

# Fact**and**Fiction





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# Fact and Fiction

Fiction is a  
forerunner  
to Fact at our  
enterprise



Some facts. The Hayleys Group performance in 2012/13 soared ahead in terms of profitability, global markets and local value addition. Three of our lines of business - Hand Protection, Purification and Transportation & Logistics - crossed the Rs. 1 billion milestone in pre-tax profits. We continue to be a strong player in all three key sectors of the Sri Lankan economy - agriculture, manufacturing and services. And more.

In the world of innovation, Fiction is Fact under incubation. It's about bringing reality to what is yet unknown. The 'what if' in business. The audacity to imagine. The spirit of enterprise is writ right across the success stories that characterise many of our businesses. Passionate, readiness to embrace challenge and the will to overcome are what drove us to design businesses from ground up; develop technology from first principles; and design plant and equipment from scratch.

Our pioneering work in activated carbon and rubber gloves that have now grown to global businesses are just two shining examples. And there are more under incubation which will spur exponential growth in the years ahead.



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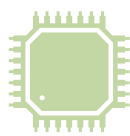
This Annual Report is published within three months of the Statements of Financial Position date. The web and mobile HTML versions are also published online on the same date as the date of issue of this Annual Report at <http://hayleys2012-13.annualreports.lk>



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# Hayleys is one of Sri Lanka's largest multinational conglomerates with a history spanning 135 years

## **Vision**

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To be Sri Lanka's  
corporate inspiration  
at all times.

## **Mission**

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Delivering superior  
shareholder value by  
unleashing the full  
potential of our people  
and achieving leadership  
in all our domestic and  
global businesses.

## **Values**

---

### **Integrity -**

Ethical and  
transparent in all our  
dealings

### **Respect for People -**

Treating everyone with  
respect and dignity,  
developing our employees  
and rewarding them for  
good performance.





The Company's subsidiaries in Sri Lanka and overseas drive a globally competitive business portfolio encompassing 12 defined sectors of enterprise cutting across manufacturing, agriculture and services.

Commencing commercial operations in 1878 as Chas. P. Hayley and Company, we were incorporated as Hayleys Limited 61 years ago. Embracing innovation and entrepreneurship, we've added value for people and businesses across the country and beyond. It is this spirit that has characterised our growth and the building of a strong and successful enterprise that is active in local and global markets.

In addition to Sri Lanka, Hayleys today has manufacturing facilities in Indonesia and Thailand, and marketing operations in Australia, India, Bangladesh, Italy, Japan, The Netherlands, UK and USA. The Group accounts for 3.17% of Sri Lanka's export income, and 4.5% of tea and 2.2% of rubber production.

The long tradition of Hayleys' diversification, innovation and advances in the fibre sector begins with coir fibre, an important natural raw material. The Company would later expand into coir mats and matting, and produce curled coir fibre for upholstery. The backbone of the business for more than forty years, the coir fibre sector of the Hayleys Group currently offers Erosion Control, Bedding and Upholstery, Brushes, Horticulture, Industrial Fibres, Doormats, and Growing Media.



#### **Lasting Customer Value -**

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

#### **Good Citizenship -**

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

#### **Teamwork -**

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

#### **Accountability -**

Holding ourselves responsible to deliver what we promise.

Our annual report  
for financial year  
2012/13 adopts a  
format that is both  
contemporary and  
evolving



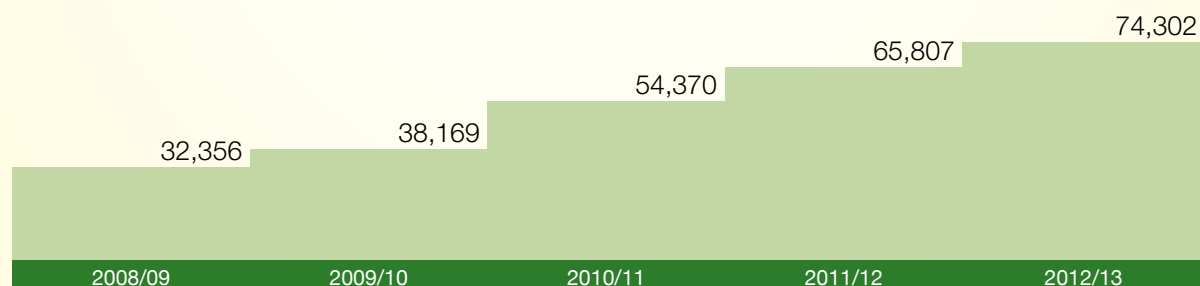
It is a different approach to reporting which attempts to communicate more coherently and concisely the inter-dependence of the many facets of our enterprise - strategy, governance, performance and prospects - in the context of the triple bottom line. In short, it is an integrated report.

Our integrated reporting largely reflects the way we do business - by acknowledging the linkages between the economic, environmental and social impacts of our enterprise while we pursue sustainable stakeholder value creation. The report also provides insights on how we relate to our key stakeholder groups, how our strategic objectives create and sustain value, as well as what our expectations are for the future. Further, given the increasing relevance of intangible capitals, we have included some of these aspects in our management discussion.

As before, the various metrics regarding our performance on sustainability is aligned with the Global Reporting Initiative (GRI) G3.1 guidelines; but in keeping with the integrated nature of reporting, they are disclosed under appropriate topics, and not as a separate chapter.

The information contained in this report, as in the past, is in compliance with all applicable laws, regulations and standards as well as guidelines for voluntary disclosures. In particular, we are in compliance with the financial reporting standards of The Institute of Chartered Accountants of Sri Lanka - including the new requirements following the convergence of the Sri Lanka Accounting Standards (SLFRS/LKAS) with the International Financial Reporting Standards (IFRS), the laws and regulations of the Companies Act No. 7 of 2007, the Listing Rules of the Colombo Stock Exchange (CSE) and subsequent amendments. We continue to adhere to the requirements of the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accounts of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

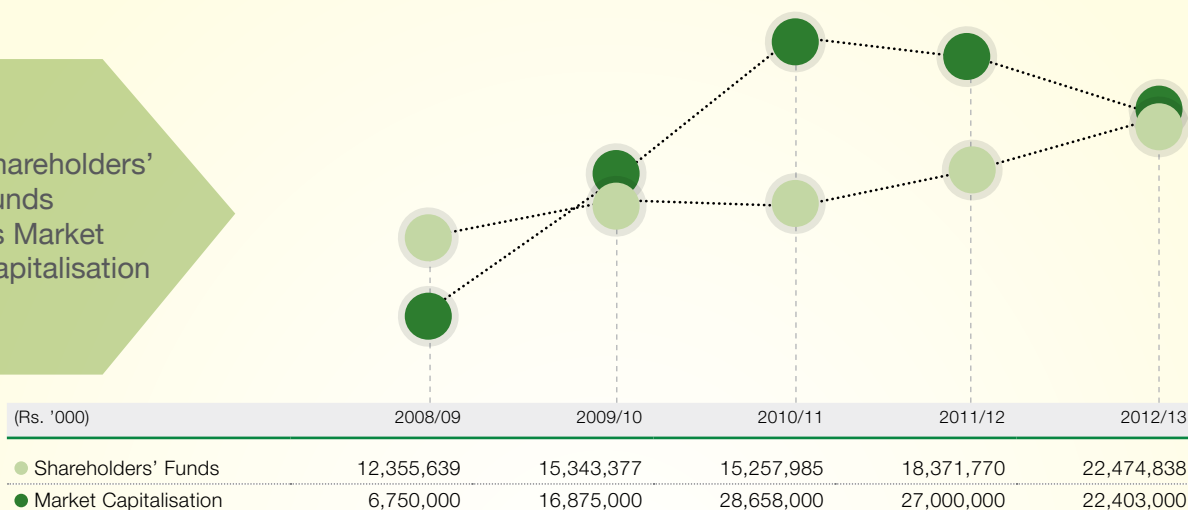
	2012/13 Rs. mn	2011/12 Rs. mn	Change %	2010/11 Rs. mn
Revenue	74,302	65,807	13	54,370
Group Profit Before Tax	5,025	2,561	96	2,041
Group Profit After Tax	3,619	1,646	120	1,137
Profit Attributable to Owners of the Parent	1,854	1,038	79	677
Dividends	338	300	13	300
Shareholders' Funds	22,475	18,372	22	15,258
Company Market Capitalisation	22,403	27,000	(17)	28,658
Group Market Capitalisation	45,710	49,361	(7)	54,092
Group Investments	5,364	5,171	3.7	918
Group Value Addition	18,744	13,825	36	11,090
Revenue to Government	3,144	2,601	21	1,523
Group Employment (Persons)	35,373	36,383	9	31,651
<b>Per Share</b>				
Earnings (Basic) (Rs.)	24.72	13.84	79	9.03
Market Value (Year-end) (Rs.)	298.70	360.00	(17)	382.10
Net assets (Year-end) (Rs.)	448.94	379.32	18	316.52
Dividend (Rs.)	4.50	4.00	13	4.00
Price Earnings (Year-end) (Times)	12.08	26.01	(54)	42.31
<b>Ratio</b>				
Gross Profit (%)	23.0%	20.3%		20.8%
Interest Cover (Times)	2.2	1.9		2.5
Dividend Yield (%)	1.5	1.1		1.0
Dividend Payout Ratio (%)	18.2	28.9		44.3
Current Ratio (Times)	1.0	1.0		1.1



Revenue  
(Rs. mn)

74,302<sup>▲</sup>

### Shareholders' Funds Vs Market Capitalisation



Revenue increased by

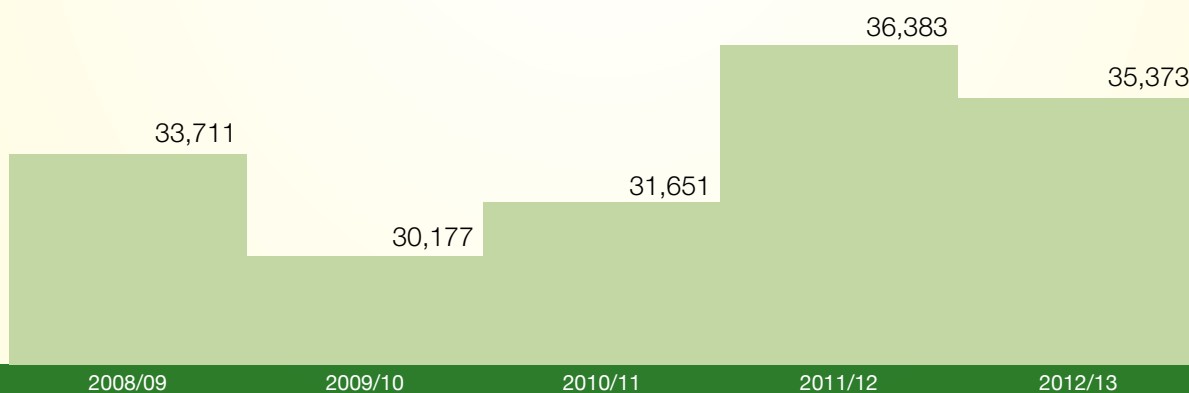
**13%**

PAT increased by

**120%**

Profit attributable to owners of the parent increased by

**79%**



Total No. of Employees

**35,373** ▽



## Customers

We place our customers at the very heart of our enterprise. We have a diverse customer base, both local and foreign, spread across manufacturing, agriculture and services.

No. of Key Customers

**over  
80,000**

No. of new customers acquired during the year

**over 500**

Average length of a customer relationship

**over  
10 years**



## Suppliers

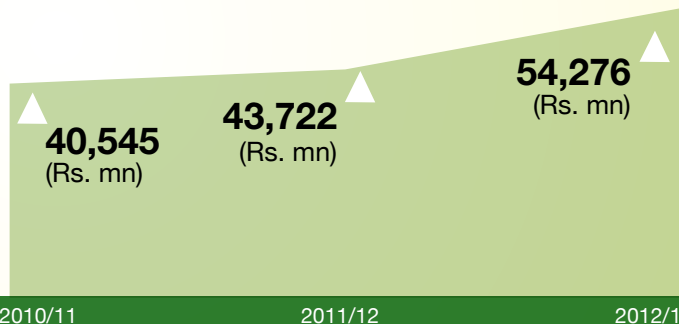
Our value creation begins with the products and services provided by suppliers. Our supplier base is diverse, ranging from local micro enterprises to world-class global companies in varied sectors.

No. of Key Suppliers

**over  
1,800**

Average length of a Supplier relationship

**over  
10 years**



Value of Inputs Purchased



## Employees

We have in place a culture that moulds a winning team. We recruit, train, develop and motivate our people to deliver their best.

Total workforce  
by employment  
type



Executive  
& above **2,461**


Clerical  
& Supervisory **3,058**


Manual  
Grade **29,854**

Investment in  
Training

**over  
Rs. 46 mn**

Staff composition  
by gender

 **19,926**

 **15,447**



## Society and Environment

The enterprise of Hayleys has touched the lives of many, both directly and indirectly.

Number of people  
impacted through  
community related  
activities

**over  
235,000**

Investment in  
community  
related activities  
(Rs.)

**over  
650 mn**

Total GHG emissions  
(carbon footprint) of  
the Group

**54,783 tCO<sub>2</sub>e**

# Hand Protection, Purification and Transportation & Logistics sectors posted record breaking results



Dear Shareholder,

It is in difficult times that the benefits of diversification are most appreciated. 2012/13 was certainly a difficult year, both for the world economy and, to a lesser extent, Sri Lanka's. Yet despite far-from-ideal business conditions, Hayleys, the only diversified Sri Lankan conglomerate to enjoy significant presence in agriculture, manufacturing and services, earned pre-tax profits of over a billion rupees in each of three key fields of activity: Hand Protection, Purification and Transportation & Logistics. The results in these sectors contributed significantly towards the year's very satisfactory Group revenue and profit before tax figures; revenue grew by 13% to reach Rs. 74 bn, whilst profit before tax soared 96% to Rs. 5 bn.

These remarkable results were achieved against a background of respectable growth in the Sri Lankan economy. Monetary policy was tight, resulting in higher interest rates and lower access to capital, and in parallel, the free float of the Sri Lanka rupee resulted in significant depreciation. Such measures were undoubtedly necessary to stabilise an economy at risk from overheating, but they resulted in higher finance costs for the Group. However, the float of the rupee has helped our export businesses adjust to domestic cost changes and thereby remain competitive in the global market. Meanwhile, we have been actively exploring alternative sources of finance such as off-shore capital and corporate-debt instruments.

Another factor affecting business performance was rising energy costs, which had a particular impact on manufacturing. In agriculture we faced a different set of challenges arising from unseasonable droughts and floods in various parts of the country.

Overseas, the macroeconomic picture was even cloudier, with sluggish growth in our best markets, Europe and the US. Growth also slowed in emerging economies and new economic powers. Since much of the Group business is export driven, such developments had clear strategic as well as tactical implications for us.

## **Billion-rupee businesses**

It was against this not-very-encouraging background that three of our business sectors posted the record breaking results referred to above. In the Hand-Protection sector, a combination of leaner operations, product innovation and the energetic pursuit of new markets earned the sector pre-tax profits of Rs. 1.3 bn despite significant downturns in key European markets. Dipped Products also took steps to streamline its supply chain, while latex price movements were closely monitored in order to optimise pricing.

The Purification sector earned PBT of Rs. 1.2 bn, as demand for quality activated carbon products manufactured by Haycarb remained solid, particularly in emerging markets. To meet it, Haycarb has been investing in added production capacity in Sri Lanka, Thailand and Indonesia. The Company has also been working to secure access to competitively-priced raw material supplies along with increased focus on high value carbons in order to enhance its margins. Haycarb products are used around the world in a variety of applications such as air and water purification, gold mining and energy storage, and they are likely to remain in strong demand for the foreseeable future.

The Transportation & Logistics Sector was our third star performer this year, with profit before tax of Rs. 1.06 bn, the highest ever. This sector, too, did exceptionally well under trying conditions: Sri Lanka's trade contracted during the year under review, with imports declining in response to tighter monetary policy measures and exports depressed due to continued economic weakness in key international markets. Slowing economic growth in India also had its effect on the sector, resulting in lower transshipment volumes at Colombo. Under the circumstances, Hayleys Advantis focused on relationship-building with principals and other stakeholders, and successfully developed new agencies as well as developing its energy logistics operations. Our 3PL business and other inland logistics activities performed well.



## Profitability in diversity

Hayleys is a major player in the plantation sector, accounting for 4.5% of Sri Lanka's tea and 2.2% of its rubber production. This sector, too, recorded its highest-ever profits since privatisation: profit before tax for the year stood at Rs. 966 mn, a year-on-year increase of 131%. Though business costs rose, innovative practices helped our plantation companies remain competitive and profitable. We continued to lead the industry's drive for sustainability, reflecting both Group ethics and the changing attitudes of consumers. Attention to manufacturing best practices and sustainability thus pays consistent dividends in the form of higher auction prices for our tea and rubber.

Despite the adverse climatic conditions referred to earlier, the Agriculture Sector returned pre-tax profit of Rs. 700 mn. Its performance is all the more commendable given that tight credit conditions prevailed during the year, increasing the cost of financing for agricultural machinery and other inputs. Already present at every point along the agricultural value chain, from farming inputs to advanced R&D and biotechnology, Hayleys further expanded its range of agricultural inputs, streamlined its supply chains and developed new value added products for the market.

Our domestic distribution operations had a mixed year. Higher interest rates and a weaker rupee temporarily depressed consumer spending, though long-term prospects for the sector are good, as rising incomes are expected to drive demand for world-renowned brands in the Sri Lankan market. Accordingly, the Consumer Products sector launched a number of new products during the year, leveraging existing distribution channels and brands.

Recent investments in leisure, construction materials and renewable energy are making strong and growing contributions to our bottom line. Construction is presently enjoying a boom in Sri Lanka and our Construction Materials sector contributed a profit before tax of Rs. 375 mn to the Group results, an increase of 232%.

We embarked on a number of new sectoral ventures during the year including exploring the export market, licensed contract manufacturing and a number of new value-added products.

Our 10 MW wind power project in Kalpitiya was fully connected to the national grid, and results have been very positive. We remain bullish on renewable energy and are currently in the process of expanding our renewable energy portfolio.

A major development during the year was the reopening of the Ceylon Continental Hotel under its new name, The Kingsbury. The performance of this 229-room investment since its expansion has been encouraging. The Amaya Group, the resorts arm of our Leisure & Aviation sector, also continued to perform well, and we have increased capacity there. In the Leisure & Aviation sector, Hayleys represents British Airways, which became the first European carrier to recommence online operations to Sri Lanka after the end of the conflict. The holistic approach we have taken towards this sector, combining hotels, a travel agency, destination management and airline GSAs, creates strong synergies that help us take advantage of a booming industry.

An encouraging turnaround was seen in the Fibre Sector, which contributed a profit compared to an operating loss the previous year. This was achieved through leaner manufacturing operations, factory consolidations and mergers within the sector, combined with active product development and marketing. There remains a lot to be done to realise the full potential of this sector, and we are moving in the right direction.

The Textile Sector, though, still remained in the red, reduced its losses and a turnaround is expected. A number of changes have been implemented and a new ERP system, SAP, is now operational, while changes in key management will bring experience and dynamism to this sector. A number of cost-reduction strategies were also successfully implemented without undermining the quality of the end product.

## Delivering and deriving value

Our businesses embrace appropriate sustainability practices, ranging from energy-efficient operations and pollution control to supply-chain management and equitable labour policies. Along with their positive impact on stakeholders, these practices contribute directly to our bottom line. In addition, some core businesses, such as renewable energy, are of intrinsic benefit to the environment. Maintaining this balance is part of our wider commitment to the nation, which also sees the Hayleys Group provide direct employment for more than 33,000 individuals.

It is pleasing to note the recognitions for our commitment to sustainability and good governance practices. In the year under review, the Group was ranked amongst the three 'Most Respected Business Entities in Sri Lanka' in a survey conducted by Lanka Monthly Digest, which also placed the Group first for 'Nation-Mindedness'.

## A future rich with opportunity

Diversity, along with effective risk management, has left us well positioned to take advantage of the many and various business opportunities that arise in a global economy. In the coming years, the focus of that economy will shift increasingly towards Asia as millions of citizens in emerging economies make the transition to middle-class lifestyles and values. This will create enormous new markets for our products; however, it will also lead to further depletion of natural resources and put greater pressure on the environment. I am confident that, in this exciting yet challenging future, Hayleys is well-positioned for continued growth and success, creating value for all our stakeholders.

In the Hand Protection sector, long-term potential remains positive. Health and safety concerns are bringing increased regulation to emerging economies, driving demand for industrial and medical gloves, while greater wealth coupled with changes in lifestyle preferences in

these economies also increases demand for household gloves. The challenges here will come from balancing costs with quality as the supply of cheap products with questionable quality becomes more abundant.

Haycarb's activated carbon products are used around the world in a wide variety of applications. Demand for them will only increase as growing populations put greater pressure on natural resources and the environment, placing pure air and water at an increasing premium; meanwhile, the use of activated carbon for energy storage, a maturing technology, shows enormous future potential. Our purification systems arm, Puritas, will continue to invest in R&D and expand its product portfolio and market footprint.

Transportation & Logistics is another sector in which Hayleys is well positioned for the long term. As global economic activity shifts towards Asia over the next decade, Sri Lanka's potential as a trading hub and transshipment centre serving two of the world's largest economies - India and China - will increase. Hayleys will be in a strong position to provide the transportation and logistical services that will be in demand. The realisation of this is greatly dependent on the Sri Lankan Government following the policies required to attract the necessary investment to make the regional-hub status a reality.

In agriculture too, we see tremendous opportunity in greater mechanisation, value addition and technological input where Hayleys could contribute. As the global demand for agricultural commodities grows with rising population and expectations, Sri Lanka, which is expected to enjoy abundant water resources for decades to come, will become formidable producer.

## A different approach to reporting

We regard sustainability as an integrated process, just as much as business is an integral part of society and its environment. We are a signatory to the United Nations Global Compact, which underlines our respect for and commitment to international standards. We continue

to be guided by these principles. Our reporting for FY 2012/13 too reflects this philosophy. We are reporting on sustainability using the same GRI G3.1 guidelines as in the previous year, but instead of a separate chapter, we have addressed the principles and disclosures in relevant sections throughout the report. Our annual report as a whole is a self declared GRI G3.1 Application Level B. We will consider having the GRI aspects also assured as per the new format as we further refine our approach to integrated reporting.

Although we label this as our 'first' integrated annual report, it may interest some to refer the innovative approach we adopted way back when reporting for FY 2002/03 - our 125th anniversary, particularly in showcasing the interplay between our tangible and intangible capitals, proof that sustainability and responsible stewardship have been ingrained in the Hayleys culture virtually from the inception of the Group 135 years ago. The seeds of our integrated reporting were sown then, as we now witness the concept taking root globally. What was then out of the box thinking and style of reporting - although some may have called it pure fiction - is now a solid fact.

The Group also complied with the new Sri Lankan Accounting Standards (SLFRS and/LKAS) effective from 1st January, 2012 and this report has been produced in accordance with the first time adoption requirement of these standards.

## In conclusion

It has been, overall, a very positive year for the Hayleys Group, but - considering the global potential of most of our businesses - we retain tremendous capacity for growth. While the Board and I focus on the strategic development of this potential, I have ensured that each of our sectors is led by professionals with the appropriate expertise and experience. Having the right people in the right places has ensured that your Company has delivered strong results and will continue to do so in the ensuing years.

In light of the results achieved this year, the Board of Directors have proposed a dividend of Rs. 4.50 per share to be paid on 8th July, 2013.

I would like to conclude by expressing my gratitude and appreciation to our customers, suppliers, principals and all the other stakeholders who have continued to co-operate closely with us over the years. I thank the staff of Hayleys, who have worked hard to deliver this year's record-breaking performance.

Mr. J.A.G. Anandarajah, who has served on the Board of Hayleys since 2007, retired this year, completing a 33-year career within the Hayleys Group. Mr. Anandarajah made a tremendous contribution, particularly in the development of DPL, which he joined in 1980. Please join me in thanking him for his service to Hayleys and wishing him well in his retirement. Mr. Ruwan Waidyaratne has been appointed to the Board of Hayleys as of April 2013 as an Executive Director. Mr. Waidyaratne is at present the Managing Director of Hayleys Advantis, bringing with him 28 years of industry experience. We wish him a successful career on the Board.

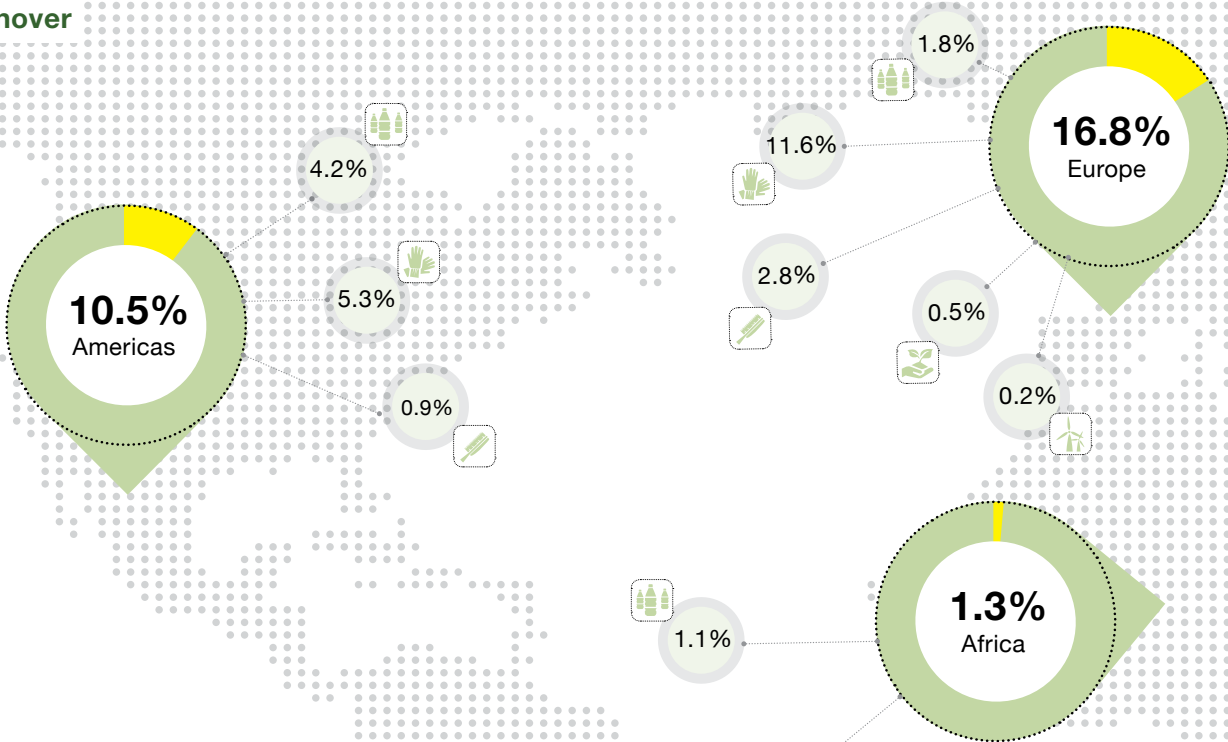
Finally, I should like to place on record my special appreciation of the support and guidance provided by the Deputy Chairman and the Board of Directors of Hayleys.



**Mohan Pandithage**  
Chairman & Chief Executive

20th May, 2013

Turnover



Fibre



Hand Protection



Purification



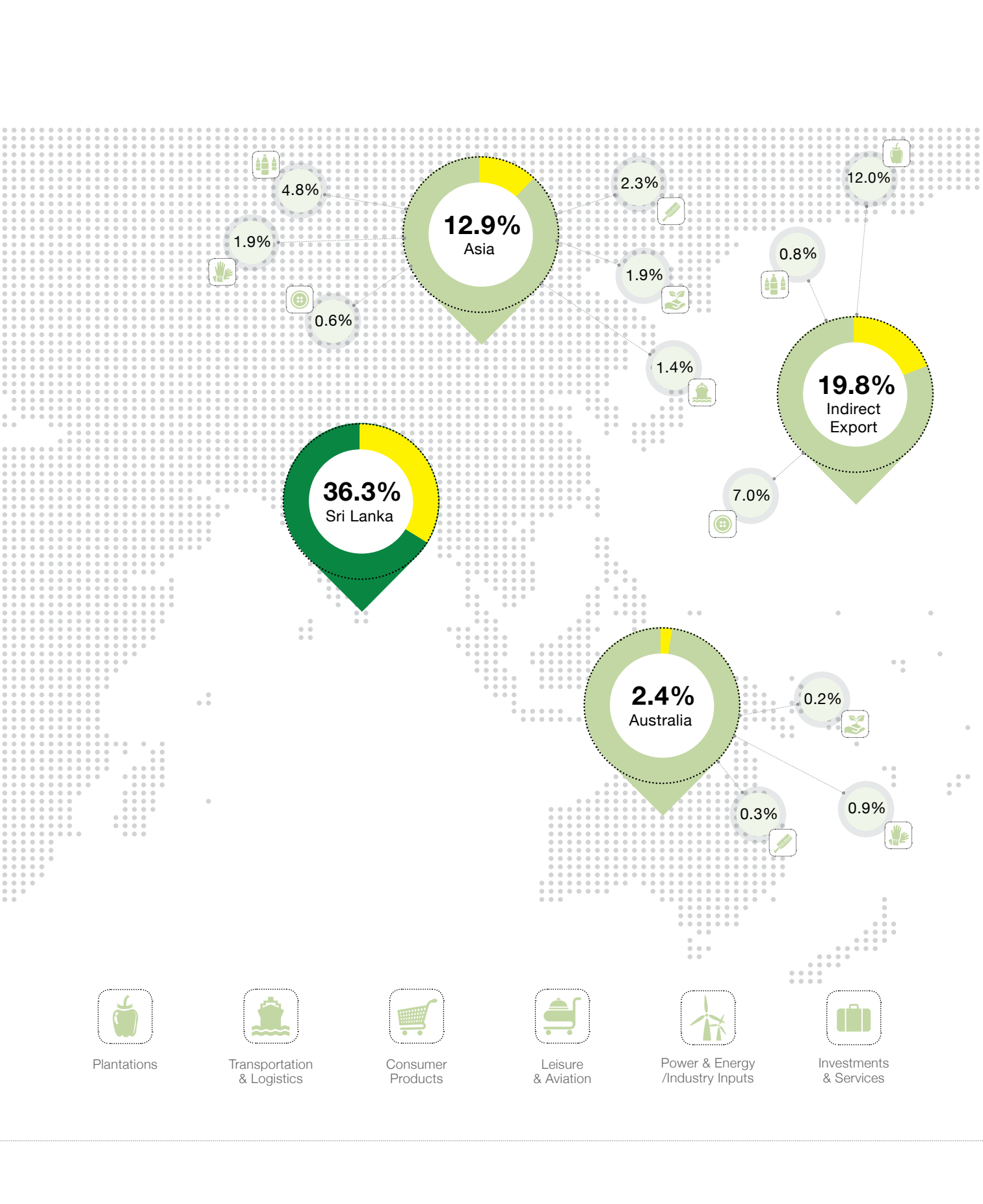
Textiles



Construction Material



Agriculture







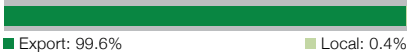
## Fibre



Hayleys Fibre provides innovative eco-friendly fibre based solutions to the world. The product range includes coir and rubber based floor mats for homes, gardens and industry, mattresses, cushions, professional industrial and household brushware, horticulture and erosion control products such as geo textiles, stitch blankets; coir pots, poles, weed control mats and coir fibre pith. Currently, a number of breakthrough innovations are undergoing testing with patents pending.



## Hand Protection



5% global market share of non medical rubber gloves boosted by a milestone Rs. 1 bn profit before tax. The Hand Protection Sector offers a range of latex gloves for the medical, general purpose consumer and industrial market segments. The range of products are continually expanded to meet the emerging needs of the customers in terms of hand protection solutions while re-engineering the existing offers to create added value and differentiation against the competition. With distribution in 70 countries, capability to manufacture latex gloves for any industry, together with a unique community development programme targeting rubber growers sets the Sector apart in the global glove industry.



## Purification



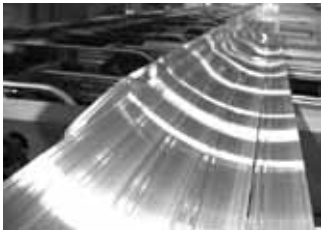
Landmark Rs. 1 bn profit before tax cements a 17% global market share and leadership position as the world's largest manufacturer of coconut shell-derived activated carbon. Flagship Haycarb PLC manufactures high quality standard and tailor-made coconut shell-based activated carbon in granular, fines, powder and pellet form for air and water purification applications, gold extraction and other emerging applications. The Haycarb Group is also engaged in activated carbon regeneration and in the design, construction and operation of turnkey projects for raw and waste water treatment.



## Textiles



Completed a comprehensive turnaround programme focused on improving productivity, logistics and technical capability that will show positive results in 2013. Manufacturing weft knitted fabrics that include cotton, viscose, modals and polyesters, our Textile Sector targets the domestic apparel industry for ultimate buyers in Europe, UK and USA. The fabrics are made to customer requirements to serve diverse types of applications. For instance they may be custom printed, brushed to obtain different finishes or chemically treated to impart specific properties such as resistance to bacteria or moisture.



## Construction Materials



Ventured into overseas markets - mainly India, Maldives and Bangladesh - backed by a solid 52% domestic market share in the manufacture of aluminium extrusions. With sound industry expertise spanning over two and half decades and undisputed domestic market leadership, the Alumex product portfolio offers a wide range of innovative high quality extrusions in over 700 designs for the fabrication of windows (sliding, casement, top hung, pivoted, tilt, fixed), curtain walls, skylights, tubes, pipes, partitions, shop fronts and a range of hardware items.



## Agriculture



Covering 90% of the country's retail outlets for agri-inputs, continued to diversify the range of agricultural produce and exports. The Agriculture Sector offers a wide range of agricultural inputs and value added agri products for the domestic and global markets. Hayleys Agriculture engages with the rural farming and plantation communities closely and provides them the required support and technology through agricultural extension services and CSR initiatives that establish sustainable partnerships. The Sector is also engaged in bio technology and produces a range of tissue culture plantlets, seeds, processed fruits and vegetables etc. for the domestic and export markets.



## Plantations



Hayleys Plantations accounts for 4.5% of Sri Lanka's tea and 2.2% of its rubber production and employs over 25,000 people. The Plantation Sector is led by two regional plantation companies, Kelani Valley Plantations PLC and Talawakelle Tea Estates PLC. The companies together own and manage 44 tea and rubber estates covering a total extent of nearly 19,500 hectares. The Sector includes Mabroc Teas (Pvt) Ltd., a leading exporter of value added teas to over 50 countries.



## Transportation and Logistics



Recording the highest ever profit before tax of Rs. 1 bn, the Hayleys Transportation and Logistics Sector further consolidated its position as one of the leading shipping and freight forwarding businesses in the country. Hayleys Advantis Ltd., the Transportation and Logistics arm of Hayleys PLC with over 50 years of industry presence, is a pioneer in providing integrated logistics solutions, representing some of the world's foremost shipping lines, international freight forwarders and the largest air express transportation company in Sri Lanka. As the market leader in Sri Lanka's transportation and logistics industry, Hayleys Advantis provides integrated logistics, international freight management, marine services and terminals and engineering services, and is intent on going beyond the traditional borders of business through innovation and excellence.



Consumer Products



The lighting business was given sharper focus and brought under Hayleys Electronics Lighting Ltd., coupled with a mega consumer promotion for Philips lighting solutions. The Consumer Products Sector markets a wide range of fast moving consumer goods, lighting products, imaging solutions and healthcare products that represent world renowned brands including Proctor & Gamble, Philips Lighting, Fujifilm, Xerox and Blue Cross Pharmaceuticals.



Leisure and Aviation



The former Ceylon Continental Hotel was re-launched as 'The Kingsbury', following an expansion and major refurbishment offering guests a new level of five-star indulgence in the city. The sector also includes The Amaya Resorts and Spas which bring guests an authentic experience that reflects the culture, nature and beauty of Sri Lanka. Hayleys is a dominant force in the Aviation Industry, functioning as General Sales Agent for several leading International Airlines for both Passenger and Cargo operations The sector is significantly involved in both Outbound Travel Operations and Inbound Tourism through its own brands 'Hayleys Travels' and 'Hayleys Tours'.



Power and Energy



Added renewables based power generation capacity with full connectivity of the 10 MW Nirmalapura wind power plant; obtained clearance to commence construction of the 10 MW Mawanana hydro power project; and ventured into analytical and scientific testing equipment business with Japanese collaboration. Power and Energy Sector is engaged in power engineering which includes diesel generator sets, building electronics and air-conditioning; renewable energy generation through hydro, wind and biomass-based power plants; life sciences and medical equipment; manufacture and marketing of pigment emulsions; trading in chemicals and dyes mainly for the textile industry and trading in a wide range of industrial raw materials for products such as cosmetics, detergents, paints and coatings, plastics and rubber as well as food and flavours.



