executive Directors, two (02) are Independent Non-Executive Directors. Additionally, there are two (02) Alternate Directors representing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

# Corporate Governance

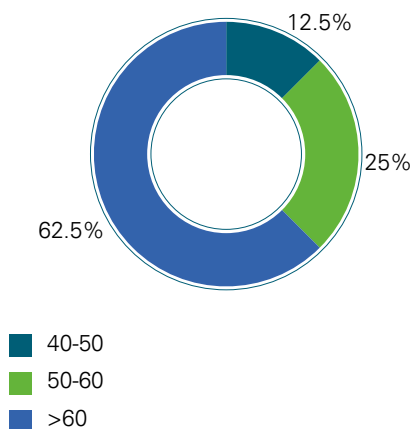
## Board Balance



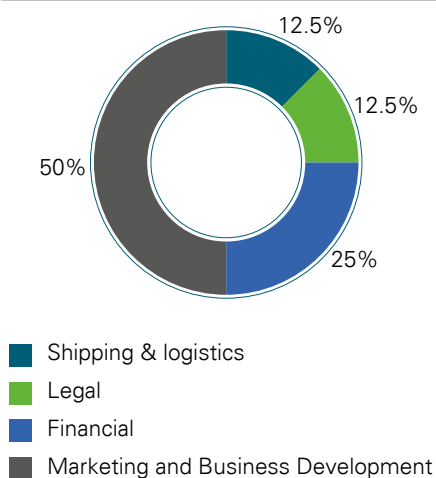
## Tenure of Service



## Age Diversity of Board of Directors



## Collective Skills



## Board Work & Committees

### Work of Boards

The Board bears ultimate responsibility for the performance of the Group and is accountable to the shareholders who receive the Annual Report of the Company setting out the performance of the Company. The Board has also appointed Mr. S C Ganegoda as Deputy Chairman and Dr H Cabral, PC, Non-Executive Director functions as Senior Independent Director to facilitate Board balance. Company secretarial services are provided by Hayleys Group Services (Pvt) Ltd., who are competent secretarial professionals registered as company secretaries with the Registrar of Companies. The Roles and Responsibilities of the Board, the Chairman, the Senior Independent Director, and the Company Secretary are given below.

### Role & Responsibilities of the Board

- ❖ Ensure formulation and implementation of business strategy
- ❖ Appointment of Chairman, Co-Chairman, and Senior Independent Director
- ❖ Ensuring that Key Management Personnel have the required skills, experience, and knowledge to implement strategy
- ❖ Succession planning
- ❖ Approval of budgets and major capital expenditure
- ❖ Ensuring effective systems to secure, integrity of information, internal controls, business continuity, and risk management

- ❖ Ensuring compliance with all laws, regulations and ethical requirements
- ❖ Ensuring that key stakeholder interests are considered in corporate decisions
- ❖ Ensuring that businesses are developed in a sustainable manner and adoption of the integrated reporting framework
- ❖ Ensuring the adoption of appropriate accounting policies and fostering compliance with financial regulations
- ❖ Establishing a process for monitoring and evaluation of progress on implementation of strategy, budgets, plans and risks
- ❖ Ensuring optimal resource allocation for sustainable value creation

### Role of Chairman

- ❖ Ensure that the Board is in control of the affairs of the company
- ❖ Efficient conduct of the Board Meetings
- ❖ Ensure that there is a balance of power between Executive and Non-Executive Directors
- ❖ Ascertain views of all Directors

### Role of Senior Independent Director

- ❖ Set corporate values facilitating an equitable balance between key stakeholder interests
- ❖ Uphold high standards of ethics, integrity and probity.
- ❖ Support executive leadership whilst monitoring their conduct
- ❖ Promote high standards of corporate governance and compliance
- ❖ Meet with Non-Executive Directors at least twice a year and Executive Directors at least once a year to facilitate discussion and communication of critical concerns and communicate same to Chairman
- ❖ Be available to shareholders in case they have concerns which cannot, or should not, be addressed by the Chairman or Executive Directors
- ❖ Act on the results of any performance evaluation of the Chairman
- ❖ Maintain sufficient contact with major, significant and minority shareholders,

assisting the Board to develop a balanced understanding of their issues

### Role of the Company Secretary

- ❖ Facilitating the efficient conduct of Board meetings and ensuring that all proceedings of meetings are properly minuted
- ❖ Ensuring that all Board Committees are properly constituted and provided with clear terms of reference

- ❖ Ensuring that an Annual General Meeting is held in line with regulatory requirements and that all notices, forms and reports necessary for the meeting are disseminated with approval of the Board
- ❖ Maintaining minutes of the Annual General Meeting
- ❖ Maintaining the registers required by regulations
- ❖ Filing of all statutory returns and documents with the Registrar of Companies

- ❖ Advising the Directors with respect to their duties and responsibilities in compliance with regulatory requirements
- ❖ Ensuring good relationships with shareholders
- ❖ Making necessary disclosures on related parties and related party transactions

### Board and Sub Committee Attendance

The Board held 4 meetings during the year and attendance at these meetings and the audit committee meetings of the Board are given below:

Directors	Classification	Board	Audit Committee	Remuneration Committee	Nomination Committee	Related Party Transactions Review Committee
Mr. Mohan Pandithage Chairman	Executive Director	4/4				
Mr. Sarath Ganegoda Deputy Chairman	Executive Director	3/4				
Mr. Pramuk Dediwela Managing Director	Executive Director	4/4				
Dr. Harsha Cabral, PC	Independent Non-Executive Director	4/4	4/4	1/1		
Mr. Somasiri Munaweera	Independent Non-Executive Director	4/4	4/4	1/1		
Mr. Ranil Pathirana	Non-Executive Director	2/4	2/4			
Mr. Asghar Akbarally	Non-Executive Director	3/4				
Mr. Prageeth Rajapaksha	Executive Director	4/4				
<b>Directors of Hayleys PLC who are on the sub-committees applicable to Alumex PLC</b>						
Mr. Mohan Pandithage Chairman & Chief Executive	Executive Director				9/9	
Mr. Sarath Ganegoda	Executive Director					4/4
Dr. Harsha Cabral, PC	Independent Non-Executive Director				9/9	4/4
Mr. Aravinda Perera (appointed to the Nomination Committee of Hayleys PLC on 21st April 2023)	Independent Non-Executive Director					4/4
Mr. Dhammika Perera (resigned w.e.f. 10th June 2022)	Non-Executive Director				1/2	

# Corporate Governance

## Committees

The Board is assisted in the discharge of its duties by the following committees of the Board.

Board Committee	Areas of Oversight	Composition
<b>Audit Committee</b>	Financial Reporting	Independent Non-Executive Directors - 2
Report of the Audit Committee is given on pages 152	Internal Controls	Non-Executive Directors – 1
	Internal Audit	
	External Audit	
<b>Nominations Committee</b>	Succession Planning	Chairman – 1
Report of the Nominations Committee is given on page 155	Appointment of Key Management Personnel	Independent Non-Executive Directors - 2
Hayleys PLC Nomination Committee performs as the Nomination Committee of the Company	Effectiveness of the Board and its Committees	
	Code of Ethics	
<b>Remuneration Committee</b>	Goals and targets for Key Management Personnel	Independent Non-Executive Directors –2
Report of the Remuneration Committee is given on page 153	Remuneration Policy for Group with particular reference to Key Management Personnel	
	Performance Evaluation	
	HR Policy	
	Organization Structure	
<b>Related Party Transaction Review Committee</b>	Related Party Transaction Policy	Independent Non-Executive Directors - 2
The Committee Report of the RPTRC is given on page 154	Disclosure of Related Party Transactions	Executive Director -1
Hayleys PLC RPTRC performs as the RPTRC of the Company		

## Compliance and Adherence

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

As identified in the governance framework, the compliance and adherence aspects include statutes and regulations classified into the “Regulatory” category and codes and best practices classified into the “Voluntary Standards, Codes & Frameworks” category, similarly the management control systems classified into the “Internal Documents”.

Regulatory	Voluntary Standards, Codes & Frameworks	Internal Documents
❖ Companies Act No. 07 of 2007 (the companies Act)	❖ Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka 2017	❖ Article of Association
❖ Sri Lanka Accounting and Auditing standards Act No. 15 of 1995	❖ Integrated Reporting Framework	❖ Board Charter
❖ Listing Rules of Colombo Stock Exchange	❖ Global reporting initiative standards	❖ Hayleys Life code
❖ Inland Revenue Act No. 24 of 2017	❖ Requirements of environmental and social certifications	❖ Alumex Way
❖ Foreign Exchange Act 12 of 2017		❖ Board Sub Committee Charters
❖ Customs Ordinance No 17 of 1869		
❖ The Shop and Office Employees Act No. 15 of 1954		
❖ Factories Ordinance Act No. 45 of 1942		
❖ Industrial Dispute Act No. 43 of 1950		

## Transparency and Accurate Reporting

The Board of Alumex PLC is committed to facilitating transparency and accurate reporting to its investors and other market participants.

The corporate governance framework ensures that timely and accurate disclosure is made on all material matters regarding the both financial and non-financial information, including performance, ownership, and governance of the company.

## Financial and operating results

Quarterly financial statements and the Annual Report serve as regular communication of our financial performance which is disseminated through the Colombo Stock Exchange. Material developments that arise between these reporting dates are announced through the Colombo Stock Exchange to facilitate equal access to information by investors and market participants.

## Related-party Transactions

Related party transactions are reported in line with the requirements of the CSE Listing Rules. Alumex finance department ensures that effective processes are in place to comply with the requirements of the same and that all Board members and key management personnel of the company is aware of their roles, responsibilities, obligations, and duties in this regard.

## Sustainability/(ESG) Reporting

Alumex sustainability team and the Group Management Committee has day to day responsibility for implementing the ESG Framework and ensuring that the metrics required to assess progress are reliable. They are supported by Hayleys by Hayleys Group Sustainability Division. Regular meetings are conducted by the Sustainability Department to ensure that there is clear understanding about the objectives and progress made.

Non-financial Information required for ESG reporting is gathered through an in house developed system by the Hayleys Group "The Cube" which collects the information on material topics. Non-financial information is input by the different sustainability team members and can be extracted to provide information for each location.

The non-financial information is fed in monthly basis The Group Sustainability Division reviews the information quarterly and discusses progress made by the Company. The information is reviewed by the Alumex Group Management Committee on monthly basis with its performance review meetings and any concern areas are looked into in detail.

## Other Information

The Annual Reports of the Group and listed companies of the Group should provide information on the following:

- ❖ Company objectives
- ❖ Value created for stakeholders
- ❖ Environmental, Social and Governance information
- ❖ Issues regarding employees and other stakeholders
- ❖ Foreseeable risk factors

Alumex finance department ensure that the Information provided in the Annual Report are accurate, reliable, comparable and consistent. In addition to the financial audit report ,report, assurance is obtained from the external auditors on the integrated reporting as well as sustainability reporting in the Annual Report to ensure management obligation are duly completed.

## Control Environment

### Internal Controls

The Board is responsible for the Group's internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, ensuring availability of accurate and timely information and imposing greater discipline on decision making. It covers all controls, including financial, operational and compliance and risk management. However, any system can ensure only reasonable, and not absolute, assurance

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

## Internal Audit

The Hayleys Group's Management Audit & System Review Department (MA & SRD) plays a significant role in assessing the effectiveness of controls and strengthening them and establishing new controls where necessary. The MA & SRD's reports are made available to the Chairman and the Chairman of the Audit Committee. The MA & SRD is responsible for internal audit function. Company also obtains the services of independent professional accounting firms other than the statutory auditors to carry out internal audits and reviews to supplement the work done by the MA & SRD. 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 between the Head of MA & SRD and the Chairman of the Audit Committee without the interference of any Directors or Executives.

## Audit Committee

The Board has established an Audit Committee which has oversight responsibility for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the external auditors. Committee comprise of two independent Non-executive Directors and a Non-executive Director. Hayleys Group Services (Pvt) Ltd, serves as its Secretary. The Chairman, Managing Director, Executive Director/ CFO and Head of MA & SRD are invited to attend meetings, and other Directors and senior management team members attend meetings as required. The input of the statutory auditors is obtained where necessary. The Audit Committee reviews the scope and results of the audit and its effectiveness, and the independence and objectivity of the auditors. They also review the nature and extent of non-audit services provided by the auditors to ensure that auditors are able to maintain objectivity and independence. The duties and responsibilities including the scope and functions of the Committee are

## Corporate Governance

summarized in the Audit Committee Report on page 152.

The Audit Committee reviews internal control issues and risk management measures identified by MA & SRD and evaluate the adequacy and effectiveness of the risk management and internal control systems including financial reporting. In FY 2022/23, the Audit Committee increased focus on risk management which moved up the agenda as the uncertainty in the operating environment increased during the year. As a result, scrutiny of inventories, receivables, cyber risk and working capital management increased to build resilience of the Company. Risk matrices were reviewed with increased rigor and expanded to include impacts from operational aspects such as supply chain management, financial risk exposures and other operational matters.

### Risk Governance

A separate report on Risk Management on pages 49 to 55 provides insightful information on the Company's governance of risk.

### Compliance

The Group's policy framework facilitates compliance with regulatory requirements and voluntarily adopted standards of best practice and which are verified by MA & SRD. The Group also has a whistle-blowing policy in place which is clearly communicated to all employees and the Audit Committee and Board receive information in this regard. There were no whistles blown during the year under review.

### External Audit

The Audit Committee reviews the independence, the skills and experience, and the work of the external auditors annually and recommends appointment accordingly to the Board. The Audit Committee also monitors non-audit work done by the external auditors to ensure their independence. The Audit Committee conducts meetings with external auditors on completion of the audit to identify any

areas of concern. The Report of the Board of Directors provides the nature of non-audit work carried out by the external auditors for the Company together with the amounts paid for services.

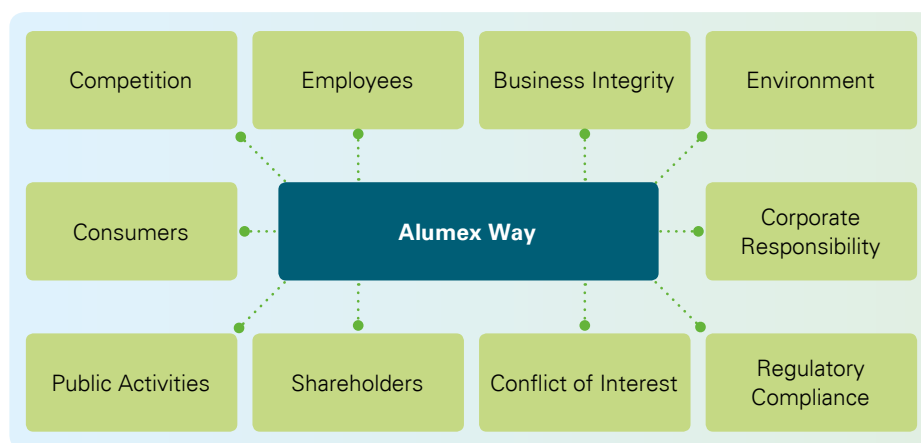
### Good Governance and Anti-Corruption Initiatives

#### Good Governance and Transparency

Our approach to good governance goes beyond adherence to what is deemed legal as per the laws of the land. Alumex Governance framework comprises its own set of internal policies, processes, and structures aimed at meeting accepted best practices and ensuring compliance with all regulatory requirements. This framework is regularly reviewed and updated to reflect evolving regulations, global best practices, and dynamic stakeholder needs. We seek to ensure that ethical business practices are the norm from the level of the business unit, down to the individual employee. Its transparency, control, and prevention mechanisms also extend to its value chain, to its customers, suppliers and business partners.

#### The Alumex Way

The "Alumex Way" is the ethical road map for all employees of the Company including its key management personnel and sets out clearly the expectations of all employees of the Company. It also provides information on the culture, grievance mechanisms, and commitment of the Company to create a conducive work environment for all employees. This Code of Conduct is instilled in employees at their first orientation at the time of joining. It sets out explicit statements on anti-corruption and acceptable gifts and is based on the following principles.



- ❖ Conducting its business operations with honesty, integrity and with respect for the rights and interests of all stakeholders.
- ❖ All Alumex employees are required to comply with the laws and regulations of the countries in which they operate.
- ❖ Every employee shall be responsible for the implementation of and compliance with the Code in his/her environment.
- ❖ The Code of Conduct provides guidelines for employees on the conduct of its businesses and operations in all the countries we operate.

We maintain a culture of honesty as opposed to fraud and corruption. Towards this end, the Code of Conduct, anti-fraud, fraud prevention, anti-corruption, anti-bribery, validation, audit and transparency policies, amongst many others, outline the principles to which the Company is committed, in relation to preventing, reporting and managing fraud and corruption.

The Alumex policies which stipulate transparency in business conduct encompass activities of Purchasing, selling and distribution at Alumex. Any changes to these policies are deliberated and discussed at the Alumex Management Committee meetings. The Company also follows an open, unbiased and transparent policy in dealing with trade unions and Government officials as prescribed by the Employers Federation of Ceylon (EFC), the ILO and corporate governance regulations. Customer Affairs Regulations guide our dealing with customers.

### Commitment to Anti-Corruption

Apart from investing in our community, as a responsible business, we adhere to the principle of zero tolerance to corruption, compliance, nondiscrimination, business ethics and our Environmental and Social Risk Policy and all other rules and regulatory governance in Sri Lanka. As endorsed by the Chairman in his report, the Company's management wholeheartedly support anti-corruption and its compliance with the Company. We continue our stance of zero-tolerance towards corruption and bribery in all our transactions and foster transparency and honesty in all business dealings, whilst continually developing our governance frameworks in line with international best practices.

Alumex does not support or favor any political party, nor contribute funds to any party to promote party interests.

### Business Integrity

The Alumex policy on business integrity states that its employees shall neither receive nor offer or make, directly or indirectly, any illegal payments,

remuneration, gifts, donations or comparable benefits that are intended, or perceived, to obtain uncompetitive favors for the conduct of its business. The Company shall cooperate with Governmental authorities in efforts to eliminate all forms of bribery, fraud and corruption.

However, Alumex PLC and its employees may with full disclosure, accept and offer nominal gifts, provided such gifts are customarily given and/or are of a commemorative nature.

### Anti-Corruption Safeguards

The Company's policy on anti-corruption explicitly applies to all employees of Alumex and they must comply with the policy. Our internal audit unit handles all internal anti-corruption activities, whereas our Compliance Officer handles all external compliance. The HR team arranges internal and external training programs for its employees and Directors on anti-corruption.

### Whistleblower Policy

Being a subsidiary, Alumex follows the Hayleys Whistleblower Policy which is publicly available to all employees. Employees are encouraged to report any noncompliance with internal policies, including the breaches of anti-corruption policies, to members of the committee specified in the policy and all such reporting is handled with higher confidentiality with feedback given the whistleblower on his request. Similarly, no employees will suffer from demotion, penalty or any other form for raising a concern.

### Anti-Corruption Incidents – Business Partners

The Anti-Corruption Policy also extends explicitly to our agents and distributors and to noncontrolled persons or entities that provide goods or services under contracts. During the year under consideration, no incidents took place where contracts with business partners were terminated or not renewed due to violations related to corruption or public legal cases regarding corruption brought against the organization or its employees.

All operations are assessed for risks related to corruption.

### Regular Monitoring of Anti-Corruption Programme

The Internal Audit Department and the Compliance Officer regularly monitor the anti-corruption programme to review the suitability of the programme, its adequacy and efficacy to continuously improve the programme whenever necessary.

### Information Technology & Cyber Security Governance

Hayley's Group IT Dept is responsible for implementing the Groups digital strategy including adopting IT policies and safeguarding against cyberthreats. The Group Head of IT functions as the Chief Information Security Officer (CISO). Alumex Chief Financial Officer oversees the deployment of Group IT policies with the Alumex IT department.

Cybersecurity is an agenda of the monthly Hayleys Group Management Committee meetings with matters escalated to Alumex PLC's Board were deemed necessary considering risk, impact and other prudential measures. Regular meetings are conducted by the Hayley's Group IT Dept and Alumex IT department patriciates to ensure that risk reviews, action plans, policy development and deployments are duly captured and implemented in Alumex.

Further to the direction of the Hayleys Group IT department, during the year, Alumex obtained the services of external consultants and auditors to develop policies, conduct vulnerability testing of Alumex web sites, conduct information system security control audits and develop safeguards. IT and Cyber security formed part of the Company's annual statutory audit of financial statements and findings are revered by the Hayleys Group's Management Audit & System Review Department and the Audit committee and implementation of action plans are ensured by Alumex IT department. Coverage and scope of related Group policies and guidelines are given below.

# Corporate Governance

## Group IT Policy

- ❖ Group Connectivity
- ❖ Access Requirements/ Resource utilization
- ❖ Individual Sector Networks/ System Management
- ❖ Backup & Recovery/ Software Modification
- ❖ IT Equipment & Software & Third Party Involvement
- ❖ IT Assets & Media Disposal and Procurement
- ❖ Responsibility for Adherence

## Group Information Security Policy

- ❖ Protection of Information from Unauthorised Access
- ❖ Confirmation of Information
- ❖ Confidentiality, Availability and Integrity of Information
- ❖ Regulatory Requirements
- ❖ Business Continuity Plans
- ❖ Information Security Training
- ❖ Reporting Breaches of Information Security
- ❖ IT policy Embedded in to Employee Induction Programme

## Principles

- ❖ Acceptable IT Use
- ❖ Password Protection Standards
- ❖ Email Usage
- ❖ Internet Usage
- ❖ Monitoring
- ❖ Enforcement

## Guidelines for Corporate Websites

- ❖ Guidelines for web-hosting
- ❖ Guidelines for Secure Web Development
- ❖ Enforcement

## Voluntary Standards and Listing Rules of the Colombo Stock Exchange

Compliance with the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

Alumex's commitment to adopting 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 Listing Rules of the Colombo Stock Exchange deals with Alumex's extent of adherence to requirements of the Continuing Listing Requirements, Section 7.10 on Corporate Governance 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

## Section 1:

### Compliance with the 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.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/2023
<b>Directors</b>			
<b>A.1 The Board</b>			
<p>The Company is headed by an effective Board of Directors with local and international experience. The Board of Directors of the Company consists of professionals in the fields of accounting, management, law, economics, engineering, marketing and business leaders. All Directors possess the skills and experience and knowledge complemented with a high sense of integrity and independent judgment. The Board gives leadership in setting the strategic direction and establishing a sound control framework for the successful functioning of the Company. The Board's composition reflects a sound balance of independence and anchors shareholder commitment. Profiles of Directors are given on pages 114 to 118.</p>			
Board Meetings	A.1.1	Complied	The Board usually meets at quarterly intervals, but also meets more frequently when needed. The Board met four times during the year under review. Scheduled Board meetings were arranged well in advance, and all Directors were expected to attend each meeting. Any instances of non-attendance of Board meetings were generally related to prior business, personal commitments or illness. The attendance at Board meetings held is set out on page 125.
Board Responsibilities	A.1.2	Complied	<ul style="list-style-type: none"> <li>❖ 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.</li> <li>❖ 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.</li> <li>❖ The Board also ensures effective systems are in place to secure integrity of information, internal controls and risk management.</li> <li>❖ 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 regulations.</li> </ul>
Compliance with Laws and Access to Independent Professional Advice	A.1.3	Complied	The Board, collectively, and Directors, individually, must act in accordance with the laws as applicable to the Company. The Company had complied with all applicable laws and regulations during the year. A procedure has been put in place for Directors to seek independent professional advice in furtherance of their duties, at the Company's expense. This will be coordinated through the Company or the Board Secretary when requested.
Company/Board Secretary	A.1.4	Complied	The Company Secretary acts as the Board Secretary as well. All Directors have access to the advice and services of the Company Secretary as required. The Company Secretary keeps the Board informed of new laws and revisions, and regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board.
Independent Judgment	A.1.5	Complied	All Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation and the conduct of business.

# Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/2023
Dedication of adequate time and effort by the Board and Board Committees	A.1.6	Complied	All Directors of the Company dedicate adequate time and effort to fulfilling their duties as Directors of the Company (both before and after the Board Meetings), in order to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged.
Call for a Resolution to be Presented to the Board	A.1.7	Complied	One-third of the Directors can call for a resolution to be presented to the Board where they feel it is in best interest of the Company.
Training for New and Existing Directors	A.1.8	Complied	Both new and existing Directors of the Company are provided guidelines on general aspects of directorships and industry specific matters. In this regard, the Directors have recognized the need for continuous training, expansion of knowledge and to take part in such professional development as and when they consider it necessary and which would assist them to carry out their duties as Directors.

## A.2 Chairman and Chief Executive Officer (CEO)

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

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

Division of Responsibilities of the Chairman and Managing Director (CEO)	A.2	Complied	<p>The positions and functions of the Chairman and the Managing Director have been separated; the role of the Managing Director is to manage the day-to-day running of the Company.</p> <p>The Board has delegated this responsibility to the Managing Director and he then leads the Corporate Management team in making and executing operational decisions. The Managing Director is also responsible for recommending strategy to the Board.</p>
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## A.3 Chairman's Role

The Chairman leads and manages the Board, ensuring that it discharges its legal and regulatory responsibilities effectively and fully preserves order and facilitates the effective discharge of the Board functions.

Role of the Chairman	A.3.1	Complied	<p>The Chairman is as an outstanding business leader, provides leadership to the Board, controls and preserves order at Board meeting and provides the Board with strategic direction and guidance in managing the affairs of the Company.</p> <p>The Chairman is also responsible for:</p> <ul style="list-style-type: none"> <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>
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Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/2023
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#### A.4 Financial Acumen

The Code requires that the Board comprises 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	Complied	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 to the decision-making of the Board on matters concerning finance and investment.
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#### A.5 Board Balance

The Code requires that a balance is maintained between the Executive and Non- Executive Directors (NEDs) so that no individual or a small group of individual Directors are able to dominate the Board's decision-making.

The Board consists of three (03) Executive Directors and Five (5) Non-Executive Directors. Each of them brings to the Board wide experience and the ability to exercise independence and judgment when taking informed decisions.

Presence of Non-Executive Directors	A.5.1	Complied	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	Complied	Two (2) out of Five (5) Non-Executive Directors are independent as defined by the Code.
Criteria to Evaluate Independence of Non-Executive Directors	A.5.3	Complied	Please refer Section A.5.5 below. The Board considers Non-Executive Director's independence on an annual basis. For a Director to be deemed 'independent', such a Director should be independent of management and free of any business or any other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
Annual Declaration of Independence - Non-Executive Directors	A.5.4	Complied	Each Non-Executive Director has 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	Complied	<p>The Board has determined the independence of Directors based on the declarations submitted by the Non-Executive Directors, as to their independence as a fair representation and will continue to evaluate their independence on this basis annually.</p> <p>The Board has determined that the independence of Mr. Somasiri Munaweera and Dr. Harsha Cabral, PC, is not comprised by their being on the Board over 9 years and that they are capable of acting impartially and independently in all matters.</p>

# Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/2023
Alternate Directors	A.5.6	Complied	Two alternate Directors have been appointed by two Non-Executive Directors and they are not Executives of the Company: <ul style="list-style-type: none"> <li>❖ Mr. Aroon Hirdaramani</li> <li>❖ Mr. Tyeabally Akbarally</li> </ul> <p>No alternate Directors were appointed during the year. Please refer page 116 for the profiles of the alternative Directors.</p>
Senior Independent Director	A.5.7	Complied	Dr. Harsha Cabral, PC who is an Independent Non-Executive Director, functioned as the Senior Independent Director. The Senior Independent Director is the Director to whom concerns can be conveyed if a need arises. (Terms of Reference)
Confidential Discussions with Senior Independent Director	A.5.8	Complied	A Senior Independent Director is available for confidential discussions with other Directors who may have concerns which pertain to significant issues that are detrimental to the Company.
Chairman's meeting of Non-Executive Directors	A.5.9	Complied	The Chairman meets with the Non-Executive Directors without the presence of Executive Directors, whenever necessary.
Recording of Concerns in Board Minutes	A.5.10	Complied	Concerns raised by the Directors which cannot be unanimously resolved during the year, if any, are recorded in the Board Minutes with adequate details.

## A.6 Supply of Information

Management should provide time-bound information in a format that is appropriate and enables the Board to discharge its duties. Financial and non-financial information is analyzed and presented to the Board to make informed and accurate decisions.

Obligation of the Management to Provide Appropriate and Timely Information to the Board	A.6.1	Complied	The Board was provided with timely and appropriate information by the Management by way of Board papers and proposals. The Board sought additional information as and when necessary. The Chairman also ensured all Directors were properly briefed on issues arising at Board meetings.
Adequate time for Effective Board Meetings	A.6.2	Complied	The minutes, agenda and papers required for Board meetings are provided in advance to facilitate its effective conduct.

## A.7 Appointments to the Board

The Code requires having a formal and transparent procedure in place for the appointment of new Directors to the Board.

Nomination Committee	A.7.1	Complied	<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. The Nomination committee of Hayleys PLC consists of following members:</p> <ul style="list-style-type: none"> <li>❖ Mr. Mohan Pandithage* – Chairman</li> <li>❖ Dr. Harsha Cabral, PC***</li> <li>❖ Mr. Aravinda Perera*** (appointed to the committee w.e.f. 21st April 2023)</li> <li>❖ Mr. Dhammika Perera** (resigned w.e.f. 10th June 2022)</li> </ul> <p>* Executive Director  ** Non-Executive Director  *** Independent Non-Executive Director</p>
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Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/2023
Assessment of Board Composition by the Nomination Committee	A.7.2	Complied	<p>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.</p> <p>Please refer Committee Report on 153.</p>
Disclosure of Required Details to Shareholders on New Appointments to the Board	A.7.3	Complied	<p>When new Directors are appointed, a brief resume of each such Director, including the nature of his expertise, the names of companies in which the Director holds directorships, memberships in Board Sub-Committees etc., are reported to the Colombo Stock Exchange (CSE) in addition to disclosing this information in the Annual Report. Further, any changes in the details provided by the Directors are disseminated to the CSE without delay.</p> <p>The profiles of the above Directors are given on pages 114 to 118.</p>
<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	Complied	<p>The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting and seek re-appointment by the shareholders at that meeting.</p> <p>The Articles call for one-third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment / reappointment. Retiring Directors are generally eligible for re-election. Accordingly, Mr. Sarath Ganegoda and Dr. Harsha Cabral, PC, retire by rotation and being eligible to offer themselves for re-election.</p>
Election of Directors by Shareholders	A.8.2	Complied	The names of the Directors submitted for election or re-election are 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	Complied	In the event of a 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	Complied	<p>The Chairman and Remuneration Committee evaluate the performance of the Executive Directors periodically.</p> <p>The Board undertakes an annual self-evaluation of its own performance and of its Committees. The Board evaluated its performance and effectiveness in the year under review.</p>
Evaluation at Re-Election	A. 9.3	Complied	Board reviews the participation, contribution and engagement of each Director at the re-election.

# Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/2023
Disclosure on Performance Evaluation Criteria	A.9.4	Complied	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.  Criteria relating to evaluation of Board Committees are the performance against their duties referred in respective committee reports. Refer page 152 to 155.
<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	Complied	The following details pertaining to each Director are disclosed as follows: a) Brief profile with expertise and experience – page 114 to 118. b) Directors' Interest in transactions and shareholding page 147 and 217. c) Attendance at the Board Meetings held during the year page 125.
<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	Complied	Prior to the commencement of each financial year, the Board sets reasonable financial and non-financial targets which are in line with short, medium and long-term objectives of the Company, achievement of which should be ensured by the Managing Director.
Evaluation of the Performance of the Managing Director	A.11.2	Complied	The performance is evaluated by the Board at each Board Meeting and the overall evaluation at the end of each fiscal year in order to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstances.
<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	Complied	The Remuneration Committee was formed in the 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 153 for the Remuneration Committee report.
Composition of Remuneration Committee	B.1.2	Complied	The Remuneration Committee consists of two Independent Non-Executive Directors and the Chairman of this Committee is appointed by the Board.
Chairman and the Members of the Remuneration Committee	B.1.3	Complied	The Remuneration Committee consists of following Independent Non- Executive Directors: Dr. Harsha Cabral, PC - Chairman Mr. Somasiri Munaweera – Member

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/2023
Determination of Remuneration of the Non-Executive Directors	B.1.4	Complied	The Board as a whole determines the remuneration of the Non-Executive Directors including the Members of the Remuneration Committee which the Board believes is in line with current market conditions.
Consultation of the Chairman and Access to Professional Advice	B.1.5	Complied	Each Committee has the authority to seek internal and external independent professional advice on remuneration of other Executive Directors and also on matters falling within its purview at the Company's expense. Views of the Chairman of each Committee are obtained, in addition to the views of the Managing Director.

## B.2 The Level and Make-Up of Remuneration

The level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to the corporate and individual performance.

Level and Make-Up of the Remuneration Packages of Executive Directors	B.2.1	Complied	The Board is mindful of the fact that the remuneration of Executive Directors should reflect the market expectations and is sufficient enough to attract, retain and motivate Executive Directors of required competence in order to run the Company.
Executive Directors' remuneration	B.2.2	Complied	Executive Directors' remuneration has been designed to promote the long-term success of the Company.
Competitiveness in Levels of Remuneration	B.2.3	Complied	The Remuneration Committee ensures that the remuneration of Executives of each level of Management including Executive Directors is competitive and in line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is competitive and in line with those of comparative companies.
Comparisons of Remuneration with Other Companies in the Group	B.2.4	Complied	The Remuneration Committee reviews data concerning Executive pay among the Group Companies.
Performance-related elements of Remuneration for Executive Directors	B.2.5	Complied	Performance-based incentives have been determined by the Remuneration Committee to ensure that the total earnings of the Executive Directors are aligned with the achievement of objectives and budgets of the Group companies.
Executive Share Options	B.2.6	N/A	Presently the Group does not have an Executive Share Option Scheme.
Designing Schemes of Related Remuneration	B.2.7	Complied	The Remuneration Committee follows the provisions set out in Schedule E of the Code as required.
Early termination of Executive Directors	B.2.8 B.2.9	Complied	Termination of Executive Directors are governed by their contracts of service/employment.
Levels of Remuneration of Non-Executive Directors	B.2.10	Complied	Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices.

## B.3 Disclosure of Remuneration

The Code requires the Company to disclose in its Annual Report the details of the remuneration paid and the Remuneration Policy.

Disclosure of Remuneration	B.3.1	Complied	Please refer page 184 for the total Directors' remuneration.
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# Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/2023
<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	Complied	A copy of the Annual Report including Financial Statements, Notice of the Meeting and the Form of Proxy are sent to shareholders 15 working days prior to the date of the AGM, as required by the statute, in order to provide the opportunity to all the shareholders to attend the AGM.
Separate Resolution for Substantially Separate Issues and Adoption of Annual Report and Accounts	C.1.2	Complied	The Board remains mindful of being accountable to shareholders and the need for transparency at all levels, striving to maintain its value framework in all shareholder dealings and communications.
Use of Proxy Votes	C.1.3	Complied	The Company has in place an effective mechanism to count all proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands, except where a poll is called.
Availability of all Board Sub Committee Chairmen at the AGM	C.1.4	Complied	The Chairman of the Company ensures the Chairmen of Audit and Remuneration Committees are available to answer questions at the AGM, if so requested by the Chairman.
Procedures of Voting at General Meetings	C.1.5	Complied	A summary of the procedures governing voting at the General Meeting is circulated to shareholders with every Notice of the General Meeting.
<b>C.2 Communication With Shareholders</b>			
The Code requires the Board to implement effective communication with shareholders.			
Channel to Reach all Shareholders	C.2.1	Complied	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. Further, financial and other announcements are promptly submitted to CSE to publish on the CSE website. Comments and suggestions can be sent through <a href="mailto:marketing@alumexgroup.com">marketing@alumexgroup.com</a> Company Secretaries answers queries which are being made by the shareholders where necessary.
Policy Methodology for Communication with Shareholders	C.2.2	Complied	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. Contact details are published in all annual and quarterly financial reporting.
Implementation of the Policy and Methodology for Communication with Shareholders	C.2.3	Complied	Please refer C.2.4 and C.2.5 for the implementation of the policy and methodology.
Contact Person for Communication	C.2.4 & C.2.6	Complied	Details of contact persons are disclosed in the back inner cover of the Annual Report and Quarterly Financial Statements.
Process to make Directors Aware of Major Issues and Concerns of Shareholders	C.2.5	Complied	The Company Secretary maintains a record of all correspondence received. All major issues and concerns of the shareholders are referred to the Board of Directors with the views of the Management.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/2023
Response to the Shareholders Matters	C.2.7	Complied	The process for responding to shareholder matters has been formulated by the Board and disclosed. Such matters are responded to the shareholder meetings, publications at the Colombo Stock Exchange or through communication by the Company Secretary to the Shareholders.

### C.3 Major Transactions

Directors should disclose to shareholders all proposed corporate transactions which, if entered into, would materially alter/vary the Company's net asset base or the consolidated Group's net asset base.

Disclosure on Proposed Major Transactions	C.3.1	Complied	During the year, there were no major transactions as defined by Section 185 of the Companies Act which materially affect the net asset base of the Company or the Group's consolidated net asset base.
Shareholder's Approval by Special Resolution	C.3.2	Complied	During the year, there were no transactions/events which require approval by way of a special resolution. Complied the disclosure requirements and approval by special resolution as required by the rules and regulations by SEC and the CSE.

### Accountability and Audit

#### D.1 Financial and Business Reporting

The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.

Board's responsibility for Statutory and Regulatory Reporting that is true and fair, balance and understandable	D.1.1 and D.1.2	Complied	The Board has recognized the responsibility to present regulatory and statutory reporting in a balanced and understandable manner. When preparing quarterly and annual financial statements, the Company complied with the requirements of the Companies Act 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	Complied	<p>Chief Executive Officer and Chief Financial Officer have made all required declarations in the 'Responsibility Statement of Chairman, Managing Director and Chief Financial Officer' which appears on page 151.</p> <p>The 'Statement of Directors' Responsibility' is given on page 150.</p> <p>See the 'Auditors' Report' on page 160 to 162 for the reporting responsibility of Auditors.</p>
Declaration by Board	D.1.4	Complied	Directors have made all necessary declarations. Refer the Directors Report in Annual report page 146 to 149
Statement of Boards and Auditors Responsibility and Statement of Internal Control	D.1.5	Complied	This is given in the 'Annual Report of the Board of Directors' on page 146 to 149 and the 'Statement of Directors' Responsibility' on page 150 and pertains to required declarations.
Management Discussion and Analysis	D.1.6	Complied	See 'Management Discussion and Analysis' on pages 22 to 111.

## Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/2023
Summon an EGM to Notify Serious Loss of Capital	D.1.7	Complied	Reason for such an EGM has not risen as yet but would be complied with if such a situation arises.
Disclosure of Related Party Transactions	D.1.8	Complied	The Directors have instituted an effective and comprehensive system of internal control for identifying, recording and disclosing related party transactions. All related party transactions, as defined in Sri Lanka Accounting Standard - (LKAS 24) on 'Related Party Transactions, are disclosed in Note 29 to Financial Statements.

### D.2 Risk Management and Internal Control

The Board should have a sound system of internal controls to safeguard shareholders' investments and the Company's assets.

Annual Evaluation of the Internal Controls System	D.2.1	Complied	The Board is responsible for the Group's internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision-making. It covers all controls, including financial, operational and compliance controls and risk management. It is important to state, however, that any system can ensure only reasonable, and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time. The Hayleys Management Audit & System Review Department (MA & SRD) plays a significant role in assessing the effectiveness and successful implementation of existing controls and strengthening these and establishing new controls where necessary. The MA & SRD's reports are made available to the Chairman and Managing Director and the Chairman of the Audit Committee. The Board has reviewed the effectiveness of the system of financial controls for the period up to the date of signing the accounts. There is a direct channel of communication between the Head of MA & SRD and the Chairman of the Audit Committee without the interference of any Directors or Executives.
Assessment of Principle Risks Facing the Company	D.2.2	Complied	A robust assessment on risks involved in company has been carried out review the status on every meeting. Mitigating actions have been identified and continuously review the progress. Refer page 49 and 210 for Risk Management.
Need for Internal Audit Function	D.2.3	Complied	This is not applicable as the Hayleys Management Audit & System Review Department (MA & SRD) is responsible for the internal audit function of the Company.
Review of the Process and Effectiveness of Risk Management and Internal Control	D.2.4	Complied	The Audit Committee reviews internal control issues and risk management measures and evaluates the adequacy and effectiveness of the risk management and internal control systems including financial reporting.
Directors' Responsibility of Maintaining a Sound Internal Control System	D.2.5	Complied	Please refer Statement of Directors' Responsibilities. on page 150.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/2023
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### D.3 Audit Committee

The Board should have formal and transparent arrangements in selecting and applying the accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's External Auditor.

Composition of the Audit Committee	D.3.1	Complied	<p>Audit Committee consists of two (02) Independent Non-Executive Directors:</p> <ul style="list-style-type: none"> <li>❖ Mr. S. Munaweera – Chairman</li> <li>❖ Dr. H. Cabral, PC – Member</li> <li>❖ Mr. R. Pathirana – Member</li> </ul> <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. The Audit Committee is required to help the Company to achieve a balance between conformance and performance.</p>
Duties of the Audit Committee	D.3.2	Complied	<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 152 for the duties.</p>
Terms of Reference of the Audit Committee	D.3.2	Complied	<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 152.</p>
Disclosures of the Audit Committee	D.3.3	Complied	<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 the 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 and guidelines stated in Section D.3.2.</p>

### Related Party Transactions Review Committee

**D.4 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	Complied	Related party transactions are defined as in LKAS 24.
Related Party Transactions Review Committee	D.4.2	Complied	Related Party Transactions Review Committee of the parent Company, Hayleys PLC, acts as the Related Party Transactions Review Committee for the Company and makes recommendations and gives directions to the Board.

# Corporate Governance

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/2023
Terms of References of RPT Committee	D.4.3	Complied	Written terms of reference of the Committee are available. Please refer Related Party Transactions Review Committee Report on page 154.
<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	Complied	The Company has developed a Code of Conduct for its employees. This Code addresses conflict of interest, corporate opportunities, confidentiality of information, fair dealing, protection and proper use of the Company's assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behaviour, among a range of other criteria.
Material and Price Sensitive Information	D.5.2	Complied	Material and price sensitive information is promptly identified and reported to the shareholders via Colombo Stock Exchange notices.
Policy and Disclosures on Share Purchases by Directors	D.5.3	Complied	Company has a policy and process for monitoring and disclosure of shares purchased by any Director, key management personnel or any other employee involved in financial reporting. All disclosures are duly made in the Colombo Stock Exchange.
Affirmative Statement by the Chairman	D.5.4	Complied	See the 'The Chairman's Statement' on pages 8 and 9 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	Complied	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.			
Communication with Shareholders	E.1.1	Complied	In order to avoid conflicts of interest by nurturing mutual understanding, the Board carries out dialogues with its shareholders at General Meetings. In this regard, the AGM of the Company plays a critical role. Voting by the shareholders is crucial in carrying a resolution at the AGM. The Chairman, who plays the role of the agent, communicates the views and queries of the shareholders to the Board and the senior management, in order to ensure that the views are properly communicated to the Company.
<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	Complied	The institutional investors are encouraged to give due weightage to all relevant matters relating to Board structure and composition.

Corporate Governance Principles	Reference of Code	Compliance	The Company's Extent of Compliance in 2022/2023
<b>F. Other Investors</b>			
<b>F.1 Investing/Divesting Decisions</b>			
Seek Independent Advice	F.1	Complied	Individual investors are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions. The Company's website serves to provide a wide range of information on the Group.
<b>F.2 Shareholder Voting</b>			
Encourage Voting by Individual Investors	F.2	Complied	Individual shareholders are encouraged to participate in General Meetings of the Company and exercise their voting rights.
<b>G. Internet of Things and Cybersecurity</b>			
Internal and External IT Devices Connected to the Business Model	G.1	Complied	Connection of internal and external IT devices to the organization network has been allowed with necessary access controls and firewalls to safeguard the integrity of information.
Cyber Information Security Officer and Cyber Security Risk Management Policy	G.2	Complied	The Hayleys Group Chief Information Security Officer (CISO) continuously monitors and reviews the security requirements of the Company's information system and has introduced and implemented a Cyber Security Risk Management Policy.
Discussions on Cyber Risk Management	G.3	Complied	This is a regular agenda item of the risk management discussion of the Board and has been given due attention.
Independent Periodic Reviews and Assurance	G.4	Complied	Periodic reviews are carried out by the external auditors and consultants and observations are submitted to the Board for review and actions.
Disclosure on Cyber security risk management	G.5	Complied	A detailed disclosure has been made on the Cybersecurity process in this Annual Report.  Please refer Information Technology & Cyber Security on page 129.
<b>H. Environment, Society and Governance (ESG)</b>			
<b>H.1 ESG Reporting</b>			
Provision of Information on ESG	H.1.1	Complied	The Company has included the environmental, social and governance factors in its business models and provided sufficient information on all aspects in the Annual Report. Refer pages 49 to 55 for Risk Management.
The Environment	H.1.2	Complied	The Company adopts an integrated approach which mitigates the environmental threats and improves best practices in Company's engagements to fulfill the obligation towards the environment. Such best practices are pollution prevention, sustainable resource use, protection of environment and restoration of natural resources.
Social Factors	H.1.3	Complied	The Company adopts an integrated approach to build strong relationships with the community and strives towards sustainable development.
Governance	H.1.4	Complied	The Company has established a governance structure to support its ability to create value and manage risks on all pertinent aspects of ESG. Refer Corporate Governance on page 122 and Risk Management on pages 49 to 55 in this Annual Report.
Board's role on ESG Factors	H.1.5	Complied	The Annual Report complies with the integrated framework and the GRI Standards for sustainability reporting.