Investments and Services

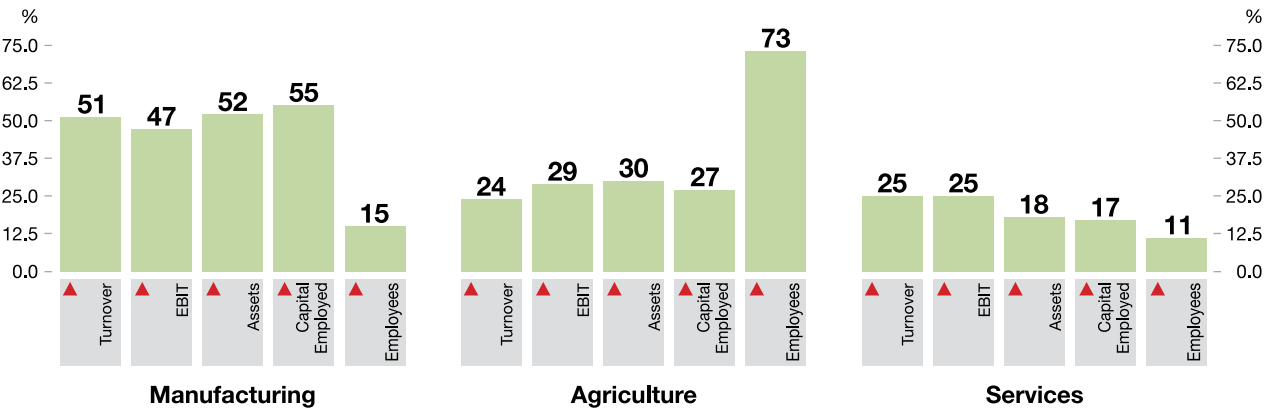
Turned around around BPO business that was in its formative states and won the first ever overseas and local BPO assignments and identified selected markets for future growth. The sector also includes the investment companies of the Group and also provides support services to the Group.

FYE 2012/13	Turnover	EBIT	Assets	Capital Employed	ROCE	Employees
	Rs. mn	Rs. mn	Rs. mn	Rs. mn	%	Nos.

Manufacturing						
Fibre	5,355	322	6,172	4,607	7	1,406
Hand Protection	14,675	1,372	9,501	5,870	22	1,725
Purification	10,161	1,302	7,457	4,961	27	827
Textiles	5,738	(260)	4,622	3,182	-14	1,027
Construction Materials	2,473	413	1,718	1,087	42	413
Total	38,402	3,149	29,470	19,707	16	5,398

Agriculture						
Agriculture	7,913	760	7,121	3,716	22	1,497
Plantations	9,777	1,144	9,932	5,952	19	24,261
Total	17,690	1,904	17,053	9,668	20	25,758

Services						
Transportation and Logistics	11,343	982	5,789	3,521	28	975
Consumer Products	4,465	267	1,794	1,134	20	201
Leisure and Aviation	2,062	60	7,720	5,123	24	1,210
Energy and Industrial Inputs	2,431	683	4,364	3,807	26	201
Total	20,301	1,992	19,667	13,585	26	2,387



Conducting business  
successfully across  
the diversity  
and scope of the  
Hayleys Group  
requires constant  
engagement and  
dialogue with our  
stakeholders



## Report Profile

This report covers the period 01st April, 2012 to 31st March, 2013, which concurs with the financial year of Hayleys PLC. The Company adopts an annual reporting cycle. Hence, the last published annual Report was in respect of financial year 2011/12, which included a sustainability report in respect of the said period. Sustainability reporting for the period under review however adopts a different format, as it is now integrated with the rest of our Annual Report while continuing to adopt the GRI G3.1 Guidelines as before.

Any inquiries or clarifications pertaining to this Annual Report may be directed to the Corporate Communications/Sustainability team at:  
corporate.communications@ccu.hayleys.com.

## Report Scope and Boundary

Unless otherwise specifically noted, the Annual Report covers the performance of constituent businesses of the Hayleys Group, based in Sri Lanka and overseas, as listed on pages 304 to 305. Specific exceptions are our reporting on employees, society and environment where we are limiting our discussion to Sri Lanka operations, while our disclosure on carbon footprint also excludes the Textiles sector.

In reporting for 2012/13 we have further refined our sustainability data measurement techniques, basis of calculations and assumptions as per the GRI 3.1 framework. Data on environmental and safety issues has been compiled from actual operating data maintained by the various businesses, factories, hotels and other units of the Group. Data on social responsibility was obtained on-site. In the case of partially reported indicators, we have provided time lines as to when these can be improved; and where not specifically indicated, we commit to report fully on these in the subsequent report.

We have focused on aspects identified as material, and are reporting at an Application Level B. The reasons for any significant changes have been clearly stated wherever applicable.

Hayleys applies a precautionary principle across all Group companies with regard to social and environmental sustainability. We are aware of the social and environmental impact of our actions. Before embarking upon new ventures and initiatives we take necessary steps to assess any impacts through adequate risk management processes. This is further discussed on pages 158 to 164 in the section on Risk Management.

## Sustainability Governance Structure

The foundation for a well-structured, aligned and in-built sustainability system was set in place during FY 2011/12 and further refined during the year under review. The elements of our structure and approach are noted below:

- **Execution**  
At each Sector there is a team or individual representing sustainability interests. They are called Sustainability Champions and form the Sustainability Governing Council. They work with and report to the Hayleys PLC Corporate Sustainability Team (CST). The CST is in charge of Group-wide sustainability initiatives (as opposed to sector-driven initiatives) and Group Sustainability Reporting.
- **Governance**  
The Sector Head (Group Management Committee Member) is responsible for the sustainability performance of their respective Sector.
- Both the Group Management Committee and the CST may approach the Chairman, directly on sustainability-related issues as he is at the apex of the Governance structure.

## Stakeholder and Materiality Issues Identification

Relevant topics and indicators are those that reflect the Group's significant economic, environmental and social impacts, and those that would substantively influence the assessments and decisions of stakeholders. They are included in our reporting following a comprehensive stakeholder mapping and impact assessment exercise, which included the preparation of a materiality matrix.

The process followed to determine the materiality of topics and issues of the Hayleys Group is summarised below:



Guided by the CST, each Group sector and Hayleys PLC successfully completed this Stakeholder and Materiality Issue Identification process. This exercise has allowed Hayleys to hone in on the most relevant and material areas to monitor and report on and the corresponding map of key GRI indicators for application across the Group.

## Materiality Rating

The following aspects were identified as material and rated as indicated below based on the GRI reporting framework:



## Stakeholder Engagement

Conducting business successfully across the diversity and scope of the Hayleys Group requires constant engagement and dialogue with our stakeholders. Understanding the impacts and implications of our enterprise on these groups, both internal and external and how they think and respond to issues of importance to them is vital to the long-term prosperity and well-being of both Company and stakeholder.

We strive for inclusivity; we are committed to reflect, at all stages of a process, the views and needs of all stakeholder groups. Stakeholder views are obtained through an engagement process that allows them to be expressed without fear or restriction. Inclusivity requires the consideration of 'voiceless' stakeholders such as future generations and the environment.

Our business sectors have various mechanisms for engaging with their stakeholders which are described below:

Stakeholder	Process of engagement and frequency
Shareholders	<ul style="list-style-type: none"> <li>• Annual General Meeting, which provides an opportunity to review the past year's performance and engage in discussion with the management</li> <li>• Quarterly financial reports, which provide a review of current performance during the year, as do simultaneous media releases</li> <li>• An open door policy, which enables shareholders to keep in constant touch, visit and obtain information from the Company Secretaries and engage in dialogue</li> <li>• Website, regularly updated</li> <li>• Meetings with fund managers, share brokers and investment analysts</li> <li>• Email address, provided for comments and suggestions</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• A Customer Satisfaction Index is maintained by many of our companies</li> <li>• Comprehensive Customer Relationship Management (CRM) programmes enable Group companies to keep in touch with their diverse customers on a regular basis</li> <li>• Regular customer visits and reviews help build and maintain rapport</li> <li>• Events such as Dealer and Distribution Conventions are held periodically</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• A Performance Management System facilitates transparent evaluation, dialogue and performance based remuneration and reward</li> <li>• Formal meetings and less structured contact in the course of work</li> <li>• 'Job Banding' has been launched and upon completion will facilitate uniformity of designations and remuneration, greater transparency and clarity with regard to designations and 'organisational fit' across the companies and sectors</li> <li>• The CEO's Forum quarterly provides an interactive forum with senior management, discussing current performance and future prospects and allowing a frank question and answer session</li> <li>• Monthly meetings of Clusters</li> <li>• Group-wide employee intranet and email broadcast system are accessible to any employee having access to e-mail</li> <li>• Quarterly internal magazine</li> <li>• The Hayleys Group Recreation Club provides many opportunities for interaction and fellowship across the Group, bringing employees together regardless of rank or designation</li> </ul>

Stakeholder	Process of engagement and frequency
Unions	<ul style="list-style-type: none"> <li>• Transparent collective bargaining is encouraged</li> <li>• Workers are allowed to form and/or join worker organisations of their choice. Such organisations and their representatives are allowed to function independently without interference and with reasonable access to the information, resources, and facilities necessary to carry out their functions.</li> <li>• The Company respects the right of workers to bargain collectively and does not terminate employees or discriminate against them in retaliation for exercising trade union rights.</li> </ul>
Business Partners	<ul style="list-style-type: none"> <li>• Visits from principals and to principals locations facilitate engagement</li> <li>• Conventions for partners, distributors and dealers are held once a year or at regular intervals</li> <li>• Robust communication systems enable continuing dialogue on product quality, marketing, customer satisfaction and problem solving</li> <li>• Corporate updates on important group activities via brochures, DVDs and the like</li> <li>• Website, regularly updated</li> <li>• Participation at International Trade Fairs, with a view to expanding network of business partners and reach of product distribution</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Modern Supply Chain Management utilising Enterprise Resource Planning systems allows for enhanced relationship, dialogue and business processes</li> <li>• Suppliers treated as growth partners, and allowed to prosper through engagement initiatives such as training, clubs and associations, capacity development and community capacity development</li> <li>• Fair prices</li> <li>• Education and Empowerment</li> </ul>
Government	<ul style="list-style-type: none"> <li>• Regular Meetings, discussions, presentations, representation on national committees and Chambers of Commerce</li> <li>• Compliance with all forms of tax, environment, social and product laws enable facilitated continuance of operations and healthy dialogue</li> </ul>
Trade Associations	<ul style="list-style-type: none"> <li>• Active and participatory role in the public policy development domain.</li> <li>• Regular interaction through affiliations with trade organisations/chambers.</li> </ul>
Local Communities	<ul style="list-style-type: none"> <li>• Relationships are maintained by experienced specialists familiar with community expectations and concerns</li> <li>• Social impact assessments carried out in areas of operations to identify risks associated with operating in such communities.</li> <li>• Ongoing community development initiatives and social impact assessments</li> <li>• Other sector initiatives such as dental awareness programmes and eye clinics are project based</li> </ul>

Stakeholder	Process of engagement and frequency
Society/ Pressure Groups/ Competitors/ Media	<ul style="list-style-type: none"> <li>• Ongoing engagements with society, pressure groups and media are carried out via websites, social media channels and interaction with the media</li> <li>• Annual communication of Hayleys' sustainable practices and initiatives through our sustainability report</li> <li>• Participation at foras and hubs which allows for Company to ally with competitors against common problems and maintain healthy relationships.</li> <li>• Quarterly participation at Global Compact Network Ceylon meetings and forums</li> <li>• Annual Communication on Progress (COP) to the United Nations Global Compact</li> </ul>

## Year 2012/13

The following table sets out the targets identified last year, and elaborates on the progress of the Hayleys Group in achieving these targets:

Target	Status	Notes
1. The newly acquired businesses of Amaya Leisure PLC and the Mabroc Group to be brought within our sustainability reporting in 2012/13.	Done	Amaya Leisure PLC and the Mabroc Group are now included within our reporting format. However, as a result of organisational restructuring and changes in leadership, Hayleys MGT was not prepared for inclusion within our reporting format. It is envisaged that, with the completion of its restructuring and transformation, and successful implementation of the SAP Enterprise Resource Planning System, Hayleys MGT will be brought within our sustainability reporting in 2013/14.
2. Identified policies to be developed and communicated across the Group by end 2012 in order to strengthen internal systems and processes. <ul style="list-style-type: none"> <li>• AIDS Policy</li> <li>• Human Rights Policy</li> <li>• Code of Ethics and Conduct - the Hayleys Way</li> <li>• Anti-Sexual Harassment Policy</li> <li>• Anti-Discrimination Policy</li> <li>• Grievance Handling Process</li> <li>• Whistleblower Policy</li> </ul>	Done	<p>After committing to review policies across the diversified group in its Sustainability Report last year, the Hayleys Group has made an ongoing commitment to human rights, anti-harassment, and related policies and procedures across the Group that protect the interests of the business, its employees, business partners, suppliers and communities.</p> <p>The first of a set of planned policies for the financial year under review was launched in December. The Chairman and Chief Executive of the Hayleys Group signed a workplace HIV/AIDS policy, which formalises and provides clarity on the conglomerate's position and practices as they relate to HIV and AIDS. Each Sector, through a symbolic Passing the Pillow event raised awareness of HIV/AIDS within their workplace and communities during a year long focused effort.</p>

Target	Status	Notes
		<p>Checks and procedures regarding human rights and code of ethics and conduct were reviewed. The Group has solidified its commitments by launching a Group-wide Human Rights Policy, which was born out of a series of self-assessments carried out at Sectors. The Hayleys Way, a concise and focused document on the Code of Conduct and Ethics expected from staff, has also been launched.</p> <p>After similar review, the following policies were launched, communicated and implemented in all Group companies during the year under review: Anti-Sexual Harassment Policy, Anti-Discrimination Policy, Grievance Handling Process and Whistleblower Policy.</p> <p>The policies have improved the Group's perspective of where Hayleys stands on key parameters and will assist in leveraging existing practices.</p>
3. A Group level Integrated Management System (IMS) on Environment, Health, Safety and Quality to be developed by end of the fourth quarter 2012/13	Not done	Prior to adopting such a Group level IMS it was decided to run energy audits and carbon footprinting across Group Sectors with the goal of energy minimisation in manufacturing, agriculture and services sectors. This will help determine the scope of the IMS and assist in customisation for sectors.
4. Group-wide waste management/ minimisation and energy management campaigns to be implemented by end of first half 2012/13 in line with our strategy to control costs.	In progress	<p>This is currently in progress. All companies of Hayleys have begun to absorb carbon footprint and/or energy management initiatives into their business models. While Scope 1 and Scope 2 GHG emissions are being recorded, Scope 3 (which is optional) will be selective to capture material and measurable emission sources.</p> <p>Carbon footprinting initiatives to be expanded to capture data from over 90% of our businesses across the Group, yet limited to Scope 1 and 2 activities and certain Scope 3 activities.</p>

Target	Status	Notes
5. The plotting and adaptation of our Materiality Matrix will continue, to cover the period 2012/13 in order to monitor the significant areas of sustainability within the Group.	Done	The process was followed stringently. Every Group Sector within the boundary participated.
6. Improve and automate sustainability processes for information gathering, plotting and calculation within the ambit of sustainability programmes, to ensure more inclusive reporting, whilst generating increased productivity.	Not done	The deployment of such an IT Tool requires significant investment and training within all Group Sectors. Due to the diversity of the Group, certain Sectors have varying technological capabilities and resources to implement this system. Therefore, internal resources managed by the Hayleys Group Information Technology support service have been directed to develop the IT tool.

### Targets for the Immediate Future

- 5% reduction in specific energy, waste and water consumption
- Adaptation/development of policy documents will continue where relevant (on-going)
- Hayleys MGT Knitting Mills PLC to be brought within our reporting on sustainability in 2013/14.
- The plotting and adaptation of our Materiality Matrix will continue, to cover the period 2013/14 in order to monitor the significant areas of sustainability within the Group
- Carbon footprinting to be expanded to capture data from all our businesses across the Group, though limited to Scope 1 and 2 activities and certain Scope 3 activities.
- Improved stakeholder engagement process to be inculcated in Group companies based on AA1000 Stakeholder Engagement Standard.

The year 2012  
was a relatively  
challenging year  
in the domestic  
economy



## Overview

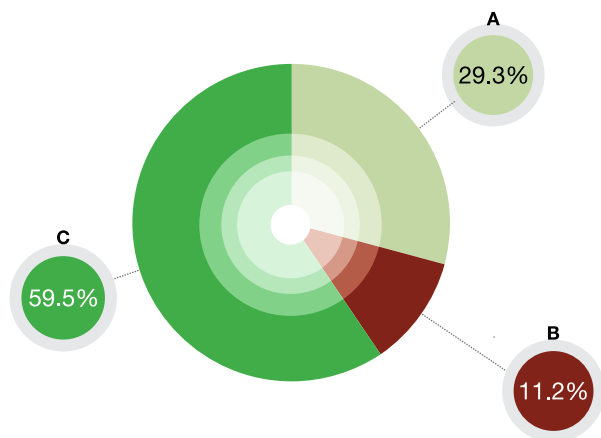
The year 2012/13 was a relatively challenging year compared to the preceding two years. Macroeconomic policy tightening in Sri Lanka and a weak global economy has led to slower growth than previous years in all major markets for Hayleys. In Sri Lanka, the year 2012 saw a number of policy measures aimed at stabilising the economy. The policy tightening measures included a hike in interest rates, a ceiling on bank lending, increases in administered energy prices and floating the Sri Lankan Rupee. Whilst these measures collectively dampened on economic activity, this was a necessary step considering the imbalances that were developing on the external front due to a build-up of excess demand from the latter half of 2011.

As a result of these changes implemented in February 2012, there was significant volatility in macroeconomic conditions in Sri Lanka during the financial year under review. With inflation rising and subsequently showing signs of easing, the rupee depreciated rapidly before finding stability and interest rates rose and then stabilised. The positive outcome from this is the fact that all the major macroeconomic variables - interest rates, inflation and the exchange rate tended towards stability in the latter part of the financial year, which helps create an environment that is conducive for trade and investment, and support future economic growth. The global economy remained weak, as advanced economies faced growth constraints under the weight of accumulated debt. Most emerging economies also experienced slower growth in 2012, dragging down the overall global economy during the year. One positive impact of slower global growth was the lower price of global commodities, most of which declined in the second part of the year. However, domestic prices of some key commodities, particularly energy, remained high due to revisions to subsidies and a weaker rupee.

## Sri Lanka Economic Growth

Sri Lanka's GDP growth fell below 8% for the first time since 2009, declining to 6.4% for the year 2012. The main driver of GDP growth during the year was the industrial sector which grew at 10.3%. The biggest contributor to industrial sector growth was the construction sector which grew at 21.6% during the year. This is of significance to Hayleys given the recent investments in the Construction Materials sector. The Hayleys Industrial Inputs business is dependent on growth in the manufacturing sector, which grew at 5.2% in 2012 compared to 7.9% in 2011. The agriculture sector saw a recovery in the first half of 2012 but faced setbacks in the second half due to adverse weather, resulting in growth for the full year being 5.8%. This sector is of importance to Hayleys Agriculture, which is engaged in the distribution of planting material, crop protection and fertilizer, all of which are directly dependent on the extent of crop during the year.

The biggest drag on growth in 2012 was the services sector (accounting for 58.5% of GDP), which grew at 4.6% compared to 8.6% in the previous year. The wholesale and retail trade sector grew by 3.6%, acting as a substantial drag on growth, with the import trade sub-sector growing by just 1% in 2012 and domestic trade growing by 6.8%. The weakness in the trading sector is a reflection of higher interest rates, lower access to credit and a weaker rupee, factors that influenced the Hayleys Consumer Products sector as well. The transport and communications sub-sector of the economy grew at 6.2% in 2012 compared to 11.7% in the previous year. Total cargo handled in the Colombo Port declined by 0.6%. The lower level of economic activity is one cause of the slower growth in this sector, and this has implications for the Hayleys Transportation & Logistics sector. The hotels and restaurants sub-sector of GDP saw growth of 20.2%, reflecting the continued growth of the tourism sector, which saw arrivals reach 1 mn in 2012, a growth of 17.5%



**Composition of Sri Lankan GDP - 2012**

A. Industry B. Agriculture  
C. Services

YoY. However the first quarter of 2013 saw a slower growth in tourist arrivals (10.9%), mainly due to a weak 3.6% growth in arrivals from South Asia. Prospects for the Hayleys Leisure & Aviation sector depend on continued growth in tourism.

## Interest Rates

The Central Bank of Sri Lanka increased policy interest rates in February (reverse repo and repo 50 basis points) and April 2012 (reverse repo 75 basis points, repo 25 basis points), and more importantly, imposed a ceiling of 18% on credit growth for commercial banks, with the option of increasing it to 23% if off-shore borrowing takes place. As a result, availability of credit declined throughout the year as bank lending began to diminish. Average monthly lending by banks to the private sector declined from Rs. 46 bn per month in 2011/12 to Rs. 20 bn a month in 2012/13. The Prime Lending Rate (PLR) increased from 12.80% in April 2012 to 14.37% by the end of November 2012 as a result of the credit squeeze. In December 2012 the Central Bank ended the tightening cycle as policy interest rates were reduced by

25 basis points and the credit ceiling was lifted. However there was a lag before market lending rates began to decline since government borrowing at the beginning of 2013 was substantial. In the first quarter of 2013, the total funds accepted at treasury bond and bill auctions was Rs. 406 bn compared to Rs. 146 bn. in the first quarter of 2012. Whilst market lending rates began to decline towards the end of the financial year, even as of 31st March, 2013 PLR was 13.77%. With the Central Bank shifting to an easing cycle, the improved financial position of major state corporations and cheaper off-shore borrowing by financial institutions and private entities, market interest rates are expected to decline in the forthcoming financial year. The high interest rates that prevailed through the year have an adverse impact on finance costs across the Group. Given the substantial debt funded acquisitions made by the company since 2010 and group expansion activities, cumulative finance costs have increased in recent years. The lower access to credit and higher interest rates also affects sectors with high working capital requirements such as Consumer Products, Industrial Inputs, Agriculture and Construction Materials, in addition to the parent company Hayleys PLC. With the

anticipated decline in interest rates and easier access to credit in 2013, the finance cost burden is expected to reduce, supporting expansion plans and working capital requirements of Group companies.

The export oriented sectors in the Group are primarily reliant on US dollar financing and therefore do not face the same constraints. Global interest rates remained low as central banks around the world continued to provide liquidity. This has made off-shore financing quite attractive, however, forward exchange rates have remained prohibitively high and the market for forward contracts beyond a year remains nascent.

## Inflation

The increase in administered prices of a number of energy items including fuel and electricity and the depreciation of the rupee contributed to a rise in the price levels in Sri Lanka in 2012.

Fuel Item	Percentage Price Increase in 2012 %
Diesel	37
Kerosene	49
Petrol	16
Gas	10
Furnace Oil	80

Source: Central Bank of Sri Lanka, Annual Report 2012

Electricity prices were also increased through a 25% to 40% hike in the fuel adjustment charge depending on units used. The higher prices caused a one off price level adjustment that resulted in elevated point to point inflation for the entire year, peaking at 9.8% in February 2013. With weaker economic growth, demand pull inflation was contained during the year. Headline inflation is expected to decline to mid-single digit levels in the forthcoming financial year as base effects decline, global commodity

prices remain stable and economic growth remains moderate. In spite of the moderation in official inflation figures, the rise in costs of energy are negative for all the manufacturing sectors as well as some of the service sectors (transportation, leisure) in the Group. A general rise in the cost of living (food prices increased by around 12% during the financial year) also creates pressure on wage costs.

## Trade and Exchange Rates

One of the major objectives of Sri Lankan macroeconomic policy in 2012 was to contain a burgeoning trade deficit that developed in the latter part of 2011. In 2011 Sri Lanka's trade deficit (US\$ 9.7 bn) was more than double that of 2010 (US\$ 4.8 bn), which put significant pressure on the rupee and the country's foreign exchange reserves. With the policy measures introduced in February 2012, a gradual adjustment took place on the trade front as imports declined in response to a weaker rupee and tighter credit conditions. Imports into Sri Lanka declined by 13.3% YoY during financial year 2012/13. The decline in imports would have been far greater if not for the fact that drought in the middle of the year resulted in higher fuel imports for power generation. Imports of consumption goods declined by 18% during the year 2012 and intermediate imports (excluding fuel) declined by 13% during the year. Hayleys import dependent sectors such as Consumer Products, Industrial Solutions and Agriculture faced constraints within this context. Exports declined 10.1% YoY in financial year 2012/13 influenced by weak demand in the global market, but exports declined rapidly than most trade competitors. Sri Lankan exports declined by 10.1% YoY in the 2012/13 financial year compared to 2011/12. In this context, the performance of Hayleys export sectors is very creditable. The objective of reducing the trade deficit was successful as the deficit in the financial year 2012/13 declined by 16.4% compared to the same period in 2011/12.

The behaviour of the rupee was in line with changes to trade policy. With the float of the rupee in February 2012 there was a sharp depreciation of the currency. In April 2012 the rupee was at a value of Rs. 128.50 to the US dollar. The Rupee continued to depreciate in the first quarter of the year, peaking at Rs. 134.26 in June 2012. As the trade balance stabilized, the current account deficit reached a more sustainable level and towards the end of the year the rupee appreciated and then stabilised.

The free float of the rupee is of importance to Hayleys export companies. A flexible currency is necessary to enable adjustment to increase in domestic costs. When domestic prices increased without a concomitant depreciation of the exchange rate according to market forces, export margins were squeezed and profits adversely affected. This is an issue for industries where margins are thin and in a global economic environment where buyers are reluctant to accept price increases. A weaker Rupee is of course a negative for some sectors which are import dependent, such as Consumer Products, Industrial Solutions and Agriculture. However, on balance, a flexible Rupee is a positive for an export oriented economy such as Sri Lanka.

## Global Economy

Around 63% of Hayleys revenue is exported, and therefore the health of the global economy is a key determinant of the company's performance. The global economy continued to experience weakness in 2012, as a sluggish recovery from the global recession was disrupted by intermittent crises on various fronts during the year. Sovereign debt problems coupled with political inertia resulted in GDP contraction of 0.6% in the Euro area. Encouragingly, towards the latter part of the year there was a greater degree of political and economic

commitment to the Euro project, particularly in terms of the European Central Bank indicating willingness to buy sovereign debt and take the first steps towards a banking union. Whilst these measures eased volatility and uncertainty in the region, they have not arrested the continued deterioration of the real economy, as the economy remains in recession with unemployment at record highs. The United States economy grew by 2.2% off a low base and growth and investment was hampered by political failure, particularly in dealing with the debt ceiling. However the US has seen much improvement in the housing market and labour market, two major drags on the economy. Along with greater access to cheaper energy through the deployment of new technology, these are very positive developments for the US economy. Europe and the US remain major traditional markets for all Hayleys exports and weak growth in these markets has meant that business growth has entailed capturing market share.

Japan returned to a 2% growth in 2012, albeit off a low base. With the policy shift towards substantial monetary easing, the Japanese economy is expected to continue to grow in the short term. Emerging economies in general experienced a moderation in growth compared to highs in 2010 and 2011. China grew at 7.8% in 2012 whilst India grew at a very weak 4%. The growth of the Indian economy has an influence on transshipment volumes in the Colombo Port and therefore on the Hayleys Transportation & Logistics sector. Russia grew by 3.6% in 2012, lower than the 4.3% growth in 2011, as a result of softer commodity prices in 2012. The Middle East recovered in 2012 (GDP growth of 5.2%) from the growth disruptions faced in 2011 (3.5%) due to the political upheavals experienced in that year. The Middle East and Russia are important markets for the Plantation Sector at Hayleys.

A positive outcome of slower global economic growth is the reduced prices of global commodities. Almost all commodities of importance to Hayleys saw a reduction in prices in 2012/13. Oil prices declined on higher inventories, lower demand and a lower intensity in the Middle Eastern conflicts. Sector specific commodities such as rubber, cotton, coconut shell charcoal and aluminium were all relatively low priced for most of the year.

## Outlook

The year 2012 was a relatively challenging year in the domestic economy, however, the macroeconomic policy changes that were implemented were necessary to entrench stability that would support longer term growth. In the forthcoming year, interest rates are expected to continue to moderate in line with the Central Bank's monetary easing cycle. In the Monetary Policy Road Map of 2013 the Central Bank has indicated commitment to maintaining positive real interest rates in order to develop domestic savings to bridge the country's savings and investment gap, therefore interest rates are unlikely to reduce to the same level as it did in 2010/11. Accordingly, economic growth is expected to moderately improve in 2013/14, whilst inflation is likely to remain contained at mid-single digit levels. The removal of the credit ceiling will also support financial flexibility in the Group. In sum, the operating environment in the domestic economy is likely to be much more positive in 2013/14 than it was in the current financial year.

The global economy is also expected to see improvements in 2013/14, led by the US, which has seen notable improvement in key markets such as housing and labour. Europe will continue to be in recession and unemployment will remain elevated, with slim prospects for recovery in the near term. Emerging economies will see better growth in 2013 in the context of supportive monetary policy, but in most cases growth will remain moderate compared to the accelerated growth experienced in the pre-crisis years. Most global commodities will see lower prices as high supply and moderate demand will prevent price hikes, except in cases where geo-political tensions create temporary supply disruptions.

In sum, Hayleys businesses are likely to experience a more conducive operating environment in 2013/14 than in 2012/13, supporting continued business growth in key markets.

Hayleys is now entering a period of consolidation that will target a strong return on the investments made

## Strategic Context

The past few years saw aggressive acquisitions, such as our entry into aluminium extrusions to support the burgeoning construction industry, as well as into the booming leisure sector. Investments were also made to expand and reinvigorate the current business portfolio. In the leisure sector, we relaunched a rebranded Kingsbury and expanded the Amaya chain. Capacity additions are underway in activated carbon manufacture in Thailand and Indonesia. Our first investment in wind power saw the commencement of commercial operations during year under review.

These were large strategic investments in key growth sectors.

Looking inwards, we restructured our textiles business, while fibre bounced back to generate returns riding on the back of innovative R&D and new products and markets.

Given such a scenario, Hayleys is now entering a period of consolidation that will target a strong return on the investments made. We aim to reach US\$ 1 bn in Group turnover within the next three years, with a corresponding growth in the bottom line.

## Group Strategies

### *At Portfolio Level*

- Redeploy or liquidate underperforming assets of the Group
- Develop existing, profitable businesses both horizontally and vertically
- Invest in new businesses and restructure existing ones based on their strategic fit with the portfolio

### *Across the Portfolio*

- Enhance value addition and move up the value chain
- Continually improve products and services
- Maintain high and consistent quality in all what we do
- Implement lean manufacturing, process efficiency and waste minimisation
- Improve energy efficiency and environmental performance through the use of alternate fuels and green products, practices and processes
- Focus on developing people and leaders
- Expand our global footprint

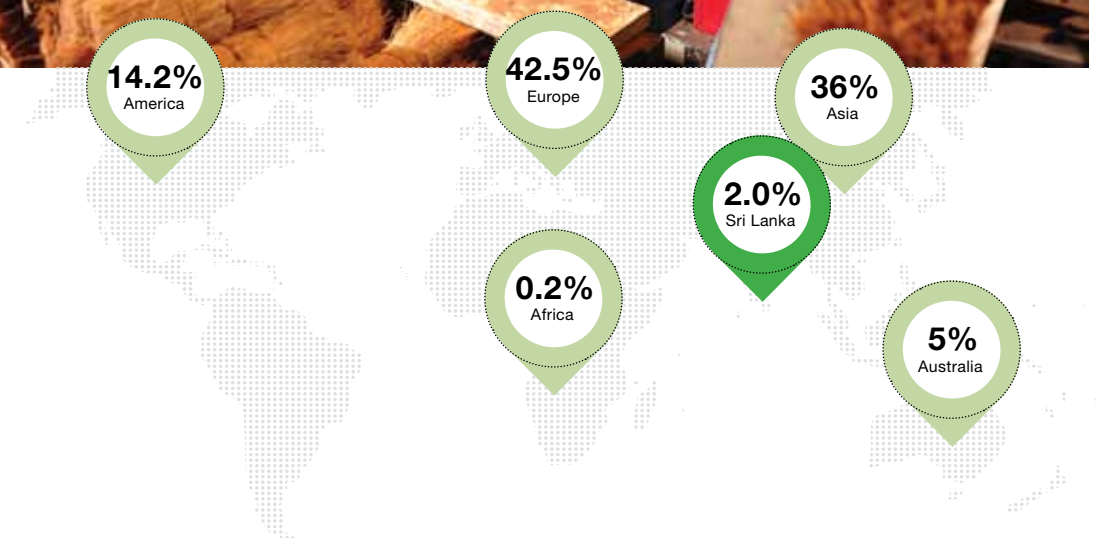
## Group Goals

Time horizon	Parameter	Indicator	Target
Short-term	Profitability	ROCE (excluding real estate)	>20%
		EBITDA/assets	>10%
	Liquidity	Operating cash flow/PAT	>100%
		Current ratio	1.5 to 2.0x
		Debt/EBITDA	<3.0
Long-term	Growth	Growth in domestic revenue (>inflation)	>6%
		Growth in export revenue (>LKR depreciation)	>4%
		Growth in capital	>18%
	Stability	External credit rating	≥AA
		Gearing	35 to 40%





Hayleys Fibre is the largest exporter of brushes and brush blocks in Sri Lanka, accounting for more than 35% of the total exports in value terms, serving thousands of consumers each and every day.





The Fibre sector develops innovative, eco-friendly products for home, garden and industry including scraper mats, woven coir and cast iron mats, flocked mats textile based looped pile mats, bathroom mats and other specialty mats, with designs and processes patented locally and internationally.



Hayleys Fibre has redefined its operational bias towards value - added products, moving away from a number of traditional product segments.

## Business Domain

Hayleys Fibre provides innovative eco-friendly fibre-based solutions to the world. The product range includes a wide range of floor covering, cleaning devices for both domestic and industrial use, rubberised coir mattresses, cushions and a range of erosion control and horticulture products. The Sector comprises 13 companies, with 9 based locally. Exports accounted for 86% of turnover.

## Key Performance Indicators

Indicator	Measure	Unit	FYE 31st March		
			2013	2012	2011
Growth	Revenue	Rs. mn	5,355	5,420	3,987
	Earnings Before Interest and Tax	Rs. mn	322	283*	-127
	Profit After Tax	Rs. mn	143	78	-202
	Assets (Avg)	Rs. mn	6,172	6,034	5,420
	Capital Employed	Rs. mn	4,607	4,320	4,265
Profitability	Return on Average Capital Employed**	%	7.0	6.6	-3.0
Liquidity	Current Ratio	Times	1.0	1.0	1.1
Stability	Gearing	%	27.2	34.8	29.8
Asset utilisation	Asset Turnover Ratio	Times	1.3	1.2	1.3
Productivity	EBIT per Employee	Rs. mn	0.231	0.176	0.81

\* Inclusive of Capital Gains

\*\* Excluding Real Estate

## Operations

The prevailing depressed global economic climate, hike in energy prices and limited access to long-term capital were the key challenges faced during the year. To counter the challenges, Hayleys Fibre sector carried out many changes in their operations. This included rationalisation of plants, implementation of LEAN manufacturing and operational merger of three companies within the same business portfolio. The sector also developed some breakthrough new products and entered a few 'Blue ocean Markets' to stay ahead of the competition.

## Strategies in Action

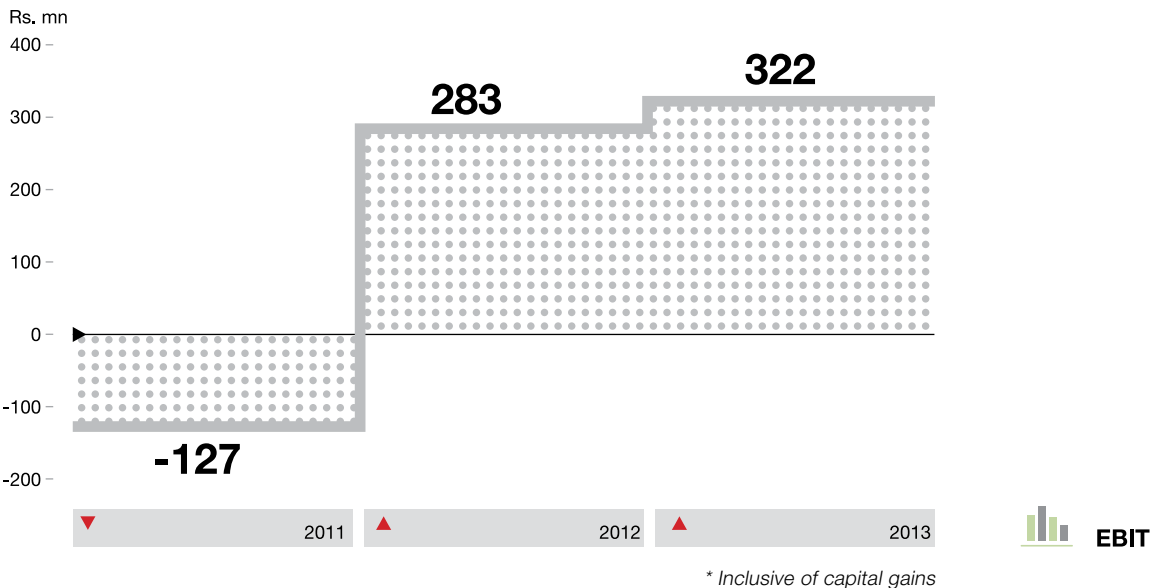
Continuing with its spirit of innovation, the Fibre Sector developed a range of new products during the year, some of which are awaiting patents. The past five years have earned the Sector over 400 patents, thus reinforcing a legacy of transforming abstract ideas into concrete facts.

Pursuing our quest for maintaining high and consistent quality, systems have been revamped. Training programmes on 'Quality systems Audit' as per ISO 9001:2008 Standards were conducted by the Sri Lanka Standards Institute.

To achieve closer alignment with its products and brand Hayleys Exports PLC changed its name to Hayleys Fibre PLC in November 2012, thus forging an instant link with all Fibre Sector products marketed around the world under the 'Hayleys Fibre' brand name.

Outlook

We are confident of continued profitable growth, but are also mindful of challenges from competition and pressures on margins, given the sluggish world economy and the increased cost of resources and energy.







Each glove produced at DPL meets the promise of assured quality - delivered through systems and processes which require continuous maintenance and monitoring of in-process materials and process parameters, within narrow limits of tolerance.

**26.7%**  
America

**58.8%**  
Europe

**10%**  
Asia

**7%**  
Australia



Over three decades of experience combined with heavy investments in research and development have enabled DPL to create a continuing stream of innovations in protective hand wear.



Selecting the right glove for the job at hand is essential to ensure user safety and product protection. The Hand Protection sector manufactures an array of gloves to suit a multitude of requirements, including harsh conditions and intensive use, where the highest quality and task mastership is required.





## Business Domain

The Hand Protection sector consists of businesses in value added latex glove manufacturing, distribution and marketing of branded glove products. DPL operations span across the world with manufacturing facilities located in Sri Lanka and Thailand, distribution of gloves into more than 70 countries in the world and an Italy based marketing company for gloves.

## Key Performance Indicators

Indicator	Measure	Unit	FYE 31st March		
			2013	2012	2011
Growth	Revenue	Rs. mn	14,675	13,499	11,700
	Earnings Before Interest and Tax	Rs. mn	1,372	2,052*	455
	Profit After Tax	Rs. mn	1,077	1,694*	243
	Assets (Avg)	Rs. mn	9,501	9,354	8,584
	Capital Employed	Rs. mn	5,870	6,787	5,848
Profitability	Return on Average Capital Employed*	%	22	32	8
Liquidity	Current Ratio	Times	1.5	1.7	1.1
Stability	Gearing	%	39	50	66
Asset Utilisation	Asset Turnover Ratio	Times	1.5	1.4	1.4
Productivity	EBIT per Employee	Rs. mn	1.0	1.5	0.3

\* Includes Capital Gains

## Operations

Almost entirely export driven, we were exposed to the sluggish macroeconomic conditions that prevailed in our Western markets, while rising costs of factors of production posed internal challenges. In turn, we closely monitored market movements and customer preferences and adjusted our offerings accordingly. Accounting for 5% of global market share for industrial and general purpose rubber gloves, the DPL's Manufacturing Business crossed the Rs. 1 bn milestone in profit before tax during the year under review while the DPL Group passed Rs. 2 bn milestone in PBT inclusive of Plantation and Tea marketing businesses.

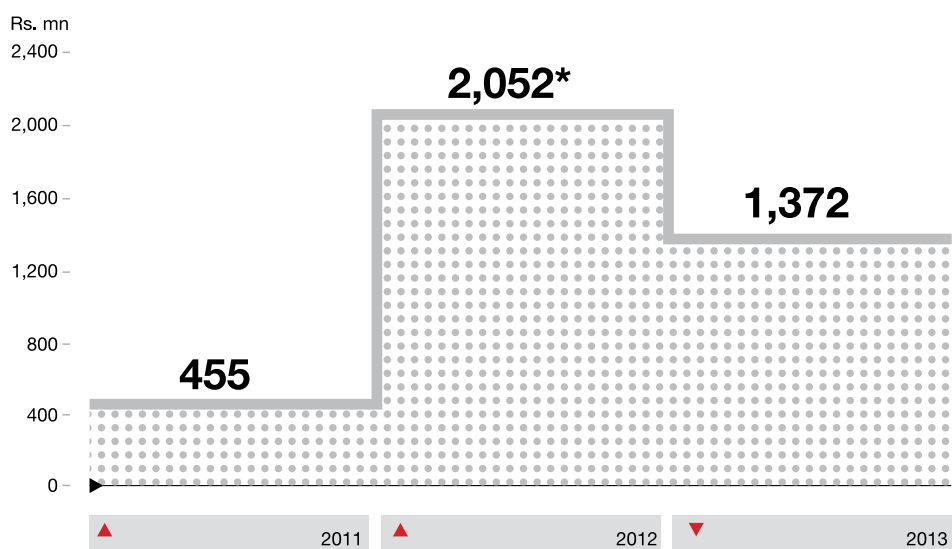


## Strategies in Action

DPL continues to strengthen its core capabilities to deliver high quality world class glove products meeting dynamic customer needs whilst addressing cost challenges to support our customers facing macro-economic turbulence, especially in the Eurozone. At the same time, we recognise the importance of continuing to strengthen the foundations that DPL is built on, namely, its ethical manufacturing legacy. For its efforts to strengthen communities and operate integrated supply chains for natural rubber, linking the rubber farmers through its unique FIRSTLIGHT programme, DPL was awarded winner status in the AREA awards.

## Outlook

New plant capacity is planned during the course of FY 2013/14 to cater to demand growth specially for industrial hand protection products. Several innovative products that have been developed over the year under review will be commercialised in the course of the new financial year. Combining these with leaner manufacturing efforts will, we believe, continue to deliver growth and profits. Dipped Products (Thailand) is expected to turnaround as its major infrastructure bottleneck has been resolved with commissioning of an additional bio-mass heater.



\* Includes capital gains



Water may be a symbol for purity, but getting water as pure as you want is not easy. That is why so many companies turn to Haycarb for the most effective activated carbon water purification solutions.

31%  
America

13%  
Europe

35%  
Asia

8%  
Africa

6%  
Indirect  
Export

7%  
Australia



Turnkey solutions for raw and waste water treatments.



## Business Domain

The Purification Sector, led by Haycarb, is the world's largest manufacturer of coconut shell-derived activated carbon for the global purification market with manufacturing facilities in Sri Lanka, Thailand and Indonesia supported by marketing offices in the UK, Australia and USA. The Sector also has related businesses such as the construction and operation of turnkey projects for raw and waste water treatment. The Sector comprises of 14 companies, 5 of which are based locally.

## Key Performance Indicators

Indicator	Measure	Unit	FYE 31st March		
			2013	2012	2011
Growth	Revenue	Rs. mn	10,161	8,509	6,407
	Earnings Before Interest and Tax	Rs. mn	1,302	890	748
	Profit After Tax	Rs. mn	1,026	523	574
	Assets (Avg.)	Rs. mn	7,457	5,518	4,071
	Capital Employed (Avg.)	Rs. mn	5,867	4,465	3,082
Profitability	Return on Average Capital Employed*	%	22	20	24
Liquidity	Current Ratio	Times	1.54	1.78	2.34
Stability	Gearing	%	30	31	11
Asset utilisation	Asset Turnover Ratio	Times	1.36	1.54	1.57
Productivity	EBIT per Employee	Rs. mn	1.36	1.02	0.92

\* Excluding Real Estate

## Operations

The Sector operated in the back drop of a slowdown in the major world economies, especially in Europe and Japan, and escalation of costs in all our manufacturing locations.

The strong customer relationships and brand positioning that enabled the Company to maintain volumes to its key customers, marketing efforts that lead to the acquisition of strategic new accounts, the successful market penetration and expansion strategies implemented in growing markets such as Indonesia, Thailand and West Africa were factors that enabled the sector to operate activated carbon manufacturing facilities at full capacity throughout the year. The other factors that contributed positively were the increase in sales of value added and high margin products, the stability of the main raw material, coconut shell charcoal and the depreciation of the local currency against the US dollar even though this was partly offset by raw material imports.

There were notable manufacturing cost escalations in all geographies due to the increases in energy and wage costs. Lean initiatives helped to contain costs and improve efficiencies.

The Group capital expenditure relating to the enhancement and expansion of manufacturing and laboratory facilities, introduction of information systems and improvements to worker and staff facilities, remained at high levels for the second year in succession, as the sector positioned the required assets and resources for growth.

The relationships with charcoal suppliers in Sri Lanka, India, Thailand and Indonesia were further strengthened and Haycarb invested in charcoal and shell collection networks in Sri Lanka.

With a 17% global market share and maintaining its position as the world's leader in its business segment, Haycarb Group posted a landmark Rs. 1.2 bn profit before tax for FY 2012/13.

## Strategies in Action

The marketing resources in Sri Lanka and overseas were strengthened as the sector implements a marketing plan to capture a larger share of markets in Central and Eastern Europe, China, West Africa, South America and emerging markets in Asia and untapped market segments in traditional markets such as Japan, USA and South Korea.

Emphasis on developing and marketing value added high margin products that have shown positive results will be given high priority and focus. Satisfactory progress was made in the Ultracarb Project during the year, with Haycarb moving forward towards formal certification of its range of carbons for the Energy Storage sector by major customers in this market segment. NSF certification was obtained for manufacturing factories in Thailand and Indonesia, and ISO systems implementation is expected to be completed within the next few months.

Significant expansion of the manufacturing capacity over the next two to three years will be a key driver of the future strategy. In September 2012 100% equity of Shizuka Company Ltd. Thailand was acquired in September 2012 through the Joint Venture, Carbokarn Company Ltd. in Thailand. Haycarb Value Added Products Private Limited was incorporated in Sri Lanka during the year as a fully owned subsidiary, to manufacture and export value added activated carbon products and the plant will be commissioned in the ensuing financial year. Considering the potential for activated carbon market, availability of coconut shell charcoal and leveraging on the experience and strength of successfully operating the existing

manufacturing facility in North Sulawesi, Haycarb plans to expand its manufacturing base further in Indonesia. In January 2013, PT Haycarb Palu Mitra Company was incorporated as a joint venture to undertake the commissioning of a new greenfield manufacturing plant in Central Sulawesi, Indonesia. The new facility is expected to come on stream during the early part of 2013/14. Haycarb has set in motion the plan to further expand the Company's manufacturing foot print, primarily off shore.

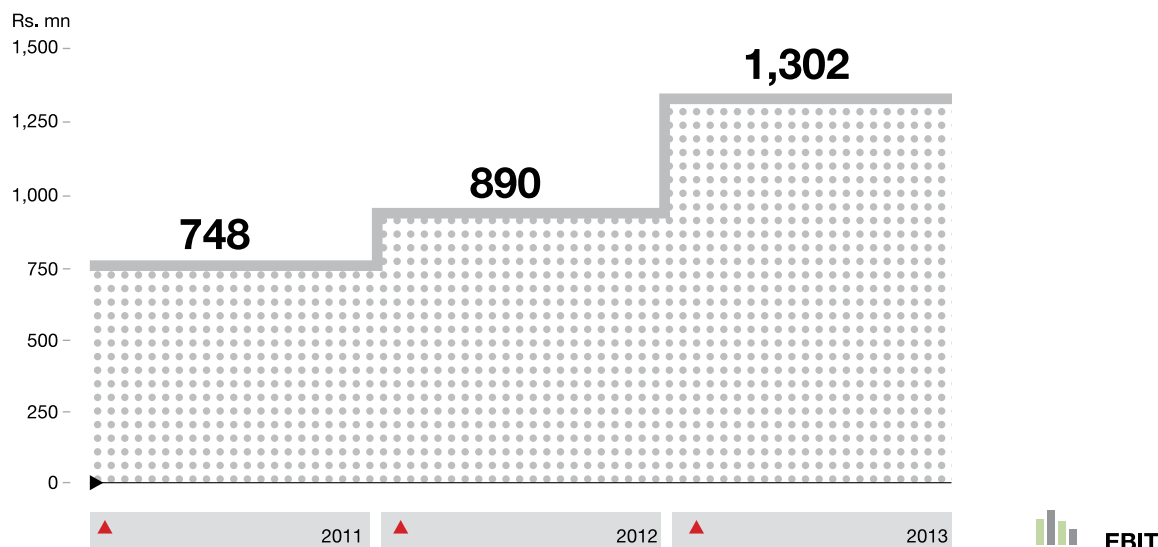
Puritas will remain a key focus point of growth as it leverages on valued strategic partnerships built during the last two years, and plans to engage in large and medium scale Government projects for water and sewage treatment.

Haycarb is amongst the first in Sri Lanka to register and trade in carbon credits under the Kyoto Protocol through its subsidiary Recogen (Pvt) Ltd. It will focus on introducing less capital intensive environment

friendly charcoaling methods in conjunction with the initiatives to broaden the charcoal supply network in Sri Lanka. Haycarb continues to build on and maintain the sustainability and green focus in its operations throughout the world.

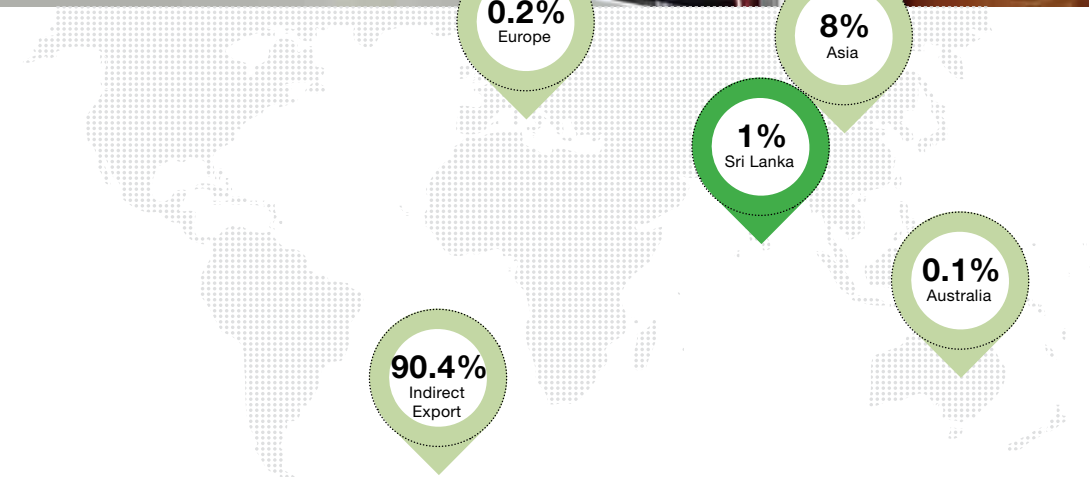
## Outlook

External conditions such as spiraling energy costs, strengthening of currencies in some of the key manufacturing bases, increases in wage costs and overheads together with the increases in charcoal pricing experienced in Sri Lanka and India poses challenges that can impact Haycarb's margin potential. Whilst the Sector operates in an environment of volatility, we believe the correct strategies outlined above can mitigate risk and pave the way to growth.





Hayleys MGT Knitting Mills has the capacity to produce up to 250,000 kgs of Single Jersey, Interlock, Fleece, Polar Fleece, Rib and Pique per week at its 33 acre plant at Narthupana Estate in Horana.





Our product composition includes Cotton, Polyester, Viscose, Wool and Elastane based products as well as printed and Lycra based fabric.



A prominent feature of the Hayleys MGT grounds is the effluent treatment facility - a biological water treatment system. Waste water from the plant containing used dyes and other effluents flows downhill where oxygenated bacteria break them down. Hayleys MGT is ISO 9001: 2000, ISO 14001 : 2004 and SA 8000 certified.

## Business Domain

The Hayleys Textile Sector manufactures weft knitted fabrics for the export-driven apparel industry. The worlds leading apparel brands such as Decathlon, George/Asda, Marks & Spencer, NEXT, Tesco, Intimissimi are the key end customers. Sri Lanka imports about 50% of its knitted fabric requirements, with the balance supplied by four major domestic manufacturers, with Hayleys MGT having the potential to meet 25% of this capacity together with a wider product range which includes Polyester, Fabric Printing and Fabric Brushing.

## Key Performance Indicators

Indicator	Measure	Unit	FYE 31st March		
			2013	2012	2011
Growth	Revenue	USD '000	44,193	45,936	58,322
	Earnings Before Interest and Tax	USD '000	(2,004)	(6,485)	(6,054)
	Profit After Tax	USD '000	(3,495)	(7,582)	(7,079)
	Assets (Avg)	USD '000	36,230	38,936	46,218
	Capital Employed	USD '000	24,900	28,723	39,517
Profitability	Return on Average Capital Employed*	%	-14	-26	-18
Liquidity	Current Ratio	Times	0.55	0.48	0.73
Stability	Gearing	%	51	70	60
Asset utilisation	Asset Turnover Ratio	Times	1.23	1.19	1.25
Productivity	EBIT per Employee	USD '000	(2.33)	(7.09)	(6.60)

\* Excluding Real Estate

## Operations

The Hayleys Textile Sector is primarily engaged in weft knitting, dyeing and finishing of cotton, cotton blends and polyester fabric. These are produced using some of the best brands in knitting, dyeing and finishing machinery to ensure the quality standards required by our customers. The capability of additional finishes such as the chemical treatment of fabric, fabric brushing, fabric printing gives the customers added flexibility.

Internally, the Sector completed a major reorganisation and turnaround programme during the year under review to return to profitability in 2014. Implementation of an

ERP solution to improve productivity, financial controls, production planning and inventory management through SAP, and new raw material supply routes for dyes, chemicals and yarn were developed to meet the ever increasing challenge of price pressure. Additional technical support was brought in to improve dyeing and finishing so as to improve our service levels to the customer. These changes have made significant improvements in the Dyeing and Finishing RFT (Right First Time) to reach new heights at 94% and 96% respectively. This has resulted in a reduction in waste, reduction in reprocessing costs, improving quality levels and the improvement of On Time Delivery (OTD).

The key challenges from the external environment were the cost increases in yarn which exceeded global predictions, and customer resistance in accepting corresponding price increases on finished fabric. Energy cost increase was another major area of concern. Action has been taken to mitigate these impacts with cost saving initiatives.

Our competitive advantage stems from being in a position to carry out additional fabric finishes such as brushing to make fleece fabric and fabric printing, our large capacity to produce collars and cuffs, and our high-tech dyeing machines to maintain consistency in colour. To exploit these advantages we are looking at increasing market share through improved delivery times, competitive pricing and superior quality, and also broaden our product portfolio by targeting some high value products.

improve OTD. Therefore the resources and the technical expertise in the Planning division has been further strengthened. Additional technical know how on the ERP system has been brought in to improve the effectiveness of SAP usage and thereby improving the throughput. Raw material usage and its cost controls through SAP is another area that is currently being strengthened.

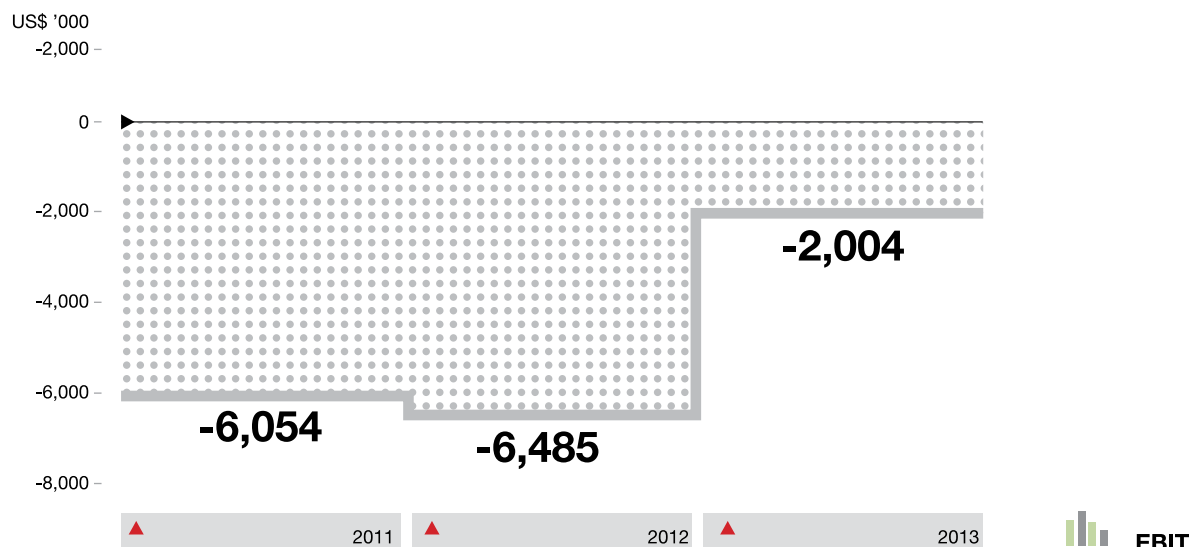
Customer focus with a high degree of service levels, value addition propositions are being discussed to work closely with our customers with a long-term partnership through business development being another area of focus. People motivation is the greatest area of focus by creating awareness of the business needs, global changes, competition and customer requirements. Best practices and policies are being implemented to improve the throughput and thereby increasing productivity.

## Strategies in Action

Hayleys MGT has focused on some of the key areas to improve the overall performance of the Company. Planning at the point of order in-take to the point of delivery with raw material requirement planning being a key area of focus. This will reduce waste, control inventory and

## Outlook

Hayleys Textiles is poised to turnaround during the Financial year 2013/14 by taking on the increased challenges of price pressure from customers, improve its capacity fulfilment, reduce wastage and costs, improve profitability, improve labour relations and increase overall people motivational levels.







We develop and manufacture aluminium extrusions for an extensive range of applications such as fabrication of doors, windows, shop fronts, curtain walls and other specialised commercial applications

**1%**  
Asia

**99%**  
Sri Lanka





Alumex works with a cross-section of industries, from sole proprietor engineering shops to some of the largest multinationals, providing a vast array of architectural, residential and industrial products that meet international standards.



## Business Domain

The Construction Materials Sector is presently focused on manufacturing aluminium extrusions for the domestic construction industry under the Alumex Group. Counting over 25 years of industry experience, the Alumex Group enjoys a 52% market share in Sri Lanka. The Sector comprises of four companies which are based locally.

## Key Performance Indicators

Indicator	Measure	Unit	FYE 31st March		
			2013	2012	2011
Growth	Revenue	Rs. mn	2,473	2,254	2,369
	Earnings Before Interest and Tax	Rs. mn	413	182	121
	Profit After Tax	Rs. mn	307	113	57
	Assets (Avg)	Rs. mn	1,718	1,577	1,622
	Capital Employed	Rs. mn	1,087	873	787
Profitability	Return on Average Capital Employed*	%	42	22	18
Liquidity	Current Ratio	Times	1.37	1.05	1.00
Stability	Gearing	%	9.44	19.04	22.54
Asset utilisation	Asset Turnover Ratio	Times	1.50	1.41	1.75
Productivity	EBIT per Employee	Rs. mn	1.09	0.45	0.30

\* Excluding Real Estate

## Operations

With the post-war construction boom continuing unabated and a strong market leadership in Sri Lanka, the Alumex Group has begun venturing regionally. Exploiting its competitive advantage in terms of superior product quality, higher production capacity, flexibility in manufacturing customised products, in-house die making capability and together with a strong financial position, the Alumex Group is now diversifying into manufacturing its own proprietary door and window systems.

Key challenges during the year were in managing raw material costs within reasonable levels against a backdrop of varying London Metal Exchange prices and volatile

exchange rates. A change in the strategy of purchasing raw materials was effected during the year by booking futures in aluminum when prices were low.

## Strategies in Action

Locally the Alumex Group is setting up warehousing facilities in all provinces to ensure distribution of products throughout Sri Lanka. It is also investing in equipment to improve the quality of dies and local billets and with it the quality of its profiles.

The ERP system used within the Alumex Group is also being upgraded to bring in better financial and inventory controls and expanded to cover manufacturing. This will enhance the production planning and control function and improve delivery times to customers.

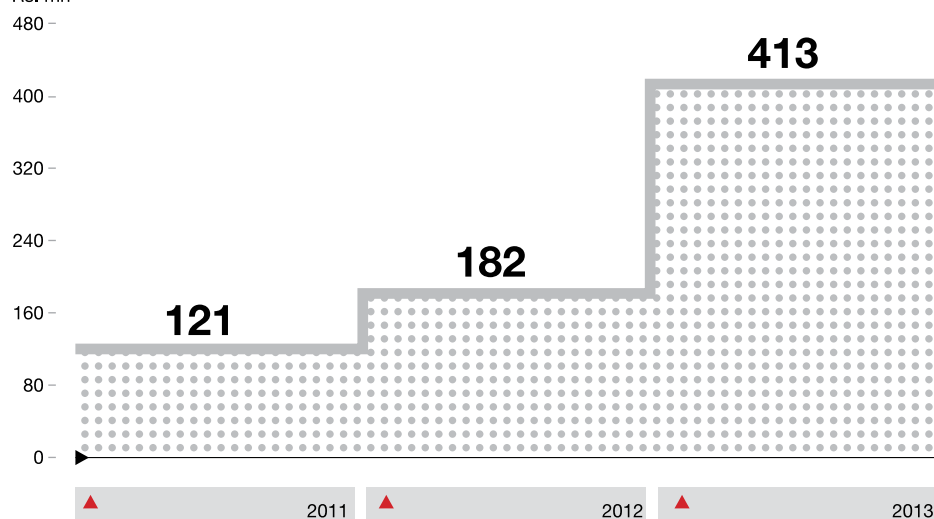
We ventured into regional overseas markets - India, Maldives and Bangladesh - as a first step in expanding our global footprint for extruded aluminium products. And with its own proprietary window and door systems, Alumex hopes to make a mark in the South Asian region.

## Outlook

While raw material prices are expected to increase gradually, the overall outlook for the Alumex Group is positive. Strong growth in local sales, exports to the South Asian region and developing proprietary door and window systems are expected to be the key drivers in the medium term, while an IPO for Alumex is also under consideration.



Rs. mn

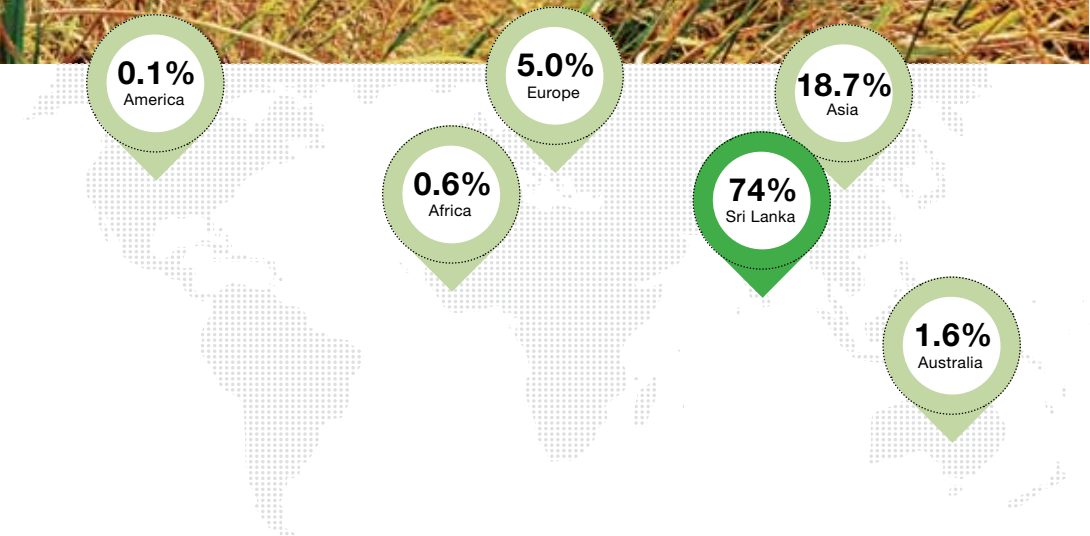


 EBIT





Acknowledged with numerous national awards over the years for their catalytic role in the field of agriculture and animal health, the Hayleys Group's agriculture companies are credited with introducing the latest knowledge generated by international research and development in agriculture to Sri Lanka's farming communities.



Strong linkages with global supply chains mean that primary fruit and vegetable products from the hinterland of Sri Lanka enter global markets as ready-to-consume products.



Hayleys Agriculture builds and enhances capacity in traditional agriculture. These include new product development of mechanical devices such as combine harvesters, combine threshers and mechanical reapers that improve productivity even in the face of labour shortages.



## Business Domain

The Sector provides a complete range of agricultural inputs to the local industry, engages with farmers in growing value added agricultural products through extension services, and is also engaged in bio technology and research. The Sector comprises 9 agribusiness groupings, with 8 based locally. Exports accounted for 24.7% of turnover.

## Key Performance Indicators

Indicator	Measure	Unit	FYE 31st March		
			2013	2012	2011
Growth	Revenue	Rs. mn	7,913	8,042	7,445
	Earnings Before Interest and Tax	Rs. mn	760	1,216	681
	Profit After Tax	Rs. mn	523	527	387
	Assets (Avg)	Rs. mn	7,121	6,118	3,358
	Capital Employed	Rs. mn	3,716	3,689	2,636
Profitability	Return on Average Capital Employed*	%	22	33	26
Liquidity	Current Ratio	Times	1.24	1.08	1.33
Stability	Gearing	%	49	59	41
Asset utilisation	Asset Turnover Ratio	Times	1.1	1.3	2.2
Productivity	EBIT per Employee	Rs. mn	0.5	0.8	0.6

\* Excluding Real Estate

## Operations

With the goal of becoming the dominant provider of all agri-inputs in Sri Lanka, several areas of which are already being dominated and being the preferred supplier of global companies for value added agricultural produce, the Sector differentiates itself from the rest on several fronts. They include a unique product portfolio that offers competitive advantage to channel partners and customers, superior business processes and agricultural extension capability to provide pre-sale, sale and post-sale services to the agricultural community, and a strong supply chain that facilitates procurement efficiencies and superior margins.

The main challenges faced by the Sector during the year were the impact of adverse weather that affected the

total market size for agri-inputs, regulatory changes that resulted in uncertainty and disruption to the supply of crop protection products in particular, and delays in settlements of fertilizer subsidies (which affected all companies in the industry).

It was an eventful and creditable overall performance. Fertilizer distribution and advisory services to the farmers and small holder plantation sector were strengthened, securing a dominant position in the country. New products include the introduction of a more efficient paddy harvesting machine, paddy transplanters, young plant splits for exports, additional processed fruits and vegetables for export and innovative marine-resource based value added products. The range of planting

materials was expanded and improved to include big onion seeds, vegetable seeds and high quality seed paddy. Investments were made in seed paddy processing machinery and laboratory facilities which has expanded volumes, quality and enhanced brand value. Our Geographic coverage was expanded, particularly in the Northern and Eastern Provinces.

## Strategies in Action

A project to grow seaweed was initiated in the northern waters of Sri Lanka and initial trials show promising results. Applications for the value added products are in the food, plant nutrition and cosmetic industries globally.

A termite protection system, 'Novithor', was launched for the urban market. The uniqueness of this product lies with its eco-friendly nature, and its effective lifetime of up to 50 years compared to conventional chemical control methods.

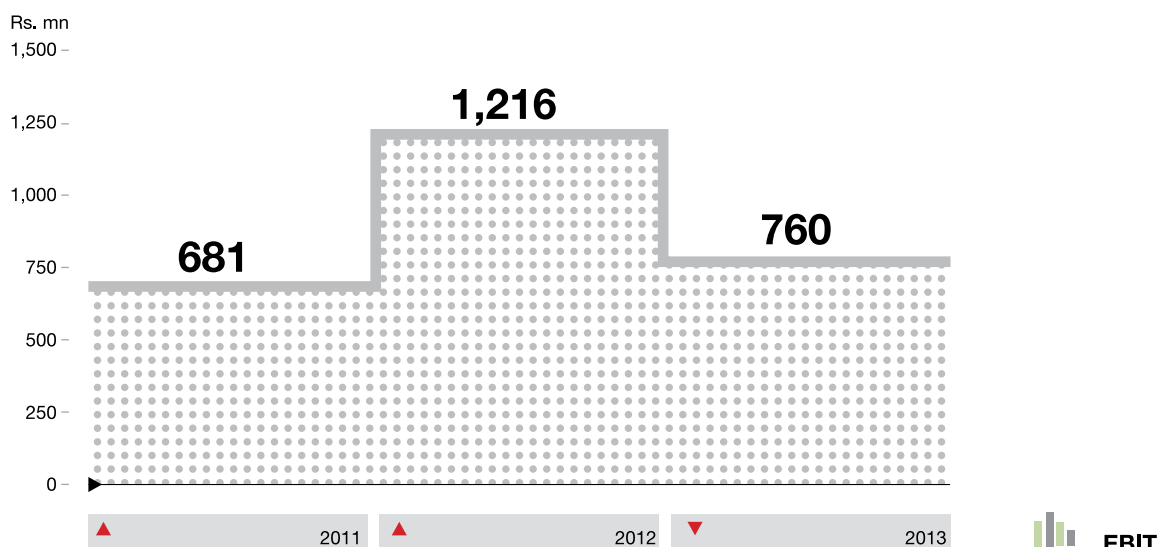
A high yielding potato variety named Daifla was introduced in the Northern Province of Sri Lanka after successful trials. Daifla, developed by Germicopa, France is suited

for the climatic conditions of the Northern region. The introduction of this seed potato variety will help Hayleys Agriculture to further increase its dominant position in the seed potato market in Sri Lanka.

HJS Condiments Ltd. received social accountability management System Standard - 'SA 8000 certification', a first for a Sri Lankan food-based product company. This has enabled HJS to improve staff morale and workplace relations, attract more reliable business partners and enhance its competitiveness. More value added fruit and vegetable products are in the offing and will add to the increasing global clientele.

## Outlook

The Sector aims to further strengthen its core businesses and increase market share, while expanding into related agri-business areas such as aqua culture, fruit drinks and pest control services. We are also investing in branding Hayleys Agriculture for sharper market differentiation. Overall, we expect a vastly improved performance for 2013/14 based on a superior product portfolio, new businesses and new product introductions, expansion of the distribution network and collaborations with farmer groups, NGOs and Government agencies.





The Plantation Sector's green footprint is a signature of our business, growing in harmony with the environment, moving from fossil fuel to clean energy, developing hydro energy and protecting biodiversity.



**4.5%**  
of Sri Lanka's  
Tea Production





“Quality of life for all our people” is a concept driven by our ‘Home for Every Plantation Worker’ initiative, encompassing health and nutrition, family care, shelter, empowerment and community development.



Covering 44 Tea and Rubber estates and over 19,500 hectares of land, KVPL and TTEL together account for 4.5% and 2.2% of Sri Lanka’s tea and rubber production respectively.



**2.2%**  
of Sri Lanka’s  
Rubber Production



## Business Domain

Kelani Valley Plantations PLC (KVPL) and Talawakelle Tea Estates PLC (TTEL) are regional plantation companies established in 1992 which are engaged in the cultivation, processing and marketing of tea and rubber crops through the Management of 44 estates for the Hayleys Plantation Sector. KVPL Estates are situated in Nuwara-Eliya, Dickoya and Avissawella regions whilst TTEL Estates are situated in Nanu Oya, Lindula, Talawakelle, Deniyaya and Galle regions. The Hayleys Plantation Sector also includes Mabroc, a value added tea export company.

## Key Performance Indicators

Indicator	Measure	Unit	FYE 31st March		
			2013	2012	2011
Growth	Revenue	Rs. mn	9,777	8,668	6,760
	EBIT	Rs. mn	1,144	699	788
	PAT	Rs. mn	818	429	490
	Assets (Avg)	Rs. mn	9,932	9,228	8,496
	Capital Employed	Rs. mn	5,952	5,493	4,943
Profitability	Return on Average Capital Employed*	%	19	11	16
Liquidity	Current Ratio	Times	1.47	1.25	1.40
Stability	Gearing	%	32	38	35
Asset utilisation	Asset Turnover	Times	1.00	0.95	0.83
Productivity	EBIT per Employee	Rs. mn	0.05	0.03	0.03

\* Excluding Real Estate

## Operations

Whilst recording the highest profit to date since privatisation, Hayleys Plantation Sector differentiates itself by producing internationally certified quality products for major buyers through world renowned single origin teas and rubber, and sole crepe and centrifuged latex manufacture.

The main challenges faced during the year were the fluctuations in global commodity prices due to economic downturn in key Western markets and political turmoil in Middle-Eastern markets, increased Cess on tea exports, changes in the weather patterns in the planting districts and increased finance costs.

Key activities during the year include diversification of productive land into fuel-wood, factory capacity stabilisation and worker deployment. By way of business development, we participated in seven trade fairs to seek new distributors and customers. Moving forward from thereon, we plan to invest in self sustainable energy projects, including mini hydropower and fuel wood plantations. We are also considering diversification into other economic crops and venturing in to the leisure sector, leveraging the strategic locations of our estates.