# Corporate Governance

## 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 Adoption	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 2023.	Complied	Corporate Governance
7.10.2(a)	Independent Directors	Two (2) of the five (5) Non-Executive Directors were independent as at 31st March 2023.	Complied	Corporate Governance
7.10.2(b)	Independent Directors	All Non-Executive Directors have submitted their confirmation of independence as per the criteria set by the CSE rules, which is in line with the regulatory requirements.	Complied	Corporate Governance
7.10.3(a)	Disclosure Relating to Directors	The Board assessed the independence declared by the Directors and determined the Directors who are independent and disclosed same in item A.5.5 of the CASL Code table.	Complied	Corporate Governance
7.10.3(b)	Disclosure Relating to Directors	The Board has determined that two (2) Non-Executive Directors satisfy the criteria for "independence" set in the Listing Rules.	Complied	Corporate Governance
7.10.3(c)	Disclosure Relating to Directors	A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise.	Complied	Board of Directors' profile
7.10.3(d)	Disclosure Relating to Directors	The appointments of new Directors disclosed to the Colombo Stock Exchange and to the public. No new Director appointments during the year.	Complied	Corporate Governance and Board of Directors profile section
7.10.5(a)	Composition of Remuneration Committee	The Remuneration Committee comprised two (2) Independent Non-Executive Directors as at 31st March 2023.	Complied	Corporate Governance and Remuneration Committee Report
7.10.5(b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Managing Director and the Executive Directors.	Complied	Corporate Governance and Remuneration Committee Report
7.10.5(c)	Disclosure in the Annual Report Relating to Remuneration Committee	Names of Remuneration Committee Members are given in Section B.1.3 of the CASL Code table on page 136. The disclosure of the remuneration Committee is given on page 153 and the Remuneration paid to Directors is given in the Note 8 to the Financial Statement on page 184.	Complied	Corporate Governance and Remuneration Committee Report
7.10.6(a)	Composition of Audit Committee	Shall comprise NEDs, a majority of whom will be independent.	Complied	Corporate Governance and Audit Committee Report
7.10.6(b)	Audit Committee Functions	Audit Committee functions are stated in the Audit Committee Report on Page 152.	Complied	Corporate Governance and Audit Committee Report
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee	The names of the Audit Committee Members are given on page 141 The basis of determination of the independence of the Auditor is also given in section D.3.3 of the CASL code table	Complied	Corporate Governance and Audit Committee Report
7.14.1.i.(b)	Minimum Public Holding	As a listed company in the Dirisavi Board, the Company maintained the minimum public holding under specified criteria.	Complied	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 Adoption	Compliance Status	Reference in this report
9.2.1 & 9.2.3	Related Party Transactions Review Committee	<p>The RPTRC of the parent Company, Hayleys PLC, a listed entity, functions as the RPTR Committee for the Company.</p> <p>The RPTRC was formed on 10th February 2015.</p> <p>The functions of the RPTRC are stated in Related Party Transactions Review Committee report on page 154.</p>	Complied	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	<p>The RPTRC consists of following Directors:</p> <p>Dr. H. Cabral, PC - Chairman (Independent Non-Executive Director - Hayleys PLC)</p> <p>Mr. M. Y. A. Perera - (Independent Non-Executive Director - Hayleys PLC)</p> <p>Mr. S. C. Ganegoda - (Executive Director - Hayleys PLC)</p>	Complied	<p>Annual Report of Board of Directors on pages 146 and 149.</p> <p>Related Party Transactions Review Committee Report on page 154.</p>
9.2.4	Related Party Transactions Review Committee Meetings	The RPTRC met 04 times during the financial year 2022/23.	Complied	Annual Report of Board of Directors on pages 146 and 149.
9.3.1	Immediate Disclosures	The Company has not been involved in any non-recurrent related party transaction which requires immediate announcement to the Exchange.	Complied	Note 29 to the Financial Statements
9.3.2 (a)	Disclosure of 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.	Complied	Note 29 to the Financial Statements
9.3.2 (b)	Disclosure of Recurrent Related Party Transactions	<p>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.</p> <p>However, aggregate values of these transactions were below 10% of gross revenue of latest audited accounts.</p>	Complied	Note 29 to the Financial Statements
9.3.2 (c)	Report by the Related Party Transactions Review Committee	Refer page 154 for the Related Party Transactions Review Committee Report.	Complied	Related Party Transactions Review Committee Report page 154
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.	Complied	Annual report of Board of Directors page 146 and 149.

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

The Directors of Alumex PLC have pleasure in presenting the Annual Report of the Board of Directors on the affairs of the Company and audited Consolidated Financial Statements of the Group for the year ended 31st March 2023.

The details set out herein provide the pertinent information required by the Companies Act No. 7 of 2007 (the Companies Act), 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 163 to 168.

## Auditor's Report

The Auditor's Report on the Financial Statements is given on pages 160 to 162.

## Accounting Policies

The accounting policies adopted in the preparation of Financial Statements are given on pages 169 to 214.

The Financial Statements and Notes thereto give a true and fair view of the Company's and Group's financial position as of 31st March 2023 and of their performance for the year-ended on that date.

There were no material changes in the Accounting Policies adopted with those of the last year other than disclosed in Note 4 to the financial statements.

## Interests Register

The Company, in compliance with the Companies Act, 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.

## 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 8 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 pages 146 to 149 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 2023 was Rs. 39 Mn (2021/22 – Rs. 451 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 2023 was Rs. 1.9 Mn (2021/22 – Rs. 1.24 Mn) 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.

## Directors' Indemnity and Insurance

The ultimate parent of the Company, Hayleys PLC has obtained a Directors' and Officers' Liability Insurance from a reputed insurance company in Sri Lanka providing worldwide cover to indemnify all past, present and future Directors and Officers of the Company.

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

## Directors' Shareholdings

Name	No. of shares as at 31/03/2023	No. of shares as at 31/03/2022
Mr. Mohan Pandithage	20,000	20,000
Mr. Pramuk Dediwela	21,338,400	21,338,400
Mr. Ranil Pathirana	487,898	487,898
Mr. Sarath Ganegoda	443,400	380,000
Mr. Asghar Akbarally	Nil	Nil
Dr. Harsha Cabral, PC	Nil	Nil
Mr. Somasiri Munaweera	40,000	40,000
Mr. Prageeth Rajapaksha	39,814	39,814
Mr. Aroon Hirdaramani (Alternate Director to Mr. Ranil Pathirana)	Nil	Nil
Mr. Tyeabally Akbarally (Alternate Director to Asghar Akbarally)	Nil	Nil

Hayleys PLC holds 314,826,064 shares (52.59%) in Alumex PLC. Mr. Mohan Pandithage, Mr. Sarath Ganegoda and Dr. Harsha Cabral, PC are Directors of Hayleys PLC.

Dean Foster (Pvt) Ltd holds 28,427,800 shares (4.75%) in Alumex PLC. Mr. Mohan Pandithage and Mr. Sarath Ganegoda are Directors of Dean Foster (Pvt) Ltd.

Akbar Brothers (Pvt) Ltd holds 80,169,400 shares (13.39%) in Alumex PLC. Mr. Asghar Akbarally and Mr. Tyeabally Akbarally (Alternate Director to Mr. Asghar Akbarally) are Directors of Akbar Brothers (Pvt) Ltd.

S.M. Bentley Corporate Services (Private) Limited holds 40,000 shares in Alumex PLC. Mr. Somasiri Munaweera is a Director of S.M. Bentley Corporate Services (Private) Limited.

During the financial year, 16,342,620 shares were disposed by Rosewood (Pvt) Ltd. Mr. Ranil Pathirana who is a Director of Alumex PLC is also a Director of Rosewood (Pvt) Ltd and Mr. Aroon Hirdaramani (Alternate Director to Mr. Ranil Pathirana) is also a Director of Rosewood (Pvt) Ltd.

63,400 shares were purchased by Mr. Sarath Ganegoda, Deputy Chairman (a Non-Executive Director) of Alumex PLC, during the year.

## Corporate Donations

The donations made during this year by the Company amounted to Rs. 0.7 Mn (2021/22 – Rs. 4.98 Mn).

While donations made by the Group amounted to Rs. 0.7 Mn (2021/22 – Rs. 4.98 Mn).

## 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 114 and 118.

## Executive Directors

Mr. Mohan Pandithage (Chairman)  
Mr. Sarath Ganegoda (Deputy Chairman)  
Mr. Pramuk Dediwela (Managing Director)  
Mr. Prageeth Rajapaksha

## Non-Executive Directors

Mr. Ranil Pathirana  
Mr. Asghar Akbarally  
Mr. Aroon Hirdaramani (Alternate Director to Mr. Ranil Pathirana)  
Mr. Tyeabally Akbarally (Alternate Director to Mr. Asghar Akbarally)

## Independent Non-Executive Directors

Dr. Harsha Cabral, PC  
Mr. Somasiri Munaweera

Mr. Sarath Ganegoda and Dr. Harsha Cabral 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.

Notice has been given pursuant to Section 211 of the Companies Act, of the intention to propose an ordinary resolution for re-election of Mr. Mohan Pandithage, who is 72 years of age notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act.

## Directors' Meeting

The number of Directors' meetings comprises Board meetings, Sub-Committees meetings and the attendance of Directors at these meetings are given on page 125 Furthermore, the Directors contributed towards policy advocacy and direction by participating in the deliberations of the Board-appointed Subcommittees on Strategic Review, Procurement and Disposal of Assets.

## Board Committees

The Board, while assuming the overall responsibility and accountability for the affairs in the management of the Company, has appointed an Audit Committee, Remuneration Committee, Nomination Committee and Related Party Review Committee with specific terms of reference. The Committee Reports are given on pages 152 and 155 of this report.

## 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, The Companies Act and the Listing Rules of the Colombo Stock Exchange. The Statement of Directors'

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

Responsibility for Financial Reporting is given on page 150 which forms an integral part of the Annual Report of the Board of Directors.

## Auditors

Messrs Ernst & Young, Chartered Accountants, have expressed their willingness to continue in office and in accordance with the Companies Act, a resolution proposing the re-appointment of Messrs Ernst & Young, Chartered Accountants, as Auditors and to authorize the Directors to determine their remuneration is being proposed at the Annual General Meeting.

The Auditors, Messrs. Ernst and Young & Co., was paid Rs. 1.9 Mn (2021/22 – Rs. 1.3 Mn) and Rs. 1.9 Mn (2021/22 – Rs. 0.9 Mn) as audit fees by the Company and its subsidiary respectively. In addition, they were paid Rs. 1 Mn (2021/22 – Rs. 1.2 Mn) and Rs. 1 Mn (2021/22 – Rs. 0.9) respectively by the Company and its subsidiary for non-audit related work, which consisted mainly of tax consultancy services.

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

## Future Developments

Information on future developments are contained in the Chairman's report on pages 8 to 9.

## Turnover

The turnover of the Group/Company was Rs. 10,215Mn (2021/22 - Rs. 9,595 Mn) in the year under review. A detailed analysis of the Group's/Company's turnover is given in Note 5 to the financial statements.

## Results and Dividends

The Group's/Company's Profit before tax amounted to Rs. 154 Mn (2021/22 – Rs. 1,382 Mn). After a charge of Rs. 164 Mn (2021/22 – Rs. 230 Mn) for taxation, net profit/(loss) for the year was Rs. (10) Mn (2021/22 - Rs. 1,151.9 Mn) In addition,

Group's/Company's total comprehensive income net of tax was Rs. 504 Mn (2021/22 - Rs. 115.6 Mn).

## Ratios and Market Price Information

Ratios relating to equity and debt and market price information are given on pages 214 and 218.

## Property, Plant and Equipment

The capital expenditure of the Company on property, plant and equipment during the year under review amounted to Rs. 554 Mn (2021/22– Rs. 7.51 Mn). Information relating to movement in property, plant and equipment during the year is given in Note 12 to the Financial Statements.

## Market Values of the Properties

The freehold land in the Company has in general been subject to routine revaluation by independent qualified valuers. The most recent valuation was conducted in the financial year 2021/22 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/- (598,605,680 shares).

Total Group/Company reserves as at 31st March 2023 amounted to Rs. 3,325 Mn (2021/22– Rs. 3,598 Mn) comprising capital reserve of Rs. 934 Mn (2021/22 – Rs. 983 .Mn) and revenue reserve of Rs. 2,391 Mn (2021/22 – Rs. 261.5 Mn). Movements are shown in the Statement of Changes in Equity on page 166.

The Company has a structure and a culture that recognizes the aspirations, competencies and commitment of its employees. Career growth and advancement within the Company is promoted. The number of persons employed by the Company at the year-end was 735. The Company does not operate any share option scheme.

## Amalgamation

Alco Industries (Private) Limited, a wholly-owned subsidiary of Alumex PLC, was amalgamated with Alumex PLC with effect from 23rd August 2022 in terms of Section 242 of the Companies Act and continues as Alumex PLC.

## 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 217.

## 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 122 to 145.

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

The Directors acknowledge their responsibility for the Company'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.

## Material Issues Pertaining to Employees and Industrial Relations

Details relating to material issues pertaining to employees and industrial relations are given in Human Capital on page 79.

## Exposure to Risk

The Company 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 49 to 55 elaborates these practices and the risk factors.

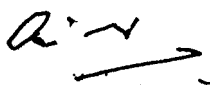
## Going Concern

The Directors, after making necessary inquiries and reviews including reviews of the Company'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 has 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 on Monday, 26th June 2023 at 1.30 p.m. at the Conference Hall of Hayleys PLC, No. 400, Deans Road, Colombo 10. The Notice of the Annual General Meeting appears on page 245.

For and on behalf of the Board,



**Mohan Pandithage**  
Chairman



**Pramuk Dediwela**  
Managing Director



**Hayleys Group Services (Private) Limited**  
Secretaries

10 May 2023

## 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 (the Companies Act), 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 of the Companies Act to ensure 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.

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.

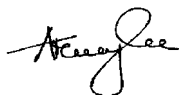
The Directors have taken proper and sufficient measures to safeguard the assets of the Company and, in that context, have instituted appropriate systems of internal control and accounting records to prevent and detect frauds and other irregularities. These have been reviewed, evaluated and updated on an ongoing basis.

The External Auditors, Messrs Ernst & Young, Chartered Accountants who were re-appointed in terms of the Companies Act 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 160 to 162 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 provided where relevant.

By order of the Board,



**Hayleys Group Services (Private) Limited**  
Secretaries

10 May 2023

## 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 2023, 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 recognized in weighing the assurances provided by any system of internal controls and accounting.

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

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

### We confirm that

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



**Mohan Pandithage**  
Chairman and Chief Executive



**Pramuk Dediwela**  
Managing Director



**Prageeth Rajapaksha**  
Director / Chief Financial Officer

10 May 2023

# 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 (2), namely, Mr. Somasiri Munaweera, Chairman of the Committee and Dr. Harsha Cabral, PC, and a Non-Executive Director, Mr. Ranil Pathirana.

Brief profiles of each member are provided on page 114.

The Company Secretary acts as the Secretary to the Audit Committee. The Chairman of the Audit Committee is a qualified senior 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 125.

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 & its Role

The Audit Committee assists the Board of Directors in fulfilling effectively its responsibility of oversight of the 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 the 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 the 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 of its findings based on the reports of the external or the 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 Memoranda, Audit Results Report and the Management Letters issued by the external auditors with regard 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.

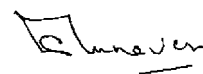
The Audit Committee provides the opportunity for external auditors to meet Audit Committee members independently, if necessary.

## Appointment of External Auditor

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young, Chartered Accountants continue as auditors for the financial year ending 31st March 2024.

## Conclusion

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



**Somasiri Munaweera**

Chairman- Audit Committee

10 May 2023

# Remuneration Committee Report

## Composition of the Remuneration Committee

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

Brief profiles of each member are given on page 114.

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.

The Committee met once during the year and the attendance are given on page 125.

## Scope of Duties

Led by the objective of attracting and retaining high caliber 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 a compensation appropriate for the Company and 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 subcommittees. Details of Directors' emoluments are disclosed on page 184.



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

10 May 2023

# Related Party Transactions Review Committee Report

The Related Party Transactions 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. Harsha Cabral, PC\*\* - Chairman

Mr. Aravinda Perera\*\*

Mr. Sarath Ganegoda\*

\*\*Independent Non-Executive

\*Executive

## Attendance

The Committee met four times during the Financial Year 2022/23.

The Meetings were held on May 17, August 10, November 08, 2022 and February 10, 2023.

	Meetings
Dr. Harsha Cabral, PC	4/4
Mr. Aravinda Perera	4/4
Mr. Sarath Ganegoda	4/4

## The duties of the Committee

- ❖ To review in advance all proposed related party transactions of the Company either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- ❖ Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party.

- ❖ Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary, including obtaining appropriate professional and expert advice from suitably qualified persons.
- ❖ To recommend, where necessary, to the Board, and obtain their approval prior to the execution of any related party transaction.
- ❖ To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- ❖ Meet with the management, internal auditors/external auditors as necessary to carry out the assigned duties.
- ❖ To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- ❖ To review the economic and commercial substance of both recurrent/non recurrent related party transactions.
- ❖ To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining "competent independent advice" from independent professional experts with regard to the value of the substantial asset of the related party transaction.

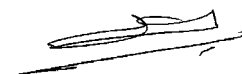
## Task of the Committee

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

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

## 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 207 to 209.



**Dr. Harsha Cabral, PC**

Chairman

Related Party Transactions Review Committee of Hayleys PLC

17 May 2023

# Nomination Committee Report

## Composition

- ❖ Mohan Pandithage\* – Chairman
- ❖ Dr. Harsha Cabral PC\*\*\*
- ❖ Aravinda Perera\*\*\* (appointed to the Committee w.e.f. 21st April 2023)
- ❖ Dhammika Perera\*\* (resigned w.e.f. 10th June 2022)

\* Executive Director

\*\* Non - Executive Director

\*\*\* Independent Non-Executive Director

The Nomination Committee of the parent company, Hayleys PLC functions as the Committee for the Company.

## Meetings

The Committee met nine times during the year and the attendance is given on page 125.

## Duties of the Nomination Committee

- ❖ Consider of making any appointment of new Directors or re-electing current Directors to the Board.
- ❖ Provide advice and recommendations to the Board on any such appointment.
- ❖ Review criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment to the Board and key management personnel in the Company.
- ❖ Consider if a Director is able to and has been adequately carrying out his or her duties as a Director, taking into consideration the number of Listed Company Boards on which the Director is represented and other principal commitments.
- ❖ Review the structure, size, composition and competencies of the Board and make recommendations to the Board with regard to any changes.

- ❖ Recommend the requirements of new expertise and succession arrangements for retiring Directors.
- ❖ Recommend on any matter referred by the Board of Directors.
- ❖ The Committee has recommended based on the performance and the contribution made to achieve the objectives of the Board to re-elect Mr. Sarath Ganegoda and Dr. Harsha Cabral at the Annual General Meeting to be held on 26th June 2023.
- ❖ The Committee has recommended to reappoint Mr. Mohan Pandithage who is over seventy years of age.



**Mohan Pandithage**

Chairman

Audit Committee

19 May 2023



# SUSTAINABLE WAYS IN HOW WE MERGE QUALITY MATERIAL WITH EFFICIENT WORKFLOWS



# Financial Reports

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## Financial Calendar 2022/23

01st Quarter Report	2nd August 2022
02nd Quarter Report	27th October 2022
03rd Quarter Report	9th February 2023
04th Quarter Report	11th May 2023
Annual Report 2022/2023	29th May 2023
16th Annual General Meeting	26th June 2023

# Independent Auditor's Report



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

Tel: +94 11 246 3500  
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Email: eysl@ik.ey.com  
ey.com

## 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"), which comprise the statement of financial position as at 31 March 2023, 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 give a true and fair view of the financial position of the company as at 31 March 2023 and of its financial performance and its 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 Company 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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

#### Key Audit Matter

#### How our audit addressed the KAM

##### Revenue Recognition

The revenue reported for the year is Rs.10 Bn as per the Note No.05.

Revenue recognition was a key audit matter due to,

The significance of the reported revenue during the year due to the price changes of the products.

Our audit procedures were included the following:

- ❖ We tested the design, implementation and operating effectiveness of the internal controls related to revenue recognition. Tested the General IT control environment and the IT application controls relating to the IT system relevant to revenue recognition.
- ❖ We performed test of details on revenue transactions throughout the financial year to ensure the validity of the transactions.
- ❖ We performed procedures to test revenue cut off at the period-end date to determine whether transactions are recorded in the proper period and to the proper accounts.
- ❖ We reviewed the management journal entries posted to revenue accounts.
- ❖ We assessed the adequacy of the disclosures made in Note 5 and 3.6 to the financial statements.

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA FCMA, D K Hulangamuwa FCA FCMA LLB (London), Ms. Q G S Manalunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajewani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudan ACA, D L B Karunathilaka ACMA, Ms. P S Parnewitane ACA ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited



### Other information included in The Company's 2023 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The 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 management and those charged with governance for the financial statements

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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company's internal control.
- ❖ 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 Company'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 Company to cease to continue as a going concern.

# Independent Auditor's Report



- ❖ 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.

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 relevant ethical requirements 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.

12 May 2023  
Colombo

## Statement of Profit or Loss

Year ended 31 March	Notes	Company		Group
		2023 Rs. '000	2022 Rs. '000	2022 Rs. '000
<b>Revenue</b>	5	<b>10,214,848</b>	9,042,944	9,595,282
Cost of Sales		<b>(8,165,158)</b>	(7,027,596)	(7,316,667)
<b>Gross Profit</b>		<b>2,049,690</b>	2,015,348	2,278,615
Other Income	6	<b>84,286</b>	51,973	53,141
Selling and Distribution Expenses		<b>(321,925)</b>	(261,289)	(267,516)
Administrative Expenses		<b>(589,573)</b>	(554,063)	(576,512)
<b>Operating Profit</b>		<b>1,222,478</b>	1,251,969	1,487,728
Finance Cost	7.1	<b>(1,790,268)</b>	(535,723)	(558,455)
Finance Income	7.2	<b>721,330</b>	440,172	452,482
<b>Profit Before Tax</b>	8	<b>153,540</b>	1,156,418	1,381,755
Income Tax Expenses	9	<b>(163,750)</b>	(189,670)	(229,849)
<b>Profit/(loss) for the Year</b>		<b>(10,210)</b>	966,748	1,151,906
Profit Attributable to Shareholders		<b>(10,210)</b>	966,748	1,151,906
		<b>(10,210)</b>	966,748	1,151,906
Diluted and Basic Earnings Per Share	10	<b>(0.02)</b>	1.61	1.92
Dividend Per Share	11	<b>0.25</b>	0.60	0.60

Notes from pages 169 to 214 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Alco Industries (Pvt) Ltd a wholly owned subsidiary of Alumex PLC was amalgamated with Alumex PLC with effect from 1 April 2022 hence no consolidated Statement of Profit or Loss is presented as at 31 March 2023.

# Statement of Comprehensive Income

Year ended 31 March	Notes	Company		Group
		2023 Rs. '000	2022 Rs. '000	2022 Rs. '000
<b>Profit for the Year</b>		<b>(10,210)</b>	966,748	1,151,906
<b>Other Comprehensive Income</b>				
Items that will not be reclassified subsequently to the Statement of Profit or Loss				
Revaluation Surplus on Land and Buildings	22.1	-	139,952	152,952
Income Tax Effect on Revaluation Surplus	9	-	(24,841)	(27,149)
Actuarial (Losses) / Gains on Defined Benefit Plans	24.1	(8,932)	(7,870)	(12,394)
Income Tax Effect on Actuarial (Losses) / Gains	9	2,680	1,397	2,200
		(6,252)	108,638	115,609
Adjustment to Opening Deferred Tax on Revaluation Reserve	9	(44,183)	-	-
Total Other Comprehensive Income for the Year, Net of Tax		(50,435)	108,638	115,609
<b>Total Comprehensive Income for the Year, Net of Tax</b>		<b>(60,645)</b>	1,075,386	1,267,515
<b>Total Comprehensive Income Attributable to Shareholders</b>		<b>(60,645)</b>	1,075,386	1,267,515

Notes from pages 169 to 214 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Alco Industries (Pvt) Ltd a wholly owned subsidiary of Alumex PLC was amalgamated with Alumex PLC with effect from 1 April 2022 hence no consolidated Statement of Comprehensive Income is presented as at 31 March 2023.