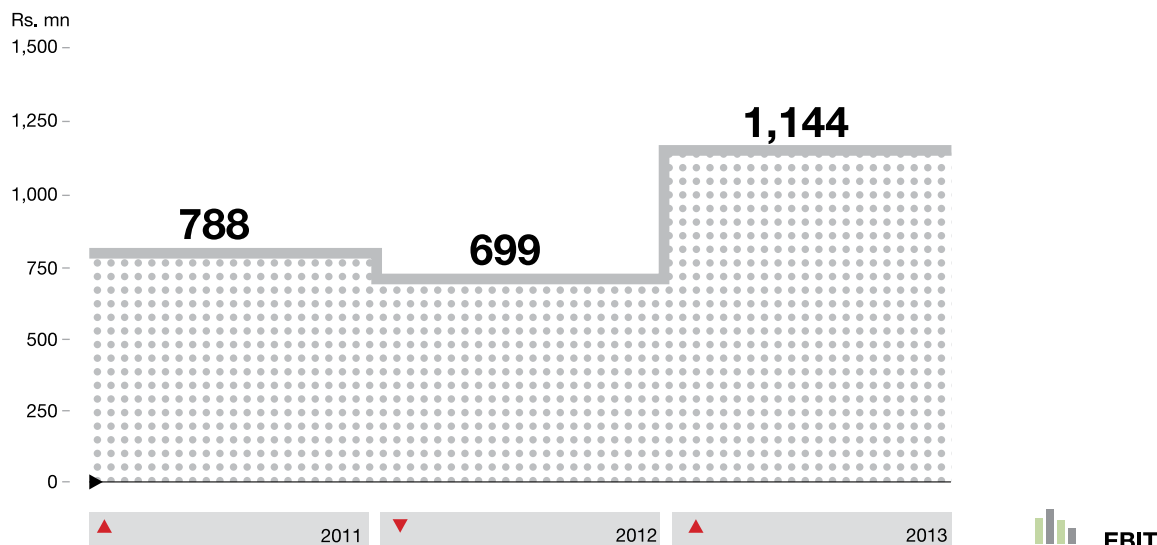
## Strategies in Action

The development of the plantation community has been a major component in the KVPL and TTEL management strategy. Accordingly, KVPL launched a multi-dimensional initiative branded as 'A Home for Every Plantation Worker' in 2006. It is an on-going project designed to uplift the quality of life of the community within the KVPL plantations which has won recognition as a benchmark practice by the Global Compact Sri Lanka Network. Talawakelle Tea Estates and Kelani Valley Plantations have certified

themselves through Rain Forest Alliance to pursue environmentally friendly sustainable agricultural practices and to consistently improve the overall quality of life in the plantation community. The two companies have also converted three black tea production factories in to green tea as a product diversification strategy, with Radella being the only UTZ certified green tea factory amongst the Regional Plantation Companies.

## Outlook

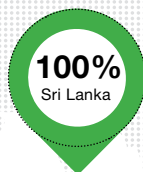
The year ahead is a challenging one with volatility in the world commodity markets, uncertain weather patterns and escalating costs resulting from the increase in wages and the electricity tariff hike. These impacts will be mitigated through a strategic focus on continuous improvement in product quality, land and worker productivity and value addition by promoting single origin estate marks through Mabroc Teas (Pvt) Ltd. The sector will work towards self-sufficiency in energy usage for manufacture of tea and rubber by relying on the specifically grown fuel wood resources in our estates.







Modern multi-user warehouse and distribution facilities in strategic locations in the region, provide a range of solutions from logistics and supply chain consultancy to warehouse management, transportation and production line logistics.





Freight, chartering, port operations and inland logistics services are called to action in many large scale infrastructure development projects in highway, roadway, railway, bridge, causeway, power, energy, seaport, airport and building construction sectors.



## Business Domain

Led by Hayleys Advantis Ltd., the Sector is a market leader in Sri Lanka's transportation and logistics industry, providing integrated logistics, international freight management, marine services and terminals & engineering services. The Sector comprises of 25 companies, one based overseas.

## Key Performance Indicators

Indicator	Measure	Unit	FYE 31st March		
			2013	2012	2011
Growth	Revenue	Rs. mn	11,343	8,644	7,527
	Earnings Before Interest and Tax	Rs. mn	982	592	563
	Profit After Tax	Rs. mn	778	492	422
	Assets (Avg)	Rs. mn	5,789	4,309	4,245
	Capital Employed	Rs. mn	3,521	2,682	2,931
Profitability	Return on Average Capital Employed*	%	28	22	19
Liquidity	Current Ratio	Times	1.53	1.56	1.72
Stability	Gearing	%	14.72	12.56	14.44
Asset utilisation	Asset Turnover Ratio	Times	1.96	2.01	1.77
Productivity	EBIT per Employee	Rs. mn	1.00	651	729

\* Excluding Real Estate

## Operations

The Hayleys Advantis Group possesses a dedicated, multi-skilled and high performing team backed by strong relationships with principals and partners, and provides a complete range of services in transportation and logistics.

Recording its highest profit before tax of over Rs. 1 bn, the key activities during the year included the provision of support services in the Mannar Basin oil and gas exploration, securing new agency representation with key principals, expansion of our logistics operations in Hambantota and acquiring 3PL new businesses accounts.

The main challenges faced during the year include fluctuations in freight rates that affected the agency business, a general slowdown in Sri Lanka's import and export volumes, high financing costs, exchange rate fluctuations and continued stagnation in the world economy.



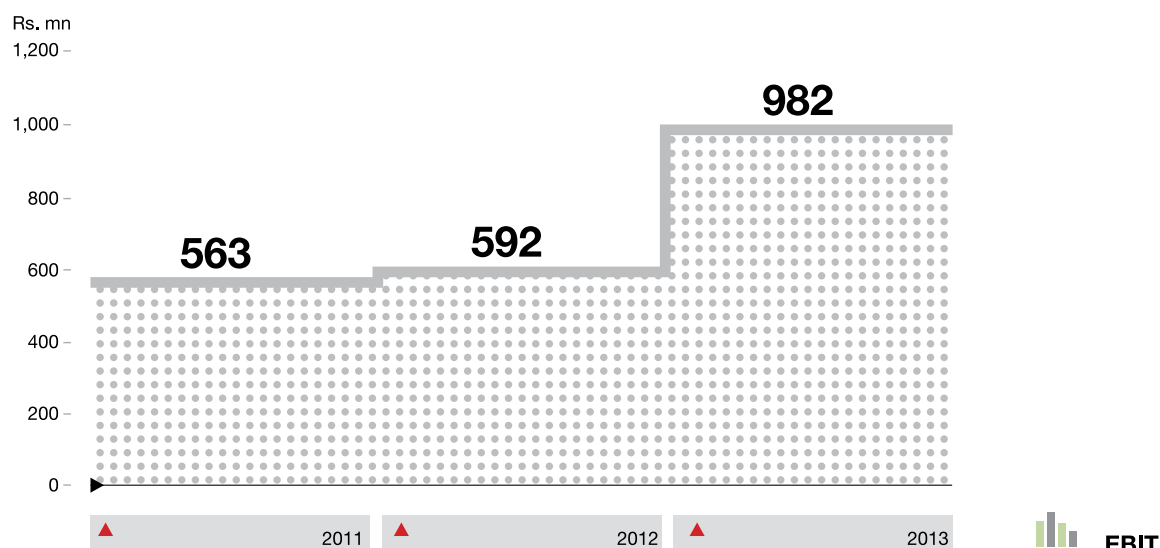
## Strategies in Action

Logiventures builds 'Convertainers' (including portable cabins) which comprise a framework of individual shipping containers linked by a corridor walkway. The containers are modified to meet customer specific needs with doors, windows, lighting, insulation, sanitation facilities and air-conditioning. As these units are portable, fast deployable and modular they are a cost effective solution to conventional housing.

Logiventures offered comprehensive automotive logistics solutions for importers to clear their vehicles at the newly opened Port in Hambantota. The company is also geared to offer services including documentation and customs clearance of vehicles and inspection prior to dispatch by car carrier trailers to any location specified by the importers.

## Outlook

The ongoing infrastructure developments, particularly in the maritime and aviation sectors lend opportunities for Hayleys Advantis to play a bigger role in Sri Lanka's transportation and logistics industry. With Sri Lanka's emerging role as a maritime hub in the region, a number of opportunities would arise in this sector. They include expanding agency representation, enhancing marine service offering and strengthening the capability of inland projects with the acquisition of relevant assets.





The sole distributor for FujiFilm for the past 17 years, Hayleys has been distributing high quality photo film paper, chemicals, photo printing machinery, films and most recently, FujiFilm finepix cameras in Sri Lanka - ensuring professional start to finish imaging services.





With products ranging from photo imaging, consumer lighting, healthcare, homecare and FMCGs, Hayleys' consumer products are esteemed for their quality, service care and value for money. Our products have helped improve lifestyles and the quality of life of Sri Lankan consumers in the hinterland and in the most cosmopolitan localities.



Catering to the increase demand for architectural lighting, our architectural lighting showroom and store 'Hayleys Light Craft' offers a wide spectrum of lights and light fixtures for indoors, garden, functional or energy saving requirements.

## Business Domain

The Consumer Products Sector markets world-renowned brands with a diverse portfolio of products, including sole distributorship for Proctor & Gamble, Philips Lighting, Fujifilm and Blue Cross Pharmaceuticals.

## Key Performance Indicators

Indicator	Measure	Unit	FYE 31st March		
			2013	2012	2011
Growth	Revenue	Rs. mn	4,509	4,285	3,760
	Earnings Before Interest and Tax	Rs. mn	267	269	247
	Profit After Tax	Rs. mn	112	145	156
	Assets	Rs. mn	1,793	1,383	1,115
	Capital Employed	Rs. mn	1,134	747	503
Profitability	Return on Average Capital Employed*	%	20	28	45
Liquidity	Current Ratio	Times	1.25	1.28	1.28
Stability	Gearing	%	69	61	59
Asset utilisation	Asset Turnover Ratio	Times	2.28	3.06	3.37
Productivity	EBIT per Employee	Rs. mn	1.33	1.41	1.206

*\* Excluding Real Estate  
Includes only continuing operations*

## Operations

The overall business environment during the year was characterised by exchange rate volatility, higher interest rates and lower consumer spending. Nevertheless, the sector performed well, with a focus on baby care, personal care and homecare markets. We also worked on aggressively growing our businesses in healthcare, lighting and imaging solutions that comprise world class brands.

A key activity was the restructuring of the Sector to give more focused attention to the lighting business by incorporating the unit under Hayleys Electronics Lighting Ltd. Other key events and achievements include the

launching of P&G 'Whisper Choice', 'Olay Natural White' and 'Ambipur' air fresheners. Our healthcare business received exclusive distributorship for 'Bayer' diabetic care glucometers, '3M' first aid dressings and Splash wet wipes. We also launched 'Cron' pre-press plate setter machines under our information and imaging business.

## Strategies in Action

We exited from the stationary business, which failed to deliver the anticipated results. The management was of the view that the resources engaged could be better deployed in a much more profitable manner elsewhere.

The sector is also focusing on developing or acquiring brands in categories with future growth potential.

In the lighting activity the main thrust during the year would be to provide state of the art lighting solutions to clients. Our concentration would be on the emerging high potential segments with dedicated resources. Plans are already in place to launch new innovative lighting solutions from 'Philips' and it's newly acquired companies which are concentrating on LED's and building management systems.

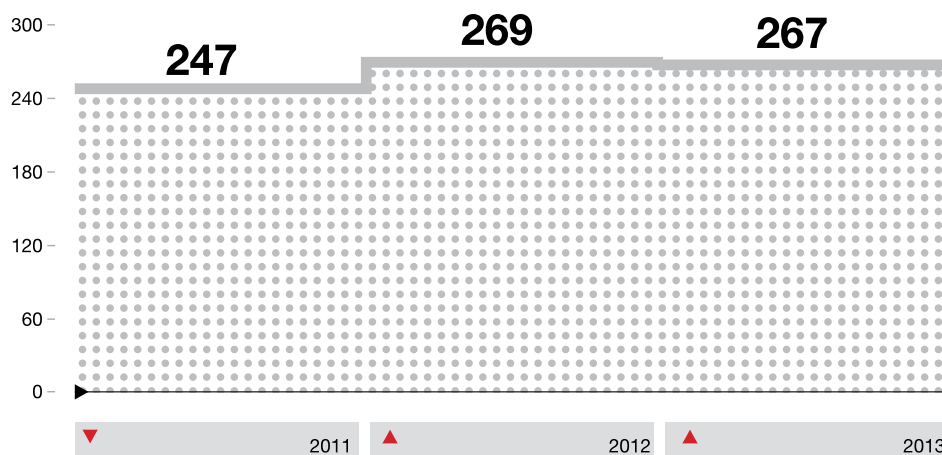
In distributing principals' brands, the Company is conscious and mindful of considering only world class products in their respective categories. This would enable us to offer high-end experience and lifestyle to the discerning consumer.

During the year the Company successfully conducted outward bound training and long service award ceremony for the staff and will continuously focus on developing, building and rewarding human capital

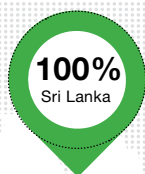
## Outlook

Overall, we expect business growth arising from higher disposable incomes and improved geographical distribution of income, growth in tourism, improved Rupee stability and off-shore capital raising to better manage interest rates.

Rs. mn



 **EBIT**



The Kingsbury Infinity edged pool is one of several amenities and experiences available to guests wishing to indulge in both business and leisure pursuits during their stay at Colombo's 'landmark of luxury'.



Amid verdant hillsides high  
above the famed city of  
Kandy, Amaya Hills welcomes  
guests to graceful, private  
havens embracing designs  
that recall the region's ancient  
and natural wonders.



## Business Domain

The Sector comprises Tours (destination management), Aviation (general sale agent for passenger and cargo, travel agency, airport ground handling supervisory services), and Hotels & Resorts (ownership and management of hotels and resorts). The Leisure & Aviation Sector comprises of 11 companies, with all of them based locally.

## Key Performance Indicators

Indicator	Measure	Unit	FYE 31st March		
			2013	2012	2011
Growth	Revenue	Rs. mn	2,062	1,645	944
	Earnings Before Interest and Tax	Rs. mn	60	150	119
	Profit After Tax	Rs. mn	(26)	132	91
	Assets (Avg)	Rs. mn	7,720	5,127	2,290
	Capital Employed	Rs. mn	5,123	4,503	1,688
Profitability	Return on Average Capital Employed*	%	9	31	7
Liquidity	Current Ratio	Times	0.44	1.24	1.55
Stability	Gearing	%	27	13	1
Asset utilisation	Asset Turnover Ratio	Times	0.25	0.37	0.41
Productivity	EBIT per Employee	Rs. mn	0.03	0.14	0.63

\* Excluding Real Estate

Includes equity accounted investees

\* Amaya Group was purchased mid 2011/12



## Operations

### Aviation and Destination Management

General sales agents in Sri Lanka for: British Airways (passenger), IAG Cargo (BA), Qantas Airways, Oman Air (passenger), Oman Air (cargo), Nippon Cargo Air Lines, All Nippon Airways, Air India Express, Air Seychelles, Hainan Airlines, Aerosvit Ukrainian Airlines, General sales Agents in Maldives for: IAG Cargo (BA), Oman Air (cargo) Hayleys Aviation Services: Supervision of ground handling services for British Airways, Oman Air, Air India Express and RAF Travel Agency Business: Airline ticketing and outbound holidays. Destination Management Company (DMC): Inbound holidays, MICE

### Hospitality

The key milestones during the year were the re-launch of The Kingsbury following a major expansion of the former Ceylon Continental Hotel and the Amaya brand of Hotels winning TripAdvisor's Best Service Excellence Award for the second consecutive year in 2013. Amaya also won TripAdvisor's Travellers' Choice Award 2013 and was nominated for the prestigious 2013 World Luxury awards.

The unveiling of The Kingsbury as a leading luxury hotel was strategically important for the Hayleys Group, as it caters to a wider section of the tourist market, and serves to harness the synergies of related services. Amaya Leisure took over the management of Hunas Falls Hotel, built 24 luxury villas at Amaya Lake and introduced a new camping site titled Wild Trails by Amaya which includes safaris.

## Strategies in Action

The successful preparations that led to the recommencement of British Airways flights to Sri Lanka, was a key achievement in terms of broadening our international connections. Activities during the year included improving internal processes, staff training, product development and aggressive marketing efforts. Café forest situated in the vicinity of Kurunegala was launched during the year. The cafe is managed by Amaya and is a place of rest and rejuvenation for the weary traveller.

Oman air, the recipient of consistent international accolades for its excellent products and services, recognised Sri Lanka as one of the best performing stations within its network during the year.

Hayleys Tours was appointed as the exclusive selling agent for COSMOS Aviation to market domestic air transportation services within the island, thereby expanding the business scope of the DMC. COSMOS is a Helicopter and Airplane Charter operation provider with a fleet consisting of 2 Cessna 152's, a Piper Seneca and one R44 Aircraft.



A concierge service unit handling MICE (Meetings, Incentives, Conferences and Exhibitions) was introduced by Hayleys Tours during the latter part of the year, mainly targeting local corporate offices as well as foreign principals.

The DMC further expanded its product portfolio by introducing a 'Special Interest' segment. It has successfully marketed this new product in collaboration with several leading specialised tour operators across Europe.

Several training and development programs were conducted involving the participation of executives and managerial level staff marking an increase of 34% in the number of hours spent on the development of human resources within the sector when compared to the previous financial year.

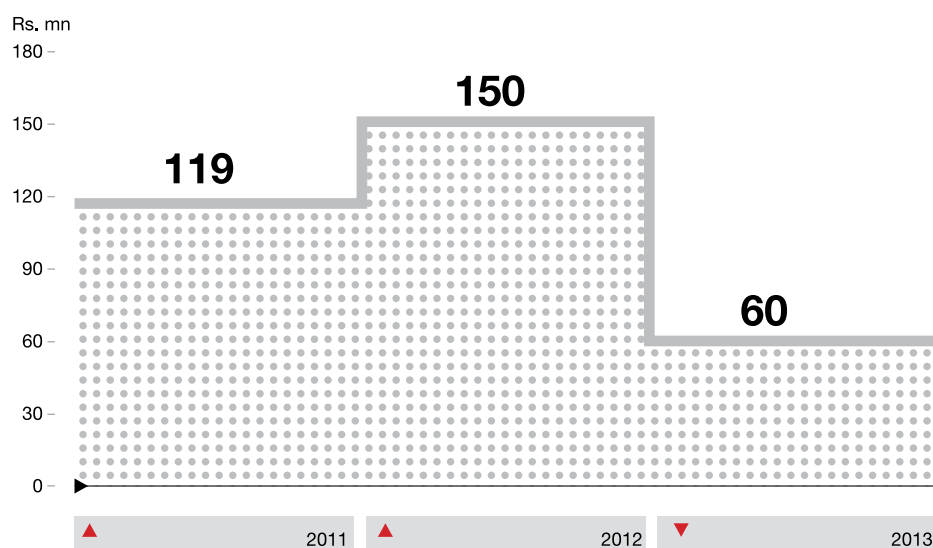
A new branch office of Hayleys Travels was opened in Negombo during the last quarter of the Financial Year with the intention of expanding the entity's market size by attracting new customers in a new geographical location.

This is expected to widen the scope of trading activities by opening unexplored avenues and fuel the growth of the Travel Agency by enhancing its profitability.

Hayleys Tours expanded its operations globally by establishing an overseas representative office in France and participated in several international travel trade fares during the financial year.

## Outlook

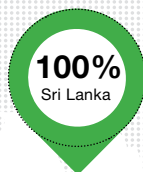
Aviation will benefit following the commencement of online operations by British Airways in April 2013 for both passenger and cargo areas. The fundamentals of the hospitality industry continue to be strong, and we look forward to positive demand trends in 2013 and beyond with all elements in place. During FY 2012/13 the Passenger GSA's and Travel Agency handled passenger numbers in excess of 70,000 whilst on the Inbound Tourism side there was an approximate 60% increase in the number of guests over the previous year.



 **EBIT**



Hayleys Power and Energy focuses on renewable energy and management of waste energy to provide viable alternatives to the environmentally unsustainable use of conventional fuels, while contributing towards filling Sri Lanka's power supply shortfall.







Hayleys Industrial Solutions provides a wide range of industrial inputs, medical imaging equipment and consumables, and building service engineering solutions. These include the supply of raw materials and the design and implementation of power and air conditioning systems, security systems and electronic and telecommunication infrastructure.



## Business Domain

The Sector is a business to business supplier of industrial chemicals, machinery and equipment and renewable resource based power generation. The Sector comprises 12 companies, with all based locally.

## Key Performance Indicators

Indicator	Measure	Unit	FYE 31st March		
			2013	2012	2011
Growth	Revenue	Rs. mn	2,431	1,577	2,291
	Earnings Before Interest and Tax	Rs. mn	683	286	215
	Profit After Tax	Rs. mn	436	124	165
	Assets (Avg)	Rs. mn	4,364	4,639	2,864
	Capital Employed	Rs. mn	3,807	3,979	2,374
Profitability	Return on Average Capital Employed*	%	17	7	11
Liquidity	Current Ratio	Times	1.2	1.2	1.1
Stability	Gearing	%	31	39	36
Asset utilisation	Asset Turnover Ratio	Times	0.9	0.8	1.0
Productivity	EBIT per Employee	Rs. mn	3.3	1.2	1.1

\* Excluding Real Estate

## Operations

The key milestones during the year were achieving full connectivity of the 10 MW Nirmalapura wind power plant, obtaining clearance to commence construction of the 4.5 MW Mawanana hydropower project, and venturing into analytical and scientific testing equipment business with Japanese collaboration.

We also faced challenges, particularly on maintaining ex-stock margins in a price competitive market, training and education of end users of high-tech equipment and the consolidation and mergers of suppliers. Going forward, we plan to expand our ex-stock product portfolio, add more capacity to our hydropower portfolio by completing

the projects in the development pipeline, strengthen new ventures such as HVAC, fire systems and analytical and scientific testing equipment business.

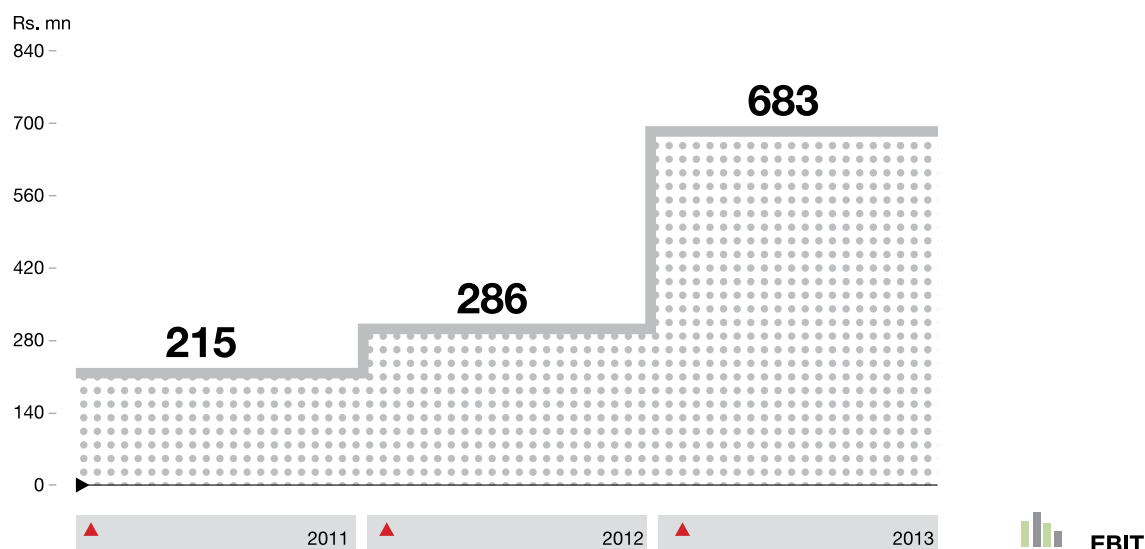
## Strategies in Action

A highlight of the year was the connecting 7x1.5 MW power generating from wind farm on Sri Lanka's North-Western coast, to Norochhole. Hayleys and consortium partner Windforce (Pvt) Ltd. were instrumental in providing capital and technical support in this successful venture. Mini hydropower plants currently under the Hayleys portfolio provide 5.1 MW capacity addition to the national grid. Another 7.5 MW are under consideration.



## Outlook

New businesses that the sector embarked on such as analytical and scientific testing equipment, building management systems are expected to perform well in coming years with the anticipated economic growth in Sri Lanka. However, challenges are foreseen arising from mergers and demergers of suppliers and principals, as well those arising from suppliers moving towards working direct instead of going through an agent. Further, raw material and energy cost increases would have an impact on product margins.





Hayleys Business Solutions International is ISO 27001:2005 certified and the first and only BPO Company in Sri Lanka to have obtained Carbon Neutral certification.



The Group lays emphasis on bringing together employees from its diverse sectors of enterprise, fostering a "One Hayleys", through the initiatives of its Hayleys Group Recreation Committee.

## Business Domain

The Sector includes the investment companies of the Group and the non-voice BPO service provider to the Hayleys Group companies as well as external customers. Other services such as human resource management, tax advisory, treasury advisory, legal and secretarial, business development, financial, internal audit, corporate communications and IT. The Sector comprises 5 companies, which are all based locally.

## Operations

The key achievements during the year can be attributed to turning around of the BPO business, which was in its formative stage, to profitability. The provision of consultancy services to establish shared services operations for two leading local garment manufacturing groups was a major contributory factor. Importantly, the sector was able to secure the first ever overseas clientele for BPO assignments, the core business of the sector, which is expected to grow steadily. The growth is expected in the identified target markets.

## Strategies in Action

The BPO operation has identified two strategic overseas markets and the initial break through secured in latter part of year under review is likely to create the momentum for growth in the ensuing year. In addition, we would pursue to extend the consultancy services to wider segment in the domestic market. Other service initiatives by the sector includes co-ordination of the SLFRS implementation across the Group, centralisation of the Treasury function to ensure best rates are obtained across the Group as well as a number of human resource development initiatives.

## Outlook

The strategic direction would be towards providing a range of end to end value added services in the areas of financial accounting, payroll processing and other back-office processing assignments in the selected overseas markets leveraging on customer accounts that we have secured up to now. The sector further aims to centralise and provide value added support services to each of its sectors in order to help the sectors focus on their individual core businesses.



Group revenue grew by 13% to reach Rs. 74 bn, while profit before tax rose 96% to Rs. 5 bn.

## Resources and Relationships

Our ability to create and preserve value over time has been a core element of the business model of the Hayleys Group over its 135-year history. We look at value creation as a two way process. On the one hand, it is a process where we create value to our external stakeholders - particularly our customers, employees, suppliers and business partners, as well as the local communities and environment in which we operate. It is about our use of and dependence on these various resources and relationships, and in turn how we have developed and benefited them over the years.

On the other hand, it is also about how they in turn enable us to create economic value that benefits us - our investors as well as the economy at large. It is this symbiotic relationship between our various forms of capital - financial, human, intellectual, social as well as the more abstract aspects such as goodwill, trust and integrity - that drive our business in delivering and deriving value.



## **Delivering Superior Shareholder Value**

The Hayleys Group posted its best annual earnings in FY 2012/13 with Hand Protection, Purification and Transportation & Logistics sectors making significant contributions. Group turnover grew by 13% to reach Rs. 74 bn, while profit before tax rose 96% to Rs. 5 bn.

Recent investments in our Leisure & Aviation, Construction Materials and Energy sectors are making strong and growing contributions, while we remain optimistic on renewable energy development and are planning to further expand this portfolio. The holistic approach we have taken towards the Leisure & Aviation sector by combining hotels, travel agency, destination management and airline GSAs creates strong synergies that help us to take advantage of an industry earmarked for tremendous growth.

Following these strategic investments made in the recent past in the key growth sectors of the economy, Hayleys is now going through a period of consolidation to generate even stronger returns.

## **Financial Review**

### **Group performance**

#### **Introduction**

The review period saw the Group recording strong growth in most of its key business lines with significant improvements in core profitability. The Group achieved the highest ever profits in its operating history, with a profit before tax of Rs. 5.0 bn compared to Rs. 2.6 bn in 2011/12.

#### **Convergence to SLFRS/LKAS**

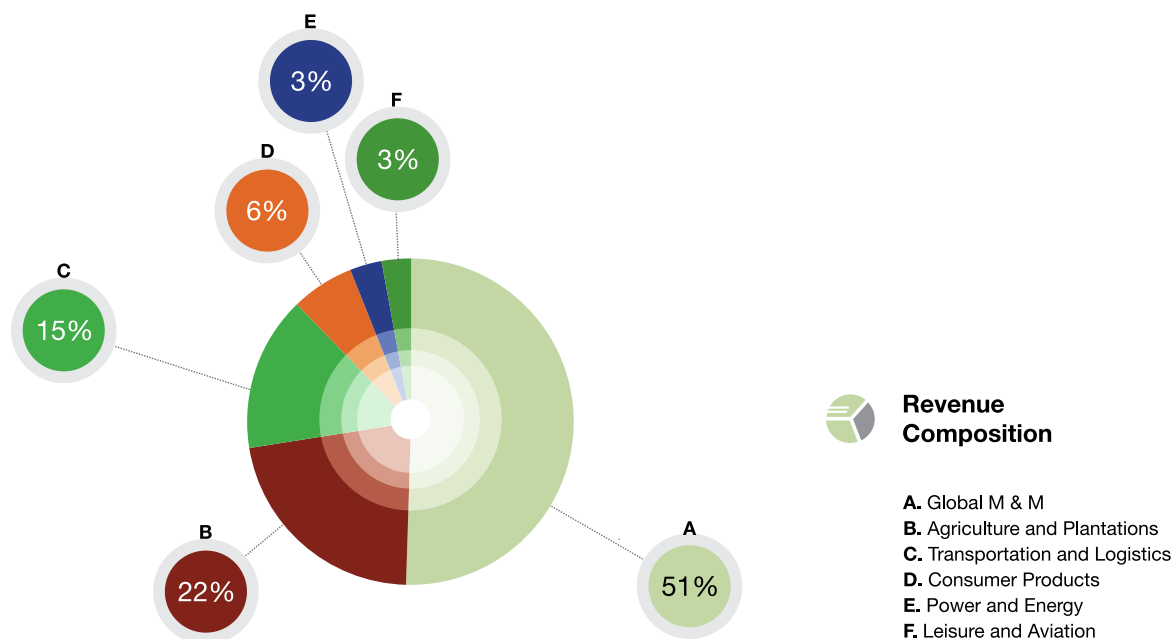
Hayleys PLC's Financial Statements were prepared in accordance with Sri Lanka Accounting Standards (SLAS) until 31st March 2012. These Financial Statements for FY 2012/13 are the first Financial Statements prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) effective from 1st January

2012. Therefore, the Financial Statements of 2011 and 2012 were restated in line with the revised accounting standards. Detailed reconciliations and descriptions of the effect of the transition from the previous SLAS to SLFRS/LKAS on the Group's equity and its net income are provided within Note 05 to the accounts.

#### **Revenue**

The Group's revenue expanded 13% YoY to Rs. 74.3 bn during the review period, supported primarily by strong growth in its key Global Markets and Manufacturing and Transportation and Logistics sectors. The Global Markets and Manufacturing sector continues to be the largest contributor to Group Revenue with a share of 51%, followed by Agriculture and Plantations (22%) and Transportation and Logistics (15%).

## Segmental Revenue



Within the Global Markets and Manufacturing segment, Hand Protection and Purification are the most prominent contributors to revenue with respective shares of 37% and 25% during the review period. Both these businesses along with the Transportation and Logistics sector performed exceptionally well, to achieve significant revenue growth.

The Global Markets and Manufacturing segment saw its revenue expanding by 11% YoY, despite a challenging global economic environment. Sector performance was upheld by the Group's Hand Protection and Purification sectors which demonstrated remarkable resilience during the year. In Hand Protection, product innovation coupled with the dynamic pursuit of new markets enabled the sector to sustain its growth momentum. Meanwhile, in Purification, timely strategies to exploit the growing demand in emerging markets and aggressive marketing and promotion activities allowed the sector to record

strong growth during the year. During the first half of the review period, both business lines also benefited from the depreciation of the Sri Lankan Rupee against the greenback.

The Transportation and Logistics sector's revenue saw strong growth of 15% YoY during the year, although challenged by a multitude of external factors such as volatilities in freight rates and slowdown in Sri Lanka's trade volumes. Performance during the year was assisted by the provision of services in the oil and gas industry and the acquisition of several large third party logistics contracts. The Group's Plantations also recorded healthy performance during the year, with its consistent focus on quality enabling the Group to command higher than average auction prices for tea and rubber. Overall, all industry sectors recorded revenue expansion during the year.

Turnover from exports accounted for 63% of the Group's total revenue during the year. Despite tighter global economic conditions in developed markets, the Group was able to increase its export income by around 20% to Rs. 48.1 bn during the year through expanding its presence in emerging economies. The Group contributed 3.17% to Sri Lanka's export revenue during the period under review.

### **Earnings Before Interest and Tax**

The Group's profitability indicators showed significant improvement during the year, with gross profit expanding by 28%, double that of revenue growth. The Group's consolidated gross margin thus widened to 23% in 2012/13, from 20% in the preceding year. This improvement was facilitated by the Group's proactive measures to minimise wastage, improve efficiency of resources and focus on value addition. Furthermore, several of the Group's key businesses such as Purification and Construction Materials benefited from favourable movements in commodity prices during the year.

The Group's total overhead expenses increased by 11% to Rs. 8.3 bn during the year. The increase stemmed mainly from the Group's manufacturing businesses, which were impacted by rising energy costs.

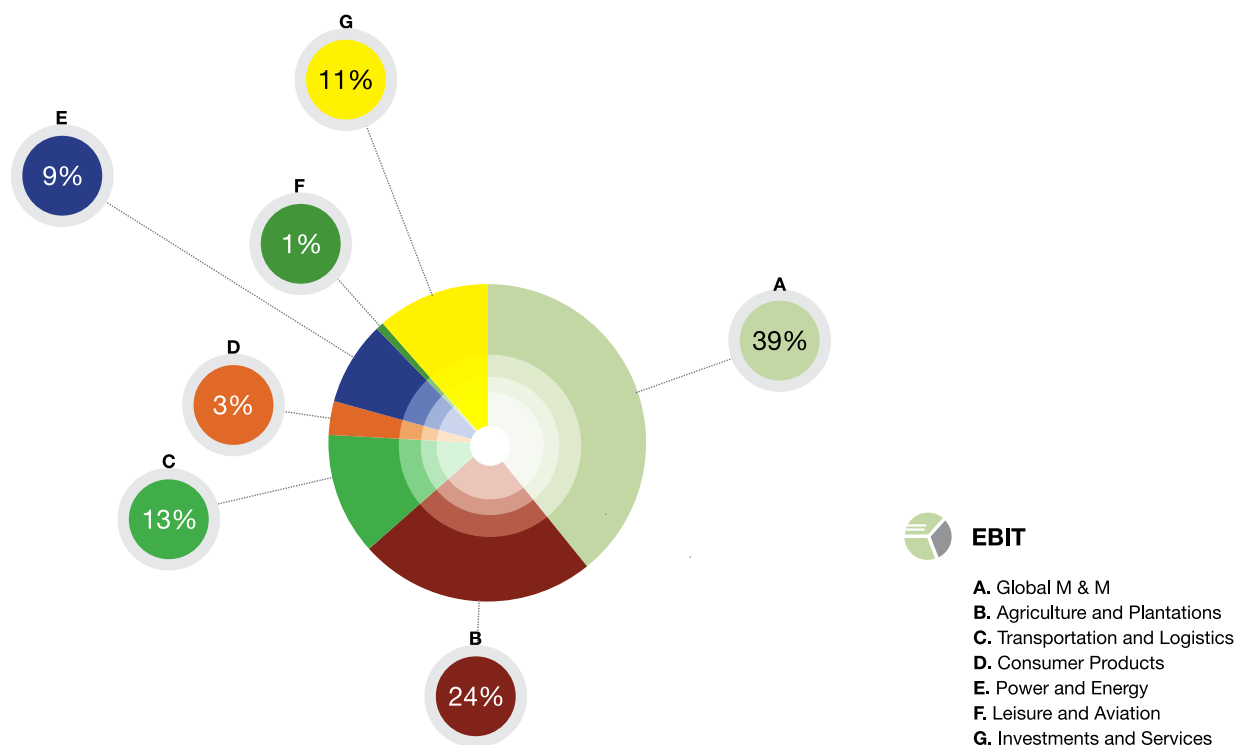
The Group's consolidated EBIT grew 62% to Rs. 6.7 bn during 2012/13. In terms of composition, Global Markets and Manufacturing was the largest contributor to profitability during the year, with a share of 39% of EBIT. Purification and Hand Protection turned in strong performances during the year, the combined result of proactive action by the management to focus on value addition and innovation as well as favourable movements in the exchange rate and commodity prices. Both business lines achieved record profitability during the year, generating EBIT of over Rs. 1.3 bn each. The Fibre sector also recorded a commendable improvement in its core performance, with an increase in EBIT. During the year, the sector's main focus was on leaner manufacturing and

sectoral consolidation, which enabled it to achieve better profitability metrics. Meanwhile, the Group's Construction Materials sector emerged as a strong performer during the year, with EBIT more than doubling to Rs. 413 mn in 2012/13. As post-war developments boomed, the Alumex Group was well positioned to benefit from its strong brand name, superior quality and state-of-the-art manufacturing techniques. On the other hand, the Group's Textile division performed below expectations. The division incurred a loss before interest and tax of Rs. 260 mn during the year, although this was a marked improvement in comparison to losses of over Rs. 735 mn recorded last year. The operations of this sector have been restructured with new management personnel being brought in, whilst the short to medium term focus will be on streamlining its business processes.

The Plantations sector performed exceptionally well, supported by the strong recovery of tea prices during the latter part of the year although rubber prices remained relatively depressed. Meanwhile, the Agriculture sector performed commendably generating an EBIT of Rs. 761 mn during the year, despite being challenged by inclement weather conditions as well as tighter credit conditions which limited the sale of agricultural machinery.

Transportation and Logistics was a key contributor to profitability, with the sector crossing the Rs. 1.0 bn profit mark during the year. This profitability was achieved against the backdrop of Hayleys Advantis successfully securing new agencies as well as expanding its energy logistics services.

The Power and Energy sector saw increasing profitability contributions during the year, with sector EBIT nearly doubling during the year. The Nirmalapura 10 MW wind power plant obtained full connectivity to the national grid in 2012/13 and emerged as a prominent contributor to the sector's profitability.



The Leisure and Aviation sector was impacted by capacity building initiatives during the year, which are expected to bear fruit over the medium to long term. EBIT declined 20% to Rs. 58 mn during the year; this was due to the major development carried out at the Group's city hotel, The Kingsbury which was closed for a major part of the year. On the other hand, the Group's resorts arm, the Amaya Group continued to be a significant profit contributor to the sector.

The Consumer Products Sector too recorded a weakening of performance as the depreciation of the exchange rate resulted in an escalation in the price of imports and lower consumer demand.

### EBIT Margins

The Group's consolidated EBIT margin improved to 9% during the year, compared to 6% the year before. Several key business lines such as Purification, Hand Protection, Transportation & Logistics and Plantations saw widening profitability margins.

### Finance Income and Finance Cost

The Group's finance income more than doubled to Rs. 1.4 bn during 2012/13, supported by foreign exchange gains generated on receivables from subsidy. Meanwhile, total finance costs increased by 44% to Rs. 3.1 bn during the year, affected by the relatively higher market interest rates in line with the tighter

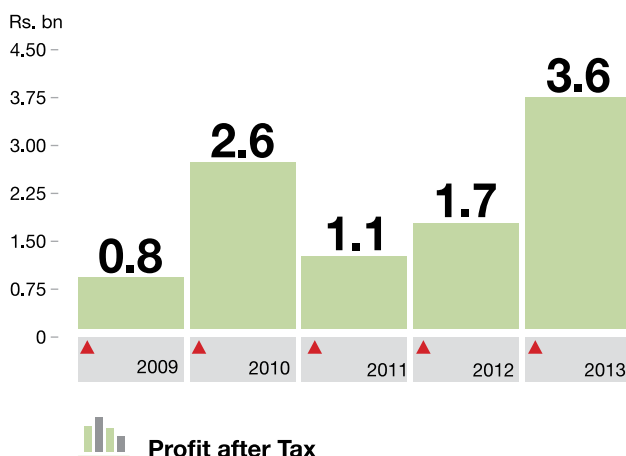
monetary policy stance adopted by the government. The bulk of the finance expenses arise at Holding Company level and the Agriculture sector. Meanwhile, the Group's interest coverage levels were at 2.2 times.

### Taxation

The Group's total tax expense was Rs. 1.41 bn during 2012/13, an increase of 54% relative to the previous year. The effective tax rate reduced from 36% in 2011/12 to 28% in 2012/13, supported by increased profit contributions by the Group's manufacturing businesses which attract a relatively lower tax rate and reduced negative results of the Group's Textiles sector.

### Profit After Tax

The Group achieved its highest ever profit after tax of Rs. 3.62 bn during 2012/13. The review period's profitability reflects an improvement of 120% from last year's profit levels. All business lines other than Consumer Products and Leisure & Aviation demonstrated increased PAT levels, whereas the Group's Textiles sector trimmed losses in comparison to previous years. The largest contributors to the Group's PAT were Hand Protection, Purification, and Transportation & Logistics.



### Return on Capital Employed

The Group's key business sectors including Hand Protection, Purification, Transportation and Logistics and Plantations recorded significant improvements in ROCE during the period under review. Consequently, Group ROCE increased from 11.5% in 2011/12 to 16.2% in 2012/13.

### Cash Flow and Liquidity Position

The Group's operational cash flows improved significantly during the year, supported by the healthier performance of several key businesses. Net cash inflow from operating activities amounted to Rs. 4.4 bn during the year, compared to Rs. 1.3 bn in 2011/2012. Meanwhile, capital expenditure for the year was Rs. 5.15 bn, mainly reflecting development expenditure of The Kingsbury, capacity additions of the Amaya Group and the expansion of manufacturing facilities by the Group's Purification sector.

### Balance Sheet Strength

#### Total Assets

The Group's total assets increased by Rs. 9 bn to reach Rs. 75 bn during the year. The increase was mainly from additions to the property, plant & equipment (PPE), primarily in the Leisure & Aviation sector. Additionally, revaluation of land amounted to Rs. 2.6 bn during the year, also contributing to the increase in PPE.

#### Working Capital

The Group's net working capital requirements declined marginally during the year, as trade payables increased in line with the Group obtaining more favourable credit terms from its suppliers. Meanwhile, trade receivables also increased during 2012/13, owing to larger business volumes as well as extended credit periods. Inventory levels remained more or less unchanged during the year.



## Capital Structure

With regard to the capital structure, the maturity of the Group's assets and liabilities are well matched. For instance, the Group's current assets amounted to Rs. 30.2 bn whereas its current liabilities were Rs. 29.5 bn by end-2012/13. Meanwhile, the Group's non-current assets of Rs. 44.6 bn were matched with its equity (Rs. 33.6 bn) and non-current liabilities (Rs. 11.8 bn). Total assets were funded through shareholders' funds (30%) and short-term liabilities (39%). Meanwhile, long-term liabilities and minority interest funded 16% and 15% of the asset base respectively.

## Borrowings

The Group's total debt increased by 8% to Rs. 23.6 bn by end-2012/13. This is mainly attributable to increased borrowings at the Group's Leisure and Aviation sector to fund the development at The Kingsbury. This sector's debt thus increased by Rs. 2.3 bn during the year. The Holding Co. also saw debt levels increasing by 47% during the year, mainly in order to strengthen the Textile sector through subscription to a rights issue and the Leisure Sector. Overall, Global Markets and Manufacturing, Leisure & Aviation and the Holding Co. accounted for the bulk of the Group's debt.

Despite the increase in debt, the Group's gearing levels (as reflected by Debt/Debt+ Equity) declined from 43% in 2011/12 to 41% in 2012/13 as the equity was strengthened by stronger profit retention. Meanwhile, debt coverage metrics improved during the year in line with the overall healthier performance; debt to EBIT improved to 3.5 times during the year, compared to 5.2 times in 2011/12.

The Group's debt profile tilted more towards long-term borrowings during the year, although short-term borrowings still account for a bulk 70% of total debt. Long-term borrowings accounted for an increased 30% of debt in 2012/13, compared to 26% the year before.

Looking ahead, the Group intends to substitute its relatively expensive short-term debt with longer-term funding. In this vein, the Group intends to seek foreign funding sources and approach the public debt market through debenture issues.

## Investments

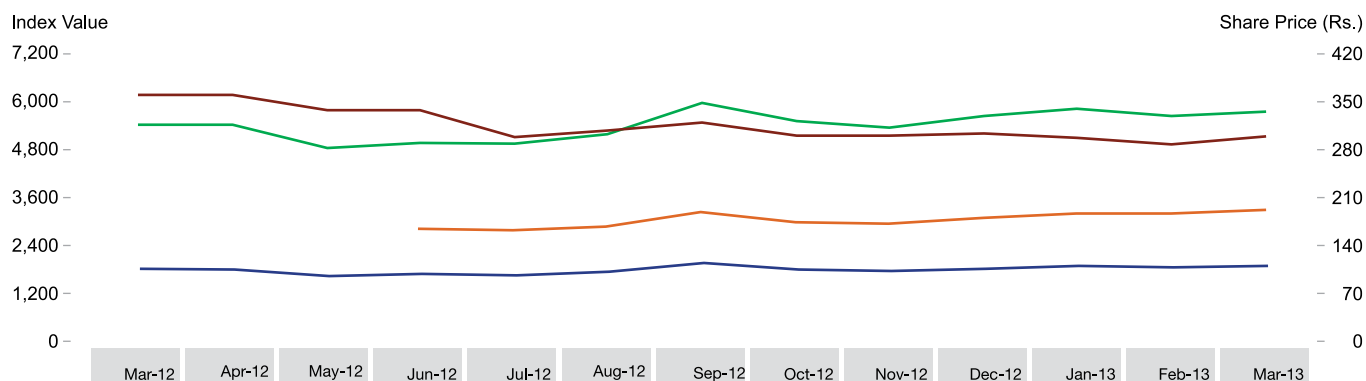
The Group's total investments were Rs. 5.36 bn during the year.

Sector	Investment
Leisure	Major development at the Group's city hotel.
	Capacity expansion at Amaya Hills, adding 24 four-star rooms.
Purification	Capacity expansion through the acquisition of a 100% stake in Shizuka Company Ltd., Thailand.
Transportation & Logistics	Hayleys Advantis increased its stake in Mountain Hawk Express.
Textiles	Investment in Rights Issue to increase Share Capital.

## Shareholder Returns

### Share Price Movements

Sri Lanka's share market recorded much volatility during the year ended March 2013, affected by the relatively higher yields on fixed income securities, exchange rate volatility and tight liquidity conditions. During the year, the All Share Price Index increased slightly by 6%, whereas the S&P SL 20 Index gained 17% since its introduction in June 2012. Meanwhile, the Hayleys PLC share price although declining during the first part of the year, picked up slightly towards the latter part of the year, to close the year at Rs. 298.70. Overall market capitalisation of Hayleys PLC shares was Rs. 22.4 bn by end March 2013.




**Share Price Movements of Hayleys PLC**  
 — ASPI — S&P (SL 20) — Diversified Index — Hayleys PLC

## Earnings Per Share and P/E Ratio

The Group's EPS almost doubled from Rs. 13.84 in the previous year to Rs. 24.72 during the review period. During the last 5 years, the Group's EPS has expanded by a compound annual growth rate of 56%.

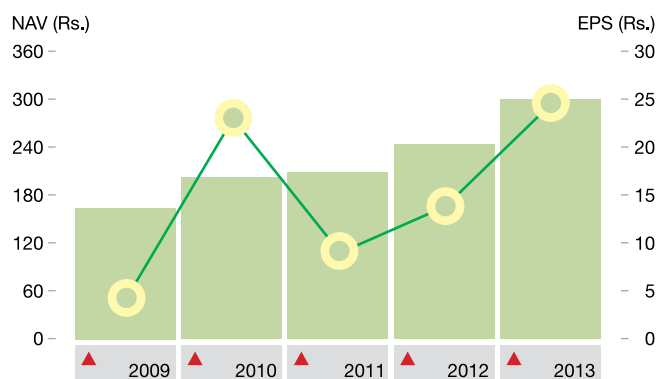
With regard to the Price/Earnings ratio, the share was trading at 12.08 times by end March 2013, compared to 26.01 times the previous year. This is resultant from the decline in the Company's share price in parallel to growth in its EPS.


## Net Asset Value

The net assets per share increased by 22% to Rs. 299.46 during the period under review. Therefore, by the end March 2013, it was trading at a price-to-book value of 1.0 x.

## Dividends

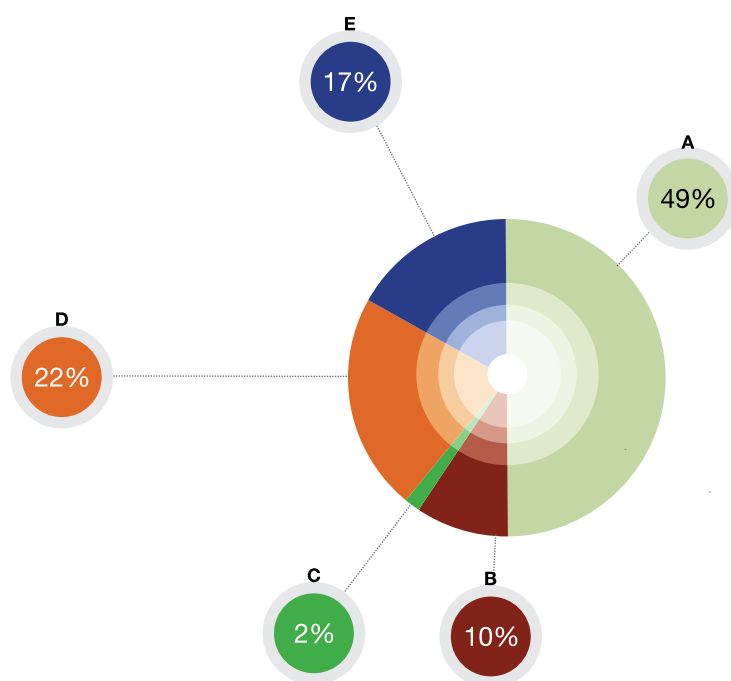
The Company has proposed a first and final dividend of Rs. 4.50 per share for the period under review (2011/12 - Rs. 4.00 per share)




**Net Assets Value Vs Earnings Per Share**  
 ■ NAV (Rs.) — EPS (Rs.)

## Direct Economic Value Generated and Distributed

	Share %	2012/13 Rs. mn	Share %	2011/2012 Rs. mn
Revenue	–	74,302	–	65,807
Cost of materials and services bought in	–	(54,276)	–	(49,381)
Sub Total	–	20,026	–	16,425
To Employees as remuneration	49	9,934	48	8,582
To Government Revenue	10	1,911	14	3,132
Sri Lanka	8	1,638	12	2,944
Overseas	2	273	2	188
To Shareholders as dividends	2	338	3	300
To Lenders of capital	22	4,444	14	2,085
Interest on borrowings	–	2,678	–	1,477
Non controlling interest	–	1,766	–	608
Retained in the business	17	3,399	21	2,326
Depreciation	–	1,883	–	1,592
Profit retained	–	1,516	–	734
	100	20,026	100	16,425



### Group Value Addition 2012/13

- A. To Employees as Remuneration
- B. To Government Revenue
- C. To Shareholders as Dividends
- D. To Lenders of Capital
- E. Retained in the Business

## **Risks Arising from Climate Change**

Climate change has the potential to affect business in numerous ways by way of extreme weather patterns, droughts, floods and the like. These pose challenges for material sourcing, manufacturing and distribution.

We are also mindful that climate change could result in new laws and regulations which in turn affect our operations both financially and operationally. Therefore, we are committed to making a positive difference, using energy responsibly and addressing climate change in various ways as discussed in the section on Society and Environment that follows.

We will briefly explore the potential impact of climate change on our industry sectors that are most vulnerable.

### **Manufacturing**

Three of our key manufacturing sectors are dependent on plantation crops, namely, coconut and rubber, which are thus vulnerable to adverse weather patterns. Hayleys Fibre is dependent on a steady supply of coconut fibre, while the Purification sector on coconut shells. Any disruption in supply will negatively impact production. The Hand Protection Sector is dependent on natural rubber latex as its primary input.

### **Agriculture**

Hayleys Agriculture, by the very nature of its sector, is highly vulnerable to climate change. Crop outputs are determined by variations in atmospheric temperatures, concomitant changes which alter precipitation patterns and the physiological response of crops to the disparity of carbon dioxide levels in the atmosphere, and other relevant factors. For example, wind patterns directly affect rubber output while it also affects the quality of tea.

Further, crop diseases can affect supplies of fruits and vegetables, while weather influenced changes impact the demand for products such as flower seeds.

### **Services**

Global warming impacts the operation of sea ports, winds and storms affect efficiency of cargo operations while droughts and floods limit cargo movement. All these adversely impact revenue and profitability of our operations.

Individual business units and sectors manage these risks, along with other non-climate related risks. Risk management is discussed on pages 158 to 164 of this Annual Report.

## **Policy on Patronising Locally Based Suppliers**

Supplier relationships are integral to our success - as a business, and as a corporate citizen. We encourage all our Group companies to source goods and services locally and in addition to supporting local suppliers. Key factors considered when selecting suppliers are quality, price on time delivery, reliably and, if applicable, credit terms.

## **Significant Indirect Economic Impacts of our Operations**

Over the years the Group has provided opportunities and resources that enable people and communities to raise their standard of living. We are also mindful of our ability to grow in markets where economic need is often greatest.

In Fibre manufacturing we engage in initiatives to uplift the living standards of poor communities to increase their purchasing power, which in turn has a positive impact on the company. We engage in skill improvement and knowledge sharing activities to enhance the quality of the entire value chain.

The Hand Protection sector is involved in a special programme to uplift the living condition of small scale latex suppliers in the Monaragala district. This FirstLight initiative is founded on the principle of fair trade in rubber latex, thus empowering farmers to be self-reliant, while at the same time enabling us to secure reliable suppliers. This programme was recognised by Enterprise Asia under the 'Investment in People' Award category in 2012.

In the Plantation sector, Kelani Valley Plantations PLC and Talawakelle Tea Estates PLC invest in communities through housing, schooling, scholarships and medical care to the estate community, through the 'A Home for Every Plantation Worker' project. Land was also provided to rear over 1,000 cattle while making available over 100 acres of land for vegetable cultivation. In turn, these measures also serve to retain workers on the plantations, as the sector as a whole faces labour shortages.

Through its involvement in numerous infrastructure development projects across Sri Lanka, our Transportation & Logistics sector has made a significant contribution towards economic development in the rural areas of the country.



## An Unwavering Focus

Our vision is driven by the aspirations of our customers. We place them at the very heart of our enterprise. As a Group with a heritage of innovation, we make it a mindset to understand the hidden and unarticulated customer need, involve everyone in the process, experiment, learn what works and what doesn't and deliver on our promise. In short, we regard ourselves as a provider of solutions rather than mere products and services.



## Customer profile

We have a diverse customer base, both local and foreign, spread across manufacturing, agriculture and services. Our matchless quality and excellent customer service standards have enabled us to maintain long-term customer relationships, while gaining over 550 new business customers during the year. A cross section of our customer base across business sectors are presented below.

## Manufacturing

The Fibre sector acquired nearly 60 new B2B customers during the year under review, mostly in overseas markets. With customer relationships lasting typically 2 - 15 years the sector continually seeks new customers while strengthening its top 10% core holding which accounts for about 60% of sales.

The average length of relationships with the top five customers in the Textiles sector is nine years, while two new customers were added during the year. The relationship with MAS Intimates, Crystal Martin and Jay Jay mills has a very rich history lasting over a decade.

The Construction Materials sector won nine local and three overseas customers during the year, bringing the total to over 150 relationships that have lasted over 15 years on average.

## Agriculture

With nearly 5,500 B2B customers, 181 of whom were acquired during the year, the Agriculture sector enjoys relationships that last 15 years on average.

The Plantations sector won 12 new customers during the year, bringing the total to 88 relationships that on the average lasts six years.

## Services

Transportation & Logistics saw an unprecedented 250 new relationships being established during the year, with core customers averaging a 10-year period of doing business with the sector.

Leisure & Aviation enjoys a B2B customer base of 510 in hospitality and another 740 in Aviation. The top 10% in hospitality account for only one-third of sales, indicating a wide customer base and low concentration risk.

With an average 10-year relationship, the Consumer Products sector enjoys a 70,000-retail outlet base. This sector too has a well dispersed customer base with the top 10% accounting for about a third of sales.

Power and Energy has over 250 customers, with relationships lasting 10-15 years, while Investment & Services, which has a much shorter period of customer relationship won over 50% of its customer base during the year under review.

## Product and Service Information

The safety of our products and services is of utmost importance to us. We provide assurance on the safety and ethics behind our products, and ensure that our customers know that they are choosing the most optimal combination of safety and efficacy when buying a Hayleys product.

Our product and service labelling serves to educate people about the benefits of our products and also impart information to customers. Information pertaining to sourcing components, content - particularly with regard to substances that might produce an environmental or social impact, safe use of the product or service and environmental/social impacts of disposal is displayed on the label. All agriculture fertilizer products, and pesticides in particular, display poison warnings and safe storage instructions. Veterinary products and pesticides carry instructions on safe application procedures and antidotes in case of contamination/consumption and also poison centre contact details, amongst others.

Hayleys Agriculture complies with plant quarantine procedures for import and export of plants.

## Marketing Communications

We communicate with our customers largely through advertising. We adhere to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship. Compliance includes obtaining prior approval from relevant authorities and adhering to all guidelines of our principals and the Consumer Affairs Authority in ensuring that all claims made by us are true and verifiable.

## Compliance

The Group has not been informed of or has pursued any action where any fines were imposed in relation to non-compliance with laws and regulations related to the provision and use of our products and services.

## Our Human Capital

We have said it before - it is people that make the difference between a good organisation and an excellent one. It is one of the most important of all our 'capitals', the one that lies below the tip of the iceberg, driving innovation and new thinking and in the process often blurring the line between fact and fiction.

True to our corporate values, we have in place a culture that moulds a winning team. We recruit, train, develop and motivate our people to deliver their best. These span aspects including training and development, reward and recognition, employee welfare, succession planning and leadership development.

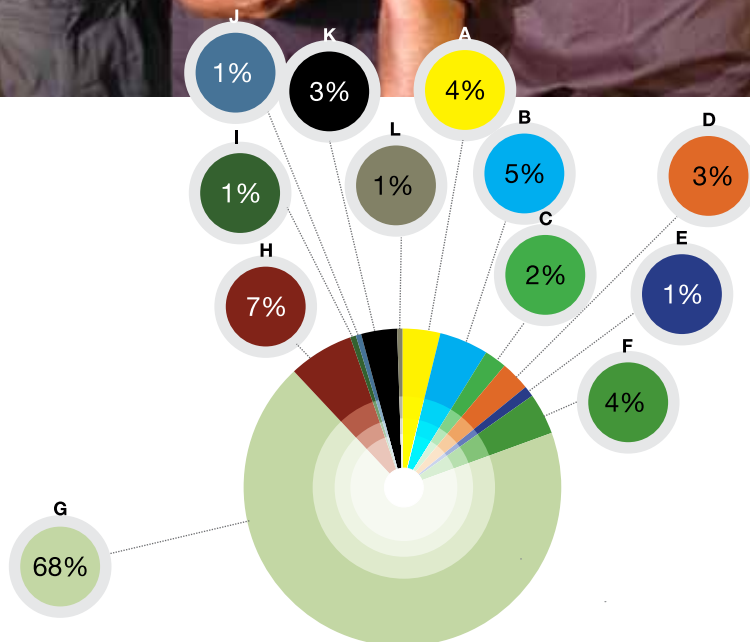
The Ten Principles promulgated by the Global Compact (UNGC) concerning human rights, labour, the environment and anti-corruption, underpin every endeavour at Hayleys Group. The Group is a signatory to these principles. All Hayleys companies are guided by the principles of the UNGC and Sri Lanka's legal and regulatory regimes concerning safeguarding of human rights.

## Workforce at a Glance

The table below includes permanent, contract and casual employees as well as those from overseas locations and those contracted through third party service providers.

Sector	Executive & Above		Clerical & Supervisory		Manual Grade		Total		Grand	Security Staff		Janitorial Staff	
	Male	Female	Male	Female	Male	Female	Male	Female	Total	Male	Female	Male	Female
Fibre	110	21	103	23	732	417	945	461	1,406	46	5	2	3
Hand Protection	153	34	77	1	1,257	203	1,487	238	1,725	78	5	8	14
Purification	159	17	36	6	594	15	789	38	827	27	2	14	4
Textiles	127	23	231	11	632	3	990	37	1,027	42	2	17	18
Construction Materials	51	6	67	6	278	5	396	17	413	21	1	4	8
Agriculture	186	25	204	53	431	598	821	676	1,497	85	8	5	-
Plantations	184	23	877	288	9,930	12,959	10,991	13,270	24,261	6	-	-	1
Transportation & Logistics	554	112	191	9	1,234	276	1,979	397	2,376	90	8	12	15
Power and Energy	98	22	64	4	13	-	175	26	201	15	-	-	-
Consumer Products	76	15	95	15	-	-	171	30	201	7	-	2	2
Leisure & Aviation	195	78	607	58	244	28	1,046	164	1,210	35	2	-	-
Investments & Services	103	89	28	4	5	-	136	93	229	15	2	5	40
<b>Total</b>	<b>1,996</b>	<b>465</b>	<b>2,580</b>	<b>478</b>	<b>15,350</b>	<b>14,504</b>	<b>19,926</b>	<b>15,447</b>	<b>35,373</b>	<b>467</b>	<b>35</b>	<b>69</b>	<b>105</b>

Expatriate staff accounted for a total of 11 persons across two sectors, Leisure & Aviation (four males and one female) and Textiles (five males and one female).



#### Work Force - Sector wise

- A. Fibre
- B. Hand Protection
- C. Purification
- D. Textiles
- E. Construction Materials
- F. Agriculture
- G. Plantations
- H. Transportation & Logistics
- I. Power and Energy
- J. Consumer Products
- K. Leisure & Aviation
- L. Investments & Services

## Turnover by Category

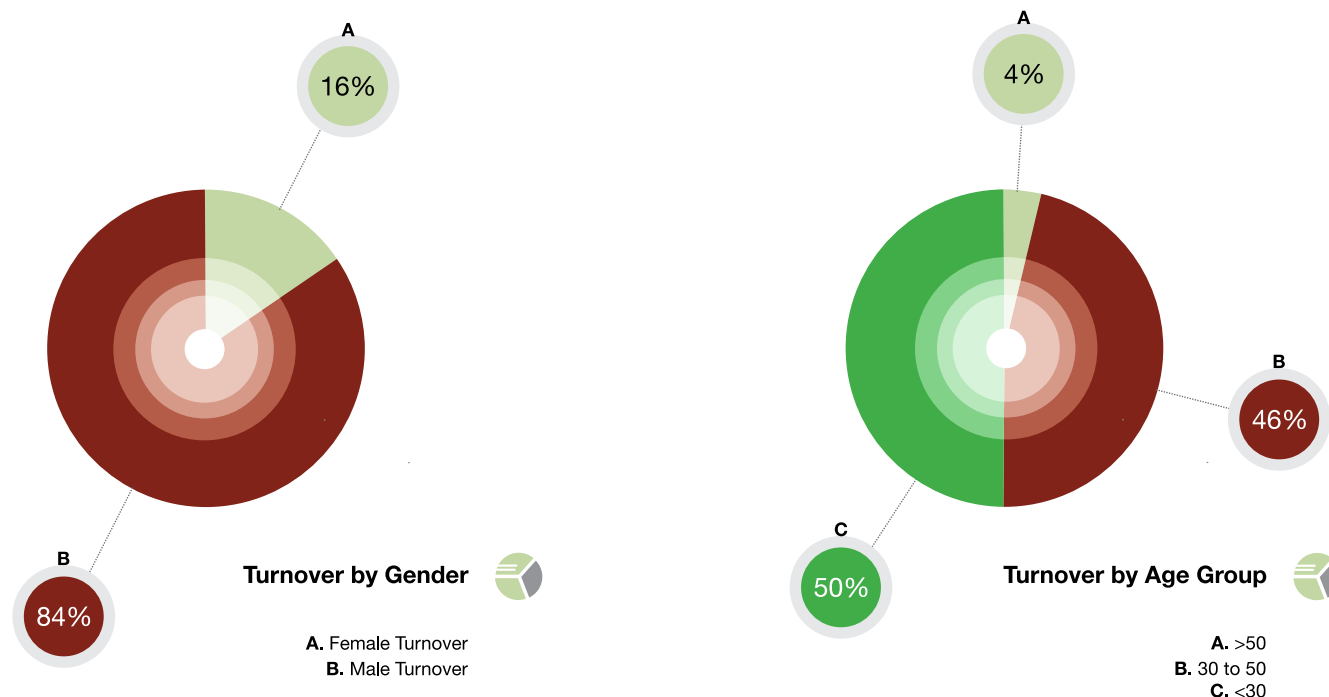
The tables below excludes casual staff/ overseas staff/ service provider staff of the Group and manual grade staff of plantation companies.

Sector	Executives & Above %	Clerical & Supervisory %	Manual %	Overall Employee Turnover %
Fibre	19.4	5.3	8.8	11.2
Hand Protection	17.2	4.0	7.2	9.3
Purification	9.2	9.5	2.6	12.6
Textiles	20.3	6.6	3.9	7.7
Construction Materials	14.3	10.2	9.6	10.6
Agriculture	5.8	7.6	5.7	6.4
Plantations	8.1	1.5	15.5	5.3
Transportation & Logistics	14	11.3	9.1	10.6
Power and Energy	7.9	5.1	0.0	5.8
Consumer Products	6.9	16.0	0.0	11.3
Leisure & Aviation	16.6	10.4	3.8	10.2
Investments & Services	11.2	6.3	18.2	10.6
Overall	12.6	7.8	7.0	9.3

## Turnover by Gender

Sector	Executives		Clerical		Manual	
	Male	Female	Male	Female	Male	Female
Fibre	6	1	–	–	–	–
Hand Protection	27	2	3	–	–	–
Purification	13	1	–	2	8	–
Textiles	31	2	10	2	11	–
Construction Materials	6	4	1	–	13	–
Agriculture	1	4	11	1	21	4
Plantations	14	1	–	2	–	–
Transportation & Logistics	35	9	7	1	7	1
Power and Energy	5	1	–	–	–	–
Consumer Products	1	1	2	–	–	–
Leisure & Aviation	31	15	46	8	105	6
Investments & Services	5	8	–	1	–	–
Overall	175	49	77	17	165	11
Group Turnover	224		94		176	





## Turnover by Age Group

Sector	Executives			Clerical			Manual		
	Below 30	30-50	Above 50	Below 30	30-50	Above 50	Below 30	30-50	Above 50
Fibre	1	4	2	–	–	–	–	–	–
Hand Protection	14	11	4	–	3	–	34	130	–
Purification	8	6	–	2	–	–	5	3	–
Textiles	8	22	3	6	6	–	5	6	–
Construction Materials	3	6	1	–	1	–	5	8	–
Agriculture	1	4	–	8	4	–	16	7	2
Plantations	2	13	–	1	–	1	–	–	–
Transportation & Logistics	19	25	–	4	4	–	1	7	–
Power and Energy	2	4	–	–	–	–	–	–	–
Consumer Products	1	1	–	–	2	–	–	–	–
Leisure & Aviation	20	22	4	24	28	2	81	30	–
Investments & Services	10	3	–	1	–	–	–	–	–
Overall	89	121	14	46	48	3	113	61	2
Group	224			94			176		

## Employees Covered by Collective Bargaining Agreements

Freedom of association is a right enshrined in the Hayleys ethos. All our employees are covered by collective bargaining agreements.

## Minimum Notice on Operational Changes

Hayleys extends due notice to employees regarding impending operational changes. Due to diversity and uniqueness of each cluster, lead times may vary in each company. However, the Group strictly maintains employees' right to receive adequate and timely notice of such changes, although no specific provision has been made in the collective agreements with regard to the minimum notice period(s) for effecting significant operational changes.

## Educating Employees and their Families on Serious Diseases

We are committed to helping our employees lead healthy, productive lives through provision of education, training, counseling services, risk prevention measures and through provision of treatment to maintain wellness. As a measure to address concerns pertaining to health, companies within the Group conduct training programmes on conflict management, best practices, health and wellbeing, first aid, reproductive health issues, safe behaviour, dental health awareness and TB awareness.

## Occupational Health and Safety

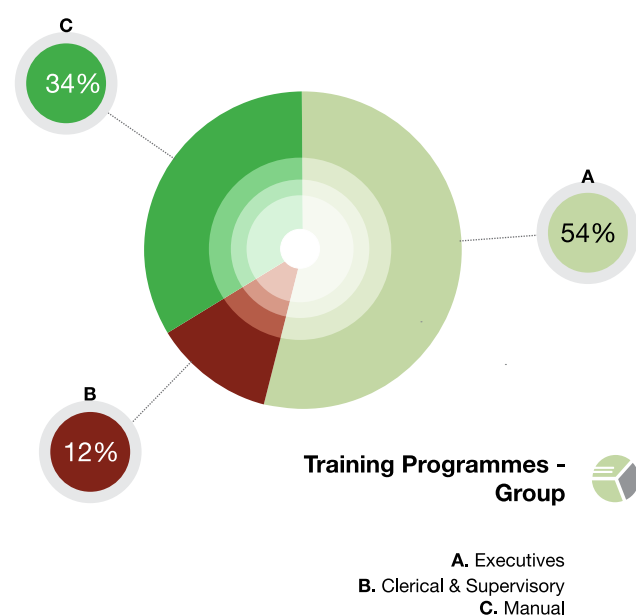
Health and well-being of our employees are essential to our long-term viability. Taking care of our people is an important Hayleys value and one that sets us apart. We assume responsibility to not only create a safe but also a healthy workplace for our employees. We are committed to reducing work-related illnesses and injuries while improving the overall health of our workforce. A growing focus on health and safety has led to teams applying world class exercises, operational tools and training in their operations.

## Injuries and Lost Days

Sector	Number of Injuries			Number of Lost Days		
	Male	Female	Total	Male	Female	Total
Fibre	7	0	7	68	0	68
Purification	24	1	25	84	12	96
Hand Protection			32			33
Construction Materials	16	0	16	131	0	131
Plantations	97	119	216	96	218	314
Transportation & Logistics	1	8	9	32	0	32
Leisure & Aviation	10	1	11	140	14	154

## Training Programmes

Sector	Executives		Clerical & Supervisory		Manual	
	Male No. of Hours	Female No. of Hours	Male No. of Hours	Female No. of Hours	Male No. of Hours	Female No. of Hours
Fibre	120	–	48	–	–	–
Hand Protection	3,876	909	330	–	10,635	750
Purification	2,381	18	–	–	–	–
Textiles	471	79	201	34	552	–
Construction Materials	566	305	257	–	551	–
Agriculture	1,656	112	2,436	1,652	3,223	2,960
Plantations	2,442	201	134	5	356	264
Transportation & Logistics	30,963	511	–	–	–	–
Power and Energy	520	88	–	56	–	–
Consumer Products	1,817	329	994	112	8	0
Leisure & Aviation	4,637	1,940	4,290	1,326	13,332	1,453
Investments & Services	373	229	–	–	–	–
Total	49,822	4,721	8,690	3,185	28,657	5,427



environment and anti-corruption principles. The Group is signatory to these principles. All companies within the Group are guided by the principles of the UNGC and Sri Lanka's legal and regulatory regimes concerning safeguarding of human rights. Almost all companies within the Group have entered into investment agreements and contracts that include human rights clauses or undergone human rights screening.

## Abolition of Child Labour

Our basic principle when it comes to child labour is that individuals younger than 18 years of age may not work for any of our companies or suppliers. In the Plantations sector in particular, a Human Resource Management Policy has been formulated and communicated to all employees to prevent child labour. There is also strict adherence to the Collective Agreement signed with the worker trade unions and close monitoring and supervision of operations by management in this sector.

## Human Rights Reviews

The Hayleys corporate team conducted an introductory session on human rights relevant to business, where

## Investment Agreements That Include Human Rights Aspects

We believe in the dignity of every human being and respects individual rights as set forth in the UN Global Compact (UNGC) concerning human rights, labour, the



Sustainability Champions from all sectors participated. This was initiated based on an independent gap assessment conducted earlier that saw no violations of human rights, but indicated the potential for improving the monitoring and reporting mechanisms on human rights across the Hayleys Group.

In response, we conducted a series of human rights impact assessments at all Group sectors based on the UNGC human rights questionnaire. Areas such as health and safety, work hours, wages and leave, fair treatment, community impacts, product stewardship, country risk and suppliers were covered in this assessment.

All companies within the Group are in the process of submitting action plans to enhance the effectiveness of the aspects mentioned areas mentioned overleaf. This has created greater awareness on human rights and has helped set goals, performance targets, and identify training needs.

Area of Improvement/Focus	Commitments from Companies within our Sectors
Health and Safety	<p><b>Manufacturing</b></p> <ul style="list-style-type: none"> <li>• Periodic safety audits to be introduced</li> <li>• Safety policies to be displayed in all sites</li> <li>• Confidential procedure to receive and handle health and safety complaints from employees to be introduced and communicated to all categories of employees</li> <li>• Key Performance Indicators for health and safety to be introduced to all relevant persons</li> <li>• Mechanism for continuous improvement for identified machinery within a particular Company</li> <li>• Induction training to be given to all new recruits on health, safety and usage of Personal Protective Equipment</li> </ul> <p><b>Agriculture Sector</b></p> <ul style="list-style-type: none"> <li>• A trained Health and Safety officer to be appointed at key sectoral locations</li> </ul>

Area of Improvement/Focus	Commitments from Companies within our Sectors
Fair Treatment	<b>Plantations</b>
	<ul style="list-style-type: none"> <li>• Installation of fire extinguishers and lightning arrestors to ensure safety of people, equipment and records in estate offices</li> <li>• Lighting arrestors to be installed in all factories.</li> </ul>
	<b>All Sectors</b>
	<ul style="list-style-type: none"> <li>• Written policy on non-harassment to be introduced</li> <li>• Relevant training for all location Heads</li> <li>• Procedures on grievance handling to be formalised</li> </ul>
Suppliers	<b>Plantations</b>
	<ul style="list-style-type: none"> <li>• Grievance procedures are already in place for estate workers</li> <li>• A committee will be formulated to handle grievances of plantation Executives and Head Office staff.</li> </ul>
	<b>Manufacturing</b>
	<ul style="list-style-type: none"> <li>• Training to be provided to management and procurement staff on human rights for suppliers</li> </ul>
	<b>Agriculture</b>
	<ul style="list-style-type: none"> <li>• An assessment to be carried out on the main suppliers to ascertain conformity to our human rights standards</li> </ul>

## Ensuring Human Rights Adherence of Suppliers

The Fibre sector has supplier assessment programmes as part of their SA8000 certification and BSCI (Business Social Compliance Initiative).

The Hand Protection sector has the Firstlight Programme which is a corporate social responsibility initiative to improve the quality of life of disadvantaged farmers located in remote villages of Sri Lanka. The following are addressed under this programme.