# Statement of Financial Position

		Company		Group
Year ended 31 March	Notes	2023 Rs. '000	2022 Rs. '000	2022 Rs. '000
<b>Assets</b>				
<b>Non-Current Assets</b>				
Property, Plant and Equipment	12	4,650,642	4,166,241	4,390,421
Intangible Assets	13	85,657	88,868	88,868
Right-of-Use Assets	14.1	266,293	272,775	272,775
Investments in Subsidiaries	15	-	30,000	-
		5,002,592	4,557,884	4,752,064
<b>Current Assets</b>				
Inventories	17	3,656,606	3,247,592	3,602,127
Trade and Other Receivables	18	1,177,609	1,347,316	1,586,449
Advances and Prepayments	19	508,049	1,240,377	1,262,417
Income Tax Receivable		16,486	-	-
Cash and Cash Equivalents	20	156,688	843,214	866,243
		5,515,438	6,678,499	7,317,236
<b>Total Assets</b>		10,518,030	11,236,383	12,069,300
<b>Equity and Liabilities</b>				
Stated Capital	21	283,735	283,735	283,735
Reserves	22	933,645	939,771	983,113
Retained Earnings		2,391,217	1,669,253	2,552,045
Total Equity		3,608,597	2,892,759	3,818,893
<b>Non-Current Liabilities</b>				
Interest Bearing Loans and Borrowings	16.1	656,122	1,128,989	1,128,989
Non Current Portion of Lease Liability	14.2	219,091	230,981	230,981
Retirement Benefit Liability	24	206,976	148,940	166,265
Deferred Tax Liabilities	9	444,218	245,033	238,321
		1,526,407	1,753,943	1,764,556
<b>Current Liabilities</b>				
Trade and Other Payables	25	1,693,480	2,951,594	2,614,366
Current Portion of Long-Term Interest Bearing Borrowings	16.1	573,067	651,392	651,392
Current Portion of Lease Liability	14.2	76,428	72,366	72,366
Short-Term Interest Bearing Borrowings	16.1	3,017,627	2,642,751	2,839,651
Provisions	23	22,424	17,093	19,687
Income Tax Liabilities		-	254,485	288,388
		5,383,026	6,526,573	6,422,742
<b>Total Equity and Liabilities</b>		10,518,030	11,236,383	12,069,300

Notes from pages 169 to 214 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Alco Industries (Pvt) Ltd a wholly owned subsidiary of Alumex PLC was amalgamated with Alumex PLC with effect from 1 April 2022 hence no consolidated Statement of Financial Position is presented as at 31 March 2023.

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



**Prageeth Rajapaksha**  
Director / Chief Financial Officer

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



**Mohan Pandithage**  
Chairman

10 May 2023  
Colombo



**Pramuk Dediwela**  
Managing Director

## Statement of Changes in Equity

Group	Notes	Attributable to Equity Holders of the Parent				
		Stated Capital Rs. '000	Revaluation Reserve Rs. '000	Capital Reserve Rs. '000	Retained Earnings Rs. '000	Total Rs. '000
<b>Balance as at 01 April 2021</b>		283,735	634,539	228,056	1,827,320	2,973,650
Profit for the Year		-	-	-	1,151,906	1,151,906
Revaluation of Land		-	152,952	-	-	152,952
Other Comprehensive Income, Net of Tax		-	(27,149)	-	(10,194)	(37,343)
<b>Total Comprehensive Income</b>		-	125,802	-	1,141,712	1,267,515
<b>Transactions with Owners, Recorded Directly in Equity</b>						
Depreciation Transfer for Building		-	(5,285)	-	5,285	-
Dividends to Equity Holders		-	-	-	(359,164)	(359,164)
Total Contributions by and Distributions to Owners	11	-	(5,285)	-	(353,879)	(359,164)
<b>Balance as at 31 March 2022</b>		283,735	755,057	228,056	2,615,154	3,882,002
Charge relating to surcharge tax					(63,108)	(63,108)
<b>Balance as at 1 April 2022</b>		283,735	755,057	228,056	2,552,046	3,818,894
Profit for the Year		-	-	-	(10,210)	(10,209)
Other Comprehensive Income, Net of Tax		-	(44,183)	-	(6,252)	(50,435)
<b>Total Comprehensive Income</b>		-	(44,183)		(16,462)	(60,645)
<b>Transactions with Owners, Recorded Directly in Equity</b>						
Depreciation Transfer for Building		-	(5,285)	-	5,285	-
Dividends to Equity Holders	11	-	-	-	(149,651)	(149,651)
Total Contributions by and Distributions to Owners		-	(5,285)	-	(144,366)	(149,651)
<b>Balance as at 31 March 2023</b>		283,735	705,589	228,056	2,391,217	3,608,597

Alco Industries (Private) Limited a wholly owned subsidiary of Alumex PLC was amalgamated with Alumex PLC with effect from 1 April 2022 Consolidated Statement of Changes in Equity is presented as at 31 March 2023..

Notes from pages 169 to 214 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

## Statement of Changes in Equity (Contd.)

Company	Notes	Attributable to Equity Holders of the Parent				
		Stated Capital Rs. '000	Revaluation Reserve Rs. '000	Capital Reserve Rs. '000	Retained Earnings Rs. '000	Total Rs. '000
<b>Balance as at 1 April 2021</b>		283,735	601,889	228,056	1,125,965	2,239,645
Profit for the Year		-	-	-	966,748	966,748
Revaluation of Land		-	139,952	-	-	139,952
Other Comprehensive Income, Net of Tax		-	(24,841)	-	(6,473)	(31,314)
<b>Total Comprehensive Income</b>			115,111		960,275	1,075,386
<b>Transactions with Owners, Recorded Directly in Equity</b>						
Depreciation Transfer for Building		-	(5,285)	-	5,285	-
Dividends to Equity Holders	11	-	-	-	(359,164)	(359,164)
Total Contributions by and Distributions to Owners			(5,285)		(353,879)	(359,164)
<b>Balance as at 31 March 2022</b>		283,735	711,715	228,056	1,732,361	2,955,867
Charge relating to surcharge tax					(63,108)	(63,108)
<b>Balance as at 1 April 2022</b>		283,735	711,715	228,056	1,669,253	2,892,759
Profit for the Year		-	-	-	(10,210)	(10,210)
Other Comprehensive Income, Net of Tax		-	(44,183)	-	(6,252)	(50,435)
<b>Total Comprehensive Income</b>		-	(44,183)	-	(16,462)	(60,645)
<b>Transactions with Owners, Recorded Directly in Equity</b>						
Amalgamation reserve - Alco Industries (Pvt) Ltd		-	43,342	-	882,792	926,134
Depreciation Transfer for Building		-	(5,285)	-	5,285	-
Dividends to Equity Holders	11	-	-	-	(149,651)	(149,651)
Total Contributions by and Distributions to Owners		-	38,057	-	738,426	776,483
<b>Balance as at 31 March 2023</b>		283,735	705,589	228,056	2,391,217	3,608,597

Notes from pages 169 to 214 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

# Statement of Cash Flows

		Company		Group
Year ended 31 March	Notes	2023 Rs. '000	2022 Rs. '000	2022 Rs. '000
<b>Cash Flows from Operating Activities</b>				
Profit Before Taxation		153,540	1,156,418	1,381,755
Adjustments for,				
Finance Cost	7.1	1,208,112	259,866	267,937
Finance Income	7.2	(17,667)	(18,215)	(18,295)
Provision for Gratuity	24	42,689	22,287	24,088
(Profit) / Loss on Disposal of Property, Plant and Equipment	6	(491)	-	-
Provision/(Reversal) for Bad Debts	8	(9,989)	12,566	13,740
Provision/(Reversal) for Impairment of Property, Plant & Equipment	8	(36,975)	16,671	16,671
Depreciation and Amortization	8	382,982	276,338	291,831
Operating Profit Before Working Capital Changes		1,722,202	1,725,931	1,977,727
(Increase) / Decrease in Inventories		(54,479)	(1,576,891)	(1,703,925)
(Increase) / Decrease in Trade and Other Receivables		1,220,820	(353,130)	(435,707)
(Increase) / Decrease in Advances and Prepayments		15,466	(1,208,337)	(1,229,336)
Increase / (Decrease) in Trade and Other Payables		(876,396)	1,058,220	887,612
<b>Cash (Used In) / Generated From Operating Activities</b>		<b>2,027,613</b>	<b>(354,207)</b>	<b>(503,630)</b>
Finance Cost Paid	7.1	(1,170,750)	(226,714)	(234,784)
Surcharge Tax Paid		(63,108)	-	-
Income Tax Paid		(241,018)	(52,112)	(89,781)
Retirement Benefit Liability Paid	24	(10,907)	(9,857)	(10,550)
<b>Net Cash (Used In) / Generated From Operating Activities</b>		<b>541,830</b>	<b>(642,890)</b>	<b>(838,844)</b>
<b>Cash Flows from Investing Activities</b>				
Acquisition of Property, Plant and Equipment/ Intangible asset		(554,432)	(730,201)	(751,326)
Proceeds from Sale of Property, Plant and Equipment		1,793	-	-
Finance Income Received	7.2	17,667	18,215	18,295
<b>Net Cash Used In Investing Activities</b>		<b>(534,972)</b>	<b>(711,986)</b>	<b>(733,031)</b>
<b>Cash Flows from Financing Activities</b>				
Repayment of Interest Bearing Loans and Borrowings	16.1	(551,192)	(1,199,294)	(1,199,295)
Proceeds from Interest Bearing Loans and Borrowings	16.1	-	1,420,000	1,420,000
Lease Rental Paid	14.2	(73,825)	(39,904)	(39,904)
Dividend Paid	11	(269,373)	(239,443)	(239,443)
<b>Net Cash Used In Financing Activities</b>		<b>(894,390)</b>	<b>(58,641)</b>	<b>(58,642)</b>
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>		<b>(887,531)</b>	<b>(1,413,517)</b>	<b>(1,630,417)</b>
<b>Cash and Cash Equivalents from Alco Industries (Pvt) Ltd as at beginning of the year</b>		<b>-</b>	<b>(173,871)</b>	<b>-</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	20	<b>(1,973,408)</b>	<b>(386,019)</b>	<b>(342,991)</b>
<b>Cash and Cash Equivalents at end of the Year</b>	20	<b>(2,860,939)</b>	<b>(1,973,408)</b>	<b>(1,973,408)</b>

Notes from pages 169 to 214 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Alco Industries (Pvt) Ltd a wholly owned subsidiary of Alumex PLC was amalgamated with Alumex PLC with effect from 1 April 2022 hence no consolidated Statement of Cash Flows is presented as at 31 March 2023.

# 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 2022 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.

The Alco Industries (Pvt) Ltd is amalgamated with the Alumex PLC (refer note 2.8).

### 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 during the financial year under review. The Alco Industries (Pvt) Ltd is amalgamated with the Alumex PLC and refer note 2.8.

### 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 Company for the year ended 31 March 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 10 May 2023.

### 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 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 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 Financial Statements.

### 2.3 Functional and presentation currency

The Financial Statements are presented in Sri Lankan rupees, which is the Company'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 Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

### 2.6 Rounding

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

### 2.7 Offsetting

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

### 2.8 As of 01st April 2023, Alco Industries (Pvt) Ltd, amalgamated with Alumex PLC,

Alco Industries (pvt) Limited was amalgamated with Alumex PLC with effect from 01st April 2022, In terms of section 242 of Companies Act No. 7 of 2007 and Alumex PLC continues as the surviving entity. Alumex PLC held 100% ownership of Alco Industries (pvt) LTD. The balances were amalgamated by adding line-by-line items to the financial statements of Alumex PLC.

# Notes to the Financial Statements

Amalgamated balances as of 01st April 2022	Rs. (000)
Property, Plant and Equipment	233,986
Deferred Tax Asset	6,712
Inventories	354,534
Trade and Other Receivables	701,412
Advances and Prepayments	22,040
Cash and Bank Balances	23,029
	1,341,713
Revaluation Reserve	19,349
Accumulated profits	947,062
Retirement Benefit Liability	17,323
Trade and Other Payables	125,051
Provisions	2,125
Interest Bearing Loans and Borrowings	196,900
Income Tax Liabilities	33,903
	1,341,713

Cash and cash equivalent balance as at 01st April 2022 amounted to Rs. (173,871)/- was added as a separate line item to the Company cash flow statement as at 01st of April 2022.

## 3. Summary Significant Accounting Policies

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

The Directors have made an assessment of the Company'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 retain is recognised at fair value.

The Consolidated Financial Statements of the Company for the year ended 31 March 2022 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.

Alco Industries (Pvt) Limited amalgamated with Alumex PLC and continues as Alumex PLC. The Consolidated Financial statements are discontinued from 01st April 2022. Refer amalgamation note number 2.8

### 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.

Alco Industries (Pvt) Ltd amalgamated with Alumex PLC and the consolidated financial statements are discontinued from 01st April 2023.

### 3.3 Foreign Currency Transactions

The Financial Statements are presented in Sri Lanka rupees, which is the Company's functional and presentation currency. All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected. Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the Statement of Profit or Loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of

non-monetary items measured at fair value is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e., translation differences on items of which fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

### 3.4 Current versus non-current classification

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

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

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

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

The Company 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 Company 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
- ❖ Property (land) under revaluation model Notes 12

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

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

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

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 Company 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 Company 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 Company 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

# Notes to the Financial Statements

which the Company 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 Company 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 Company 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 Company 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 Company receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Company 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 Company 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 recognized as a contract liability. Revenue is recognized over the period in which the service-type warranty is provided based on the time elapsed.

## Rendering of Services

The Company 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 Company.

## Interest

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

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

## Other Income

Other income is recognised on an accrual basis.

## Gains and Losses

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

## 3.7 Tax Expenses

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

### Current Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company 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.

### 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 Company 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.

### 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 Surcharge Tax

Surcharge Tax Act No. 14 of 2022 was enacted on 8 April 2022 and is applicable to the Hayleys Group as the collective taxable income of companies belonging to the Group, calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, exceeds Rs. 2,000 Mn for the year of assessment 2020/21. The liability is computed at the rate of 25% on the taxable income of the individual Group companies, net of dividends from subsidiaries and deemed to be an expenditure in the financial statements in the year of assessment which commenced on 1 April 2020.

Total Surcharge Tax Liability of Rs. 63.1 Mn was recognised in the financial statements of financial year 2022/23 for the Company as an operating adjustment to the 1 April 2022 retained earnings in the statement of Changes in Equity as per the Addendum to the Statement Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

The Group were liable to pay Surcharge Tax on the respective individual entity level. The Group share of total Surcharge Tax liability of Rs. 63.1 Mn has been included in Surcharge Tax charge recognised in the Group Statement of Changes in Equity as an adjustment to the 1 April 2022 opening retained earnings.

### 3.10 Property, Plant and Equipment

The company 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 Company 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 Company 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.

# Notes to the Financial Statements

## 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 Company 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.

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.

## 3.11 Leases

### Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company 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 Company 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 15 Years

If ownership of the leased asset transfers to the Company 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.

## Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Interest-bearing loans and borrowings in Note 14 & 16 to the Financial Statements.

## Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e.,

those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low value assets recognition exemption to leases that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

### 3.12 Intangible Assets

An Intangible asset is recognised if it is probable that future economic benefit associated with the assets will flow to the Company 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, or more frequently when an indication of impairment exists 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 Company 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 Company 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

## Notes to the Financial Statements

### 3.13 Expenses

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

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

### 3.14 Finance Income and Finance Costs

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

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

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### 3.15 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.

### 3.16 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 weighted average
Finished Goods and Work-in-progress	At the cost of direct materials, direct labor and an appropriate proportion of  At the 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 weighted average
Goods in Transit	At purchase cost on weighted average

### 3.17 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 Company's cash management.

### 3.18 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 Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company 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 Company'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 Company 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 Company 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 Company. The Company 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 (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 Company'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 Company 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 Company has transferred substantially all the risks and rewards of the asset, or

(b) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company 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 Company 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 Company could be required to repay.

### Impairment of Financial Assets

The Company 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 Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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 Company considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A

# Notes to the Financial Statements

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 Company'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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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

### 3.19 Provisions

Provisions are recognised when the Company 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 Company 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.

### 3.20 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.

### 3.21 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.

### 3.22 Capital commitments and contingencies

Capital commitments and contingent liabilities of the Company are disclosed in the respective Note 27 to the Financial Statements.

### 3.23 Employee Benefits

#### Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all

employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Company contributes to the following Schemes:

#### Employees' Provident Fund

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

#### Employees' Trust Fund

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

#### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits".

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 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 2023 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.

### 3.24 Statement of Cash Flows

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

### 3.25 Critical Accounting Estimates and Judgments

The preparation of Financial Statements in conformity with 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.

# Notes to the Financial Statements

## Going Concern

The Directors have made an assessment of the Company'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 Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

## Taxation

Uncertainties exist with respect to the interpretation of complex tax regulation, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company 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 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 prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulation.

## Measurement of the Defined Benefit Obligations

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 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 estimated cash flows from the use and eventual disposal of the assets. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in the discount rates could lead to impairment. Further details are disclosed in Note 12 and 13 to the Financial Statements.

## Revaluation of Land

The Company measures lands at revalued amount with change in value being recognised in the Statement of Other Comprehensive Income in Financial year 2021/2022. The valuer has used valuation techniques such as open market value. Refer Note 12 to the financial statements.

## Inventories

Company 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 Company 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

Company 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 Company reviews adequacy of provision at each reporting date.

## 3.26 Events occurring after the Reporting date

All material post occurred after the reporting date events have been considered and where appropriate adjustments or disclosures have been made in the Note 28 to the Financial Statements.

## 3.27 Earnings per Share

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## 3.28 Segment Reporting

An operating segment is a component of the Company 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 Company's other components. Refer Note 31 to the financial statements.

## 4. Changes in Accounting Policies and Disclosures

### 4.1.1 Amendments to LKAS 8 – Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

### 4.1.2 Amendments to LKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

### 4.1.3 Amendments to LKAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- ❖ Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- ❖ Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

### 4.1.4 Amendments to LKAS 1 – Classification of Liabilities as Current or Non current

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify –

- ❖ What is meant by a right to defer settlement
- ❖ That a right to defer must exist at the end of the reporting period
- ❖ That classification is unaffected by the likelihood that an entity will exercise its deferral right
- ❖ That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- ❖ Disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

## 4.2 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 Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

### 4.2.1 SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- ❖ A specific adaptation for contracts with direct participation features (the variable fee approach)
- ❖ A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2025, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

# Notes to the Financial Statements

## 5. Revenue

### Timing of Revenue Recognition

For the Year ended 31st March	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
<b>Sale of Goods</b>			
Goods Transferred at the Point in Time	<b>10,214,848</b>	8,533,769	9,595,282
	<b>10,214,848</b>	8,533,769	9,595,282
Intra-group Revenue	-	509,175	-
Total Revenue from Contract with Customers	<b>10,214,848</b>	9,042,944	9,595,282

Revenue generated on each product category is shown below :

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Local Sales - Extrusions/Components	<b>6,649,109</b>	7,602,544	7,357,013
Export Sales - Extrusions/Components	<b>3,424,320</b>	1,336,283	1,336,283
Local Sales - Aluminium Components	-	-	682,595
Export Sales - Aluminium Components	-	-	114,453
Powder Coating , Anodizing ,Wood Effect and Billets Conversion Charges	-	63,891	33,861
Aluminium Accessories , Cladding & Corian	<b>12,591</b>	25,247	29,491
Other Material Sales and Service Charges	<b>128,828</b>	14,979	41,587
	<b>10,214,848</b>	9,042,944	9,595,282

## 6. Other Income

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Lease rental income	1,066	-	-
Income from Sale of Discarded Items	82,729	51,973	53,141
Gain/Loss on Fixed Asset Disposal	491	-	-
	84,286	51,973	53,141

## 7. Finance Cost and Income

### 7.1 Finance Cost

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Interest Expense on Loans and Borrowings	1,080,871	216,616	221,559
Interest Expense on Leases	37,362	33,152	33,152
Interest Expense on Bank Overdrafts	89,879	10,098	13,225
Exchange Loss	582,156	275,857	290,519
	1,790,268	535,723	558,455

### 7.2 Finance Income

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Interest Income on Deposits and Receivable	17,667	18,215	18,295
Exchange Gain	703,663	421,957	434,187
	721,330	440,172	452,482

# Notes to the Financial Statements

## 8. Profit Before Tax

Stated After Deducting	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
<b>Included in Cost of Sales</b>			
Employee Benefits Including the Following	1,190,803	829,091	948,115
- Defined Benefit Plan Costs - Gratuity	37,691	18,793	20,487
- Defined Contribution Plan Costs - EPF and ETF	58,382	48,131	54,603
Depreciation	285,596	194,788	210,006
Provision/ (Reversal) for Inventory	36,230	282,565	358,595
Research & Development Expenses	13,035	2,936	6,111
<b>Included in Administrative, Selling and Distribution Expenses</b>			
Employee Benefits Including the Following	425,562	370,505	387,252
- Defined Benefit Plan Costs - Gratuity	4,998	3,495	3,601
- Defined Contribution Plan Costs - EPF and ETF	28,710	22,671	23,836
Provision/ (Reversal) for Bad Debts	(9,989)	12,566	13,740
Audit Fees	1,931	934	1,372
Non - Audit Fees	1,010	1,125	1,285
Depreciation and Amortization	97,609	81,550	81,671
Impairment of Property Plant and Equipment	(36,975)	16,671	16,671
Gifts , Donation and CSR	758	5,892	5,892
Advertising Costs	5,171	39,142	39,142
Directors Fees (NED)*	1,885	1,244	1,244
Directors Emoluments (ED)**	39,452	44,785	44,785

\* NED -Non Executive Directors

\*\* ED -Executive Directors

## 9. Income Tax

The major components of income tax expense for the years ended 31 March 2023 and 2022 are :

Income Statement	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Current Income Tax	1,469	216,824	269,954
Adjustments in Respect of Current Income Tax of Previous Year	(2,113)	(7,109)	(9,263)
<b>Deferred Tax :</b>			
Relating to Origination and Reversal of Temporary Differences	164,394	(20,045)	(30,842)
Income Tax Expense Reported in the Income Statement	163,750	189,670	229,849

A reconciliation between tax expense and the accounting profit multiplied by domestic tax rate for the years ended 31 March 2023 and 2022 is as follows :

Consolidated Statement of OCI	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
<b>Deferred Tax Related to Items Recognized in OCI During the Year</b>			
Net Loss / (Gain) on Actuarial Gains and Losses	2,680	(1,397)	(2,200)
Revaluation Gain / (Reversal) of Land	-	24,841	27,149
Adjustment to Opening Deferred Tax on Revaluation Reserve	(44,183)	-	-
Deferred Tax Charged to OCI	(41,503)	23,444	24,949

# Notes to the Financial Statements

## 9. Income Tax (Contd.)

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

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Accounting Profit Before Income Tax	153,540	1,156,418	1,381,755
Aggregate Disallowable Items	505,464	929,714	1,039,217
Aggregate Allowable Expenses	(939,222)	(842,125)	(876,187)
Interest Income	5,663	4,238	4,520
Tax Loss Carried Forward	280,217		
Taxable Income	5,662	1,248,245	1,549,305
Income Tax @ 14%	-	28,402	32,171
Income Tax @ 18%	-	187,405	236,698
Income Tax @ 24%	915	1,017	1,085
Income Tax @ 30%	554	-	-
Income Tax on Current Year Profit	1,469	216,824	269,954
Tax on Temporary Difference Tax @ 30%	164,394	(20,045)	(30,842)
Adjustments In Respect of Current Income Tax of Previous Year	(2,113)	(7,109)	(9,263)
Income Tax Expenses Reported in the Consolidated Income Statement	163,750	189,670	229,849

### 9.2 Deferred Tax

Deferred Tax Relates to the Following:

	Statement of Financial Position		Income Statement	
	2023 Company Rs. 000	2022 Group Rs. 000	2023 Company Rs. 000	2022 Company Rs. 000
<b>Company/Group</b>				
Accelerated Depreciation for the Tax Purposes	(727,925)	(375,600)	(308,143)	28,899
Right to Use Assets	(79,888)	(48,418)	(31,470)	14,131
Lease Liability	88,655	53,844	34,811	(18,289)
Retirement Benefit Obligations	62,092	28,114	31,299	(809)
Provision for Bad Debts	8,801	7,089	1,711	(2,097)
Tax Loss Carried Forward	84,065	-	84,065	-
Other Provisions	119,982	96,650	23,332	(41,880)
	(444,218)	(238,321)	(164,395)	(20,045)

## 9. Income Tax (Contd.)

### 9.2 Deferred Tax (Contd.)

	Statement of Financial Position		Statement of Comprehensive Income	
	2023 Company Rs. 000	2022 Group Rs. 000	2023 Company Rs. 000	2022 Company Rs. 000
Income Tax Effect on Actuarial (Loss) / Gains			2,680	(1,397)
Income Tax Effect on Revaluation Gain / (Reversal) of Land			-	24,841
Adjustment to Opening Deferred Tax on Revaluation Reserve			(44,183)	-
			(41,503)	23,444
Deferred Tax Expense / (Income)			(205,897)	3,399
Net Deferred Tax Liabilities	(444,218)	(238,321)		

### Company

Reflected in the Statement of Financial Position as follows,

	2023 Rs. 000	2022 Rs. 000
Deferred Tax Assets	363,595	161,806
Deferred Tax Liabilities	(807,813)	(406,839)
Deferred Tax Liabilities - Net as at 31 March	(444,218)	(245,033)

### Reconciliation of Deferred Tax Liabilities

	2023 Rs. 000	2022 Rs. 000
Balance as at 01 April	(245,032)	(241,633)
Amalgamation of Alco Industries(Pvt) Ltd	6,712	-
Tax Income/(Expense) Recognized in Profit & Loss	(164,395)	20,045
Tax (Expense)/Income Recognized in Other Comprehensive Income	(41,503)	(23,444)
Balance as at 31 March	(444,218)	(245,032)

# Notes to the Financial Statements

## 9. Income Tax (Contd.)

### 9.2 Deferred Tax (Contd.)

#### Reconciliation of Deferred Tax (Charge) / Reversal

	2023 Rs. 000	2022 Rs. 000
Deferred Tax (Charge) /Reversal on Other Temporary Differences Recognised Under Profit or Loss	(24,508)	20,045
Deferred Tax Effect from Change in Tax Rate Recognised Under Comprehensive Income	(139,886)	(139,886)
Deferred Tax (Charge) /Reversal on Other Temporary Differences Recognised Under Other Comprehensive Income	2,680	(23,444)
Deferred Tax Effect from Change in Tax Rate Recognised Under Other Comprehensive Income	(44,183)	-
	(205,897)	(3,399)
<b>Impact on effective tax rate change</b>		
Recognised in Statement of Profit or Loss due to during the year transactions	(24,508)	(30,843)
Recognised in Statement of Profit or Loss due to (increase)/decrease in Tax Rate	(139,886)	-
Deferred tax expense recorded in PL	(164,394)	(30,843)
Recognised in Other Comprehensive Income during the year transactions	2,680	2,200
Recognised in Other Comprehensive Income due to (increase)/decrease in Tax Rate	(44,183)	-
Deferred tax expense recorded in OCI	(41,503)	2,200

The Company has used the new tax rate introduced in the Inland Revenue (Amendment) Act No. 45 of 2022 certified on 19 December 2022, (with retrospective effect from 01 October 2022) for income and deferred taxation. Accordingly, income tax rates of, 18% for manufacturing business profits, 14% for export profits and 24% for trading and other income have been used for the first six months and a standard rate of 30% has been used for profits of all segments for the second six months. The Rate of 30% has been used for Deferred Tax. The resultant impact has been recognised in the Statement of Profit or Loss and Other Comprehensive Income. Impact of income tax rate change to the income tax expense is Rs. 163,750 (Current Tax Charge : ( Rs. 644) and Deferred Tax Expenses : Rs.164,394 ). Income tax rates used in 2022 were 18% for manufacturing business profits, 14% for export profits and 24% for trading and other income.

Deferred taxes of the Company is computed at the rate of 30% (2022 - 18%).

	Statement of Financial Position	Income Statement
	2022 Rs. 000	2022 Rs. 000
<b>Group</b>		
Accelerated Depreciation for the Tax Purposes	(375,600)	31,816
Right to Use Assets	(48,418)	14,131
Lease Liability	53,844	(18,289)
Retirement Benefit Obligations	28,114	(823)
Provision for Bad Debts	7,089	(2,305)
Other Provisions	96,650	(55,374)
	(238,321)	(30,843)

## 9. Income Tax (Contd.)

### 9.2 Deferred Tax (Contd.)

	Statement of Financial Position	Income Statement
	2022 Rs. 000	2022 Rs. 000
Income Tax Effect on Actuarial (Loss) / Gains		(2,200)
Income Tax Effect on Revaluation Gain / (Reversal) of Land		27,149
		24,949
Deferred Tax Expense / (Income)		(5,894)
Net Deferred Tax Liabilities	(238,321)	

Deferred Tax is computed at 30 % tax rates, as the effect of other rates do not significantly impact on the Financial Statements of the Group as at 31 March 2023.

### Group

Reflected in the Statement of Financial Position as follows,

	2023 Rs. 000	2022 Rs. 000
Deferred Tax Assets	363,595	185,697
Deferred Tax Liabilities	(807,813)	(424,018)
Deferred Tax Liabilities - Net as at 31 March	(444,218)	(238,321)

### Reconciliation of Deferred Tax Liabilities

	2023 Rs. 000	2022 Rs. 000
Balance as at 01 April	(238,321)	(244,214)
Tax Income/(Expense) Recognized in Profit & Loss	(164,394)	30,842
Tax (Expense)/Income Recognized in Other Comprehensive Income	(41,503)	(24,949)
Balance as at 31 March	(444,218)	(238,321)

### Reconciliation of Deferred Tax (Charge) / Reversal

	2023 Rs. 000	2022 Rs. 000
Deferred Tax (Charge) /Reversal on Other Temporary Differences Recognised in Profit or Loss	(24,508)	30,843
Deferred Tax Effect from Change in Tax Rate Recognised Under Comprehensive Income	(139,885)	-
Deferred Tax (Charge) /Reversal on Other Temporary Differences Recognised Under Other Comprehensive Income	2,680	(24,949)
Deferred Tax Effect from Change in Tax Rate Recognised Under Other Comprehensive Income	(44,183)	-
	(205,897)	5,894

# Notes to the Financial Statements

## 10. Earnings Per Share

### 10.1 Basic Earnings 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.

### 10.2 Diluted Earnings Per Share

The calculation of Diluted Earnings 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.

The Following Reflects the Income and Share Data Used in the Basic & Diluted Earnings per Share computation..

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
<b>Amounts Used as Numerator:</b>			
Net Profit Attributable to the Equity Holders of the Company	(10,210)	966,748	1,151,906

	Company		Group
	2023 Number	2022 Number	2022 Number
<b>Numbers of Ordinary Shares Used as Denominator:</b>			
Weighted Average Number of Ordinary Shares in Issue	598,605,680	598,605,680	598,605,680
Basic & Diluted Earnings per Share	(0.02)	1.61	1.92

## 11. Dividends Paid and Proposed

	Company	
	2023 Rs. 000	2022 Rs. 000
<b>Declared and paid during the year:</b>		
<b>Dividends on Ordinary Shares:</b>		
Final Dividend for 2021/22 - Rs.0.25 per share	149,651	-
Final Dividend for 2020/21 - Rs.0.10 per share	-	59,861
1st Interim Dividend for 2021/22 - Rs.0.10 per share	-	59,861
2nd Interim Dividend for 2021/22 - Rs.0.20 per share	-	119,721
3rd Interim Dividend for 2021/22 - Rs.0.20 per share	-	119,721
	149,651	359,164
Number of Shares	598,605,680	598,605,680
Dividend per Share	0.25	0.60

All dividend proposed and declared before the Financial Statements were authorized for issue have been recognized as a distribution to owners.

## 12. Property, Plant and Equipment

### 12.1 Company

	Land Rs. 000	Building Rs. 000	Construction In Progress Rs. 000	Plant and Machinery Rs. 000	Motor Vehicles Rs. 000	Office Equipment Rs. 000	Furniture and Fittings Rs. 000	Tool and Equipment Rs. 000	Total Rs. 000
<b>Cost or Valuation</b>									
At 1 April 2022	1,204,815	1,217,646	122,765	2,682,881	52,876	114,863	93,440	176,971	5,666,256
Amalgamated Balance of Alco Industries (Pvt) Ltd	103,000	95,082	-	159,960	434	546	778	19,954	379,754
Revaluation Surplus	-	-	-	-	-	-	-	-	-
Additions	-	63,594	167,027	206,053	6,870	11,239	5,634	79,002	539,419
Disposals	-	-	-	(7,059)	-	(193)	-	-	(7,251)
Transfers	-	289,792	(289,792)	-	-	-	-	-	-
At 31 March 2023	1,307,815	1,666,114	-	3,041,835	60,180	126,455	99,852	275,927	6,578,177
<b>Depreciation and Impairment</b>									
At 1 April 2022	-	337,168	-	963,642	50,941	60,079	44,901	43,284	1,500,015
Amalgamated Balance of Alco Industries (Pvt) Ltd	-	50,387	-	97,714	433	185	625	6,231	155,576
Charge for the Year	-	78,907	-	173,360	2,147	12,896	9,615	37,945	314,870
Disposals	-	-	-	(5,757)	-	(192)	-	-	(5,949)
Impairment Loss	-	-	-	(36,975)	-	-	-	-	(36,975)
At 31 March 2023	-	466,462	-	1,191,984	53,521	72,968	55,141	87,460	1,927,537
<b>Net Book Value</b>									
At 31 March 2023	1,307,815	1,199,652	-	1,849,851	6,659	53,487	44,711	188,467	4,650,642
At 31 March 2022	1,204,815	880,478	122,765	1,719,239	1,935	54,784	48,539	133,687	4,166,241

During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 554 mn. (2022- Rs.726 mn Company & 747 mn Group for cash).

The gross carrying amount of fully depreciated Property, Plant and Equipment that are still in use as at 31 March 2023 was Rs 505 mn. (2022 - Rs. 416 mn).

The net carrying amount of temporarily idle Property, Plant and Equipment as at 31 March 2023 was Rs. Nil. (2022 - Rs. 2.1 mn).

Construction in progress as at 31 March 2023 includes an amount of Rs.Nil (2022- Rs.123 mn) relating to the expenditure for building and plant & machinery which is under construction.

# Notes to the Financial Statements

## 12. Property, Plant and Equipment (Contd.)

### 12.2 Revaluation of Land & Building

Fair value of the properties was determined using the market comparable method. This means that valuation performed by the valuer 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 2022, the fair value of land are based on valuation performed by Mr. P. B. Kalugalagedara, an independent chartered valuer who has valuation experience for similar lands since 1969. The fair value of Freehold Buildings were determined by means of a revaluation during the year 2010 by Messrs. SGS Lanka (Pvt) Ltd, an independent valuer in reference to market based evidence. The results of such revaluation were incorporated in these Financial Statements from its effective date which was 31 March 2011. The surplus arising from the revaluation net of deferred taxes was transferred to a revaluation reserve and it's transferred back to equity over the period of time.

The group changed the accounting policy with respect of measurement of building during 2012, therefore the fair value of building was not measured thereafter.

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows::

Class of Asset	Cost Rs. 000	Cumulative Depreciation if Assets were Carried at Cost Rs. 000	Net Carrying Amount 2023 Rs. 000	Net Carrying Amount 2022 Rs. 000
<b>Group</b>				
Freehold Land	473,722	-	<b>473,722</b>	473,722
Building	1,163,912	(351,619)	<b>812,293</b>	806,896
	1,637,634	(351,619)	<b>1,286,015</b>	1,280,618
<b>Company</b>				
Freehold land	471,613	-	<b>471,613</b>	471,613
Building	1,075,277	(299,972)	<b>775,305</b>	765,472
Amalgamated Balance of Alco Industries (pvt) LTD	90,744	(51,647)	<b>39,097</b>	-
	1,637,634	(351,619)	<b>1,286,015</b>	1,237,085

### Fair Value of Land

Fair Value measurement disclosure for revalued land based on un-observable inputs are as follows,

- (A) Quoted Price (unadjusted) in active markets for identical assets or liabilities (Level -1).
- (B) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level -2)
- (C) Input for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level -3).

## 12. Property, Plant and Equipment (Contd.)

### 12.2 Revaluation of Land & Building (Contd.)

	Date of Valuation	Fair Value measurement using significant unobservable inputs (Level 3)	
		Group Rs. 000	Company Rs. 000
Revalued Property, Plant and Equipments			
Land -Makola	31 March 2022	652,065	549,065
Land -Gonawala	31 March 2022	101,750	101,750
Land -Ekala	31 March 2022	554,000	554,000
		1,307,815	1,204,815

Significant unobservable input :	2023 Range Rs. 000	2022 Range Rs. 000
<b>Price per perch</b>		
Land -Makola	550-575	550-575
Land -Gonawala	350	350
Land -Ekala	550	550

Significant increases / (decreases) in estimated price per perch in isolation would result in a significantly higher (lower) fair value.

### 12.3 Value of Real Estate

Year ended 31st March 2023	Location	Extent (Acres)	No of buildings in each location	Buildings Sq.ft	Market Value of Land Rs. 000
<b>Ownership</b>					
Alumex PLC	Makola	7.37	16	162,004	652,065
Alumex PLC	Gonawala	1.82	3	59,042	101,750
Alumex PLC	Ekala	6.30	5	91,442	554,000

### 12.4 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.

# Notes to the Financial Statements

## 13. Intangible Assets

	Group/Company	
	Patents and Licenses Rs. 000	Total Rs. 000
<b>Cost</b>		
Balance as at 1 April 2022	150,544	150,544
Additions	15,013	15,013
Transfers	-	-
Balance as at 31 March 2023	165,557	165,557
<b>Amortization</b>		
Balance as at 1 April 2022	61,676	61,676
Amortization Charge for the Year	18,224	18,224
Balance as at 31 March 2023	79,900	79,900
<b>Net Book Value</b>		
As at 31 March 2023	85,657	85,658
As at 31 March 2022	88,868	88,868

Intangible asset consist of patent, license of ERP software (SAP S4 Hana), Business intelligence tool software and Solid CAM Software of Machines.

## 14. Right-of-use Assets

### 14.1 Cost

	Company/Group	
	2023 Rs. 000	2022 Rs. 000
Balance as at 1 April	323,590	213,158
Additions	43,407	110,432
Disposal	-	-
Cost as at 31 March	366,997	323,590
<b>Accumulated Ammortization</b>		
Balance as at 1 April	50,815	14,833
Charge for the Year	49,888	35,982
Disposal	-	-
Accumulated Amortization as at 31 March	100,703	50,815
Net Book Value as at 31 March	266,293	272,775

## 14. Right-of-use Assets (Contd.)

### 14.2 Lease Liability

	Company/Group	
	2023 Rs. 000	2022 Rs. 000
Balance as at 1 April	303,347	205,472
Additions/ Reassessment	28,635	104,626
Interest Charge	37,362	33,153
Payments	(73,825)	(39,904)
Derecognition Lease Liability	-	-
Balance as at 31 March	295,519	303,347
Non-Current -Lease Liability	219,091	230,981
Current -Lease Liability	76,428	72,366
	295,519	303,347

The weighted average lessee's incremental borrowing rate of 12.06% applied to lease liabilities recognised in the Statement of Financial Position at the date of initial application.

Expenses related to short-term lease and lease of low value assets amounting to Rs. 5.3 Mn (2022 - Rs. 5.4 Mn) has recognized in Profit or Loss.

### 14.3 Maturity Analysis of Lease Liabilities

The table below summarises the maturity profile of the Group's and Company lease liabilities.

Group/ Company	Less than 3 months Rs. 000	3 to 12 months Rs. 000	1-2 years Rs. 000	2-5 years Rs. 000	>5 years Rs. 000	Total Rs. 000
2022	6,375	10,926	26,521	60,387	199,138	303,347
2023	3,622	12,322	24,474	43,098	212,003	295,519

## 15. Investments in Subsidiaries

	Holding	Company	
	2022 %	2023 Rs. 000	2022 Rs. 000
Alco Industries (Pvt) Ltd	100	-	30,000
		-	30,000

# Notes to the Financial Statements

## 16. Financial Assets and Financial Liabilities

### 16.1 Financial Liabilities

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
<b>Current Portion of Long-Term Interest Bearing Borrowings</b>			
Long-Term Loans	573,067	651,392	651,392
<b>Short-Term Interest Bearing Borrowings</b>			
Short-Term Loans	2,673,738	2,642,570	2,839,363
Bank Overdraft	343,889	181	288
Total Short-Term Interest Bearing Borrowings	3,017,627	2,642,751	2,839,651
<b>Non Current Interest Bearing Loans and Borrowings</b>			
Long-Term Loans	656,122	1,128,989	1,128,989
Total Non Current Interest Bearing Loans and Borrowings	656,122	1,128,989	1,128,989

### 16.1.2 Long-Term Borrowings

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
As at 01 April	1,780,381	1,559,675	1,559,675
New Loans Obtained	-	1,420,000	1,420,000
Repayments	(551,192)	(1,199,294)	(1,199,294)
As at 31 March	1,229,189	1,780,381	1,780,381
Transfer to Current Liability (Repayable Within One Year)	(573,067)	(651,392)	(651,392)
Repayable After One Year	656,122	1,128,989	1,128,989

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

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Long-Term Loans Repayable Between 1 and 2 Years from Year-end	405,622	579,067	579,067
Long-Term Loans Repayable Between 2 and 5 Years from Year-end	250,500	549,922	549,922
	656,122	1,128,989	1,128,989

Term loans were obtained from Commercial Bank for the period of 5 years at variable rates, Hatton National Bank for the period of 5 years at variable interest rates, BOC Bank for the period of 3 years at fixed interest rates and no securities are pledged in respect of such loans except term loans were obtained from HNB on negative pledge over the fixed assets of the Company.

## 16. Financial Assets and Financial Liabilities (Contd.)

### 16.1.4 Short-Term Borrowings

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
As at 01 April	2,642,570	750,000	750,000
Amalgamation of Alco Industries (Pvt) Ltd	196,793	-	-
New Loans Obtained	10,958,706	6,625,056	6,821,849
Repayments	(11,124,331)	(4,732,486)	(4,732,486)
As at 31 March	2,673,738	2,642,570	2,839,363

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

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

Group	Carrying Amount	Fair Value
	2022 Rs. 000	2022 Rs. 000
<b>Financial Assets</b>		
Trade and Other Receivables	1,586,449	1,586,449
Total	1,586,449	1,586,449
<b>Financial Liabilities</b>		
Trade and Other Payables	2,614,366	2,614,366
Loans and Borrowings- Current	3,491,043	3,491,043
Loans and Borrowings- Non Current	1,128,989	1,128,989
Total	7,234,398	7,234,398

Company	Carrying Amount		Fair Value	
	2023 Rs. 000	2022 Rs. 000	2023 Rs. 000	2022 Rs. 000
<b>Financial Assets</b>				
Trade and Other Receivables	1,177,609	1,347,316	1,177,609	1,347,316
Total	1,177,609	1,347,316	1,177,609	1,347,316
<b>Financial Liabilities</b>				
Trade and Other Payables	1,693,480	2,951,594	1,693,480	2,951,594
Loans and Borrowings- Current	3,590,694	3,294,143	3,590,694	3,294,143
Loans and Borrowings- Non Current	656,122	1,128,989	656,122	1,128,989
Total	5,940,296	7,374,726	5,940,296	7,374,726

# Notes to the Financial Statements

## 16. Financial Assets and Financial Liabilities (Contd.)

### 16.1.5 Fair Value of Financial Assets and Liabilities not Carried at Fair Value (Contd.)

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.

## 17. Inventories

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Raw Material	1,510,508	1,433,783	1,523,805
Work In Progress	1,282,398	651,042	831,075
Finished Goods	801,522	700,774	733,227
Other Materials	8,363	88,456	139,492
Goods In Transit	53,815	373,537	374,528
	3,656,606	3,247,592	3,602,127

The provision/ (reversal) of the group for obsolete inventory was amounting Rs.36 mn (2022- Rs.358 mn - provision made) which was recognized in Cost of Sales.

### 17.1 Movement in the Provision for Inventory

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
As at 1 April	441,802	159,237	191,922
Amalgamated Balance of Alco Industries (Pvt) Ltd	108,715	-	-
Provision Made During the Year	36,230	282,565	358,595
Provision Reversed During the Year	-	-	-
As at 31 March	586,747	441,802	550,517

## 18. Trade and Other Receivables

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Trade Receivables	985,284	1,361,081	1,532,096
Less: Provision for Doubtful Debts	(29,335)	(33,264)	(39,939)
	955,949	1,327,817	1,492,157
Amounts Due from Related Parties (Note 18.1)	157,907	5,701	79,936
Other Receivables	63,753	13,798	14,356
	1,177,609	1,347,316	1,586,449

### 18.1 Amounts Due from Related Parties

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Advantis Projects & Engineering (Pvt) Ltd		133	133
Unisyst Engineering PLC	59,227	4,940	5,510
DPL Universal Gloves Limited	-	863	863
Energynet (Pvt) Ltd	-	-	-
Fentons Limited	98,680	(235)	73,430
	157,907	5,701	79,936

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

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

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
As at 1 April	33,264	21,453	26,953
Amalgamated balance of Alco Industries (Pvt) Ltd.	6,674	-	-
Provision Made During the Year	-	43,774	58,172
Write-off Against the Provision	(388)	-	-
Provision Reversed During the Year	(10,215)	(31,963)	(45,186)
As at 31 March	29,335	33,264	39,939

## Notes to the Financial Statements

### 18. Trade and Other Receivables (Contd.)

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

Group	Neither Past Due nor Impaired Rs. 000	Past Due but not Impaired				Total (Gross) Rs. 000	Provision for Doubtful Debts Rs. 000	Total (Net) Rs. 000
		< 60 days Rs. 000	61-120 days Rs. 000	121-180 days Rs. 000	> 180 days Rs. 000			
2022	1,125,543	313,720	50,237	6,174	36,422	1,532,096	(39,939)	1,492,157

Company	Neither Past Due nor Impaired Rs. 000	Past Due but not Impaired				Total (Gross) Rs. 000	Provision for Doubtful Debts Rs. 000	Total (Net) Rs. 000
		< 60 days Rs. 000	61-120 days Rs. 000	121-180 days Rs. 000	> 180 days Rs. 000			
2022	1,001,392	278,614	44,362	5,137	31,576	1,361,081	(33,264)	1,327,817
2023	589,553	266,754	81,480	15,872	31,625	985,284	(29,335)	955,949

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.

### 19. Advances and Prepayments

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Advances	498,503	1,216,632	1,237,405
Prepayments	9,546	23,745	25,012
	508,049	1,240,377	1,262,417

### 20. Cash and Short-Term Deposits

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Cash at Banks and on Hand	156,688	719,291	742,320
Short-Term Deposits	-	123,923	123,923
	156,688	843,214	866,243

## 20. Cash and Short-Term Deposits (Contd.)

For the purpose of Statement of Cash Flows, cash and cash equivalents comprise the followings.

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Cash at Banks and on Hand	156,688	719,291	742,320
Short-Term Deposits	-	123,923	123,923
Short-Term Interest Bearing Borrowing	(3,017,627)	(2,642,751)	(2,839,651)
Cash and cash equivalents from Alco Industries (Pvt) Ltd	-	(173,871)	-
Cash and Cash Equivalents for the Purpose of Cash Flow Statement	(2,860,939)	(1,973,408)	(1,973,408)

## 21. Stated Capital

	Company			
	2023 Rs. 000	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Ordinary Shares	598,605,680	283,735	598,605,680	283,735

All authorised ordinary shares are issued and fully paid

## 22. Reserves

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Revaluation Reserve (Note 22.1)	705,589	711,715	755,057
Capital Reserve	228,056	228,056	228,056
	933,645	939,771	983,113

### 22.1 Revaluation Reserve

	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
As at 1 April	711,715	601,889	634,539
Amalgamated Balance of Alco Industries (Pvt) Ltd	43,342	-	-
Revaluation Surplus During the Year	-	139,952	152,952
Income Tax Effect on Revaluation Surplus	-	(24,841)	(27,149)
Excess Depreciation Transfer on Revaluation Surplus	(5,285)	(5,285)	(5,285)
Adjustment to Opening Deferred Tax on Revaluation Reserve	(44,183)	-	-
As at 31 March	705,589	711,715	755,057

Revaluation Surplus consists of net surplus resulting from the valuation of Property, Plant and Equipment and differed tax impact on the changing applicable tax rate.