- Training to farmers on areas such as latex tapping, nursery development and natural rubber collection techniques
- Farm implements to maintain and manage rubber plantations
- Clean drinking water to local schools
- Healthcare to farming communities
- HIV/AIDS awareness
- Support for social events in the community

The Plantation sector conducts an annual review of tea suppliers, and receives endorsements on compliance.

There were no grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms during the year.



## The Value of Relationships

Supplier relationships are integral to our business. Our value creation begins with the products and services provided by suppliers, followed by meticulous and consistent execution to ensure quality in all its forms right through the value chain. Thus the success of our business partners is inextricably linked with our own.



## Relationship Building

Our supplier base is diverse, ranging from local micro-enterprises to world-class global companies in varied sectors. We have long-standing relationships with the majority of suppliers, and work closely with them to ensure high levels of performance in all aspects of compliance, quality and social responsibility.

In the local scene, Hayleys pioneered the out-grower and subcontractor model in Sri Lanka for over three decades. This is essentially a backward integration strategy that enhances supplier relations while providing an assured income stream to rural farmers. We support such arrangements with a range of services that include impact assessments, studies on farmer profitability and productivity, and training programmes. Our out-grower network presently exceeds 4,200 suppliers, with over a third engaged in growing gherkins for the export market.

Some of the relationships with our global suppliers span over half a century. Many of them have withstood changing and demanding circumstances, mainly arising from international mergers and acquisitions.

For instance, in Fibre and Purification we have a supplier base exceeding 350, with the average duration of the relationship lasting about 15 years.

Partnering with overseas investors in our projects is an important part of our business strategy as they add significant value in terms of access to technology as well as markets.

## Our Approach to Local Communities

With businesses that are widespread, the impact of our activities on our stakeholders are broad-based and far reaching. The spread of our activities across the country, has resulted in our businesses being an integral part of the communities they operate in, and hence, assessment of societal requirements are part of everyday interactions at these localities.

We are mindful of our calling; to deal responsibly and fairly with the different stakeholder groups and whilst we seek to achieve our business goals, we simultaneously commit ourselves to the development and well-being, and the empowerment and enrichment of the lives of all our stakeholders whilst not compromising good ethics.

## Touching lives

The enterprise of Hayleys has touched the lives of many, both directly and indirectly. Our policies on buying local, and the indirect social and economic benefits of our projects and businesses on local communities in which we operate were discussed earlier. Regarding the latter, of special note are our Firstlight programme, housing programme for plantation workers and our out-grower business model.

## Integrity and Business Ethics

Our long-standing commitment to doing business with integrity and transparency, a key element in our corporate values, means avoiding corruption in any form. We conduct periodic audits of all our business operations to detect potential misconduct and monitor compliance with anti-corruption laws and relevant policies. In this context strict disciplinary action was taken on three employees in the Transportation & Logistics sector for incidents of corruption.

The Group's Legal services has not been informed of or has pursued any action where any fines were imposed in relation to non-compliance with laws and regulations related to corruption and related matters.



## **Caring for Our Environment**

Our management approach is two pronged: one is to design and manufacture products that do not harm the environment, and second, to minimise the impact of our own activities. Whilst generating a superior return to investors lies at the core of business, we are mindful that sustainable profit does not happen in isolation of our People and Planet.

We take pride in our diverse array of eco-friendly products and services, ranging from activated carbon, coir fibre pith, horticulture products, and our in-house R&D which has pioneered many turnkey solutions for the purification of gases, air and liquids.

Apart from manufacturing, we also represent leading global brands in agriculture, consumer products, industrial solutions, leisure & aviation and transportation & logistics. Our choice of the most appropriate principal is not based merely on how commercially attractive the liaison would be, but also on compatibility with eco-friendly principles.

We invest in best practices for the efficient use of resources such as energy, water and materials. We are actively pursuing renewable energy sources, both for internal use as well as to augment the national grid. We control the discharge of emissions, effluents and waste, whilst managing the environmental impact of their disposal.

## Hayleys Commences Wind Power Generation at Nirmalapura

Nirmalapura Wind Power (Pvt) Ltd. commenced commercial operations on the 9th of August 2012, and is expected to add 10 MW to the National Grid through its wind turbine generators. The venture is the latest step towards boosting the power requirements of the nation through renewable and sustainable 'green' energy.

Hayleys and consortium partner, Windforce Pvt Ltd. were instrumental in providing the capital and technology necessary to build this wind power plant. The 10 MW wind plant will contribute to supporting the nation's power generation requirements and address the demands of the future today.

Wind power is widely recognised as Sri Lanka's best natural resource after hydro power, due to the country's substantial monsoon winds. The farm of wind turbine generators has seven turbines, each producing 1.5 MW of power.

Power plants currently operated by Hayleys provide 5.5 MW of energy to the National Grid. The Group also provides complete turnkey solutions, develops and construct power houses, and supplies turbine generators for renewable power projects which currently supply the National Grid with a total of 9.5 MW. Further, Recogen, a Hayleys Group Company operates the world's only pollution-free charcoaling plant, which generates electricity from waste heat, contributing towards reducing fossil fuel driven power generation-an initiative that earned the Company rights to trade-in carbon credits under the Kyoto Protocol.

## Materials Usage

We are committed to responsible product stewardship. We strive to improve the life cycle of the products we make - from the raw materials and services we procure for operations, through distribution, end use and management of product disposal. We use recycled material as much as possible in our operations but not at the expense of quality.

## Energy Conservation and Efficiency Improvements

We are taking aggressive steps to conserve energy and reduce the impact of greenhouse gas (GHG) emissions arising from our operations. Our initiatives include increasing energy efficiency in our manufacturing operations, improving efficiency within our transportation fleet, investing in low carbon energy and by encouraging a lower carbon footprint within our supply chain. Summarised below are some examples of energy saved per unit of activity level on specific production lines and processes across our sectors.

- A multi-log furnace was introduced in the extrusion process at the Purification sector resulted in a 33% saving in energy consumption
- The modification of a dryer and replacement of a hot air generator at the Construction Materials sector saw an energy saving of 58%, while the replacement of blowers resulted in an 80% energy saving
- In the Agriculture sector savings were achieved by rationalising the number of staff transport cycles, while a 10% reduction was achieved in furnace oil consumption in steam boilers
- The Fibre sector used solar energy to dry approximately one tonne of wet fibre to conserve electricity on a pilot basis

- Through the installation of energy saving machinery and equipment including the replacement of high powered motors with low powered motors where applicable, introduction of capacitor banks, variable speed drives, energy saving lighting and close monitoring and controlling of energy usage at each location, the Plantations sector reduced energy usage during the year.

## Water Consumption and Discharge

Safe, clean, accessible water is essential to the well-being and economic prosperity of the communities we serve, and also to the ecosystems upon which we all rely. It is also vital for our business operations. Therefore we are intensely engaged in water stewardship.

Likewise, business units ensure that water discharge meet all applicable regulatory requirements. These are monitored regularly, internally and externally.

## Our Carbon Footprint

As an important aspect of measuring and managing the environmental impact of the Hayleys Group we made our first attempt at computing and reporting our greenhouse gas (GHG) emissions in FY 2011/12. This is our second voluntary disclosure, and like before, it is based on the WBCSD/WRI Greenhouse Gas Protocol Corporate Accounting and Reporting Standard ('Corporate Standard') and the most recent versions of applicable appendices and calculation tools.

Financial control is the basis for consolidating the GHG emissions, and the boundary is largely the same as that given under Report Parameters (page 25), except that not all companies are included in the carbon footprint computation due to the non-availability of data. Significant exclusions, as in the previous computation, are our Textiles sector and overseas business operations.

## Hayleys and Employees Complete IT Centre Education Initiative to Northern Schools

A three-year initiative engaging the youth of Northern Sri Lanka reached successful completion, when Hayleys formally opened a newly constructed, fully equipped IT Centre at the Poonekary Maha Vidyalayam in Kilinochchi on 3rd August 2012.

This was initiated based on the need for post-conflict humanitarian assistance identified in 2009. The project has evolved into a sustainable initiative and plays an essential role in developing the youth in the North for future employment prospects.

The IT Centre is the second fully-equipped computer training centre of its kind; the first being the centre at Yogipuram Maha Vidyalam in Mullaitivu constructed in 2010. Both projects were funded by the 'Internally Displaced Sri Lankans' (IDSLs) Relief Fund of the Hayleys Group, established in 2009 to support humanitarian assistance initiatives. The fund comprises a day's salary donated by employees across the Group and a similar amount contributed by the Hayleys Group.



**DPL wins prestigious Asia Responsible Entrepreneurship Award for 'Investment in People': Firstlight™ initiative places Sri Lanka first in Southeast Asia region**

Dipped Products PLC (DPL) emerged winner of the Asia Responsible Entrepreneurship Awards 2012 for Southeast Asia, in the 'Investment in People' Category.

DPL clinched the Category Award for championing sustainable and responsible entrepreneurship through its Firstlight™ project, which gave the world its first ethical rubber gloves.

Firstlight™ is DPL's home-grown sourcing initiative. Coupled with market sustainability and corporate social responsibility, it is aligned to empower smallholder rubber farmers to achieve their full potential. The Company engages all components of the value chain, from suppliers to buyers and end customers and in doing so, encourages the move towards ethically sourced and manufactured products.

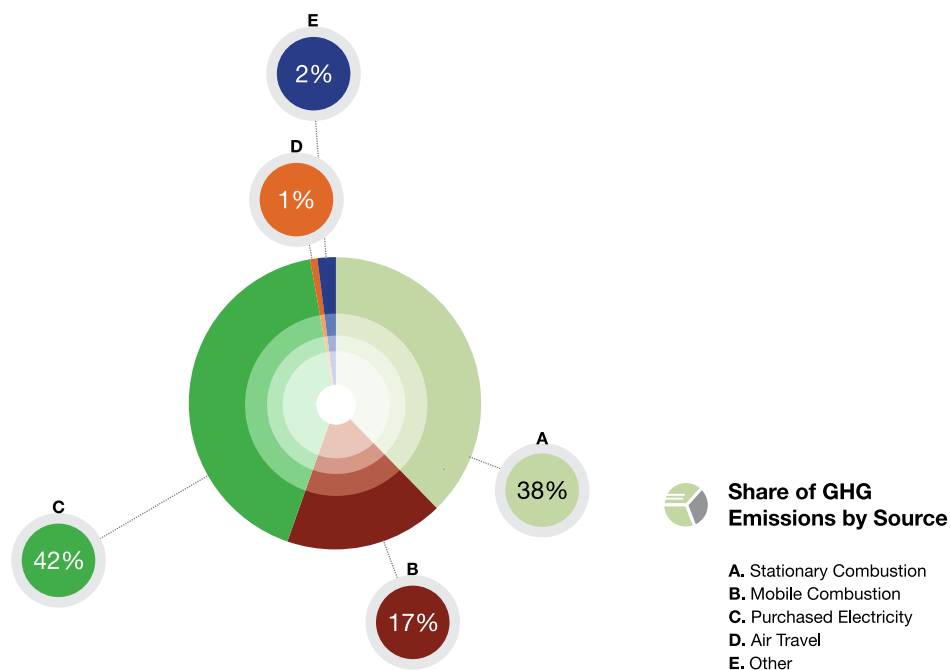
A significant change this time is that we are reporting emissions directly at Group level (but analysed by sectors) and not by individual companies like last time.

This makes a difference in the assignment of Scopes for purchased electricity, although the consolidated total is unaffected. This approach simplifies data collection and minimises possible double counting when consolidating at Group level.

Subject to the above, our reporting under Scopes 1 and 2 is complete except for fugitive emissions from refrigeration and air conditioning plants, due to the difficulty in obtaining data in respect of some reporting entities. Reporting under Scope 3, which is optional, is selective. As before we are reporting on three significant sources here, namely, combustion and purchased electricity consumed in assets/premises not financially controlled by the Group, and employee air travel on business. GHG emissions arising from air travel were computed individually for each leg of journey taking into account distance, type of flight and class of seating.

## Carbon Footprint (Tonnes CO<sub>2</sub> Equivalent)

Sector	Stationary Combustion	Mobile Combustion	Purchased Electricity	Air Travel	Purchased Electricity	Other	Total GHG Emissions by Sector	Share of GHG Emissions by Sector, %
<b>Manufacturing</b>								
Fibre	59.9	61.8	1,161.8	11.3	–	–	1,294.8	2.4
Hand Protection	8,749.6	–	5,722.5	100.3	–	–	14,572.4	26.6
Purification	7,320.0	372.2	3,704.8	94.9	–	8.7	11,500.6	21.0
Construction Materials	2,620.1	107.8	2,286.8	13.8	–	72.0	5,100.5	9.3
<b>Agriculture</b>								
Agriculture	874.0	67.7	672.7	89.8	–	–	1,704.2	3.1
Plantations	281.6	1,894.0	6,681.8	17.1	–	245.6	9,120.0	16.6
<b>Services</b>								
Transportation and Logistics	–	6,952.0	900.4	79.1	45.5	154.2	8,131.1	14.8
Consumer Products	–	–	62.1	31.9	–	446.4	540.4	1.0
Leisure and Aviation	820.1	84.8	1,269.9	12.7	–	–	2,187.5	4.0
Power and Energy	–	13.0	74.2	12.5	–	96.1	195.8	0.4
Investments and Services	–	–	57.7	2.8	–	–	60.5	0.1
Holding Company	10.5	–	356.6	8.1	–	–	375.2	0.7
Total GHG emissions by source	20,735.8	9,553.3	22,951.3	474.3	45.5	1,023.0	54,782.8	100
Share of GHG emissions by Source, %	37.9	17.4	41.9	0.9	0.1	1.9	100	



Subject to the above, the total GHG emissions (carbon footprint) of the Hayleys Group during FY 2012/13 amounted to 54,783 tonnes carbon dioxide equivalent (tCO<sub>2</sub>e), which is marginally higher than the 54,014 tCO<sub>2</sub>e reported in the previous year. Notwithstanding possible distortions arising from changes within the GHG boundary and omissions in data collection, it implies that the GHG emissions intensity has reduced significantly when related to an activity level, such as the Group turnover, which increased 13% YoY.

Direct GHG emissions arising from combustion (Scope 1) accounted for the largest share at 55% of the total, with stationary combustion taking a 38% share, reflecting the Group's large manufacturing base. Indirect GHG emissions from purchased electricity (Scope 2) followed closely with a 42% share.

The manufacturing sector, which contributed 51% to Group turnover, accounted for 59% of total GHG emissions, with Hand Protection (DPL Group) and Purification (Haycarb Group) accounting for 27% and 21% of the overall total. They are both large and successful manufacturing groups serving global markets which contributed 39% and 26% respectively to the Hayleys Group turnover.

As for our next steps, we will further refine measurement procedures and aim to cover Scopes 1 and 2 in full. To improve completeness we will include the Hayleys Textiles sector and more Group companies within the GHG emissions reporting boundary. These measures will enable us to benchmark our environmental performance more consistently and accurately over time, as well as against peers. Internal target setting would then become a natural outcome, with a positive spinoff in terms of cost savings, particularly in the context of the steep electricity tariff hikes coming into force in 2013.

## Initiatives to Reduce Our Carbon Footprint

As a result of measures adopted to reduce GHG emissions, the Purification sector sold 7,232 carbon credits during the year ended December 2012. Meanwhile, GHG emission reductions were also achieved at HJS Condiments Ltd in the Agriculture sector.

## Waste by Type and Disposal Method

Waste is segregated and disposed of in compliance with applicable regulations. Details of total weight of waste by type and disposal method are given below for key business sectors.

Sector	Type of Waste	Methods of Disposal	Amount Disposed (Tonnes)
Fibre	Non-hazardous waste	Land fill	750
Purification	Hazardous waste	Re-use	6.3
	Non-hazardous waste	Re-use	6,111.6
Construction Materials	Non-hazardous waste	Re-use	1,096.6
Agriculture	Hazardous waste	Incineration	8.5
	Non-hazardous waste	Composting	2.4
Transportation & Logistics	Hazardous waste	Through authorised contractors	20
	Non-hazardous waste	Authorised waste disposal collector	1.2

## International Global Compact Participants Commend Kelani Valley Plantations' Sustainability Initiatives

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Kelani Valley Plantations (KVPL) PLC sought to display their voluntary corporate citizenship initiatives to the seven representatives of Local Networks (LN's).

As part of the four-day Local Network Exchange Programme held in November 2012, seven Global Compact participants from countries spanning the United States, Egypt, Indonesia, Bangladesh and India visited Kelani Valley Plantations' rubber and tea estates in Dewalakanda and Panawatte. The Exchange Programme sought to foster collaboration among Local Networks by providing an opportunity to share experiences and identify best practices across regional boundaries.

All delegates encouraged and commended the good practices of CSR in KVPL. They commended the efforts initiated to strengthen employer - employee relationships and their wellbeing which in the long-run will create a happy workforce and enhance labour productivity. KVPL's community initiatives, and high sanitation and hygiene standards at factory and estate level received high approval from the delegates. Overall KVPL was recognised as a role model for responsible business.




## Compliance with Environmental Laws and Regulations




Hayleys Group Legal unit has not been informed of or has pursued any action where any fines were imposed in relation to non-compliance with laws and regulations related to environmental matters.













	Director	Profile
	<p><b>Mohan Pandithage</b> Chairman &amp; Chief Executive</p>	<p>Joined Hayleys Group in 1969. Appointed to the Board in 1998. Chairman and Chief Executive of Hayleys PLC since July 2009. Honorary Consul of United Mexican States (Mexico) to Sri Lanka. Fellow of the Chartered Institute of Logistics &amp; Transport. Member of the Presidential Committee on Maritime Matters. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon. Member of the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka. Director, Sri Lanka Port Management &amp; Consultancy Services Ltd.</p>
	<p><b>Dammika Perera</b> Deputy Chairman</p>	<p>Appointed to the Board in 2008. He is a quintessential strategist and business specialist with 24 years of business experience. Secretary to the Ministry of Transport, Sri Lanka and well-known prominent entrepreneur and investor whose business interests include Hydropower generation, Manufacturing, Hospitality, Entertainment, Banking &amp; Finance. He serves as the Chairman of Sampath Bank PLC, Vallibel One PLC, Vallibel Finance PLC, Vallibel Power Erathna PLC, The Fortress Resorts PLC and Delmege Ltd. (formerly known as Lewis Brown &amp; Company (Pvt) Ltd.) He is the Deputy Chairman of Royal Ceramics Lanka PLC &amp; LB Finance PLC. He also serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys MGT Knitting Mills PLC, Hotel Services (Ceylon) PLC, Dipped Products PLC, Orit Apparels Lanka (Pvt) Limited and Sri Lanka Insurance Corporation Ltd. Member of the Board of Directors of Strategic Enterprise Management Agency (SEMA)</p>
	<p><b>Rizvi Zaheed</b></p>	<p>Joined Hayleys in 1981. Appointed to the Group Management Committee in 2001. Appointed to the Board in August 2004. Holds a BA (Hons.) Degree from the University of Kelaniya and a MBA Degree from the University of Colombo. Member of the Agri Cluster of the National Council for Economic Development. Represents Hayleys on the Board of Sri Lanka Institute of Nanotechnology (SLINTEC). Serves on the National Committee on Biotechnology of the National Science Foundation and is a member of the University Grants Commission Standing Committee on Agriculture and Livestock and a member of the Floriculture and Food &amp; Beverage Advisory Committees of the Sri Lanka Export Development Board. Council member of the Sri Lanka Council for Agricultural Policy Research (CARP). Member of the main committee of the Ceylon Chamber of Commerce and Chairman of the Agriculture &amp; Livestock Steering Committee while having served as Vice-Chairman of the Imports Section, Ceylon Chamber of Commerce. Director of CSR Sri Lanka. Has responsibility for the Agriculture sector.</p>

	Director	Profile
	<b>Nimal Perera</b> Non-Executive Director	<p>Appointed to the Board in July 2009. He counts for over 30 years' experience in Finance, Capital Market Operations, Manufacturing, Marketing and Management Services. Managing Director of Royal Ceramics Lanka PLC, Executive Deputy Chairman of Vallibel One PLC, Chairman of Pan Asia Banking Corporation PLC, Don Wilbert Capital Ltd., N Sports (Pvt) Ltd., N Capital (Pvt) Ltd., Director of Amaya Leisure PLC, LB Finance PLC, Vallibel Finance PLC, Haycarb PLC, Hotel Services (Ceylon) PLC, Talawakele Tea Estates PLC and Alternate Director in Vallibel Power Erathna PLC</p>
	<b>Sarath Ganegoda</b>	<p>Re-joined Hayleys in March 2007. Appointed to the Group Management Committee in July 2007. Appointed to the Board in September 2009. Fellow Institute of Chartered Accountants of Sri Lanka and Member, Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Worked for Hayleys and Diesel &amp; Motor Engineering PLC between 1987 and 2002, ultimately as an Executive Director of the latter. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and overseas. Has responsibility for the Strategic Business Development Unit and the Consumer Sector.</p>
	<b>Rajitha Kariyawasan</b>	<p>Joined Hayleys Group in January 2010. Appointed to the Group Management Committee in February 2010. Appointed to the Board in June 2010. Holds a B Sc Eng. (Electronics and Telecommunications) from the University of Moratuwa, Sri Lanka. Fellow Member (FCMA) of the CIMA, UK. Also a Six Sigma (Continuous Improvement Methodology) Black Belt, certified by the Motorola University, Malaysia. Before joining Hayleys, held the position of Director/General Manager of Ansell Lanka (Pvt) Ltd. Served as the Chairman of the Manufacturing Association of Export Processing Zone, Biyagama. Has responsibility for the Purification Products sector.</p>



	Director	Profile
	<p><b>Dr. Harsha Cabral, PC</b> Independent Non-Executive Director</p>	<p>Appointed to the Board in February 2011. Dr. Harsha Cabral is a President's Counsel with twenty-five years' experience in the field of Company Law, Intellectual Property Law, International Trade Law &amp; Commercial Arbitration. He holds a Doctorate in Corporate Law from the University of Canberra, Australia. He is one of the architects of the new Companies Act of Sri Lanka. He serves as Independent Non-Executive Director on the Boards of DIMO PLC, Union Bank PLC, Tokyo Cement PLC, Richard Pieris Distributors Ltd., Lanka ORIX Finance PLC, Tokyo Super Cement Co. (Lanka) Ltd. &amp; Fuji Cement Co. Commercial Leasing &amp; Finance Ltd., Tokyo Power (Lanka) Ltd., Hambana Petrochemicals Ltd. He serves on several Audit Committees, Nomination Committees and Remuneration Committees, chairing some of them. Dr. Cabral is the author of several books on Corporate Law and Intellectual Property Law. Dr. Cabral is a member of the Law Commission, member of the Advisory Commission on Company Law, member of the Council of the University of Colombo, UGC nominee on the PGIM (Post Graduate Institute of Medicine), member of the Board of Studies of the Council of Legal Education, member of the Academic Board of Studies of the Institute of Chartered Accountants of Sri Lanka and the member of the Corporate Governance Committee of the ICASL.</p>
	<p><b>Dr. Mahesha Ranasoma</b></p>	<p>Joined DPL in August, 2010 as an Executive Director and took over as Managing Director from April 2011. Appointed to Hayleys Group Management Committee in January 2011 and to the Board on 1st April, 2011. Former Country Chairman/Managing Director of Shell Gas Lanka Ltd. and Shell Terminal Lanka Ltd. Holds a First Class Honours Degree in Engineering from the University of Peradeniya, a Doctorate from Cambridge University, UK and an MBA with Distinction from Wales University, UK. Has overall responsibility for the DPL Group with specific accountability for the Hand Protection Sector and Mabroc Teas. He is also a Director of Kelani Valley Plantations PLC, Talawakelle Tea Estates PLC and Mabroc Teas.</p>
	<p><b>Mangala Goonatilleke</b> Independent Non-Executive Director</p>	<p>Appointed to the Board in June 2011. He is a Finance professional with over 25 years of post-qualification experience. He has held senior managerial positions in leading public, multinational and private companies during his career. He is an Associate Member of the Institute of Chartered Management Accountants (U.K.), passed finalist of the Institute of Chartered Accountants (Sri Lanka) and has a Postgraduate Diploma in Management from PIM of University of Sri Jayawardenapura. Currently serves as a Group Executive Director of DSL Group of Companies, independent Director of Colombo Land Development Company PLC, Pan Asia Bank, Royal Ceramics Lanka PLC and Vallibel Finance PLC.</p>





	Director	Profile
	<b>Ranil Pathirana</b> Independent Non-Executive Director	<p>Appointed to the Board in June 2011. Finance Director of Hirdaramani Group and is a Director of Hirdaramani Apparel Holdings Pvt Ltd., Hirdaramani Leisure Holdings Pvt Ltd., Hirdaramani Investments Holding Pvt Ltd. which are the holding companies of the group. Also a Director of Star Packaging Pvt Ltd., Windforce Pvt Ltd. and a non- Executive Director of Sampath Bank. PLC, Asian Alliance PLC, Alumex Group and Nirmalapura Wind Power Pvt Ltd.</p>
	<b>Lalin Samarawickrama</b>	<p>Appointed to the Board and the Group Management Committee in June 2011. He is an Internationally qualified Hotelier having gained most of his Management experience in the UK, working for large international hotel chains over a long period of time. First Sri Lankan Manager to be appointed by the Beaufort International Chain of Hotels to run the first seaside boutique resort. Member of the Institute of Hospitality, UK (formerly HCIMA) and of the Royal Society of Health, London. He has several years of experience in the trade. Having specialised in Hotel designs and development, he has been responsible for the careful planning and execution of Amaya Resorts &amp; Spas refurbishment and rehabilitation programmes. He is also a Director of The Fortress Resorts PLC, Hunas Falls Hotels PLC, Hotel Services Ceylon PLC, Royal Ceramics Lanka PLC and Kelani Valley Plantations PLC.</p>
	<b>Ruwan Waidyaratne</b>	<p>Joined Hayleys Advantis Group in 1985. Was appointed a Director to a subsidiary Company in 1996 and a Director of Hayleys Advantis Group. in July 2002. He was appointed as the Deputy Managing Director of Hayleys Advantis Group in January 2010 and went on to be appointed to the Hayleys Group Management Committee in February 2011. He was appointed as the Managing Director of Hayleys Advantis Group. in April 2011 and appointed as an Executive Director of the Hayleys PLC Board in April 2013. He is a former Chairman of the Sri Lanka Freight Forwarders' Association (SLFFA) and currently functions as a member of the Advisory Council of the Association. He was appointed a Member of the Steering Committee on Ports, Shipping, Aviation and Logistics affiliated to the Ceylon Chamber of Commerce in September 2011. He holds an MBA from the Edith Cowan University of Western Australia and has undergone executive development programmes with the National University of Singapore, Indian School of Business and INSEAD. Currently he has overall responsibility for the Transportation Sector of the Hayleys Group.</p>








Director	Profile
Mohan Pandithage	
Rizvi Zaheed	
Sarath Ganegoda	
Rajitha Kariyawasan	Please refer profiles in Board of Directors.
Dr. Mahesha Ranasoma	
Lalin Samarawickrama	
Ruwan Waidyaratne	

	Director	Profile
	Mervyn De Silva	<p>Joined Hayleys in 1983 as an Accountant. Appointed to the Group Management Committee in 2001 taking over the functions of the CFO of the Group. In 2003, he took over the present responsibility as the Managing Director of Hayleys Industrial Solutions Ltd. and he has also been overlooking the Fibre Sector and Talawakelle Tea Estates Ltd. during 2006-2011. He is a Science graduate from the University of Ceylon, Peradeniya and holds a Diploma in Business Management from the University of Sri Jayawardenapura. He is also a Fellow of the Institute of Chartered Accountants of Sri Lanka and an Associate of the Chartered Institute of Management Accountants, UK. Has responsibility for the Industry Inputs sector, which serves the many manufacturing companies in Sri Lanka, the supplies of medical equipment for diagnosis and the Power and Energy Sector which primarily supply electricity generated by wind and hydro projects to the National Grid.</p>
	Chrishan Mendis	<p>Joined Hayleys in 1983. Appointed to the Group Management Committee in 2001. Holds a B.Sc. (Hons.) Degree from the University of Colombo. Fellow, Chartered Institute of Management Accountants, UK. Member, Chartered Institute of Marketing, UK and a Chartered Marketer. Based in the UK since 2010 and has responsibility for the marketing network of the Fibre Sector in UK and Europe.</p>



	Director	Profile
	Sunil Dissanayake	<p>Joined Hayleys in July 2007. Appointed to the Group Management Committee in the same month. Is the responsible for Group Human Resources, Corporate Communications/Sustainability and Group Security. Graduate in Hotel Management. Was awarded the Life Time Gold Award in 2011 and Honourary Membership in 2004 by the Institute of Personnel Management. He is a Non-Executive Director of Hotel Services (Ceylon) PLC. Prior to joining Hayleys, he held several senior management positions in large private sector entities in Sri Lanka and abroad in Human Resources Management and in Hotel Management. Is a former President of the Ceylon Hotel School Graduates Association and a former Member of the Hotel Classification Committee of the Sri Lanka Tourism Development Authority. Is a member of the Ceylon Chamber of Commerce Steering Committee for HR and Education and is also a Steering Committee Member of the Lanka Business Coalition (LBCH) for prevention of AIDS.</p>
	Johann Wijesinghe	<p>Joined Hayleys in October 2008 as CEO of Civaro International. Appointed Head of the Leisure and Aviation sector in 2009 and was appointed to the Group Management Committee in 2011. Holds an MBA from the University of Leicester (UK) and is a Member of the Chartered Institute of Marketing (UK). Holds over 20 years experience in the Aviation industry with the national carrier SriLankan Airlines. Prior to joining Hayleys, he was the Head of Worldwide Cargo at SriLankan Airlines responsible for the entire air freight business sector of the organisation. He also held several senior positions for the airline including management positions in Europe, Middle East and the Far East and the Head Office in Colombo. Possesses over 5 years experience in the Hotel industry, having served as the Director, Marketing and Sales at The Hotel Lanka Oberoi.</p>
	Prasanna De Silva	<p>Joined Hayleys in May 2011, appointed to the Group Management Committee in June 2011 and appointed as Managing Director of all Fibre Sector companies in August 2011. A fellow member of the Chartered Institute of Management Accountants (UK) and a Green Belt in Six Sigma and holds a Graduate certificate in Human Resource Management from TAFE (NSW) Australia. Before joining Hayleys, he held the position of Director Finance at the office of Aboriginal and Torres Strait Islander Health, Department of Health, Australia. Prior to that, he was the Vice President - Personal Healthcare Operations of Ansell Inc, based in Thailand with responsibilities for Thailand, India and South Africa. He also served as CEO of Coirtex Ltd., Lanka Walltiles and Ansell Lanka before proceeding to Australia.</p>



Director

Profile



**Dr. Arul Sivagananathan**

Joined Hayleys in January 2011 as the Managing Director of Hayleys Business Process Outsourcing and Shared Services sector. Has overall responsibility for Hayleys Group Information Technology Services. Appointed to Hayleys Group Management Committee in June 2011. Prior to joining Hayleys, held a senior management position in a BPO company listed in the NYSE and overlooked operations across Chennai and Sri Lanka. Holds an Honours Degree in Civil Engineering from the University of London, MBA from Cranfield University (UK), Doctorate from USA and is a Fellow Member of the Chartered Institute of Management Accountants (FCMA-UK) and CGMA.



**Dilhan De Silva**

Joined Hayleys PLC in November 2011 as Group Chief Financial Officer. Appointed to Hayleys Group Management Committee in January 2012. Prior to joining Hayleys PLC, he had served Delmege Forsyth as Group Finance Director and progressed to the position of Group Chief Executive Officer. He counts over 20 years of experience in numerous industries and is a Member of the Chartered Institute of Management Accountants (UK), The Institute of Chartered Accountants of Sri Lanka, Certified Management Accountants of Sri Lanka, Certified Management Accountants of Australia and Certified Practicing Accountants of Australia.



**Roshan Rajadurai**

Joined Hayleys in January 2013 as the Managing Director of Kelani Valley and Talawakelle Plantations and has overall responsibility for the Hayleys Group Plantation Sector. Appointed to Hayleys Group Management Committee in January 2013. Prior to rejoining Hayleys, held Senior Plantation Management positions in Kelani Valley Plantations from 1993 to 2001 and was Director/CEO of Kahawatta Plantations. Holds a BSc. In Plantation Management and completed the MBA from Post Graduate Institute of Agriculture, Peradeniya and is a fellow member of National Institute of Plantation Management. Deputy Chairman of the Planters' Association of Ceylon, Member of the Tea Council of Sri Lanka, Member of the Board of Directors of Tea Smallholdings Development Authority. Director of Maborc Teas (Pvt) Ltd.



**Rohan Goonetilleke**

Joined Hayleys MGT Knitting Mills PLC as Managing Director/CEO on the 1st of March 2013 and was appointed to the Group Management Committee in the same month. Prior to Joining Hayleys MGT, he was appointed as a Director of Brandix X'pressions (Pvt) Ltd., and was appointed to the Board of CLT Apparel (India) (Pvt) Ltd. In January 2011, a fully owned subsidiary of Brandix Lanka Ltd. During the period, 2003 to 2010 he was the Managing Director/CEO of Textured Jersey Lanka (pvt) Ltd., prior to which he was the Managing Director/CEO of Linea Clothing (Pvt) Ltd., a subsidiary of MAS Holdings (Pvt) Ltd., and prior to that he was at Carson Cumberbatch & Company Ltd. as the CEO of Elpitiya Plantations Ltd. He received his higher education in the United Kingdom qualifying as a Graduate Engineer (B.Sc. Eng).

# Hayleys has a policy of complying with established best practices in corporate governance

## Highlights 2012/13

Appointment of Mr. L.R.V. Waidyaratne as an Executive Director of Hayleys PLC Board with effect from 01st April 2013.

Appointment of Mr. Roshan Rajadurai and Mr. Rohan Goonetilleke to the Hayleys Group Management Committee.

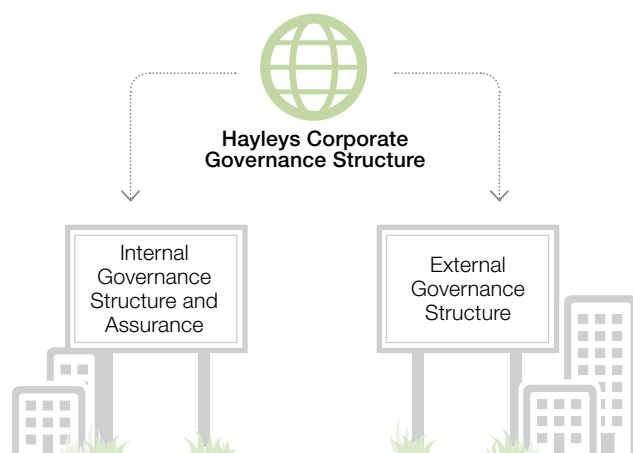
Strengthening of ethical road map for all Hayleys employees and Group companies known as 'The Hayleys Way' - Code of Business Principles.

Implementation of a whistleblower policy.

Hayleys has a policy of complying with established best practices in corporate governance. The Board has adopted core values and Group standards which set out the conduct of staff in their dealings with shareholders, colleagues, customers and other stakeholders of the Group, which ensures positive workplace management, marketplace responsibility, environmental stewardship, community engagement, and sustained financial performance. This involves the maintenance of -

- an efficient organisational structure;
- systems for internal control and risk management;
- transparent internal and external reporting.

The Hayleys Governance Structure can be graphically depicted as follows:



## Internal Governance Structure and Assurance

Internal governance encompasses the system of policies, processes and rules established by the Hayleys Board of Directors for the business to follow. It includes the reasons for which the Group operates and the roles various stakeholders play in pursuing and achieving those goals. Hayleys internal governance structure and assurance framework is outlined in the diagram on page 131.

## Internal Governance Structure

Hayleys internal governance structure is established and overseen by the Board of Directors and designed to allow for effective and efficient decision-making and to meet Corporate Governance Standards. The Board of Directors has delegated authority to its committees on specific matters which are set out in written terms of reference in line with evolving best practice and the highest standards of corporate governance.

Group strategies are subjected to a comprehensive annual review by the Board and are discussed further as necessary during the year.