# Notes to the Financial Statements

## 22. Reserves (Contd.)

### 22.2 Capital Reserve

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

### 22.3 OCI items, Net of Tax

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

Group	Revaluation Reserve Rs. 000	Retained Earnings Rs. 000	Total Rs. 000
<b>As at 31 March 2022</b>			
Remeasurement of Defined Benefit Plan Net of Tax	-	(10,194)	(10,194)
Revaluation of Land Net of Tax	125,803	-	125,803
	125,803	(10,194)	115,609
<b>As at 31 March 2023</b>			
Remeasurement of Defined Benefit Plan Net of Tax	-	2,680	2,680
Adjustment to Opening Deferred Tax on Revaluation Surplus	(44,183)	-	(44,183)
	(44,183)	2,680	(41,503)

Company	Revaluation Reserve Rs. 000	Retained Earnings Rs. 000	Total Rs. 000
<b>As at 31 March 2022</b>			
Remeasurement of Defined Benefit Plan Net of Tax	-	(6,473)	(6,473)
Revaluation of Land Net of Tax	115,111	-	115,111
	115,111	(6,473)	108,638
<b>As at 31 March 2023</b>			
Remeasurement of Defined Benefit Plan Net of Tax	-	2,680	2,680
Adjustment to Opening Deferred Tax on Revaluation Surplus	(44,183)	-	(44,183)
	(44,183)	2,680	(41,503)

## 23. Provisions

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
<b>Maintenance Warranty</b>			
As at 01 April	17,093	13,181	15,074
Amalgamated Balance of Alco Industries (Pvt) Ltd	2,594	-	-
Provisions During the Year	2,737	3,912	4,613
As at 31 March	22,424	17,093	19,687

Maintenance warranty provision is recognized for expected warranty claims on Wood Finished products 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:

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
As at 1 April	148,940	128,639	140,332
Amalgamated Balance of Alco Industries (Pvt) Ltd	17,322	-	-
Interest Cost	24,121	9,902	10,810
Current Service Cost	18,568	14,055	15,269
Past Service Cost	-	(1,669)	(1,990)
Benefit Paid	(10,907)	(9,857)	(10,550)
Actuarial Loss / (Gain)	8,932	7,870	12,394
As at 31 March	206,976	148,940	166,265

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

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Interest Cost	24,121	9,902	10,810
Current Service Cost	18,568	14,055	15,269
Past Service Cost	-	(1,669)	(1,990)
	42,689	22,288	24,089
Actuarial (losses) / gains recognized in Other Comprehensive Income	(8,932)	(7,870)	(12,394)

Messrs. Actuarial and Management consultant (Pvt) Ltd, carried out an actuarial valuation of the defined benefit plan gratuity on 31 March 2023. 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	18% (2022 - 15%)
Rate of Salary Increase	16% (2022 - 13.5%)
Retirement Age	60 Years as specified by the Company (2022 - 60 Years )
Staff Turnover	12.57%
Mortality	Based on A1967/70 Mortality Table ( Institute of Actuaries , London)

## Notes to the Financial Statements

### 24. Retirement Benefit Liability (Contd.)

**24.2.1** 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;

As at 31 March 2023			
Company			
Salary Increment Rate	Discount Rate	PVODBO	Net Benefit (Expense)
16%	17%	219,921	(12,946)
16%	19%	195,289	11,686
15%	18%	194,221	12,754
17%	18%	220,911	(13,936)

As at 31 March 2022			
Company			
Salary Increment Rate	Discount Rate	PVODBO	Net Benefit (Expense)
13.50%	14%	177,527	(11,262)
13.50%	16%	156,362	9,903
12.50%	15%	155,514	10,751
14.50%	15%	178,300	(12,034)

**24.2.2** Average future working life time as per the assumptions made is 7 years as of 31 March 2023.

**24.2.3** Maturity Profile of the Defined Benefit Obligation as at 31 March 2023.

	Defined Benefit Obligation		
	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
<b>Expected Future Working Life</b>			
Within the Next Twelve Months	21,347	14,095	15,776
Between One to Five Years	83,540	59,872	67,306
Between Five to Ten Years	59,892	40,176	44,029
More than Ten Years	42,197	34,795	39,154
	206,976	148,940	166,265

## 25. Trade and Other Payables

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Trade Payables	634,049	1,060,435	1,111,396
Payable to Subsidiaries (Note 26.2 )	-	462,279	-
Amounts Due to Related Parties (Note 26.1 )	315,769	245,804	247,697
Other Payables	519,040	741,601	749,857
Accruals and Sundry Creditors	224,622	441,475	505,416
	1,693,480	2,951,594	2,614,366

Other payable mainly comprise of advances received amounting to Rs. 212 Mn (2022 - Rs. 578 Mn ), The remain represents other payable Rs. 307 Mn (2022 - Rs. 42 Mn).

## 26. Amounts Due to Related Parties

### 26.1 Amounts Due to Related Parties

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Hayleys PLC	296,040	147,617	148,795
Dean Foster (Pvt) Ltd	-	5,686	5,686
Advantis Freight (Private) Ltd	8,358	9,607	9,987
Hayleys Business Solutions International (Pvt) Ltd	1,790	1,111	1,157
Logiwiz Limited	100	74	74
Advantis Projects & Engineering (Private) Limited	302	99	99
Fentons Limited	4,927	22,274	22,274
Hayleys Aventura (Pvt) Ltd	155	1,615	1,615
Hayleys Travels (Pvt) Ltd	(584)	3,712	3,712
Mountain Hawk Expreses (Pvt) Ltd	4,223	2,085	2,180
Kingsbury PLC	-	932	932
Puritas (Private) Limited	405	1,556	1,750
Haycarb PLC	11	8,420	8,420
Dipped Product PLC	-	11,482	11,482
Unisys Engineering PLC	-	29,534	29,534
Singer (Sri Lanka) PLC	10	-	-
Hayleys Agriculture Holdings	12	-	-
CMA-CGM LAanka (Pvt) Ltd	20	-	-
	315,769	245,804	247,697

# Notes to the Financial Statements

## 26. Amounts Due to Related Parties (Contd)

### 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.

## 27. Commitments and Contingencies

### 27.1 Capital Expenditure Commitments

The "Group" has following major capital commitments as at 31 March 2023.

Company	Nature of transaction	Capital Commitment Rs. 000
Alumex PLC	Construction of Homogenizing foundation	15,407
Alumex PLC	Fabrication and Fixing Exhaust Fume Duct	7,853
Alumex PLC	Homogenizing Oven system	6,950
Alumex PLC	Addi.work Fire hydrant & Fire protection	3,257
Alumex PLC	CCTV Camera System	3,120
Alumex PLC	Additional w.of Fire hydrant & Protectio	2,467
Alumex PLC	EPG sprint X Control Powder Gun Control Unit	1,970
		41,024

### 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 2023 on guarantees given by Company to third parties amounted to Rs 56.7 Mn (2022 - Rs 26.6 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 15 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 2023.

## 28. Events Occurring After the Reporting Date

There were no events that has occurred as at 31st March 2023 which require adjustment in the Financial Statements.

## 29. Related Party Disclosures

### 29.1 Transactions with the Key Management Personnel

#### (A) Loans to Directors

No loans have been given to the Directors of the Company/Group.

#### (B) Key Management Personnel Compensation

Key management personnel comprises the Directors of the Company and details of compensation are given in Note 08 to the Financial Statements. There were no other transactions with key management personnel during the year.

### 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. During 2022/23 Alco Industries (Pvt) Ltd is amalgamated with the Alumex PLC.

Name	Country of Incorporation	% Equity Interest	
		2023	2022
Alco Industries (Pvt) Ltd	Sri Lanka	-	100

The following table provides the total amount of transactions that the Company have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at 31 March 2023, 31 March 2022, refer to Notes 18 and 26):

		Sales to Related Parties Rs. 000	Purchases from Related Parties Rs. 000	Net Funds Transfer from / (to) Related Parties Rs. 000	Amounts Due from Related Parties Rs. 000	Amounts Due to Related Parties Rs. 000
<b>Parent :</b>						
Hayleys PLC	2023	-	320,248	(171,825)	-	296,040
	2022	-	391,601	(435,322)	-	147,617
<b>Subsidiaries :</b>						
Alco Industries (Pvt) Ltd	2023	-	-	-	-	-
	2022	509,175	470,922	(242,181)	-	462,279
<b>Entities with significant influence over the Group</b>						
Hayleys Business Solutions International (Pvt) Ltd	2023	-	52,448	-	-	1,790
	2022	-	3,736	-	-	1,111
Haycarb PLC	2023	-	-	-	-	11
	2022	-	22,903	-	-	8,420
Hayleys Travels & Tours (Pvt) Ltd (Now known as Hayleys Travels (Pvt) Ltd)	2023	-	12,137	-	-	(584)
	2022	-	5,705	-	-	3,712
The Kingsbury PLC	2023	-	3,134	-	-	-
	2022	-	1,004	-	-	932
Puritas (Pvt) Ltd	2023	-	802	-	-	405
	2022	-	7,435	-	-	1,556
Advantis Projects & Engineering (Pvt) Ltd	2023	-	4,953	-	-	302
	2022	2,741	-	-	133	99

# Notes to the Financial Statements

## 29. Related Party Disclosures (Contd.)

### 29.2 Transaction With Parent, Subsidiaries and Other Related Companies (Contd.)

		Sales to Related Parties Rs. 000	Purchases from Related Parties Rs. 000	Net Funds Transfer from / (to) Related Parties Rs. 000	Amounts Due from Related Parties Rs. 000	Amounts Due to Related Parties Rs. 000
Advantis Freight (Pvt) Ltd	2023	-	36,370	-	-	8,358
	2022	-	82,866	-	-	9,608
DPL Universal (Pvt) Ltd	2023	-	107	-	-	107
	2022	883	-	-	863	-
Unisyst Engineering PLC	2023	163,745	1,639	-	59,227	-
	2022	84,133	37,552	-	4,940	29,534
Logiwiz Limited	2023	-	925	-	-	100
	2022	-	1,432	-	-	74
COSCO Lanka (Pvt) Ltd	2023	-	146	-	-	-
	2022	-	492	-	-	-
MIT Cargo (Pvt) Ltd	2023	-	-	-	-	-
	2022	-	344	-	-	-
Hayleys Agriculture Holdings Ltd	2023	-	1,028	-	-	12
	2022	-	1,582	-	-	-
Dean Foster (Pvt) Ltd	2023	-	-	-	-	-
	2022	-	14,214	-	-	5,686
Dipped Product PLC	2023	-	-	-	-	-
	2022	-	44,098	-	-	11,482
Mabroc Teas (Pvt) Ltd	2023	-	749	-	-	-
	2022	-	6,508	-	-	-
Hayleys Aventura (Pvt) Ltd	2023	-	14,574	-	-	155
	2022	-	25,402	-	-	1,615
Mountain Hawk Express (Pvt) Ltd	2023	-	15,214	-	-	4,223
	2022	-	11,265	-	-	2,085
Quality Seeds (Pvt) Ltd	2023	-	-	-	-	-
	2022	373	-	-	-	-
Hayleys Lifescience (Pvt) Ltd	2023	-	-	-	-	-
	2022	-	1,468	-	-	-
Fentons Ltd	2023	116,538	82,410	(85,943)	98,680	4,927
	2022	(72)	49,899	-	(235)	22,274
Advantis Shipping (Pvt) Ltd	2023	-	-	-	-	-
	2022	-	44	-	-	-
D P L Premier Gloves Limited	2023	-	-	-	-	-
	2022	-	4,192	-	-	-

**29. Related Party Disclosures (Contd.)****29.2 Transaction With Parent, Subsidiaries and Other Related Companies (Contd.)**

		Sales to Related Parties Rs. 000	Purchases from Related Parties Rs. 000	Net Funds Transfer from / (to) Related Parties Rs. 000	Amounts Due from Related Parties Rs. 000	Amounts Due to Related Parties Rs. 000
CMA-CGM Lanka (Pvt) Ltd	2023	-	244	-	-	20
	2022	-	1,143	-	-	-
Hanwella Rubber Products Ltd	2023	-	-	-	-	-
	2022	-	1,747	-	-	-
Chas P Hayley & Co	2023	-	-	-	-	-
	2022	-	3,827	-	-	-
Energynet (Pvt) Ltd	2023	-	22,270	-	-	-
	2022	-	-	-	-	-
Singer (Sri Lanka ) PLC	2023	10,806	2,687	-	-	10
	2022	-	3,034	-	-	-
Summer Season Ltd	2023	8,024	-	-	-	-
	2022	-	-	-	-	-

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 parent of the Company is Hayleys PLC.

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

Advantis Projects & Engineering (Pvt) Ltd, Advantis Freight (Pvt)Ltd, Unisyst Engineering PLC, Logiwiz Limited, COSCO Lanka (Pvt) Ltd, MIT Cargo (Pvt) Ltd, Hayleys Agriculture Holdings Ltd, Dean Foster, Dipped Product PLC, Mabroc Teas (Pvt) Ltd, Hayleys Aventura (Pvt) Ltd, Mountain Hawk Express (Pvt) Ltd, Quality Seeds (Pvt) Ltd, Hayleys Lifescience (Pvt) Ltd, Fentons Ltd, Hayleys Leisure Holdings (Pvt) Ltd, Advantis Ships (Pvt) Ltd, D P L Premier Gloves Limited, CMA-CGM Lanka (Pvt) Ltd, Hanwella Rubber Products Ltd, Chas P Hayley & Co, Energynet (Pvt) Ltd, Singer (Sri Lanka ) PLC, Hayleys Business Solutions International (Pvt) Ltd, Haycarb PLC, Hayleys Travels (Pvt) Ltd, Hayleys Electronics Lighting (Pvt) Ltd, Hayleys Aventura (Pvt) Ltd, The Kingsbury PLC, Puritas (Pvt) Ltd are subsidiaries of Hayleys 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 2023, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2022 - Nil ). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

# Notes to the Financial Statements

## 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 Company's exposure to each of the above risks, the Company'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 Company's risk management framework. The Board has delegated this responsibility to the Audit Committee which is supported by the Senior Management of the Company 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 Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

### Trade and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company Senior Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company'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 Company's customers have been transacting with the Company for over five years, and no impairment loss has been recognized against these customers. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Company establishes an allowance for impairment that represents its estimate of 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.1,178 mn (2022 - Rs. 1,347 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 Company held cash and cash equivalents of Rs.157 mn as at 31 March 2023 (2022 - Rs.843 mn) which represents its maximum credit exposure on these assets.

### 30. Financial Management Objectives and Policies (Contd.)

Respective credit ratings of banks which Group cash balances held are as follows;

- ❖ Commercial Bank of Ceylon PLC – A (lka)
- ❖ Sampath Bank PLC – BBA+(lka)
- ❖ Bank of Ceylon – CC-(lka)
- ❖ DFCC Bank – A+(lka)
- ❖ Hatton National Bank PLC– A (lka)
- ❖ Standard Chartered Bank- AAA (lka)
- ❖ Nation Trust Bank PLC - A (lka)
- ❖ Deutsche Bank - BBB+
- ❖ People's Bank- A(lka)

#### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company'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 Company 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.

Company maintains a portfolio of short-term liquid assets, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units and subsidiaries are met through short-term loans from intercompany fund transfers to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

The monthly liquidity position is monitored. All liquidity policies and procedures are subject to review and approval by Chief Financial Officer. Daily reports cover the liquidity position of both the parent and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to Chief Financial Officer.

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

Year ended 31 March 2023	On Demand Rs. 000	< 3 Months Rs. 000	3 to 12 Months Rs. 000	1 to 5 Years Rs. 000	> 5 Years Rs. 000	Total Rs. 000
Interest-Bearing Loans and Borrowings	343,888	2,818,505	434,300	650,123	-	4,246,816
Other Liabilities	22,424	-	-	-	-	22,424
Trade and Other Payables	-	1,041,119	402,139	250,222	-	1,693,480
	366,312	3,859,624	836,439	900,345	-	5,962,720

Gross loan commitments shown above differs from the amount included in the Statement of Financial Position as amount shown there is excluding loan interest commitments.

#### 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.

# Notes to the Financial Statements

## 30. Financial Management Objectives and Policies (Contd.)

The company's objective is to manage Operational Risk, so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address Operational Risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:

- ❖ Requirements for appropriate segregation of duties, including the independent authorization of transactions
- ❖ Requirements for the reconciliation and monitoring of transactions
- ❖ Compliance with regulatory and other legal requirements
- ❖ Documentation of controls and procedures
- ❖ Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- ❖ Requirements for the reporting of operational losses and proposed remedial action
- ❖ Development of contingency plans
- ❖ Training and professional development
- ❖ Ethical and business standards
- ❖ Risk mitigation, including insurance when this is effective

## Market Risk

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

## Interest Rate Risk

The Company adopts a policy of ensuring that 21.40 % 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;

		Effect on Profit Before Tax
		2023 Company Rs. 000
Only Using	Increase/ Decrease in Interest Rate	
	.+ 5%	273,540
Interest-Bearing Loans and Borrowings	. - 5 %	(273,540)

## Foreign Currency Risk

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

**30. Financial Management Objectives and Policies (Contd.)**

	2023
	Company Rs. 000
Liability - Creditor/USD loan	(356,340)
Assets - Debtors & Deposits	520,926
Net Position	164,586
If Rupee Depreciated by 20%	197,503
Impact to the PBT	32,917
If Rupee Appreciated by 20%	131,669
Impact to the PBT	(32,917)

**Commodity Price Risk**

The Company 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 Change in Year-End Price	Effect on Profit Before Tax  2022 Company Rs. 000
Raw Aluminium	+5%	(231,942)
	-5%	231,942

**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.

## Notes to the Financial Statements

### 30. Financial Management Objectives and Policies (Contd.)

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

	Company		Group
	2023 Rs. 000	2022 Rs. 000	2022 Rs. 000
Interest Bearing Loans and Borrowings	<b>4,246,816</b>	4,726,478	4,923,379
Equity	<b>3,608,597</b>	2,955,867	3,882,002
Equity and Net Debts	<b>7,855,413</b>	7,682,345	8,805,380
Gearing Ratio	<b>54.06%</b>	61.52%	55.91%

### 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 Company does not have materially distinguishable components which exceeds quantitative threshold under an operating segment or meet the reportable criteria to be identified as a segment as all operations are treated as one segment.

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## Investor Information (Appendix I)

### Top 20 shareholders

No.	Name of the Shareholder	No. of Shares as at 31.03.2023	%	No. of Shares as at 31.03.2022	%
1.	Hayleys Limited No 1 Share Investment Account	314,826,064	52.59	314,826,064	52.59
2.	Akbar Brothers Pvt Ltd A/C No.1	80,169,400	13.39	80,169,400	13.39
3.	Dean Foster (Pvt) Ltd A/C No.1	28,427,800	4.75	28,427,800	4.75
4.	Mr.D.W.P.N.Dediwela	21,338,400	3.56	21,338,400	3.56
5.	Sampath Bank PLC/Dr. T. Senthilverl	7,800,000	1.30	7,800,000	1.30
6.	Union Assurance PLC-Universal Life Fund	5,138,409	0.86	-	-
7.	Deutsche Bank AG-National Equity Fund	4,108,164	0.69	4,108,164	0.69
8.	DFCC Bank PLC/J N Lanka Holdings Company (Pvt) Ltd	3,503,881	0.59	4,279,272	0.71
9.	Seylan Bank PLC/W. D. N. H. Perera	3,424,923	0.57	-	-
10.	EMFI Capital Limited	3,042,779	0.51	-	-
11.	Mr. K. D. H. Perera	2,944,907	0.49	2,944,907	0.49
12.	SSBT-Parametric Tax-Managed Emerging Markets Fund	2,884,726	0.48	-	-
13.	Bank of Ceylon No. 1 Account	2,254,360	0.38	2,254,360	0.38
14.	Union Assurance PLC-Traditional Life Participating Fund	2,144,819	0.36	-	-
15.	Mr. J. W. Nanayakkara /Mrs. H. D. Nanayakkara	2,100,000	0.35	2,100,000	0.35
16.	Mr. A. M. Weerasinghe	2,000,000	0.33	2,000,000	0.33
17.	Hatton National Bank PLC/Almas Holdings (Private) Limited	1,775,000	0.30	-	-
18.	Mr. S. Senthilnathan	1,700,000	0.28	950,837	0.16
19.	Deutsche Bank AG Trustee to Lynear Wealth Dynamic Opportunities Fund	1,618,121	0.27	-	-
20.	Invenco Capital (Private) Limited	1,613,821	0.27	-	-
		492,815,574	82.33	-	-
	Others	105,790,106	17.67	-	-
	Total	598,605,680	100.00	-	-

### Directors' Shareholdings – (as defined in Colombo Stock Exchange Rules)

Name of the Director	As at 31/03/2023	As at 31/03/2022
Mr. Mohan Pandithage	20,000	20,000
Mr. Pramuk Dediwela	21,338,400	21,338,400
Mr. Sarath Ganegoda	443,400	380,000
Mr. Ranil Pathirana	487,898	487,898
Mr. Somasiri Munaweera	40,000	40,000
Mr. Prageeth Rajapaksha	39,814	39,814
Total	22,369,512	22,306,112

The ultimate shareholder and beneficial owner of the Company is Mr. Dhammika Perera.

## Investor Information (Appendix I)

### Public Holding

Percentage of public holding as at 31.03.2023 (%)	25.52
Market Capitalization	4,908,566,576
Float adjusted market capitalization as at 31st March 2023 was Rs.	1,252,666,190.20

The percentage of shares held by public as per the Colombo Stock Exchange Rules as at 31st March 2023, was 25.52% (2022 - 22.80%) held by 5,469 ordinary shareholder (2022 - 4985).

\* The Company complies with option 1 of the Listing Rules 7.14.1 (i) (b) – Which requires Float Adjusted Market Capitalization of Rs.1 Bn and minimum number of shareholders of 200.

### Ordinary Shareholders As at 31st March 2023

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	2,328	835,772	0.14	4	1,560	0.00	2,332	837,332	0.14
1,001 – 10,000	2,009	8,712,899	1.46	4	20,310	0.00	2,013	8,733,209	1.46
10,001 – 100,000	908	30,585,841	5.11	6	174,970	0.03	914	30,760,811	5.14
100,001 – 1,000,000	186	51,322,160	8.57	3	630,000	0.11	189	51,952,160	8.68
Over 1,000,000	29	499,343,863	83.42	3	6,978,305	1.16	32	506,322,168	84.58
	5,460	590,800,535	98.70	20	7,805,145	1.30	5,480	598,605,680	100.00

Category	Residents			Non-residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	5,222	104,758,701	17.50	18	1,877,640	0.31	5,240	106,636,341	17.81
Institutions	238	486,041,834	81.20	2	5,927,505	0.99	240	491,969,339	82.19
Total	5,460	590,800,535	98.70	20	7,805,145	1.30	5,480	598,605,680	100.00

As at 31st March 2023, there were 5,480 (31st March 2022 - 4,997) registered shareholders.

### Share Trading Information

**For the Three Months Ended 31.03.2023**

	2022/23	Date	2021/22	Date
Highest Price	<b>Rs. 9.10</b>	20/03/2023	Rs. 18.40	10/01/2022
Lowest Price	<b>Rs. 6.10</b>	14/02/2023	Rs. 7.00	30/03/2022
Last Traded Price	<b>Rs. 8.20</b>	31/03/2023	Rs. 7.30	31/03/2022
No. of Transactions	<b>6,065</b>		11,316	
No. of shares traded	<b>40,008,098</b>		46,697,412	
Value of shares traded (Rs.)	<b>316,519,554</b>		659,914,824	

**For the Twelve Months Ended 31.03.2023**

	2022/23	Date	2021/22	Date
Highest Price	<b>Rs. 11.00</b>	14/09/2022	Rs. 18.40	10/01/2022
Lowest Price	<b>Rs. 5.40</b>	08/07/2022	Rs. 7.00	30/03/2022
Last Traded Price	<b>Rs. 8.20</b>	31/03/2023	Rs. 7.30	31/03/2022
No. of Transactions	<b>27,395</b>		52,177	
No. of shares traded	<b>132,653,973</b>		323,924,166	
Value of shares traded	<b>1,114,429,716</b>		4,568,504,837	

## Ten-Year Summary (Appendix II)

Rs. '000	2023	2022	2021	2020
Turnover	10,214,848	9,595,282	6,021,532	4,729,950
Profit Before Tax	153,540	1,381,755	1,022,298	66,887
Taxation	(163,750)	(229,849)	(181,287)	(36,038)
Profit After Tax	(10,209)	1,151,906	841,011	30,849
Profit Attributable to the Group/Company	(10,209)	1,151,906	841,011	30,849
<b>Funds Employed</b>				
Stated Capital	283,735	283,735	283,735	283,735
Reserves	933,645	983,113	862,595	807,020
Retained Earnings	2,391,217	2,615,154	1,827,320	1,291,090
<b>Assets Employed</b>				
Non-Current Assets	5,002,590	4,752,064	4,045,857	3,805,099
Current Assets	5,515,437	7,317,236	3,628,542	2,992,572
Current Liability Net of Borrowings	1,715,902	2,859,333	1,681,094	894,208
Capital Employed	8,150,932	8,805,380	5,608,756	5,536,202
<b>Cash Flow</b>				
Net Cash Inflow/Outflow from Operating Activities	514,639	(838,744)	1,750,136	187,623
Net Cash Inflow/Outflow from Investing Activities	(507,780)	(733,031)	(287,737)	(150,710)
Net Cash Inflow/Outflow from Financing Activities	(894,389)	(58,642)	(862,266)	282,508
Net Increase/Decrease in Cash and Cash Equivalents	(887,531)	(1,630,418)	600,133	319,421
<b>Key Indicators</b>				
Current Ratio	1.02	1.15	1.10	1.12
Gearing Ratio	0.56	0.56	0.47	0.57
Asset Turnover Ratio	0.97	0.80	0.78	0.70
Earnings per Share	(0.02)	1.92	1.40	0.05
Dividends per Share	0.25	0.60	0.53	-
Net assets per Share	6.03	6.49	4.97	3.98
Return on Average Shareholders' Funds	(0.003)	0.34	0.31	0.01
Return on Capital Employed	0.14	0.21	0.23	0.08
Price Earnings Ratio	(481)	4.00	7.31	69.86
Interest Cover	1.03	5.55	5.62	1.29
Dividend Payout Ratio	-	0.31	0.38	-

	2019	2018	2017	2016	2015	2014
	5,031,000	4,422,461	4,634,761	3,915,668	3,241,483	2,749,348
	176,835	514,726	1,016,400	801,260	612,800	464,067
	(50,355)	(150,368)	(262,904)	(212,137)	(135,805)	(85,113)
	126,480	364,358	753,496	589,123	476,995	378,954
	126,480	364,358	753,496	589,123	476,995	378,954
	283,735	283,735	283,735	283,735	283,735	283,735
	812,305	665,481	780,323	684,503	738,284	685,355
	1,257,256	1,303,415	1,251,876	930,218	667,586	477,325
	3,828,096	3,335,359	1,957,941	1,332,559	1,290,118	965,371
	3,148,422	3,067,145	2,305,879	1,547,307	1,350,736	1,209,784
	1,173,347	1,136,353	1,190,794	813,753	770,632	536,719
	5,440,646	4,936,370	2,875,637	1,901,540	1,707,279	1,499,130
	80,162	(300,316)	523,680	494,194	482,226	300,995
	(466,898)	(1,458,418)	(619,429)	(126,623)	(324,065)	(70,910)
	77,814	687,482	74,927	(439,601)	(208,637)	(27,541)
	(308,922)	(1,071,253)	(20,820)	(72,030)	(50,476)	202,545
	1.03	1.14	1.85	1.90	1.72	2.12
	0.57	0.54	0.19	0.16	1.04	3.52
	0.72	0.69	1.08	1.36	1.03	1.26
	0.21	0.61	1.26	0.98	0.80	0.67
	0.30	0.53	0.73	0.50	0.50	0.27
	3.93	3.77	3.87	3.17	2.83	2.42
	0.05	0.16	0.36	0.32	0.30	0.31
	0.11	0.13	0.37	0.42	0.35	0.32
	23.66	13.88	7.55	7.82	9.91	10.59
	2	5	166	948	220	48.17
	1.42	0.86	0.58	0.50	0.60	0.39

## History of Dividends and Scrip Issues (Appendix III)

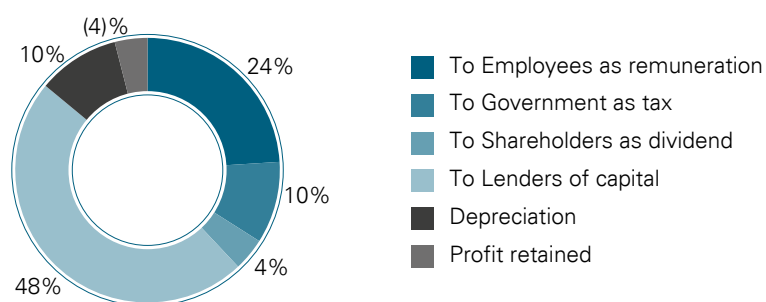
Year ended 31st March	Issue	Basis	No of Shares '000	Cum. No. of Shares '000	Dividend	Dividend Rs. '000
2014	Initial Capital/Share Split	1:140	281,446	281,446	-	-
	Initial Public Offering	-	17,857	299,303	-	-
	Dividend	-	-	299,303	Rs. 0.53 P.S	157,164
2015	Dividend	-	-	299,303	Rs. 1.00 P.S	299,303
2016	Dividend	-	-	299,303	Rs. 1.00 P.S	299,303
2017	Dividend	-	-	299,303	Rs. 1.45 P.S	433,989
2018	Dividend	-	-	299,303	Rs. 1.05 P.S	314,268
2019	Dividend	-	-	299,303	Rs. 0.60 P.S	179,582
2020	Dividend	-	-	299,303	-	-
2021	Share Split	1:2	299,303	598,606	-	-
	Dividend	-	-	598,606	Rs. 0.53 P.S	314,268
2022	Dividend	-	-	598,606	Rs. 0.85 P.S	508,815

## Value Addition and Distribution (Appendix IV)

	2023 Rs. '000	2022 Rs. '000
<b>Value Created</b>		
Revenue from contracts with customers	10,214,848	9,595,282
Other Income	84,286	53,141
Finance income	724,256	452,482
Cost of materials and services bought in	(7,578,380)	(6,740,697)
	3,445,011	3,360,208

	Share %	2023 Rs. '000	Share %	2022 Rs. '000
<b>Value Distributed</b>				
To Employees as remuneration	27	917,542	29	975,911
To Government as tax	11	383,765	11	382,104
To Shareholders as dividend	4	149,651	11	359,164
To Lenders of capital	52	1,793,194	17	558,455
<b>Value retained for expansion &amp; growth</b>				
Depreciation	10	360,719	9	291,832
Profit Retained (Loss generated)	-5	(159,861)	24	792,742
		3,445,011		3,360,208

### Value Distributed (%)



# Independent Assurance Report (Appendix V)



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## Independent Assurance Report to the Board of Directors of Alumex PLC on the Integrated Annual Report- 2022/23

### Introduction and scope of the engagement

The management of Alumex PLC ("the Company") engaged us to provide an independent assurance on the following elements of its Integrated Annual Report for the year ended 31st March 2023 ("the Report").

- ❖ Reasonable assurance on the information on financial capital management as specified on pages 58 to 65 of the Report.
- ❖ Limited assurance on other information on management of the capitals (other than financial capital), stakeholder engagement, business model, strategy, organizational overview & external environment outlook presented in the Report on pages 58 to 65, prepared in accordance with the Guiding Principles and Content Elements given in the IFRS Foundation/International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).

### Basis of our work and level of assurance

We perform our procedures to provide reasonable and limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000) (Revised): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'.

The capital management criteria used for this limited assurance engagement are based on the Guiding Principles and Content Elements given in the IFRS Foundation/International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 (Revised) and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

### Management of the Company's responsibility for the Report

The management of the Company is responsible for the preparation and presentation and self-declaration of the information and statement contained within the Report, and for maintaining adequate records and internal controls that are designed to support the Integrated Reporting process under the Integrated Reporting Framework (<IR> Framework).

### Ernst & Young's responsibilities

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).

This report is made solely to the Company in accordance with our engagement letter dated 2 May 2023. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code of Ethics for Professional Accountants issued by CA Sri Lanka,

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

### Key Assurance Procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our assurance conclusions. We performed such other procedures as we considered necessary in the circumstances.

Key assurance procedures included:

- ❖ Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajewani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons) MIS MCs-IT, G B Goudian ACMA, D L B Karunathilaka ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

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- ❖ Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.
- ❖ Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- ❖ Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organization creates value, the external environment, strategy, approaches to putting members first, governance and reporting.
- ❖ Obtained an understanding of the description of the organization's strategy and how the organization creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- ❖ Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- ❖ Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- ❖ Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our

procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

### Limitations and considerations

Social, Natural and Intellectual capital management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Report.

### Conclusion

Based on our procedures and the evidence obtained, we conclude that:

- ❖ The information on financial performance as specified on pages 58 to 65 of the Report are properly derived from the audited financial statements for the year ended 31 March 2023.
- ❖ Nothing has come to our attention that causes us to believe that other information on stakeholder engagement, business model, organization overview & external environment and outlook presented in the Report are not fairly presented, in all material respects, in accordance with the Integrated Annual Reporting practices and policies which are derived from the IFRS Foundation/International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).

10 May 2023  
Colombo

# Independent Limited Assurance Report to the Directors (Appendix VI)



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Chartered Accountants  
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Colombo 10, Sri Lanka

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## Independent Assurance Report to the Board of Directors of Alumex PLC

### Introduction and scope of the engagement

The management of Alumex PLC ("the Company") engaged us to provide an independent assurance on the following elements of its Integrated Annual Report for the year ended 31st March 2023 ("the Report").

- ❖ Reasonable assurance on the information on financial performance as specified on page 223.
- ❖ Limited assurance on other information presented in the Report, prepared in accordance with the GRI Standards.

### Basis of our work and level of assurance

We perform our procedures to provide reasonable and limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000) (Revised): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'.

The criteria applied for this assurance engagement:

- ❖ The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at GRI's global website [www.globalreporting.org](http://www.globalreporting.org).

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a

reasonable assurance engagement conducted in accordance with SLSAE-3000 (Revised) and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

### Management of the Company's responsibility for the Report

The management of the Company is responsible for selecting the criteria, and for the preparation and presentation and self-declaration of the information contained in the Report in accordance with the given criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the information, such that it is free from material misstatement, whether due to fraud or error.

### Ernst & Young's responsibilities

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the given criteria. This Report is made solely to the Company in accordance with our engagement letter dated 2 May 2023. We disclaim any assumption of responsibility for any reliance on this Report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code of Ethics for Professional Accountants issued by CA Sri Lanka,

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

### Key Assurance Procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our assurance conclusions. We performed such other procedures as we considered necessary in the circumstances. Key assurance procedures included:

- ❖ Agreed the information on financial performance as disclosed on pages 223 of the Report to audited financial statements.
- ❖ Validated the information presented and checked the calculations performed by the organization through recalculation.
- ❖ Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- ❖ Conducted interviews with relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajewani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudian ACA, D L B Karunathilaka ACA, Ms. P S Paranjitane ACA ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

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- ❖ Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- ❖ Provided guidance, recommendations, and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

### Limitations and considerations

Social, Natural and Intellectual capital management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Report.

### Conclusion

Based on our procedures and the evidence obtained, we conclude that:

- ❖ The information on financial performance as specified on page 223 of the Report are properly derived from the audited financial statements for the year ended 31st March 2023.
- ❖ Nothing has come to our attention that causes us to believe that the information presented in the Report are not fairly presented, in all material respects, in accordance with the relevant criteria.

10 May 2023

Colombo

## GRI Content Index (Appendix VII)

Statement of use	ALUMEX PLC has reported in accordance with the GRI Standards for the period April 1, 2022 to March 31, 2023.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	[Titles of the applicable GRI Sector Standards]

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No
			Requirement(s) Omitted	Reason	Explanation	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	4	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	2-2 Entities included in the organization’s sustainability reporting	4				
	2-3 Reporting period, frequency and contact point	4				
	2-4 Restatements of information	4				
	2-5 External assurance	4				
	2-6 Activities, value chain and other business relationships	16, 18-19, 37, 96-98				
	2-7 Employees	79 - 80				
	2-8 Workers who are not employees	-		Not applicable	We do not have workers who not employees	
	2-9 Governance structure and composition	51, 122-123				
	2-10 Nomination and selection of the highest governance body	155				
	2-11 Chair of the highest governance body	123				
	2-12 Role of the highest governance body in overseeing the management of impacts	124				
	2-13 Delegation of responsibility for managing impacts	122				
	2-14 Role of the highest governance body in sustainability reporting	127				

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
	2-15 Conflicts of interest	142				
	2-16 Communication of critical concerns	122				
	2-17 Collective knowledge of the highest governance body	124				
	2-18 Evaluation of the performance of the highest governance body	136				
	2-19 Remuneration policies	153				
	2-20 Process to determine remuneration	153				
	2-21 Annual total compensation ratio	-	a,b,c	Confidentiality constraints	Compensation is not disclosed due to confidentiality concerns	
	2-22 Statement on sustainable development strategy	8-9				
	2-23 Policy commitments	107-108				
	2-24 Embedding policy commitments	130				
	2-25 Processes to remediate negative impacts	129				
	2-26 Mechanisms for seeking advice and raising concerns	133				
	2-27 Compliance with laws and regulations	96				
	2-28 Membership associations	75, 99				
	2-29 Approach to stakeholder engagement	24 - 25				
	2-30 Collective bargaining agreements	81				
<b>Material topics</b>						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	27-29	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	3-2 List of material topics	27-29				

## GRI Content Index (Appendix VII)

			Omission			
GRI Standard/ Other Source	Disclosure	Location	Requirement(s) Omitted	Reason	Explanation	GRI Sector Standard Ref. No.
Economic performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	223				
	201-2 Financial implications and other risks and opportunities due to climate change	-	N/A	Not applicable	The Company does not track this information at present	
	201-3 Defined benefit plan obligations and other retirement plans	65, 179				
	201-4 Financial assistance received from government	-	N/A	Not applicable	We have not received Financial assistance from the government	
Market presence						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	82				
	202-2 Proportion of senior management hired from the local community	99				
Indirect economic impacts						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	66-69				
	203-2 Significant indirect economic impacts	98 - 99				
Procurement practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	37				

			Omission			
GRI Standard/ Other Source	Disclosure	Location	Requirement(s) Omitted	Reason	Explanation	GRI Sector Standard Ref. No.
Anti-corruption						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 205: Anti- corruption 2016	205-1 Operations assessed for risks related to corruption	129				
	205-2 Communication and training about anti- corruption policies and procedures	129				
	205-3 Confirmed incidents of corruption and actions taken	99, 129				
Anti-competitive behavior						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 206: Anti- competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	99				
Tax						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 207: Tax 2019	207-1 Approach to tax	180 - 184, 189				
	207-2 Tax governance, control, and risk management	180, 184- 189				
	207-3 Stakeholder engagement and management of concerns related to tax	180, 184 - 189				
	207-4 Country-by-country reporting		N/A	Not applicable	Alumex did not meet criteria for Country-by- country reporting	
Materials						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 301: Materials 2016	301-1 Materials used by weight or volume	101				
	301-2 Recycled input materials used	101				

## GRI Content Index (Appendix VII)

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
	301-3 Reclaimed products and their packaging materials	101				
<b>Energy</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	102				
	302-2 Energy consumption outside of the organization	102				
	302-3 Energy intensity	102				
	302-4 Reduction of energy consumption	102				
	302-5 Reductions in energy requirements of products and services	102, 105				
<b>Water and effluents</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	103				
	303-2 Management of water discharge-related impacts	104				
	303-3 Water withdrawal	104				
	303-4 Water discharge	104				
	303-5 Water consumption	104				
<b>Emissions</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	103				
	305-2 Energy indirect (Scope 2) GHG emissions	103				
	305-3 Other indirect (Scope 3) GHG emissions	103				
	305-4 GHG emissions intensity	103				

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
	305-5 Reduction of GHG emissions	103				
	305-6 Emissions of ozone-depleting substances (ODS)	-	a,b,c,d	Information unavailable/incomplete	This information does not track at this stage	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	-	a,b,c,d	Information unavailable/incomplete	This information does not track at this stage	
<b>Waste</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	104				
	306-2 Management of significant waste-related impacts	104				
	306-3 Waste generated	104				
	306-4 Waste diverted from disposal	104				
	306-5 Waste directed to disposal	104				
<b>Supplier environmental assessment</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	97				
	308-2 Negative environmental impacts in the supply chain and actions taken	98				
<b>Employment</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	81 - 83				

## GRI Content Index (Appendix VII)

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	83 - 84				
	401-3 Parental leave	83				
<b>Labor/management relations</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	80				
<b>Occupational health and safety</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics					
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	86 - 88				
	403-2 Hazard identification, risk assessment, and incident investigation	86-87, 89				
	403-3 Occupational health services	86				
	403-4 Worker participation, consultation, and communication on occupational health and safety	86				
	403-5 Worker training on occupational health and safety	86 - 88				
	403-6 Promotion of worker health	86				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	89				
	403-8 Workers covered by an occupational health and safety management system	86				

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
	403-9 Work-related injuries	90				
	403-10 Work-related ill health	90				
<b>Training and education</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	85				
	404-2 Programs for upgrading employee skills and transition assistance programs	85				
	404-3 Percentage of employees receiving regular performance and career development reviews	84				
<b>Diversity and equal opportunity</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	80				
	405-2 Ratio of basic salary and remuneration of women to men	82				
<b>Non-discrimination</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	80				
<b>Freedom of association and collective bargaining</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				

## GRI Content Index (Appendix VII)

GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	81				
<b>Child labor</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	81				
<b>Forced or compulsory labor</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	81				
<b>Local communities</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	98				
	413-2 Operations with significant actual and potential negative impacts on local communities	99				
<b>Supplier social assessment</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	97				
	414-2 Negative social impacts in the supply chain and actions taken	98				

			Omission			
GRI Standard/ Other Source	Disclosure	Location	Requirement(s) Omitted	Reason	Explanation	GRI Sector Standard Ref. No.
Public policy						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 415: Public Policy 2016	415-1 Political contributions	129				
Customer health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	94				
	416-2 Incidents of non- compliance concerning the health and safety impacts of products and services	96				
Marketing and labeling						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	95				
	417-2 Incidents of non- compliance concerning product and service information and labeling	95				
	417-3 Incidents of non-compliance concerning marketing communications	94				
Customer privacy						
GRI 3: Material Topics 2021	3-3 Management of material topics	27 - 29				
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	96				

## Distribution Channels (Appendix VIII)

### Central

#### Alumex Distribution Center - Kandy

##### Richard & Company

No. 23, Kings Street, Kandy  
Tele: 0812 224 181

##### Sarasavi Enterprises (Pvt) Ltd.

No. 442/3, Gohagoda Road,  
Wegiriya,  
Katugasthota  
Tele: 0772 533 801

##### Almet Enterprises

No. 25/A, Kurunegala Road,  
Dambulla  
Tele: 0718 254 658

##### Matale Glass Center

No. 27, Station Road, Matale  
Tele: 0662 222 624

##### N C N Aluminium

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

##### Reliance Enterprises

No: 111, Udupussellawa  
road,Hawaeliya, Nuwara Eliya.  
Tele. 0778244488

##### City Glass and Aluminium

No.80, Gamploa  
Road,Nawalapitiya  
Tele. 0542050590

##### Gunasekara & Sons Technologies (pvt) Ltd.

No.12/D, Henwala, Kundasale.  
Tele: 0773 258 588

##### Kandy Hardware (Pvt) Ltd

No:40,D.S.Senanayake,Veediya  
Kandy  
Tele: 0812 222 598

##### Sri Lanka Glass Marketing & Distribution

No 135, Kandy Rd, Ambathanna  
Tele: 0773 142 711

##### Central Picture Palace

No 92, Galagedara Road,  
Katugasthota  
Tele: 0773 301 333

### Sabaragamuwa

#### Alumex Distribution Center - Rathnapura

##### Aluroma Enterprises pvt ltd

No. 731, Kandy Road,  
Meepitiya, Kegalle  
Tele: 0352 223 969

##### Alushan Aluminium

No. 291, Kelin Weediya,  
Kudugalwattha,  
Rathnapura  
Tele: 0772 211 135

##### Arcade of Aluminium

No.125,Batugedara Road,  
Angammana, Rathnapura  
Tele: 0777 861 260

##### Karanketiya Agencies

No.21, Main Street, Rakwana  
Tele: 0776 506 130

##### Kahawatta Glass & Electricals

No.157, Main Street, Kahawatta.  
Tele: 0773 519 132

##### Sarathchandra and Company (pvt) Ltd

No.133, Main Street,  
Embilipitiya.

##### Manamperi Glass Center

3rd Mile Road, Moreketiya  
Embilipitiya  
Tele: 0472280290

### Uva

#### Alumex Distribution Center - Badulla

##### Arcade of Aluminium-Badulla

No.276A,Passara Rd,Badulla  
Tele: 0554 936 196

##### Kadurata Hardware

No. 26,27,Kandy Road  
Mahiyanganaya  
Tele: 0552 257 473

##### Rajatha Aluminium

Kumaradasa Junction,  
Wellawaya.  
Tele: 0777 592 786

##### Thisara Enterprises and Trading Company

No 516  
Thanthiriya, Badulla Road  
Bandarawela

### Eastern

##### Irfan Aluminium

No. 245, Central Road,  
Trincomalee  
Tele: 0262 220 707/ 0773 206 900

##### Pubudu Trade Center

No.64,D.S.Senanayake  
Street,Ampara  
Tele: 0632 222 278

##### C.M.S Glass & Fitting centre

Ampara Road, Sammanthurai  
Tele:0772094959

##### K.M.S. Aluminium (Pvt) Ltd/ Distribution.

Main Street, Eravur.  
Tele:0772 225 796

##### Vickneshwara Agencies

Sunthari Kiri, Koddai Kallar -02  
Tele: 0772 858 170

##### P. M. Glass Centre and Hardware

Main Street, Akkaraipattu.  
Tele: 0777 141 522

##### Trust Traders

No.98, Sea View Road,  
Trincomalee.  
Tele: 0779 788 898

##### Accurate Systems

Main Street , Potuvill

##### Paskaran Aluminium & Glass Fittings

Main Street, Kaluthavelai 03  
Tele: 0770 269 952

##### Hajeed M Abdul Majeed And Sons

No 128  
Main Street  
Batticola  
Tel: 0114524524

##### PSP Aluminium

No 165/2 Batticaloa Road  
Kalmunei  
Tele: 0773263571

##### Prince Glass House and Hardware

No: 127  
Varipaththanachennai

##### Unimax Hardware-Alco Brand

No 505 C  
Main street, Sainthamarthu

### Northern

#### Alumex Distribution Center - Jaffna

##### V. V. Ramanathan & Co (Pvt) Ltd

Hospital Road. Vauniya  
Tele: 024-2225188

##### Aranila Picture Palace

No. 05. Kanaka Puram Road,  
Killinochchi  
Tele: 0772 232 284

##### Asian Interior Designers

No.350,Psddanichoor, Mannar  
Road, Vauniya  
Tele: 0776 868 069

##### T. Kumaraswamy & Sons

No. 248/1, K.K.S. Road, Jaffna.  
Tele: 0212 224 307

##### A.J. Enterprises

Opposite Central Collage,  
A-9 Road, Ananthapuram,  
Kilinochchi.