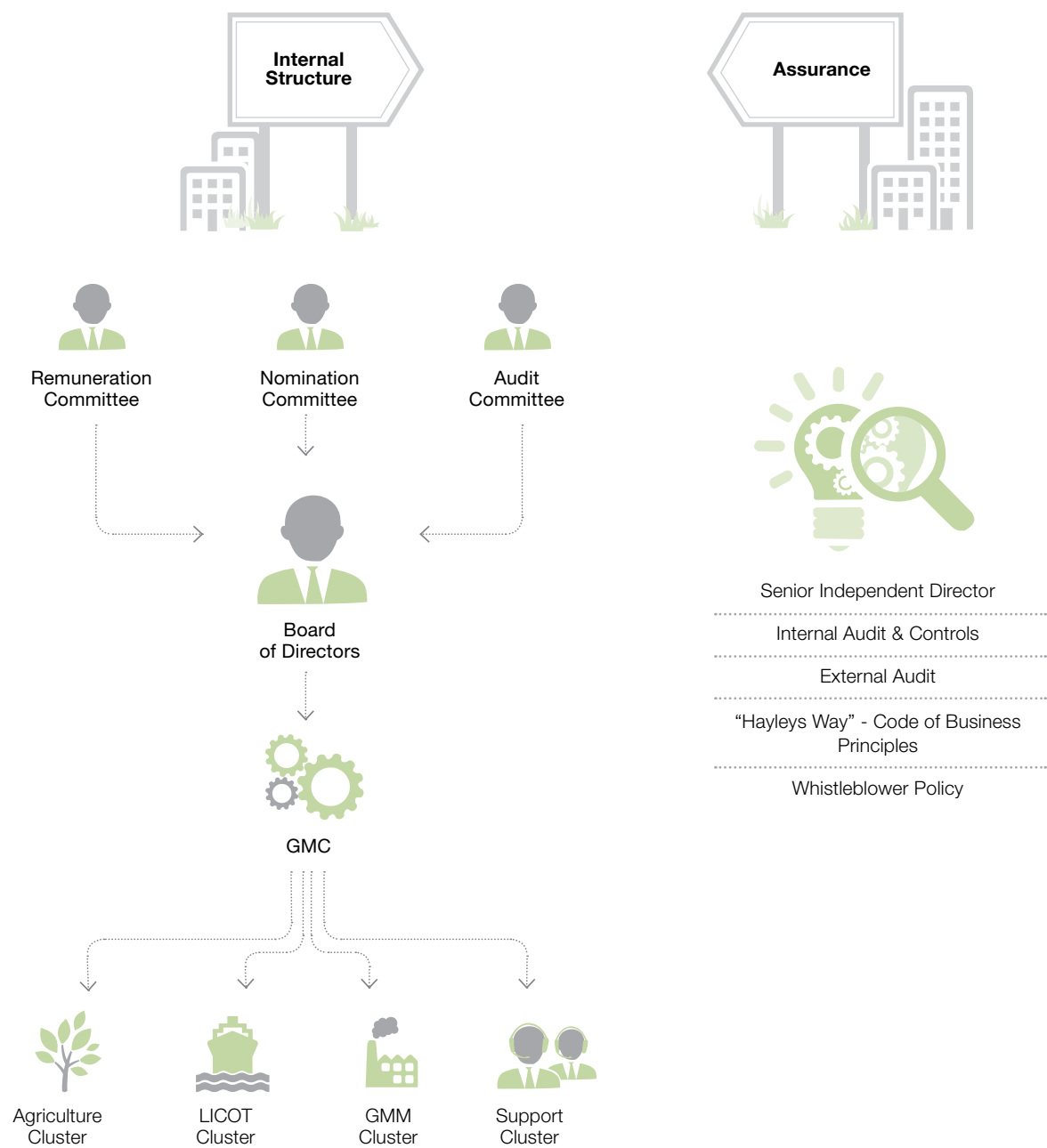
The Group Management Committee has been delegated authority to formulate strategies in respect of business units, seek approval for such strategies and implement them within the policy framework established by the Board.

The Sectors are required to align their strategies towards the achievement of the Group and Sector/Company Key Performance Indicators (KPIs). The annual budgeting process assists this and documents sector strategies and short-term objectives.

The main businesses of the Group are incorporated into four clusters - Agriculture, LICOT (Leisure, Infrastructure, Consumer, Transportation), Global Markets & Manufacturing and Support Services.

The achievement of targets through implementation of strategies formulated, current performance and the short-term outlook are reviewed at cluster review meetings which are held monthly. Further, focused discussion takes place at monthly Group Management Committee meetings.

Internal Governance Structure and Assurance



The Board in understanding current business performance strives to ensure that there is transparency regarding significant risk exposures. It encourages a culture where there is open debate and discussion on the risks faced in achieving business objectives and on new projects and key investment initiatives.

In providing strategic direction, the Board will obtain and review all strategic options and initiatives under consideration. This will comprise an analysis of the options, resource constraints and related risk exposures to facilitate informed decision-making.

In this process Strategic Business Development Unit (SBDU) assists the Board in the following manner:

## Project Appraisal Process

Hayleys has a structured process for new project proposals and investments. This process ensures several layers of reviews and deliberations and incorporates a number of diverse views prior to pursuing major investment decisions.

Project proposals typically originate from one of the sectors, whose business development teams or management would prepare a detailed feasibility study. This would include a macro analysis of the industry and competitive position, SWOT analysis of the project, financial feasibility, funding strategy, sensitivity analysis and regulatory considerations including taxation and risk and risk mitigation strategy.

The project proposal would then be subject to approval by the Board of Directors of the respective sector.

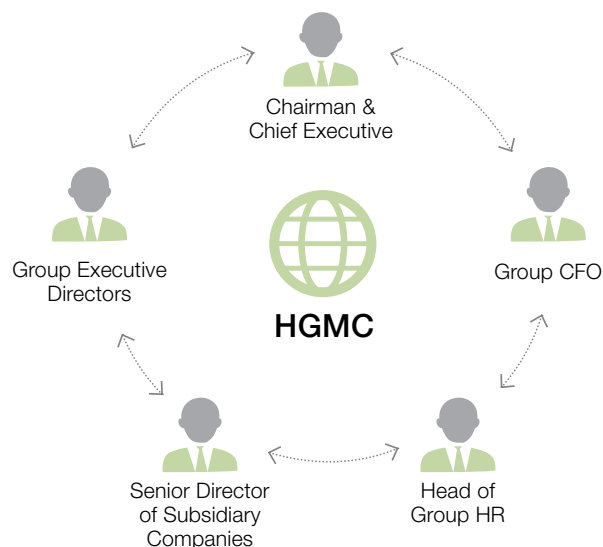
For projects above a certain investment threshold, approval would be required by the main board of Hayleys PLC. In such cases, the project proposal, once approved at sector level, would be sent to the Strategic Business Development Unit of Hayleys PLC.

The SBDU would conduct an independent review of the proposal, testing the assumptions in the proposal and where necessary obtaining further advisory services tapping the expertise from Hayleys PLC centre resources in areas such as legal, secretarial, taxation, HR and Finance.

In certain instances where a more thorough investigation is warranted, particularly in cases of acquisition, a third party due diligence process will be initiated. Depending on the scope of the project, the due diligence would encompass financial, legal and other operational factors.

The project proposal along with the SBDU review and recommendation is then presented to the main Board of Hayleys PLC by the HGMC member in charge of the sector. Further deliberation would take place at the Board level and any required amendments will be made to the proposal prior to the final approval and implementation.

## Hayleys Group Management Committee





## Hayleys Group Management Committee (HGMC)

The Hayleys Board has delegated to the HGMC authority to formulate strategies in respect of business units, seek approval for this strategy and implement it within the policy framework established by the Board.

Sector strategies are presented in the annual budget planning process and are discussed and approved by the HGMC prior to submission to the Hayleys Board for approval.

All capital expenditure of Business Sectors are required to be tabled to the Boards of the respective companies.

Companies falling within each Sector are required to hold quarterly meetings at which all matters requiring the approval of the Boards of those companies will be tabled and considered.

## The Responsibilities of the HGMC

- Recruitment, remuneration and discipline of all personnel
- Training and succession planning
- Negotiation with trade unions and manual and clerical personnel
- Approval of expenditure
- Supervision of financial authority
- Maintenance of safety and ethical standards
- Management of risk and following implicit and explicit guidelines set by the Group
- Safeguarding assets and avoiding deterioration of value through aging or obsolescence
- Providing support to the Board in pursuing Hayleys Group objectives and standards

While Group companies are subject to scrutiny by the Audit Committees, HGMC members are responsible to review risk management systems and internal control systems designed to protect assets, ensure proper records are maintained and reliable information is produced as required.

HGMC members are responsible for the recruitment, training and retention of senior management staff and ensuring succession for key functions. The Chairman and HGMC, in consultation with the Head of Group HR, have oversight for ensuring that succession plans are in place for all Sectors.

The Group Management Committee meets every month and actual financials are compared against budgets every month and forecast is done where necessary.

Copies of minutes of meetings of the Group Management Committee and of other review meetings are sent to all Directors including the Non-Executive Directors.

## Internal Communication Functional Clusters

Finance, corporate communications and HR clusters bring together representatives from the different parts of the Group. These clusters serve as a forum to communicate relevant matters, identify areas of special interest, debate these, and share best practices.

All financial controllers of Sectors are required to report in writing to the Group CFO on a quarterly basis, bringing to his notice any significant aspect of risk or concern regarding the business activities of their sector and the financial statements submitted by them. This reporting may be more frequent if circumstances warrant it. These are subject to discussion at the CFO Forum which takes place every 6 weeks so that matters are debated among the CFO's of the Group.

## CEO's Forum

The CEO's Forum, chaired by the Chairman and Chief Executive, is held quarterly. This Forum brings together management staff of all companies, enabling dissemination of information and clarification of questions relating to the Group. Guest speakers are also invited to make presentations on topical issues.

## Assurance

Components of assurance make sure that the objectives of corporate governance are likely to be achieved and once they are achieved, ensuring they are used to realise the intended value.

## Senior Independent Director

Since the role of Chairman and Chief Executive is combined, the appointment of the Senior Independent Director mitigates risk of an over-concentration of decision-making powers in one person. The Senior Independent Director is responsible for;

- Setting the Company's values and standards and ensuring that its obligations to shareholders and others are understood and met.
- Upholding high ethical standards of integrity and probity.
- Supporting executives in their leadership of the business, whilst monitoring their conduct.
- Promoting high standards of corporate governance and compliance with the provisions of the Combined Code whenever possible.
- Chair meetings with the other Non-Executive Directors (without the Chairman being present) encouraging open dialogue, particularly regarding the Chairman's performance.
- 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 shareholders, when requested, to understand their issues and concerns thereby assisting the Board to develop a balanced understanding.

## Internal Audit and Control

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 control 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 Group's 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 & Chief Executive and the Chairman of the Audit Committee.

The Group 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.

## Information Technology IT Strategy

Information Technology at Hayleys has turned to a more 'Centralised Focus'.

The Central Services Division (Group IT) concentrates on providing Common Services to all the Sectors of Hayleys Group as well as corporate departments. IT within the Sectors concentrates more on Sector specific technology needs with the advice and recommendations from Central Services Division.

In order to achieve this objective, Hayleys IT has embarked upon consolidation exercises on various frontiers: Infrastructure services (email/internet), business systems and helpdesk services.

The consolidation of Common Infrastructure of Email/ Internet related services being provided through Central Services allows Hayleys to standardise services across the Group and derive savings by avoiding duplication.

The consolidation of Business Systems is planned through the initiative of the 'SAP Transformation Programme' to roll-out a common Enterprise Resource Planning (ERP) system across all Sectors of the Group, thereby initiating commonality of the main Business System. This allows Hayleys to have the uniformity of a common ERP solution, SAP. The 'Transformation Programme' has a duration of three years.

The consolidation of front-line PC support services function has been identified as an outsourcable function that can be obtained at a very competitive rate rather than building the skill in-house. Through consolidation of such services across the group we are able to exploit economies of scale. In addition, we are able to drive such services through strict Service Level Assurance (SLA) regimes to enable sustainable performance adherence.

Finally, the consolidation of IT personnel allows us to better utilise their skills sets and to build the appropriate teams to support Hayleys IT Strategy for future.

## IT Governance

IT Governance at Hayleys continues to play a vital role in the way we manage and control Information Technology related services. It allows us to establish standards that underpin Hayleys overall Vision for IT.

IT governance is controlled on multiple fronts: firstly, the 'Structural Component' that pertains to Hayleys IT activities to support the goals of the business and the people who manage those activities. Secondly the 'Process Component' that defines the IT decision making process as well as the policies that measure and control the way it is carried out at Hayleys.

Our policies and procedures are reviewed regularly to ensure that we align with changing needs of technology and the business.

## IT Value and Alignment

The Investments for IT projects and systems within Hayleys are made after careful consideration of their suitability for the related projects.

The Cost Benefit Analysis (CBA) will look to ascertain aspects such as cost savings, improved customer satisfaction, timely information availability and the balance between cost of investment and scale of operations.

## IT Risk Management

The Risks associated with Information Technology at Hayleys are continually assessed as part of the Enterprise Risk Management Process.

The use of licensed software, closer monitoring of internet/email usage and other IT related operations (for compliance with the Hayleys 'IT Use Policy') and the use of antivirus, firewall servers/software, are some of the critical practices we deploy.

Business Critical Information is backed up/replicated at regular intervals and kept in secure offsite locations to meet statutory and other relevant compliances. In addition, Hayleys Business Critical Systems are duplicated as necessary in case of catastrophic failures.

### External Audit

The external auditors of the holding company and all other local companies within the Group are Ernst & Young. They also provide different non-assurance services to the Group. The restrictions provided in terms of rulings issued by CSE and other commitments were taken in to consideration when entering in to the engagements with the Group auditor.

The knowledge and experience of the Audit Committees ensured effective usage of the expertise of the auditors, while maintaining independence, in order to derive a transparent set of Financial Statements. The Group maintains independence from financial and non-financial interests between auditors and re-assesses the same on a regular basis. The auditors certify this on an annual basis.

The fees paid for audit and non-audit services are separately disclosed in the Notes to the Financial Statements.

### Code of Business Principles

For more than 135 years, Hayleys has demonstrated a commitment to doing business with integrity. We have expanded into new businesses and built a record of sustained growth, with diverse businesses in twelve different sectors of enterprise.

The Hayleys Way is an ethical road map that exists to guide the expectations of integrity of every employee of the Hayleys Group.

### Principles & Scope

1. The Hayleys Group is committed to conducting its business operations with honesty, integrity and with respect to the rights and interests of all stakeholders.
2. All Hayleys companies and employees are required to comply with the laws and regulations of the countries in which it operates.
3. Every employee shall be responsible for the implementation of and compliance with the Code in his/her environment.

The statement provides guidelines by which the Hayleys Group conducts its businesses and operations in all the countries we operate in, within the following parameters

### The Hayleys Way - The Ethical Road Map for Code of Conduct



## Whistleblower Policy

Hayleys Group is committed to the highest standards of ethical, moral and legal conduct in operating its businesses. In line with this commitment, the Whistleblower Policy exists to provide a mechanism for employees to raise concerns where the interest of the organisation is at risk and is expected to provide an assurance that employees raising such concerns will be protected from reprisals and victimisation. This Policy applies to all individuals working at all levels within Hayleys Group.

### Principles & Scope

This Whistleblower Policy is intended to cover concerns raised by staff on the following matters.



## Whistleblower Policy

Incorrect Financial reporting

Financial Fraud

Unlawful or improper conducts

Breach of the Code of Business Conduct, Values and other Policies of the Group

Any other improper activity that may have a negative impact upon the ability of the Group to achieve its corporate objectives and which may cause damage to its image and reputation

## External Governance Structure

As a responsible corporate body, the Group adheres to the regulations, codes and best practices etc. adopted by different governing bodies.

- Companies Act No. 7 of 2007
- Code of Best Practice on Corporate Governance issued jointly by CA Sri Lanka and Securities & Exchange Commission of Sri Lanka.
- Listing rules of the Colombo Stock Exchange
- Inland Revenue Act No. 10 of 2006 and subsequent amendments
- Exchange Control Act.
- Customs Ordinance

We set out below the corporate governance practices adopted and practiced by Hayleys, the extent of adoption of the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka and the Rules set out in Section 7.10 of the Colombo Stock Exchange's Listing Rules on Corporate Governance.

### Section A

This section covers Hayleys extent of adherence to the requirements of the Code of Best Practice on Corporate Governance issued by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka. This reflects Hayleys's governance in the following six fundamental aspects:

- Directors
- Directors' Remuneration
- Relations with Shareholders
- Accountability and Audit
- Institutional Investors
- Other Investors



Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys Extent of Adoption
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## A. Directors

### A.1 The Board

Hayleys PLC is headed by an effective Board of Directors which consists of professionals and business leaders drawn from different backgrounds and their profiles are given in pages 120 to 123 The Board of Directors of Hayleys PLC is responsible for governance of all companies which Hayleys actively manages.

1. Board meetings	A.1.1	Compliant	The Board meets monthly to review the performance of the Company and its subsidiaries and takes strategic decisions relating to the Group's Direction and other matters. Special Board meetings were also held as necessary. These meetings enhanced shareholder value and all stakeholder interests are considered in corporate decisions. Details of the meetings and attendance of the members are set out on page 157.
2. Responsibilities of the Board	A.1.2	Compliant	The Board of Directors formulates and communicates business policy and strategy to assure sustained growth, and monitors its implementation. It ensures the Chief Executive and management team possess the skills, experience and knowledge to implement the strategy effectively, with proper succession arrangements in place. The Board ensures effective systems to secure integrity of information, internal controls and risk management, compliance with laws and regulations and ethical standards. The Board ensures all stakeholder interests are considered in corporate decisions and values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations.
3. Compliance with laws and seeking independent professional advice	A 1.3	Compliant	The Board collectively, and Directors individually, act in accordance with the laws and regulations of Sri Lanka as applicable to the Group. The Directors are permitted to obtain independent professional advice when required at the expense of Hayleys and will be co-ordinated through, Company Secretaries and Group Legal Department as and when it is necessary.
4. Company Secretary	A.1.4	Compliant	All Directors have access to the advice and services of the Company Secretary as necessary. The Company Secretary keeps the Board informed of new laws and revisions, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board. Any question of the removal of the Company Secretary is a matter of the Board as a whole.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys Extent of Adoption
5. Independent judgment of Directors	A.1.5	Compliant	All Directors bring independent judgment to the scrutiny of decisions taken by the Board on issues of strategy, performance, resources and business conduct.
6. Dedication of adequate time and effort by the Directors	A.1.6	Compliant	The Chairman and members of the Board dedicate adequate time and effort to fulfill the duties as Directors of Hayleys PLC to ensure that the duties and responsibilities owed to the Group are satisfactorily discharged. In addition to attending Board Meetings , they have attended Sub-Committees and ensure that they allocate adequate time and effort to fulfill the duties as members of such Board Sub-Committees. Directors dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification, and after a meeting to follow up on issues consequent to the meeting.
7. Training for new and existing Directors	A.1.7	Compliant	Every new Director and existing Directors are provided training on general aspects of directorship and matters specific to the industry where ever as necessary. Every Director recognises the need for continuous training and an expansion of the knowledge and skills required to effectively perform their duties as required.

## A.2 Chairman and Chief Executive Officer

The Code requires a clear division of responsibilities between conducting of the business of the Board, and facilitating executive responsibility for management of the business. Though the functions of Chairman and Chief Executive are vested in one , the management structure established within the Group ensures this does not compromise the effective practice of corporate governance in the Group.

8. Justification for the combining of the posts of Chairman and Chief Executive	A.2.1	Compliant	<p>Though the functions of Chairman and Chief Executive are vested in one person, the management structure established within the Group ensures this does not compromise the effective practice of corporate governance in the Group. The Executive Directors and HGMC members are responsible for the businesses conducted by the Group and effectively function as CEOs of these businesses.</p> <p>Dr. H. Cabral, PC, Non-Executive Director functioned as Senior Independent Director throughout the year and he ensures governance within the Board is preserved and stakeholder concerns are addressed.</p>
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Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys Extent of Adoption
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### A 3. Chairman's Role

The Chairman is responsible for effective conduct of meetings of the Board; he preserves order and facilitates discharge of Board functions and Implementations of decisions taken.

9. Role of the Chairman	A.3.1	Compliant	<p>The Chairman is responsible for the efficient conduct of Board meetings and ensures, <i>inter alia</i>, that -</p> <ol style="list-style-type: none"> <li>The effective participation of both Executive and Non-Executive Directors is secured;</li> <li>All Directors are encouraged to make an effective contribution 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; and</li> <li>The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders.</li> </ol> <p>The Chairman maintains close contact with all Directors and, where necessary, holds meetings with Non-Executive Directors without Executive Directors being present.</p>
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### A4. Financial Acumen

The Code requires the Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.

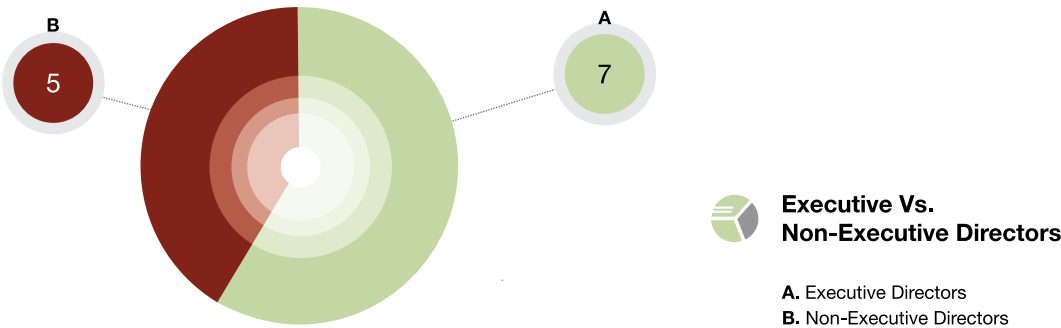
10. Availability of sufficient financial acumen and knowledge	A.4	Compliant	<p>The Board of Directors have experience in all Sectors where Hayleys is operating coupled with their academic background and also possess financial acumen and knowledge together with having significant business acumen leading private and public enterprises. The details of their qualifications have been set on pages 120 to 123.</p>
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Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys Extent of Adoption
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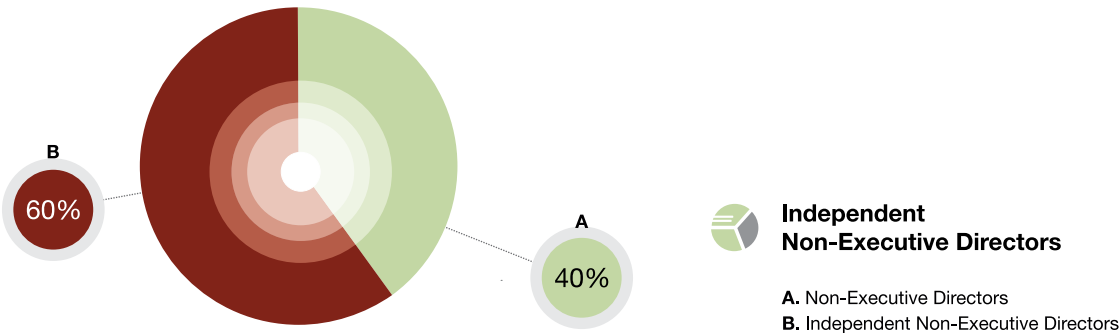
A.5 Board Balance

The Code requires the Board to have a balance of Executive and Non-Executive Directors so that no individual or small group of individuals can dominate the Board’s decision-making.

11. Presence of Non-Executive Directors (NEDs)	A.5.1	Non-Compliant	Five out of twelve Directors are NEDs
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12. Independent Non-Executive Directors	A. 5.2	Compliant	Three out of Five NEDs are independent which is above the minimum prescribed by the Code which is two or one-third of NEDs appointed to the Board whichever is higher.
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Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys Extent of Adoption
13. Independence of NEDs	A.5.3	Compliant	All Independent NEDs are independent of management and free of any business or other relationship that could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
14. Annual Declaration	A.5.4	Compliant	Each NED submits a declaration of independence/non independence in a prescribed format.
15. Determination of independence of the Directors	A.5.5.	Compliant	<p>The Board has determined the independence of Directors based on the declarations submitted by the NEDs as to their independence, as a fair representation and will continue to evaluate their independence on this basis annually.</p> <p>Independent Non-Executive Directors are -  Dr. H. Cabral, PC  M D.S. Goonatilleke  R.P. Pathirana</p>
16. Senior Independent Director	A.5.6	Compliant	Since the Chairman and Chief Executive is the same person, Dr. H. Cabral, PC who is an Independent Non-Executive Director functioned as the Senior Independent Director. The Senior Independent Director is the Director to whom concerns can be conveyed if a need arises.
17. Confidential discussions with Senior Independent Director	A.5.7	Compliant	Senior Independent Director is available for confidential discussions with other Directors who may have concerns which pertain to significant issues that are detrimental to the Group.
18. Chairman's meetings with NEDs	A.5.8	Compliant	Chairman meets with NEDs only, without the Executive Directors being present as whenever necessary or at least once in each year.
19. Recording of concerns in Board minutes	A.5.9	Compliant	Concerns raised by the Directors which cannot be unanimously resolved during the year, if any recorded in the Board minutes with adequate details



Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys Extent of Adoption
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### A.6 Supply of Information

The Code requires the Board should be provided with timely information in a form and of a quality appropriate enabling them to discharge their duties.

20. Management's obligation to provide appropriate and timely information to the Board.	A.6.1	Compliant	<p>Directors are provided with monthly reports on performance, minutes of review meetings and such other reports and documents as necessary. The Chairman ensures all Directors are properly briefed on issues arising at meetings.</p> <p>The minutes, agenda and papers required for Board meeting are provided (at least 7 days prior to the meeting) to facilitate its effective conduct.</p>
21. Adequate time for effective conduct of the Board meetings.	A.6.2	Compliant	The minutes, agenda and papers required for Board meeting are provided in advance to facilitate its effective conduct

### A.7. Appointments to the Board

The Code requires having a formal and transparent procedure for the appointment of new Directors to the Board.

22. Nomination Committee	A.7.1	Compliant	<p>Nomination Committee makes recommendations to the Board on all new Board appointments. The Terms of Reference for Nomination Committee are similar to the one set out in Schedule A in this Code. Nomination Committee of Hayleys PLC consists of the following Directors:</p> <p><b>Nomination Committee</b> Chairman: A.M. Pandithage</p> <p><b>Name of Member</b> K.D.D. Perera W.D.N.H. Perera Dr. H. Cabral, PC</p> <p>The Board believes it is appropriate for the Chairman and Chief Executive to chair this committee and that the composition of the Committee ensures its balance.</p>
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Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys Extent of Adoption
23. Assessment of Board-Composition by the Nomination Committee	A.7.2	Compliant	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.
24. Disclosure of required details of new Directors to shareholders.	A.7.3	Compliant	<p>Following details of new Directors are disclosed on their appointment to the Colombo Stock Exchange, selected newspapers and Annual Report:</p> <ul style="list-style-type: none"> <li>a. A brief resume of the Director;</li> <li>b. The nature of his/her expertise in relevant functional areas;</li> <li>c. The names of companies in which the Director holds directorships or memberships in Board Committees; and</li> <li>d. Whether such Director can be considered 'independent'</li> </ul>

#### A.8 Re-election

The Code requires all Directors should be required to submit themselves for re-election at regular intervals at least once in every three years.

25. Appointments of NEDs, Chief Executive and Directors in the Board	A.8.1 A. 8.2	Compliant	<p>The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting and seek re-appointment by the shareholders at that meeting.</p> <p>The Articles call for one-third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment/re-appointment. Retiring Directors are generally eligible for re-election.</p> <p>The names of Directors submitted for election or re-election is accompanied by a résumé to enable shareholders to make an informed decision on their election.</p> <p>The Chief Executive does not retire by rotation</p>
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Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys Extent of Adoption
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### A.9 Appraisal of Board Performance

The Code requires the Board should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.

26. Annual performance evaluation of the Board and its Committees	A. 9.1	Compliant	The Chairman and Remuneration Committee evaluates the performance of the Executive Directors periodically.
	A.9.2		The Board undertakes an annual self evaluation of its own performance and of its Committees.

27. Disclosure of performance evaluation criteria	A. 9.3	Compliant	Please refer Remuneration Committee Report on page 178.
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### A.10 Disclosure of information in respect of Directors

The Code requires the shareholders should be kept advised of relevant details in respect of Directors.

28. Details in respect of Directors	A.10.1	Compliant	The Following information in relation to Directors is disclosed:	
				Page Number
			Name, qualifications and brief profile	120 to 123
			The nature of his expertise	120 to 123
			Directors' interest in contracts	281
			Names of listed companies each Director serves as a Director	170 to 171
			Number of meetings (The Board and Committees) held and attendance	157
			Names of committees in which the Director serves as the Chairman or a member	143, 147, 152

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys Extent of Adoption
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### A.11 Appraisal of Chief Executive

The Code requires the Board to assess the performance of the Chief Executive

29. Setting Annual targets and appraisal of the performance of the Chief Executive by the Board.	A.11.1 A.11.2	Compliant	Prior to the commencement of each financial year the Board in consultation with the Chairman/CEO, set reasonable financial and non-financial targets which are in line with short, medium and long-term objectives of Hayleys, achievement of which should be ensured by the Chief Executive. A monthly performance evaluation is performed at which actual performance is compared to the budget. The Chief Executive is responsible to provide the Board with explanations for any adverse variances together with actions to be taken.
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## B. Directors' Remuneration

### B.1 Remuneration Procedure

The Code requires establishing a formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual Directors and no Director is involved in deciding his own remuneration.

30. Establishment of the Remuneration Committee	B.1.1	Compliant	<p>The Remuneration Committee decides on the remuneration of the Chairman/Chief Executive and the Executive Directors and sets guidelines for the remuneration of the management staff within the Group. The Chairman/Chief Executive is not a member of this Committee.</p> <p>Please refer page 178 Remuneration Committee Report for the terms of reference for Remuneration Committee.</p>
31. Composition of the Remuneration Committee	B.1.2	Compliant	The Remuneration Committee consists of Non-Executive Directors and the Chairman of this Committee is appointed by the Board who is the Senior Independent Director Dr. H. Cabral, PC.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys Extent of Adoption
32. Chairman and the members of the Remuneration Committee	B.1.3	Compliant	<p>The Remuneration Committee consists of following Non-Executive Directors.</p> <p>Dr. H. Cabral, PC - Chairman</p> <p><b>Name of Member</b>  K.D.D. Perera  W.D.N.H Perera  M.D.S. Goonatilleke  R.P. Pathirana</p>
33. Determination of remuneration of NEDs	B.1.4	Compliant	The Board as a whole determines the remuneration of the NED's including the members of the remuneration committee which the Board believes is in line with current market conditions.
34. Consultation of the Chairman and access to professional advice.	B.1.5	Compliant	Remuneration Committee consults the Chairman about its proposal relating to the remuneration of other Executive Directors and have access to professional advice from within and outside Hayleys PLC, in discharging their responsibilities.

## B.2 The Level and make up of remuneration

The Code requires the levels of remuneration of Directors should be sufficient to attract and retain the Directors. The proportion of remuneration of Executive Directors should be linked to corporate and individual performance.

35. Executive Director's remuneration package	B.2.1	Compliant	The Remuneration Committee provides the packages needed to attract, retain and motivate Executive Directors of the quality required.
36. Comparisons of remuneration with other companies	B.2.2	Compliant	The Remuneration Committee ensures that the remuneration of executives of each level of management is competitive and in line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is competitive with those of comparative companies.
37. Comparisons of remuneration with other companies in the Group.	B.2.3	Compliant	The Remuneration Committee reviews data concerning Executive pay among the Group Companies.



Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys Extent of Adoption
38. Performance related elements of remuneration of Executive Directors	B.2.4	Compliant	A performance based incentive has been determined by the remuneration committee to ensure that the total earnings of the executives are aligned with the achievement of objectives and budgets of the group companies.
39. Executive share options	B.2.5	N/A	Presently the Group does not have an Executive Share Option Scheme.
40. Executive Directors' remuneration	B.2.6	Complaint	The Remuneration Committee follows the provisions set out in Schedule D of the Code as required.
41. Early termination of Executive Directors	B.2.7 B.2.8	N/A	No special early termination clauses are included in the contract of employment contract of Executive Directors that would entitle them to extra compensation. However any such compensation would be determined by the Board of Directors.
42. Levels of remuneration for NEDs	B.2.9	Compliant	<p>Remuneration for NEDs reflect the time commitment and responsibilities of their role, taking into consideration market practices.</p> <p>NEDs are not included in share options as there is no scheme in existence.</p>

### B.3 Disclosure of Remuneration.

The Code requires to contain a Statement of Remuneration policy and details of remuneration of the Board as a whole.

43. Disclosure of Remuneration	B.3.1	Compliant	<p>Please refer section B.1.32 on page 147 for the member in the Remuneration Committee and Remuneration Committee Report on page 178 for the remuneration policy.</p> <p>Please refer page 227 for the total Directors' Remuneration.</p>
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Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys Extent of Adoption
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## C Relations with Shareholders

### C.1 Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings

The Code requires the Board to use the AGM to communicate with shareholders and should encourage their participation.

44. Use of proxy votes	C.1.1	Compliant	Hayleys PLC 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 hand, except where a poll is called.
45. Separate resolution for all separate issues at the AGM	C.1.2	Compliant	Hayleys PLC proposes a separate resolution at the AGM on each substantially separate issue.  And also adoption of the Annual Report of the Board of Directors on the affairs of Hayleys PLC, Statement of Compliance and the Financial Statements with the Independent Auditors' Report is considered as a separate resolution.
46. Availability of all Board Sub Committee Chairmen	C1.3	Compliant	The Chairman of Hayleys PLC ensures the Chairmen of the Audit, Remuneration and Nomination Committees to be available to answer questions at the AGM.
47. Adequate notice of the AGM	C.1.4	Compliant	A copy of the Annual Report including financial statements, notice of the meeting and the Form of Proxy are sent to shareholders 15 days prior to the date of the AGM as required by the Statute in order to provide the opportunity to all shareholders to attend the AGM.
48. Procedures of voting at General Meeting	C.1.5	Compliant	A summary of the procedures governing voting at a General Meeting is circulated to shareholders with every notice of the General Meeting.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys Extent of Adoption
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## C.2 Major Transactions

The Code requires the Directors to disclose to shareholders all proposed corporate transactions, which if entered in to, would materially alter the Hayleys PLC net assets and the consolidated group net asset base.

49. Disclosure on 'major transactions'.	C.2.1	Compliant	<p>During the year, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of Hayleys PLC or consolidated group net asset base.</p> <p>Transactions, if any, which materially affect the net asset base of Hayleys PLC, will be disclosed in the Quarterly/ Annual Financial Statements.</p>
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## D. Accountability and Audit

### D.1 Financial Reporting

The Code requires the Board to present a balanced and understandable assessment of Hayleys PLC's financial position, performance and prospects.

50. Board's responsibility for statutory and regulatory reporting	D.1.1	Compliant	<p>The Board has recognised the responsibility to present regulatory and statutory reporting in a balanced and understandable manner.</p> <p>When preparing quarterly and annual financial statements, Hayleys complied with the requirements of the Companies Act No. 07 of 2007 and prepared and presented them in accordance with Sri Lanka Accounting Standards. Hayleys PLC has complied with the reporting requirements prescribed by the Colombo Stock Exchange.</p>
51. Directors' Report in the Annual Report	D1.2	Compliant	The Directors Report given on pages 166 to 173 covers all areas of this section.
52. Statement of Directors' and Auditor's responsibility for the financial statements	D1.3	Compliant	<p>The "Statement of Directors' Responsibilities" is given on page 174.</p> <p>The "Independent Auditors' Report" on page 179 For the Auditor's responsibility.</p>

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys Extent of Adoption
53. Management Discussion Analysis	D.1.4	Compliant	Please refer “Management Review and Preview” on pages 38 to 94.
54. Declaration by the Board on the going concern of the Business	D.1.5	Compliant	Please refer page 173 of this “Annual Report of the Board of Directors on the Affairs of the Company” and the” Statement of Directors’ Responsibilities”
55. Summon an EGM to notify serious loss of capital	D.1.6	Compliant	Reason for such an EGM has not risen as yet but would be complied with if such a situation arises.

## D.2 Internal Control

The Code requires the Board to maintain a sound system of internal control to safeguard shareholders’ investments and the Hayleys’ assets.

56. Annual review of the effectiveness of Group’s system of internal controls	D.2.1	Compliant	<p>The Board is responsible for the Group’s internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It covers all controls, including financial, operational and compliance control 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.</p> <p><i>The Group’s Management Audit &amp; System Review Department (MA &amp; 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 &amp; SRD’s reports are made available to the Chairman &amp; Chief Executive and the Chairman of the Audit Committee.</i></p> <p>The Group 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 &amp; SRD.</p>
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Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys Extent of Adoption
			<p>The Board has reviewed the effectiveness of the system of financial controls for the period up to the date of signing the accounts.</p> <p>There is a direct channel between the Head of MA &amp; SRD and the Chairman of the Audit Committee without the interference of any Directors or Executives.</p>
57. Reviewing the need for internal audit function	D.2.2	N/A	This is not applicable as the Group's Management Audit & System Review Department (MA & SRD) is responsible for internal audit function.

### D.3 Audit Committee

The Code requires the Board to establish formal and transparent arrangements 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.

58. Composition of the Audit Committee	D.3.1	Compliant	<p>Audit Committee consists of; Chairman: M.D.S Goonatileke</p> <p><b>Name of Member</b> W.D.N.H. Perera Dr. H. Cabral. PC R.P. Pathirana</p> <p>Hayleys Group Services (Pvt) Ltd., serves as its Secretary. The Chairman &amp; Chief Executive and Group CFO are invited to attend Meetings, and other Executive Directors attend meetings as required. The input of the statutory auditors are obtained where necessary.</p> <p>The Audit Committee helps the Group achieve a balance between conformance and performance.</p>
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Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys Extent of Adoption
59. Duties of the Audit Committee	D.3.2	Compliant	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.
60. Terms of Reference of the Audit Committee	D.3.3	Compliant	The Terms of Reference (please refer page 176) of the Audit Committee have been agreed to by the Board. This addresses the purpose of the Committee, its duties and responsibilities including the scope and functions of the Committee.
61. Disclosures of the Audit Committee	D.3.4	Compliant	Names of the members of the Audit Committee disclosed under item 58 of this code section on the "Audit Committee Report" and the disclosure of the independence of the Auditors is disclosed in page 177 under the section on the "External Audits" in the "Audit Committee Report" on page 176 of this Report.