##### Marutham Iron Ware Store

Karaveddy  
Centre,Karaveddy,Nelliary,  
Tele: 0212 263 210

**K. T. S. Glass Centre**

Main Street, Puthukkudiyiruppu  
Tele: 0772 428 483

**Pillayar Picture Palace**

Mullaithevu  
Road, Mulliyawalai, Mulathevu  
Tele: 0772 466 405

**AS Group**

No 207 Muthaliyarkulam  
Cheddikulam

**Fine Aluminium (Pvt) Ltd**

No.34/3B, Rohini  
Road, Colombo-06  
Tele: 0777 686 021

**Jazeemas**

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

**Sarukaya Construction (Pvt) Ltd.**

No 69 Crossette lane, Nallur,  
Jaffna  
Tele: 0773 880 590

**VR1 Aluminium**

No 71 A, Kanttasamy Kovi Road,  
Vauniya  
Tele: 0773 392 475

**Sun Aluminium Fabricators**

Punnalaikadduvan South,  
Chunnakam, Jaffna

**SriKannna Aluminium Fittings- Alco Brand**

Main street, mullayadi, palali

**N. S. Enterprises - Alco Brand**

No 199, K K S Road,  
Chunnakkam  
Jaffna

**Glory Aluminium Fabricators - Alco Brand**

No 144,  
Royal Pearl Garden, Wattala

**Asia interior designers - Alco Brand**

No 330 pattanichoor  
Vauniya

**Tharany Builders -Alco Brand**

Kakkadai Junction  
Kilinochchi

**North Central****Alumex Distribution Center - Anuradhapura****New Rajarata Glass House**

No: 521/30, 4th Cross Lane,  
Maithripala Senanalaka MW,  
New Bus Stand, Anuradhapura.  
Tele: 0252 223 741

**Ananda Aluminium**

No:521/56, 5th Lane,  
Maithreepala Senanayaka Mw,  
New Town, Anuradhapura.  
Tele: 025 5627810

**G. B. Aluminium**

H.19, Kurunagala Road,  
Tabuttagama  
Tele: 0703 450 651

**N. R. Leather & Glass House**

No: 377 C, Main Street,  
Kaduruwela, Polonnaruwa  
Tele: 0772 225 850

**Lakbima Rice Mills**

No 796, Hathamuna Road,  
Ethumalpitiya, Polonnaruwa  
Tele: 0777 134 387

**Sisira Aluminium Fittings**

No 37 Samudragama,  
Bandiwawa Jayanthipura

**Menadi Ceramic**

No 255, Main street,  
mahaweliyana,  
Dehiaththakandiya

**North Western****Alulux Aluminium (Pvt) Ltd**

Colombo  
Road, Koswadiya, Mahawewa  
Tele: 0322 252 016

**Thushara Aluminium**

No. 26, Rajapihilla Road,  
Kurunegala  
Tele: 0372 231 057

**Vimarsha Traders**

Dambulla Road, Udawela,  
Ibbagamuwa  
Tele: 0716 807 705

**City Picture Palace**

No:101, D.B.Welagedara Street,  
Kurunegala  
Tele: 0372 224 367

**New Glass & Aluminium**

No.63A, Tissa MW, Kuliapitiya.  
Tele: 0773839744

**Kumbukulawa Glass Center**

Kumbukulawa, Polpitigama.  
Tele: 072 773 7187

**S.M.Glass House (Pvt) Ltd**

Colombo Rd. Rathmalyaya  
Puttalam  
Tele: 032 2269202

**Grand Aluminium**

No:65, Kurunegala Road,  
Alawwa.  
Tele: 0372279833

**Ranhiru Hardware Stores**

No.26, Nikawaratiya.  
Tele:0773313359

**Dilumex Aluminium**

No.1/27 Negombo Road,  
Dankotuwa.  
Tele: 0777 565 457

**Western****Alumex central Warehouse**

Maguruwila Road  
Sapugaskanda

**Alumex Warehouse**

Ekala

**Alumex Distribution Center- (Alco Brand)**

Makola

**Alugrow Trading (Pvt) Ltd- Nagoda**

346/A1, Negombo Road,  
Nagoda, Kadana  
Tele: 0112 237 667

**Highlevel Aluminium (Pvt) Ltd.**

No. 352, Highlevel Road,  
Pannipitiya  
Tele: 0112 896 305

**Asia Trade Center-Kaluthara**

No. 612, Galle Road, Kaluthara  
South, Kaluthara  
Tele: 0779574935

**Glass and Aluminium**

No. 32, Galle Road, Dehiwala  
North  
Tele: 0777 898 920

**Alugrow Trading (Pvt) Ltd - Panadura**

No. 117, Horana Road,  
Mahawila, Panadura  
Tele: 0777 530 980

**Asia Trade Centre**

No. 542 A, Sri Sangaraja  
Mawatha, Colombo 10  
Tele: 0114 343 472

**N.Rich (Pvt) Ltd-Nawala**

335, Nawala Road, Nugegoda  
Tele: 0112 805 813

## Distribution Channels (Appendix VIII)

### New Alutec Aluminium

No.56/7 Batadolewatta Road,  
Nittambuwa  
Tele: 033 4678376

### Unifab Trading (Pvt) Ltd.

No. 76D, Kandy Road,  
Dalugama, Kelaniya  
Tele: 0112 910 686

### Multi Engineering Services

No. 40/5, New Kandy Road,  
Naranwala  
Tele: 0113 832 995

### Alcon (Pvt) Ltd.

No. 647, Galle Road,  
Rawatawaththa, Moratuwa  
Tele: 0112 649 714

### New Lanka Glass Co. (Pvt) Ltd.

No. 396/339, Main Street,  
Negombo  
Tele: 077 7355048

### Arcade of Aluminium

No. 279/15/B, Godagama Road,  
Athurugiriya  
Tele: 0772 616 727

### Alu Lanka (Pvt) Ltd.

No.247 Bollatha Ganemulla,  
Welampitiya  
Tele: 0115 631 974

### Gampaha Picture Palace

No. 110, Ja-Ela Road, Gampaha  
Tele: 0332 222 561

### Lucky Hardware

No. 109, Sumanatissa Mawatha,  
Colombo 12  
Tele: 0112 387 515

### R.C. Enterprises

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

### Alugrow Trading (Pvt) Ltd- Minuwangoda

No.49,Udyana  
Road,Minuwangoda  
Tele: 0112296560

### Alugreat Engineering Services

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

### Arcade of Aluminium- Awissawella

No. A, 45C, Madola, Awissawella  
Tele: 0364 932 014

### Dane Aluminium (Pvt) Ltd

No 07, Sri Wickrama Mawatha  
Wattala  
Tele: 0773124041

### C. G. Alucare

No 620, Awissawella  
Road,Kaduvela  
Tele: 0771949547

### Tritech Enterprises (private) Limited

No.40/5, Thilak Mawatha,  
Gorakana, Moratuwa  
Tele: 0772973658

### S.P.Worldnet (private) Ltd

No.7, Bellantara Road,  
Nadimala,Dehiwala.  
Tele: 0759054616

### High Level Aluminium Trading

Company (pvt) Ltd  
No.246/1,Kotte Road, Mirihana,  
Nugegoda, Sri Jayawardhana  
Pura, Kotte  
Tele: 0112854614

### Bravo Enterprises

No.166/A, Nilwala  
Estate,Kibulapitiya Road, Akkara  
Panaha, Negambo.  
Tele: 0773 320 471

### Jayarathna Hardware (pvt) Ltd

No.275, Watareka, Padukka.  
Tele: 0772 914 365

### Alu Win Engineering Services

No.173/1, Millathe, Kiridiwela  
Tele: 0773 555 725

### Jayathilaka Ceiling Showcase and Glass Center

No.49/1D, Makola South,  
Makola.  
Tele: 0114 250 059

### Wickrama Hardware & Trading (Pvt) Ltd

No 01, Walpola Rd,  
Aggona,Angoda  
Tele: 0779 796 871

### Gamage Aluminium Arcade

335/1 GH ,  
Kamadaliyaddapaluwa,  
Ganemulla

### Nishantha Glass Marketing Services

No 82, Old Kandy Road,  
Dalugama, Kelaniya  
Tele: 0777 762 029

### Highlevel Aluminium (Pvt) Ltd

118 C Colombo Road,  
Piliyandala  
Tele: 0112 606 137

### J.T Aluminium & Glass

788, Pannipitiya Road, Palawatta

### Southern

Alumex Distribution  
Center - Galle

### Ruhunu Alucraft & Hardware

Baddegama Road,  
Gonapinuwa (Hikkaduwa).  
Tele: 0773 061 848

### M.P.P. Trading (Pvt) Ltd.

No. 107/109, Old Tangalle Road,  
Kotuwegoda, Matara  
Tele: 0718 678 678

### Aluroma Enterprises pvt ltd

No. 77B/C, W.D.S.  
Abaygunawardhana Mawatha,  
Pettigalawatta, Galle  
Tele: 0912 227 850

### Wijesooriya Enterprises

No. 158, Maha Veediya,  
Ambalangoda  
Tele: 0779 554 373

### Dilmina Glass Centre (Pvt) Ltd

No.429, New Street, Weligama  
Tele: 0412254504

### Modimex Glass Centre

No 01,Vidyal Mawatha,  
Suriyawewa

### Somasiri Stores Engineering (Pvt) Ltd

Ranna Road,  
Angunukolapelessa.  
Tele: 0773 572 876

### New Prasan Distributors

Agathuduwa Road, Samagi  
Mawatha Godagama Matara  
Tele: 0776 917 874

### F.P.K Aluminium Center

148 Deniyaya Road, Porambe,  
Akuressa  
Tele: 0776 917 874

### Union Healthcare (Pvt) Ltd

No 53/1, Main Street, Dickwella  
Matara

# Glossary of Financial Terms

<div>A</div> <div><b>Actuarial Gains and Losses</b></div> <div>Difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.</div> <div><b>Amortisation</b></div> <div>The systematic allocation of the depreciable amount of an intangible asset over its useful life.</div> <div><b>Accounting Policies</b></div> <div>Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.</div> <div><b>Available for Sale</b></div> <div>Non derivative financial assets that are designated as available for sale or are not classified as loans and receivable, held to maturity investment or financial assets at fair value through profit and loss.</div> <div><b>Absentee rate</b></div> <div>An employee absent from work because of incapacity of any kind, not just as the result of work-related injury or disease. Permitted leave absences such as holidays, study, maternity and compassionate leave are excluded.</div>	<div>B</div> <div><b>Borrowings</b></div> <div>All interest bearing liabilities.</div>	<div>C</div> <div><b>Capital Employed</b></div> <div>Total equity, minority interest and interest bearing Borrowings.</div> <div><b>Capital Reserves</b></div> <div>Reserves identified for specific purposes and considered not available for distribution.</div> <div><b>Cash Equivalents</b></div> <div>Liquid investments with original maturity periods of three months or less.</div> <div><b>Contingent Liability</b></div> <div>A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.</div> <div><b>Current Ratio</b></div> <div>Current assets divided by current liabilities, a measure of liquidity.</div> <div><b>Current Service</b></div> <div>Cost Increase in the present value of the defined benefit obligation resulting from employee’s service in the current period.</div> <div><b>Child</b></div> <div>This term applies to all persons under the age of 14 years of age.</div> <div><b>Community Development Program</b></div> <div>Plan that details actions to mitigate, and compensate for adverse social and economic impacts, and to identify opportunities and actions to enhance positive impacts of the project on the community.</div>	<div>D</div> <div><b>Deferred Taxation</b></div> <div>The tax effect of timing differences deferred to from other periods, which would only qualify for inclusion on a tax return at a future date.</div> <div><b>Dividend cover</b></div> <div>Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.</div> <div><b>Dividend Payout</b></div> <div>Dividend per share as a percentage of the earnings per share.</div> <div><b>Dividend Yield</b></div> <div>Dividend per share as a percentage of the market price a measure of return on investment.</div> <div><b>Defined Benefit Plans</b></div> <div>Post-employment benefit plans other than defined contribution plans.</div> <div>E</div> <div><b>Earnings Per Share</b></div> <div>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.</div>	<div>F</div> <div><b>Fair Value</b></div> <div>The amount for which an asset could be exchanged or liability settled between knowledgeable willing parties in an arm’s length transaction.</div>	<div><b>EBIT</b></div> <div>Abbreviation for Earnings Before Interest and Tax.</div> <div><b>Effective Tax Rate</b></div> <div>Income tax expense divided by profit from ordinary activities before tax.</div> <div><b>Equity</b></div> <div>Shareholders’ funds.</div> <div><b>Employee turnover</b></div> <div>Employees who leave the organization voluntarily or due to dismissal, retirement, or death in service.</div> <div><b>Energy Indirect (Scope 2) GHG Emissions</b></div> <div>Emissions that result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by the organization.</div> <div><b>Entry Level Wage</b></div> <div>Entry level wage refers to the full-time wage offered to an employee in the lowest employment category. Intern or apprentice wages are not considered.</div>
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# Glossary of Financial Terms

## Fair Value Through Profit and Loss

A financial asset/liability acquired/ incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or a derivative (except for a derivative that is a financial guarantee contract).

## Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

## Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

## 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.

## Freedom of association

The right of workers and employers to establish and join organisations of their own choosing without the need for a prior authorization.

## Formal grievance mechanisms

Systems consisting of specified procedures, roles and rules for methodically addressing complaints as well as resolving disputes. Formal grievance mechanisms are expected to be legitimate, accessible, predictable, equitable, rights-compatible, clear and transparent, and based on dialogue and mediation.

## G

### Gearing

Proportion of total interest bearing borrowings to capital employed.

### Gross Profit Ratio

Gross profit divided by revenue.

## Governance Bodies

The committees or boards responsible for the strategic guidance of the organization, the effective monitoring of management, and the accountability of management to the broader organization and its stakeholders.

## I

### Interest Cover

Profit before tax plus net finance cost divided by net finance cost, a measure of an entity's debt service ability.

## IPO

The first sale of shares by a private company to public.

## Injury Rate

The number of work related injuries relative to the total time worked by the total workforce in the reporting period.

## Infrastructure

Facilities (such as water supply facility, road, school, or hospital) built primarily to provide a public service or good rather than a commercial purpose, and from which the organization does not seek to gain direct economic benefit.

## K

### 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.

## L

### Lost day rate

Time ('days') that could not be worked (and is thus 'lost') as a consequence of a worker or workers being unable to perform their usual work because of an occupational accident or disease. A return to limited duty or alternative work for the same organization does not count as lost days.

## M

### Market capitalisation

Number of shares in issue multiplied by the market value of a share at the reported date.

## N

### Net Assets Per Share

Shareholders' funds divided by the weighted average number of ordinary shares in issue, a basis of share valuation.

### Non-controlling Interest

The interest of individual shareholders, in a company more than 50% of which is owned by a holding Company.

## O

### Other Comprehensive Income

Items of income and expenses that are not recognised in profit or loss as required or permitted by other SLFRS's.

## P

### Price Earnings Ratio

Market price of a share divided by earnings per share as reported at that date.

## Product and Service Information and Labeling

Information and labeling are used synonymously and describe communication delivered with the product or service describing its characteristics.

## R

### Related Parties

Parties who could control or significantly influence the financial and operating policies of the business.

### Retirement Benefits Present Value of a Defined Benefit Obligation

Present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

**Return on Average capital employed**

Profit before tax plus net finance cost divided by average capital employed.

**Return on Average Shareholders’ Funds**

Attributable profits to the shareholders divided by average shareholders’ funds.

**Revenue Reserves**

Reserves considered as being available for distributions and investments.

**Remuneration**

Basic salary plus additional amounts such as those based on years of service, bonuses, benefit payments, overtime, time owed, and any additional allowances (such as transportation and living).

**S**

**Segments**

Constituent business units grouped in terms of similarity of operations and location.

**Supply Chain**

Sequence of activities or parties that provides products or services to the organization.

**Stakeholders**

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

**T**

**Total Water Withdrawal**

The sum of all water drawn into the boundaries of the organization from all sources (including surface water, ground water, rainwater, and municipal water supply) for any use over the course of the reporting period.

**Total Workforce**

The total number of persons working for the organization at the end of the reporting period (that is, the sum of all employees and supervised workers).

**Type of Non-Compliance**

Court judgment on failure to act in accordance with regulations or laws, categorised by the nature of the laws or regulations breached.

**V**

**Value Addition**

The quantum of wealth generated by the activities of the Group measured as the difference between turnover and the cost of materials and services bought in.

**W**

**Working Capital**

Capital required to finance day-to-day operations computed as the excess of current assets over current liabilities.

**Waste Disposal Method**

The method by which waste is treated or disposed of, including composting, reuse, recycling, recovery, incineration, landfill, deep well injection, and on-site storage.

# 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

Mr. Mohan Pandithage - Chairman  
Mr. Sarath Ganegoda - Deputy Chairman  
Mr. Pramuk Dediwela - Managing Director  
Mr. Ranil Pathirana  
Mr. Asghar Akbarally  
Dr. Harsha Cabral, PC  
Mr. Somasiri Munaweera  
Mr. Prageeth Rajapaksha  
Mr. Aroon Hirdaramani (Alternate Director to Ranil Pathirana)  
Mr. Tyeabally Akbarally (Alternate Director to Asghar Akbarally)

## Audit Committee

Somasiri Munaweera - Chairman  
Dr. Harsha Cabral, PC  
Ranil Pathirana

## Remuneration Committee

Dr. Harsha Cabral, PC – Chairman  
Somasiri Munaweera

## Auditors

Ernst & Young  
Chartered Accountants  
No. 201, De Seram Place  
Colombo 10, Sri Lanka

## Investor Relations

Please contact Corporate Affairs Unit  
Telephone: +94 11 262 7610  
E-mail: [info@cau.hayleys.com](mailto:info@cau.hayleys.com)

## Secretaries

Hayleys Group Services (Private) Limited  
400, Deans Road, Colombo 10, Sri Lanka  
Telephone: +94 11 262 7650  
Facsimile: +94 11 262 7645  
E-mail: [info.sec@hayleys.com](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

Corporate Branch  
2nd Floor, Head Office  
No. 04, Bank of Ceylon Mawatha  
Colombo 01, Sri Lanka

### Hatton National Bank PLC

Head office, No. 479, T. B. Jayah Mawatha  
Colombo 10, Sri Lanka

### DFCC Bank PLC

No. 73, W A D Ramanayake Mawatha  
Colombo 02, Sri Lanka

### Standard Chartered Bank

No. 37, York Street  
Colombo 1, Sri Lanka

### People's Bank

Head Office, No.75, Sir Chittampalam A  
Gardiner Mawatha  
Colombo 02, Sri Lanka

### Citi Bank N.A. Colombo

65C, Dharmapala Mawatha,  
Colombo 07, Sri Lanka

### Nation Trust Bank PLC

Millenium House, 46/58, Nawam Mawatha,  
Colombo 02

# Notice of Meeting

## ALUMEX PLC

Company Number PV 539 PQ

NOTICE IS HEREBY GIVEN THAT THE SIXTEENTH ANNUAL GENERAL MEETING OF ALUMEX PLC will be held on Monday, 26th June 2023 at 1.30 p.m. at the Conference Hall of Hayleys PLC, No. 400, Deans Road, Colombo 10 for the following purposes;

- (1) To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2023, with the Report of the Auditors thereon.
- (2) To re-elect as a Director Mr. S.C. Ganegoda, who retires by rotation at the Annual General Meeting in terms of Article 28(6) of the Articles of Association of the Company.
- (3) To re-elect as a Director Dr. H. Cabral, who retires by rotation at the Annual General Meeting, in terms of Article 28(6) of the Articles of Association of the Company.
- (4) To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A.M. Pandithage in terms of Section 211 of the Companies Act No.07 of 2007.

### Ordinary Resolution

"That Mr. Abeyakumar Mohan Pandithage, who has attained the age of seventy-two years be and is hereby re-appointed a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to him."

- (5) To authorize the Directors to determine donations and contributions to charities for the ensuing year.
- (6) To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2023/24 and to authorize the Directors to determine their remuneration.
- (7) To consider and if thought fit, to pass the following Special Resolutions to amend the existing articles in the Articles of Association of the Company, in order to be in line with the model articles provided in Schedule 1 of the Companies Act No 7 of 2007:

### Special Resolution (1)

That the existing Article 15 be deleted in its entirety and be substituted with the following Article 15;

#### "Article 15 - Method of Holding General Meetings

A meeting of shareholders may be held either;

- (a) by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
- (b) by means of audio or audio and visual communication by which all shareholders participating and constituting a quorum, can simultaneously hear each other throughout the meeting."

### Special Resolution (2)

'That Article 16 (2) be amended as follows;

"16 (2) A quorum for a meeting of shareholders is present if three (03) shareholders are present in person or through audio visual communication, by themselves or by their proxy."

### Special Resolution (3)

'That Article 18 (1) be amended as follows:

"18 (1) (a) In the case of a meeting of shareholders held under paragraph (a) of Article 15, unless a poll is demanded, voting at the meeting shall be by whichever of the following methods as determined by the chairperson of the meeting –

i. voting by voice ; or

ii. voting by a show of hands

(b) In the case of a meeting of shareholders held under paragraph (b) of Article 15, unless a poll is demanded, voting at the meeting shall be by shareholders signifying individually their assent or dissent by voice or by any other electronic means."

By Order of the Board

### ALUMEX PLC

HAYLEYS GROUP SERVICES (PRIVATE) LIMITED

Secretaries

Colombo

29th May 2023

### Notes :

- (1) The Annual Report of the Company for 2022/23 is available on the corporate website - [www.alumexgroup.com](http://www.alumexgroup.com) and on the Colombo Stock Exchange website - [www.cse.lk](http://www.cse.lk)
- (2) 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 the office of the Company Secretaries at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the time fixed for the Meeting.
- (3) For your reference, the existing Articles are available in the Colombo Stock Exchange website - [www.cse.lk](http://www.cse.lk).
- (4) A shareholder who requires a hard copy of the Annual Report must post or handover the duly completed Request Form to the office of the Secretaries.

## Notes

# Form of Proxy

## ALUMEX PLC

Company Number PV 539 PQ

I/We ..... (full name of shareholder)

NIC No./Reg. No. of Shareholder ..... of  
..... being

Shareholder/Shareholders of ALUMEX PLC hereby appoint,

1. .... (full name of proxyholder)

NIC No. of Proxyholder ..... 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 Sixteenth Annual General Meeting of the Company to be held on Monday, 26th June 2023 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 2023 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
(2) To re-elect as a Director Mr. S.C. Ganegoda, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
(3) To re-elect as a Director Dr. H Cabral, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
(4) To re-appoint Mr. A.M. Pandithage as a Director, in terms of Section 211 of the Companies Act No.07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
(5) To authorise the Directors to determine the donations and contributions to charities for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
(6) To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2023/24 and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
(7) To pass the Special Resolutions to amend the Articles of Association of the Company as set out in the Notice.		
Special Resolution (1)	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolution (2)	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolution (3)	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this ..... day of ..... 2023.

.....  
Signature of Shareholder

(Instructions are given overleaf.)

## Form of Proxy

### Instructions as to Completion :

- (1) The completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Private) Limited, at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the start of the meeting. **Delayed Proxy Forms shall not be accepted.**
- (2) 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.
- (3) Full name of Shareholder/Proxy holder and their NIC Nos. are mandatory. Your Proxy Form will be rejected if these details are not completed.
- (4) A Shareholder is not entitled to appoint more than one Proxy to attend on the same occasion.
- (5) The duly completed Form of Proxy must be dated and signed by the Shareholder.
- (6) 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 can vote as he/she thinks fit.
- (7) In the case of a company/corporation the proxy must be executed in the manner prescribed by its Articles of Association or by a duly authorised Director.
- (8) 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.
- (9) In case of Marginal Trading Accounts (slash accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.





Alumex PLC Pattivila Road, Sapugaskanda, Makola, Sri Lanka.