#### D.4 Code of Business Conduct and Ethics

The Code requires Hayleys PLC to adopt a Code of Business Conduct & Ethics for Directors, and members of senior management team and must promptly disclose any waivers of the Code for Directors or others.

62. Disclosure of Code of Business Conduct and Ethics.	D.4.1	Compliant	A comprehensive Corporate Governance and Code of conduct and business governance has been adopted by the Board and is in compliance and any violations are taken for consideration.
63. Affirmation of the Code of Business Conduct and Ethics	D.4.2	Compliant	Refer the Chairman and Chief Executive's Message

#### D.5 Corporate Governance Disclosures

The Code requires the Directors to disclose the extent to which Hayleys PLCs' adheres to established principles and practices of good Corporate Governance.

64. Disclosure of Corporate Governance	D.5.1	Compliant	This report from pages 129 to 157 sets out the manner and extent to which Hayleys PLC has complied with the principles and provisions of the Code.
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Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys Extent of Adoption
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Shareholders

E. Institutional Investors

E.1 Shareholder Voting

The Code requires Institutional shareholders to make considered use of their votes and encourages to ensure their voting intentions are translated to practice.

65. Communication with shareholders	E.1.1	Compliant	<p>There are regular meetings with shareholders (based on their requests) on matters which are relevant and of concern to the general membership. Voting of the shareholders is critical in carrying out a resolution at the AGM. The Chairman ensures the views of the shareholders are communicated to the Board as a whole.</p> <p>Shareholders are provided with Quarterly Financial Statements and the Annual Report, which the Group considers as its principal communication with them and other stakeholders. These reports are also made available on the Group's website and are provided to the Colombo Stock Exchange.</p> <p>Any information that the board considered as price sensitive is disseminated to the shareholders as necessary. Shareholders may bring up concerns they have, either with the Chairman &amp; Chief Executive or the Group's Secretarial Department as appropriate.</p> <p>Discussions are held with Institutional Investors, involving the Chairman, and other Executive Directors where necessary. This process is supported by the SBDU and the CAU. During these meetings, the Directors ensure protection of share price sensitive information that has not been made available to the company's shareholders.</p>
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Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys Extent of Adoption
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## E.2 Evaluation of Governance Disclosures

The Code requires the Institutional investors to give due weight to all relevant factors drawn to their attention.

66. Due weight by Institutional Investors.	E.2.1	Compliant	The Institutional Investors are encouraged to give due weight to all relevant matters relating to the Board structure and composition.
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## F. Other Investors

### F.1 Investing/Divesting Decision

67. Individual shareholders	F.1	Compliant	Individual investors are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.
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### F.2 Shareholder Voting

68. Individual shareholders voting	F.2	Compliant	Individual shareholders are encouraged to participate in General Meetings of companies and exercise their voting rights.
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## Section B

This section covers Hayleys extent of adherence to the requirements of the Continuing Listing Requirements Section 7.10 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange. This reflects Hayleys' level of conformance to CSE's Listing Rules which comprises of following fundamental principles.

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

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys Extent of Adoption
7.10.1(a)	Non-Executive Directors	Compliant	Five out of twelve Directors are Non-Executive Directors
7.10.2(a)	Independent Directors	Compliant	Three of Five Non-Executive Directors were Independent
7.10.2(b)	Independent Directors	Compliant	All NEDs have submitted their confirmations on Independence as per the criteria set by Hayleys PLC, which is in with the regulatory requirements.
7.10.3(a)	Disclosure relating to Directors	Compliant	The Board assessed the independence declared by the Directors and determined the Directors who are independent and disclosed same in item 15 of Sec & CASL on page 142.
7.10.3(b)	Disclosure relating to Directors	Compliant	The Board has determined that all Non-Executive Directors except for Mr. K.D.D. Perera and Mr. W.D.N.H. Perera satisfy the criteria for "independence" set out in the Listing Rules.
7.10.3(c)	Disclosure relating to Directors	Compliant	Please refer page 120 to 123 for the brief resume of each Director.
7.10.3(d)	Disclosure relating to Directors	Compliant	Disclosed the appointments of new Directors to the Colombo Stock Exchange when it is disclosed to the public. Brief resumes of the Directors appointed during the year have been provided to the Colombo Stock Exchange.
7.10.5 (a)	Composition of Remuneration Committee	Compliant	As at 31st March, 2013, Committee comprises of five Non-Executive Directors.
7.10.5(b)	Functions of Remuneration Committee	Compliant	Please refer item 30 of the SEC & CASL Code table on page 126 for the details of the functions of the Remuneration Committee.
7.10.5(c)	Disclosure in the Annual Report relating to the Remuneration Committee	Compliant	Names of the Remuneration Committee members are given in the item 32 of the SEC & CASL Code table on page 147 The report of the Remuneration Committee is given on page 178 and the remuneration paid to Directors is given in the note 10 to the Financial Statements on page 227.

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys Extent of Adoption
7.10.6(a)	Composition of Audit Committee	Compliant	As at 31st March, 2013, the Committee comprises of three Non-Executive Independent Directors and one Non-Executive Director. Chairman of the Audit Committee is an Independent Non-Executive Director. The Chief Executive and Chief Financial Officer attend meetings by invitation. Chairman of the Audit Committee is a passed finalist of The Institute of Chartered Accountants Sri Lanka. Please refer pages 119 to 123 for further details.
7.10.6(b)	Audit Committee Functions	Compliant	Please refer item 59 of the SEC & CASL Code table on page 153 for the details of the functions of the Audit Committee.
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee	Compliant	The names of the Audit Committee members and the Report of the Audit Committee has been given on page 152 The basis of determination of the independence of the auditor is also given in the Audit Committee Report.

Board and the Committee attendance. The number of meetings of the Board and Board Committees and individual attendance by members as follows:

Name	Directorship Status	Board	Audit Committee
Mr. A.M. Pandithage (Chairman & Chief Executive)	Executive	14/14	n/a
Mr. M.R. Zaheed	Executive	14/14	n/a
Mr. J.A.G. Anandarajah (Retired w.e.f. 31st March, 2013)	Executive	13/14	n/a
Mr. K.D.D. Perera	Non-Executive	5/14	n/a
Mr. W.D.N.H. Perera	Non-Executive	10/14	1/9
Mr. S.C. Ganegoda	Executive	13/14	n/a
Mr. H.S.R. Kariyawasan	Executive	9/14	n/a
Dr. H. Cabral PC	Independent Non-Executive	9/14	4/9
Dr. K.I.M. Ranasoma	Executive	10/14	n/a
Mr. L.T. Samarawickrama	Executive	12/14	n/a
Mr. R.P. Pathirana	Independent Non-Executive	9/14	5/9
Mr. M.D.S. Goonetilleke	Independent Non-Executive	13/14	9/9

We work  
to manage  
risk in our  
internal control  
environment



Risk arises in all our business activities. While they cannot be completely eliminated, we work to manage risk in our internal control environment. Hayleys Group recognizes that risk remains an intrinsic component of doing business. However, a structured and transparent Enterprise Risk Management (ERM) process enables management to identify, manage and prepare for risks in an informed, controlled and transparent manner. An effective risk management framework helps the Group in its attempts to achieve the optimum trade-off between risks and returns. The group recognises the complexity and the diversity of risks that surround its operational activities, and the need to maximize opportunities and minimize exposures to risk. An effective risk management framework can make an immense contribution to the efforts of the Group to optimise use of available capital.

The Group is using COSO and Risk Management Industry approaches as the conceptual framework of ERM. The framework consists of identifying and profiling of significant risks, modeling and measuring risk, determining Group risk appetites, accepting/transferring/eliminating/sharing risk, measuring of performance including the benefits of risk diversification and monitoring execution of the process. The outcome of this process will help direct scarce

resources to the business opportunities that are expected to generate the maximum return with minimum risk.

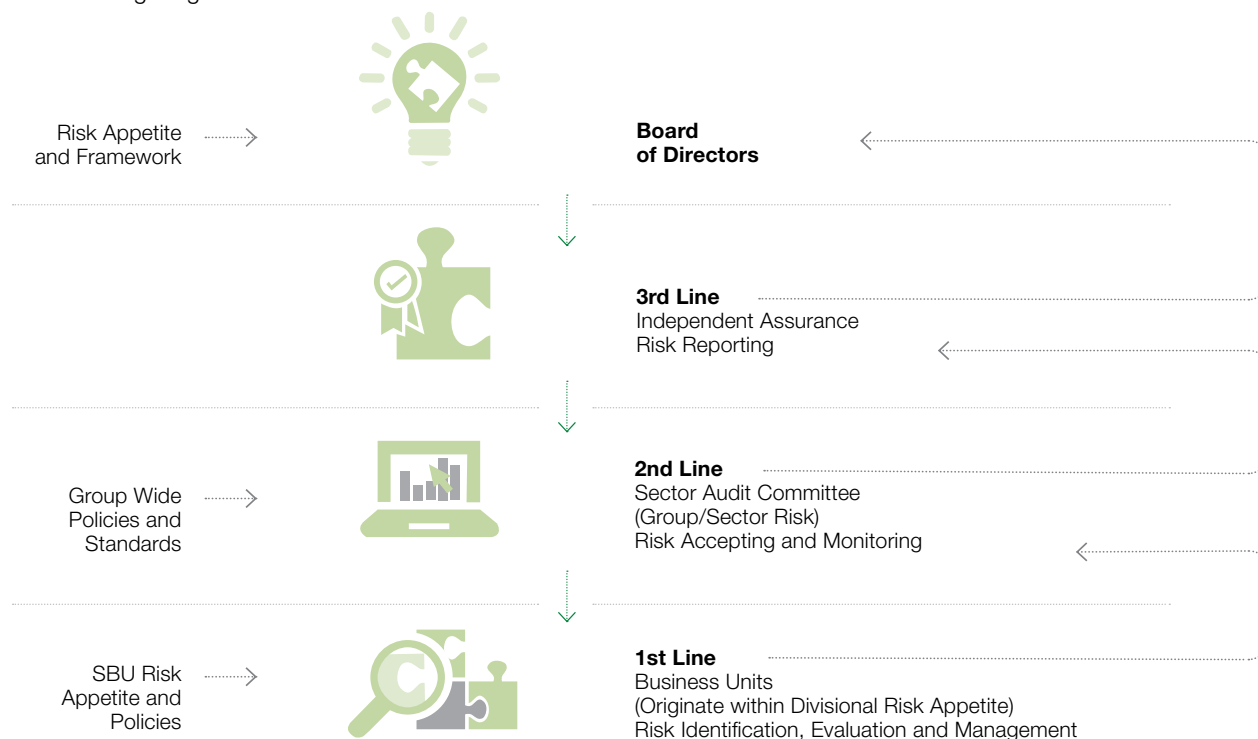
Taking risks is an inherent part of entrepreneurial behaviour. A structured risk management process encourages management to take risks in a controlled manner. In order to provide a comprehensive view of Hayleys' business activities, risks and opportunities are identified in a structured manner combining elements of a top-down and bottom-up approach. Risks are reported on a regular basis as part of the 'Business Performance Management' process. All relevant risks and opportunities are prioritised in terms of impact and likelihood, considering quantitative and/or qualitative aspects. The bottom-up identification and prioritisation process is supported by meetings/forums with the respective management at Sector and SBU Function level. The top-down element ensures that potential new risks and opportunities are discussed at management level and are included in the subsequent reporting process, if found to be applicable. Reported risks and opportunities are analysed regarding potential cumulative effects and are aggregated at Sector, Cross-Sector/Company and SBU level. Hayleys Group has a structured risk management process to address different risk categories: Strategic, Operational, Compliance and Financial risks.

Risks/Opportunities			
Strategic	Operational	Compliance	Financial
Macro Economic Changes	Innovation Process	Legal	Treasury
Changes in Industry/Market	Value Chain	Tax	Accounting and Reporting
Acquisitions	People	Market Practices	
Social and Environmental	Business Disruption	Regulatory	
	Reputation	General Business Principles	
		Internal Controls	
		Data Privacy/Product Security	
Corporate Governance			
Risk Management Framework (COSO)			

The sector management has nominated persons responsible for risk management at the upper managerial level and risk management coordinators to ensure that an effective system for early identification of risks is implemented and maintained. Group Internal Audit coordinates the identification and documentation of control risk areas throughout the Group, enhancing the risk management system and monitoring its effectiveness at regular intervals. In addition, during the year-end audit, the external auditor issues a Management Letter and informs the Group Management Committee and the Board of Directors the outcomes of these evaluations. These outcomes are taken into account in the continuing enhancement of our Risk Management System.

Our Group Assurance function independently evaluates the adequacy and effectiveness of the Group's overall risk management framework and controls.

Our overall risk management approach is summarised in the following diagram:



### The 1st Line of Defence - Risk Identification, Risk Management and Self-assurance

Divisional business units are responsible for identifying, evaluating and managing the risks that they originate within approved risk appetite and policies. They are required to establish and maintain appropriate risk management controls, resources and self-assurance processes.

### The 2nd Line of Defence - Establishment of Risk Management Frameworks and Policies and Risk Management Oversight

- Sector Audit Committees lead the optimization of risk-reward by overseeing the development of risk appetite statements, risk management frameworks, policies and risk concentration controls, and monitoring Hayleys risk profile for alignment with approved appetites and strategies.

- Sector Management is responsible for developing division-specific risk appetite statements, policies, controls, procedures, monitoring and reporting capability, which align to the Board's Statement of Risk Appetite and the risk management frameworks approved by the Board of Directors. These risk areas are independent of the Divisions' 1st Line business areas, with Group Internal Audit having a direct reporting line to the Sector Audit Committees, as well as to the Hayleys PLC, Audit Committee.

### The 3rd Line of Defence - Independent Assurance Enterprise Risk Management Process



#### Objective Setting

Business units will continue to set their goals and objectives annually after evaluating and identifying the risk associated with their business. The Group's tolerance of risk identified will ultimately determine the objectives agreed.



#### Risk Identification

The Group's Management Audit & System Review Departments (MA & SRD) plays a significant role in identifying financial and operational risks relating to SBU's/Sectors and deviations from required Internal controls. Internal audit reports produced monthly/quarterly by leading audit firms relating to specific sectors are also reviewed to identify the risks. Key elements of risk relating to sectors are discussed at monthly cluster meetings and at meetings of the Hayleys Group Management Committee (HGMC).



#### Risk Assessment

Risk measures are based on likelihood and impact. Any significant risk exceeding risk tolerance limits will require management responses. Risks mentioned in the MA & SRD reports are ranked as High, Moderate and Low risk events based on the product of impact and likelihood. A higher risk event requires a more urgent management response.



#### Risk Response and Mitigating Activities

Depending on the significance of the risk to the sector in which the entity operates, decisions are taken to appropriately manage the risk by accepting, reducing, sharing or avoiding it. Such decisions are influenced by the Group's risk appetite. The Sector Head together with the Management Team initiates mitigatory action that is needed to manage risks.



#### Information and Communication

Documentation and reporting plays a key role in monitoring risk. Group MA & SRD reports and outsourced internal audit reports are forwarded to the respective Group Management Committee member for action and direction. The reports are also forwarded to the relevant Audit Committees to increase awareness of the risks in each sector. Reports are tabled by sectors, at the meetings of the Board, certifying their mitigating actions to overcome risk events.



#### Monitoring

The ultimate responsibility for monitoring the process of Risk Management lies with the HGMC and Audit Committee. This includes monitoring of efficiency and effectiveness of Group internal controls.

## Risk Assessment Matrix

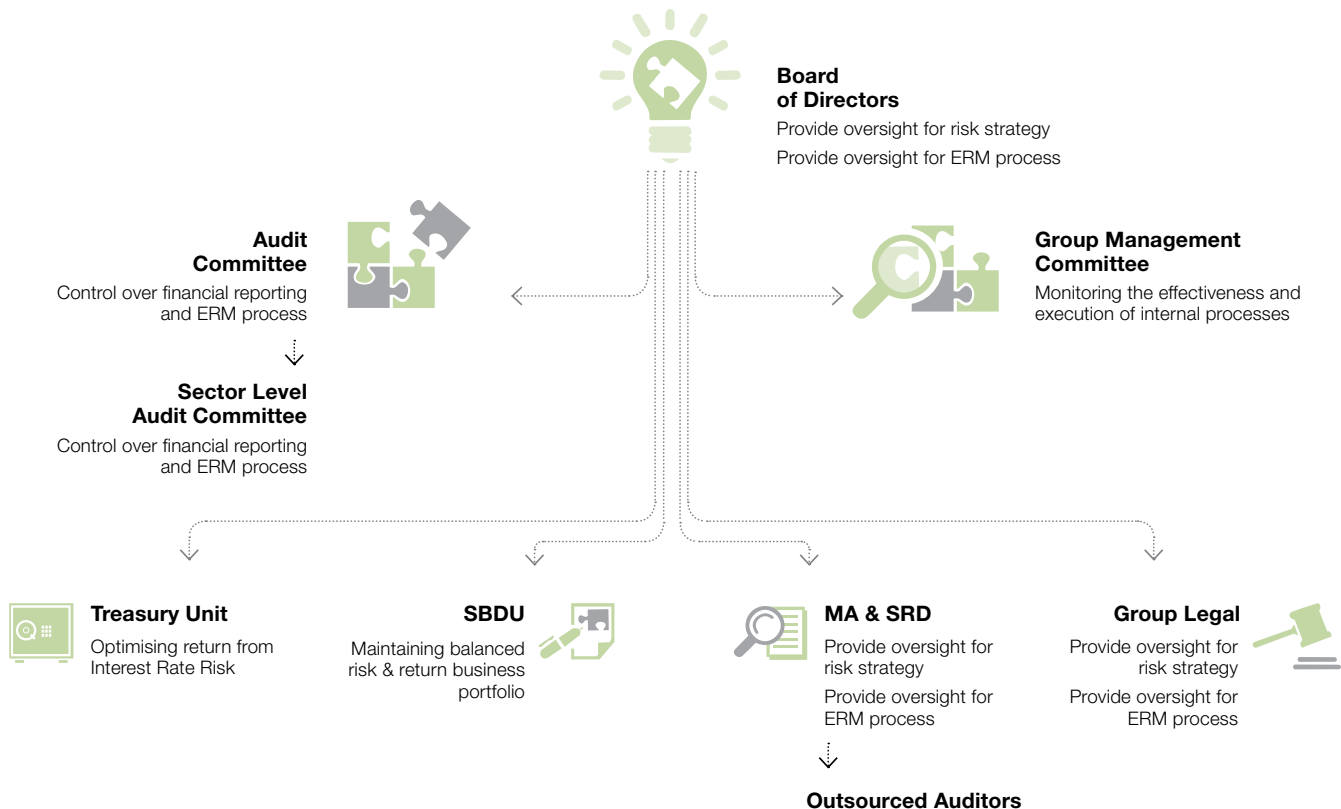
**Risk Assessment Matrix**

Probability (P)	Risk Matrix						
	(5) Very High	p>80%	5	10	15	20	25
	(4) High	60%<p>80%	4	8	12	16	20
	(3) Medium	40%<p>60%	3	6	9	12	15
	(2) Low	20%<p<40%	2	4	6	8	10
		P<20%	1	2	3	4	5
			(1) Isolated	(2) SBU Level	(3) Process Level	(4) Regional/ Channel Level	(5) Enterprise Level
			Impact				

and safeguarding assets. Management has put in place a number of key policies, processes and independent controls to provide assurance to the Board on the integrity of our reporting and effectiveness of our systems of internal control and risk management. The governance assurance diagram below highlights the relationship between the Board of Directors and the various controls in the assurance process. Some of the more significant internal control systems include Audit Committee, Sector level Audit Committees, Hayleys Group Management Committee (HGMC), Treasury Unit (TU), Strategic Business Development Unit (SBDU), Group Legal & Management Audit & System Review Unit (MA & SRD).

## Risk Management Governance Structure

The principal aim of the Group's risk management governance structure and system of internal control is to manage business and operational risks, with a view to enhancing the value of shareholders' investments



## Risks and Impact

As explained earlier, Hayleys faces a multitude of risks in conducting its enterprise on a day to day basis. Careful management of these risks not only prevents any potential losses but also can provide opportunities for new business with substantial rewards.

As required by the SLFRS, Note 5 to the Financial Statements deals with the details of financial risks and their management. Given below is a summary of other risks faced by the Group along with their impact, strategies & mitigating action and risk ratings.

### Product Risk and Competition - Risk Rating Moderate

Global mergers and acquisitions of principals represented, which are commonplace, can lead to the loss of agencies held. The latter is particularly relevant for the Consumer, Agri Inputs, Industrial Inputs, Transportation and Agro Products segments of the Group's business.

However the presence of Group companies overseas and a valued network of foreign and local business partners help identify the materialisation of risks and actions in mitigation. Good principal agent relationships reduce the risk of unexpected, adverse events. The Group remains alive to new market opportunities, to developing new alliances, and to acquiring distribution channels, which reduce the impact of any losses that do arise.

Hayleys remains strong in attracting FDI and securing projects and joint ventures for business communities. In addition, the Group's excellent close working relationships with international bodies have enhanced the standing of the Hayleys brand.

### Raw Materials, Energy, Freight and Other Operating Inputs - Risk Rating Moderate

Margins of any of our Sectors may be affected by fluctuations in prices and availability of operating inputs.

Harvest and weather conditions affect crop prices, crop disease, crop yields, alternative crops and by-product values. In some cases, due to the basis for pricing in sales contracts, or due to competitive markets, we may not be able to pass on to customers the full amount of raw material price increases or higher energy, freight or other operating costs.

However, our strategic relationships with suppliers include multiple-source supply agreements for key ingredient supplies. Through a balanced portfolio of supply and tolling contracts in operation with customers we manage balance of raw material prices and product sales prices and volume risks.

Though faced with a gamut of dependencies regarding raw materials and energy prices, our raw material and energy purchasing policies provide security of supply. Derivatives are used where possible to hedge exposure to movements in future prices of commodities.

### Product Innovation/Technology - Risk Rating Moderate

Stronger environmental and health/safety legislation is visible in our buyers' markets, which is a positive indication for the Hayleys Group.

The highest priority is given to proximity to customers and responsiveness to their needs. As a result, product innovation is also extended the highest priority. The Group innovates in the fields of public health, drought resistance, renewable energy resources, eco-friendly biodegradable products, and purification solutions.

Certifications such as the world's first Fair-Trade rubber gloves and the first Ethical Tea Brand of the world provide immense opportunities in a world where focus on sustainability is paramount.

### **Environment and Climate Change - Risk Rating Moderate**

Manufacturing and agriculture companies of the Group that use indigenous raw materials such as coconut fibre, coconut shell, latex and gherkins are affected by shortages due to weather conditions. Climate change affects quality standards and supply of certain products and makes supply forecasting difficult.

The effects of macro forces on food security are seen through growth of pests and diseases caused by disruption of weather patterns and changes in temperature. Overall, poor climatic conditions affect operations whether in the Group's diversified manufacturing, agriculture or services portfolio.

The Group mitigates the risk of shortages in raw materials by building adequate inventory levels when raw materials are available. Our Group Companies source from other countries as necessary and feasible, and geographically diversify our risks by establishing manufacturing units overseas.

### **Information Technology - Risk Rating Moderate**

The Group depends on accurate, timely information from key information technology and intelligence systems to enable decision-making.

The Group's implementation of sound IT policy throughout the Group is supported by adequate systems and controls. A contingency plan is in place to mitigate the risk of IT failures and business recovery/continuity. A central IT team is in place to support IT within the Group.

### **Socioeconomic Policies and Uncertainties - Risk Rating Moderate/ High**

Due to increased costs within the country's current socioeconomic framework, there is a potential loss of competitiveness of our products in the international market place. Moves such as removal of protective tariffs for local produce or implementation of new regulations are identified as risks to multiple sectors.

However Hayleys addresses relevant issues with regulatory and other authorities. Measures are taken to maximize productivity and reduce costs, for example energy costs are mitigated by the use of alternative energy sources. Furthermore, operations are established overseas to diversify risk.

### **Human Resources Management - Risk Rating Moderate**

An identified shortage of skilled labour and limitations in quality labour for out sourced requirements prove detrimental to a company's sustainability. The impact of such a risk is felt quite strongly amongst many manufacturing and service oriented industries today.

The Group focuses on Talent Attraction and Retention in its action plans to mitigate this risk. We attract and retain quality employees through systems such as performance recognition and job banding, and various development programmes for all levels, training and workshops.

### **Impact of the IFRS Convergence - Risk Rating Moderate**

Significant impact on the financial performance, position & processes of the Group, which could affect decisions made by the users of Financial Statements.

Group has set up a significant project, consisting diagnostic & planning, solution development & implementation towards achieving compliance.





## Financial Reports

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## Financial Calendar 2012/13

1st Quarter Report	7th August, 2012
2nd Quarter Report	7th November, 2012
3rd Quarter Report	12th February, 2013
4th Quarter Report	20th May, 2013
Annual Report 2012/13	5th June, 2013
62nd Annual General Meeting	28th June, 2013
First and Final Dividend Proposed	28th June, 2013
First and Final Dividend Payable	8th July, 2013

The Board of Directors of Hayleys PLC have pleasure in presenting their Report on the affairs of the Company together with the audited Consolidated Financial Statements for the year ended 31st March 2013. The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007 and the Colombo Stock Exchange Listing Rules and are guided by recommended best reporting practices

## Principal Activities

Hayleys PLC is a holding company that owns, directly or indirectly, investments in the numerous companies constituting the Hayleys Group and provides services to Group companies. The Group consists of a portfolio of diverse business operations. The main Subsidiaries and equity accounted investees of Hayleys PLC are listed on pages 304 to 305.

The principal activities of the Group are categorised into different business groupings i.e. Global Markets and Manufacturing, Agriculture, Transportation and Logistics, Consumer Products, Power and Energy and Leisure and Aviation. Each grouping may consist of a number of sectors. The main activities of the sectors are described in the Management Review and Preview section (pages 38 to 94) of this Report.

## Business Review/Future Developments

A review of the Group's businesses and their performance during the year, with comments on financial results and future strategic developments, is contained in the Chairman & Chief Executive's Message (pages 16 to 21), and Management Review and Preview (pages 38 to 94) sections of this Annual Report. These reports together with the Financial Statements reflect the state of affairs of the Company and the Group.

The financial statements are prepared in accordance with the new SLFRS/SLAS requirements and accordingly the previous year balances are also reflected in line with the present accounting standards.

The Group, in April 2012, increased its stake in Hayleys MGT Knitting Mills PLC from 60% to 82%. Hotel Ceylon Continental was reopened during the year under its new name, The Kingsbury, after a major development project.

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

## Financial Statements

The Financial Statements of the Company and the Group are given on pages 180 to 295.

## Auditor's Report

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 179.

## Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 189 to 209. Changes in Group accounting policies made during the accounting period are described under Note 3.7 of the Accounting Policies.

## Group Revenue/International Trade

The revenue of the Group was Rs. 74.3 bn (Rs. 65.8 bn) in the year under review. A detailed analysis of the Group's turnover, profits and asset allocation relating to different segments of the Group's business is given in Note to the Financial Statements.

The Group's exports from Sri Lanka, amounted to Rs. 38.6 bn (Rs. 30 bn) at f.o.b. value in the year under review.

The Group's revenue from International Trade, which includes the revenue of overseas subsidiaries in addition to exports from Sri Lanka, amounted to Rs. 47.2 bn (Rs. 40.4 bn) in the year under review.

Trade between Group Companies is conducted at fair market prices.

## Results and Dividends

The Group's profit before taxation amounted to Rs. 5.0 bn (Rs. 2.6 bn). After deducting Rs. 1.4 bn (Rs. 0.9 bn) for taxation the profit from continued operations was Rs. 3.6. bn (Rs. 1.74 bn). When an amount of Rs. 1.8 bn (Rs. 0.6 bn) for minority interests was deducted the Group profit attributable to equity holders of the company for the year was Rs. 1.9 bn (Rs. 1.0 bn). A sum of Rs. 337.5 mn (Rs. 300 mn) has been set aside for proposed dividends.

The financial statements of the Company and the Group are given on pages 180 to 295 of this report.

The Directors have confirmed that the Company satisfies the solvency test requirement under section 56 of the Companies Act No. 07 of 2007 for the first & final dividend proposed. A solvency certificate has been sought in respect of the first & final dividend of Rs. 4.50 per share (Rs. 4.00) proposed to be paid to the holders of issued ordinary shares of the Company as at the close of business on 28th June, 2013. The dividends represent a redistribution of dividends received by the Company and therefore will not be subject to the 10% tax deduction otherwise applicable.

## Group Investment

Group capital expenditure during the year on Property, Plant & Equipment and investments, other than investments in Subsidiaries, amounted to Rs. 5.4 bn (Rs. 5.2 bn).

## Property, Plant & Equipment

Capital expenditure during the year, on Property, Plant & Equipment by the Group and by the Company amounted to Rs. 5.1 bn (Rs. 5 bn) and Rs. 0.46 mn (Rs. 109 mn) respectively.

Information relating to movements in Property, Plant & Equipment is given in Note 14 to the Financial Statements.

## Market Value of Properties

The freehold land of the Group has in general been subjected to routine revaluation by independent qualified valuers. The most recent revaluations in respect of the Group were carried out as at 31st March, 2013. Small extents of freehold land are reflected at book values as their appreciation is insignificant.

Details of revaluations, carrying values and market values are provided in Note to the Financial Statements. The statement on Value of Real Estate on page 298 to 299 gives details of freehold land held by the Group.

## Stated Capital & Reserves

The stated capital of the Company, consisting of 75,000,000 Ordinary shares, amounts to Rs. 1,575 mn. There was no change in stated capital during the year.

Total Group Reserves at 31st March, 2013 amount to Rs. 22.4 bn (Rs. 18.3 bn) comprising Capital Reserves of Rs. 1.3 bn (Rs. 1.2 bn) other component of equity of Rs. 9 bn (Rs. 6.3 bn) and Revenue Reserves of Rs. 11.01 bn (Rs. 9.7 bn). The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

## Interests Register

The Company, in compliance with the Companies Act No. 07 of 2007, maintains an Interests Register. Particulars of entries in the Interests Register and in the Interests Registers of Subsidiaries that maintain such Registers are detailed below.

Directors' interests in transactions: The Directors of the Company and its Subsidiaries have made the general disclosures provided for in section 192(2) of the Companies Act No. 07 of 2007. Note to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

Directors' interests in shares: Directors of the Company and its Subsidiaries who have relevant interests in the shares of the respective Companies have disclosed their shareholdings and any acquisitions/disposals to their Boards, in compliance with section 200 of the Companies Act.

Details of Directors' shareholdings in the Company are given later in this report. There were no changes in holdings during the period other than the following.

### Hayleys PLC

- 283,200 shares were purchased during the year by Mr. K.D.D. Perera
- 370,000 shares were purchased by Vallibel One PLC\*
- 370,000 shares were disposed by Royal Ceramics Lanka PLC\*

*\* Mr. K.D.D. Perera has the controlling interest in Vallibel One PLC and Royal Ceramics Lanka PLC*

### Subsidiaries

There were no share transactions by the Directors, in terms of Section 200 of the Companies Act in respect of the subsidiaries other than the following.

#### Hunas Falls Hotels PLC

- 19,442 shares were purchased during the year by Mr. S.C. Ganegoda.
- Mr. V.K. Wickramasinghe who held 200 shares retired during the year.

#### Haycarb PLC

- 4,500 shares were purchased during the year by Mr. H.S.R. Kariyawasan.

#### Hotel Services (Ceylon) PLC

- 96,555 shares were purchased during the year by Vallibel One PLC\*

*\* Mr. K.D.D. Perera has the controlling interest in Vallibel One PLC.*

#### Amaya Leisure PLC

- 140,000 shares were disposed by Mr. S. Senaratne
- 28,529 shares were purchased during the year by Mr. D.E. Silva

### Hayleys MGT Knitting Mills PLC

- Mr. S. Spezza who held 171,930 shares resigned during the year
- 2,500 shares were purchased by Mr. R.P. Pathirana
- 2,000 shares were purchased by Mr. K.D.D. Perera from the Rights issue

### Dipped Products PLC

- Mr. J.A.G. Anandarajah who held 219,474 shares retired on 31st March, 2013.

**Insurance & Indemnity:** The Company has obtained a Corporate Guard insurance policy from Chartis Insurance Ltd. providing worldwide cover to indemnify all past, present and future Directors and Officers (D & O) of Hayleys PLC and its Subsidiaries at a premium of Rs. 5.8 mn. The limit on liability of the cover is US\$ 5 mn.

**Payment of remuneration to Directors:** Executive Directors' remuneration is established within an established framework by the Board's Remuneration Committee, to whom this task has been entrusted. The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company. The total remuneration of Executive Directors for the year ended 31st March, 2013 is Rs. 135.6 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, 2013 is Rs. 7.4 determined according to scales of payment decided upon by the Board previously. The Board is satisfied that the payment of remuneration is fair to the Company.

### Directors' Remuneration

Directors' remuneration, in respect of the Company for the financial year 2012/13 is Rs. 143.1 (Rs. 125 mn) Directors' remuneration in respect of the Company's Subsidiaries for the financial year 2012/13 is Rs 446 (Rs. 436 mn.)

## Corporate Donations

Donations by the Company amounted to Rs. 830,650. (Rs. 2,001,799) which includes a sum of Rs. 112,000 (Rs. 121,000) made to Government approved charities.

The total donation amount of Rs. 830,650 exceeds the amount of Rs. 300,000 approved by the shareholders at the last Annual General Meeting. Ratification of the additional amount of Rs. 530,650 will be sought at the Annual General Meeting.

Donations by the Subsidiaries amounted to Rs. 11.2 (Rs. 12.5 mn).

No donations were made for political purposes.

## Directorate

The names of the Directors who held office at the end of the financial year are given below and their brief profiles appear on page 120 to 123.

## Executive Directors

Mr. A.M. Pandithage (Chairman & Chief Executive)  
 Mr. M.R. Zaheed  
 Mr. J.A.G. Anandarajah (Retired with effect from 31st March, 2013)  
 Mr. S.C. Ganegoda  
 Mr. H.S.R. Kariyawasan  
 Dr. K.I.M. Ranasoma  
 Mr. L.T. Samarawickrama

## Non-Executive Directors

Mr. K.D.D. Perera (Deputy Chairman)  
 Mr. W.D.N.H. Perera

## Non-Executive Independent Directors

Dr. H. Cabral, PC  
 Mr. M.D.S. Goonatilleke  
 Mr. R.P. Pathirana

The basis on which Directors are classified as Independent Non-Executive Directors is discussed in the Corporate Governance statement.

Mr. L.R.V. Waidyaratne was appointed to the Board since the last Annual General Meeting in terms of the Article 27 (2) of the Articles of Association of the Company. Shareholders will be requested to re-elect him at the Annual General Meeting.

Mr. J.A.G. Anandarajah retired with effect from 31st March, 2013.

Messrs. H.S.R. Kariyawasan, M.R. Zaheed and Dr. H. Cabral retire by rotation and being eligible offer themselves for re-election.

The names of Directors holding office at the end of the financial year in respect of Subsidiaries, grouped under sectors, are given below. Names of Directors who ceased to hold office during the year are given within brackets.



## Fibre

A.M. Pandithage  
S.C. Ganegoda  
G.M.P. De Silva  
M.M.M. De Silva  
F.R. Alles  
H.C.S Mendis  
Dr. S.A.B. Ekanayake  
T. G. Thoradeniya  
J.A.W.M. Jayasekera  
B.D.A. Perra  
N. Udage  
Dr. P.C. Vermunt  
Ms. M.C.A Holder - Vermunt  
A. Venugopal  
B.R.M. Mendis  
Ms. I. Weiland  
C.D. Weiland  
Ms. M. Hirai  
Ms. M. Shiraishi  
J.A.M.V.D. Hout  
A.R.K. Jayawardena  
B.M.A. Senanayake  
D. Molligoda  
G.S. De Silva  
A.R.K. Jayawardena  
(A.T.A Kuruppu)  
(U. Prinz)  
(T. Doemling)  
(A.A.N. Dias)



## Hand Protection

A.M. Pandithage  
K.D.D. Perera  
Dr. K.I.M. Ranasoma  
S.C. Ganegoda  
G.K. Seneviratne  
N.Y. Fernando  
R. Seevaratnam  
F. Mohideen  
L.G.S. Gunawardena  
K.A.L.S. Fernando

M. Bottino  
N. A.R.R.S. Nanayakkara  
M. Orlando  
V. Rocchetti  
B.A. Mahipala  
R.M.T. Premarathna  
T.G. Thoradeniya  
(M.V. Fildier )  
(J.A.G. Anandarajah)  
(D.B.K. Pathirage)



## Purification Products

A.M. Pandithage  
K.D.D. Perera  
H.S.R. Kariyawasan  
S.C. Ganegoda  
A. M. Senaratna  
R. Seevaratnam  
Ms. M.J.A.S. Abeyratne  
D.E. Ranarajah  
W.D.N.H. Perera  
Dr. S.A.K. Abayawardana  
S. Rajapakse  
T. D. Naylor  
D.J. Perera  
P. Karnchanabatr  
B. Karnchanabatr  
K. Karnchanabatr  
Y.P.A.S. Pathiratna  
A.A.M. Caderbhoy  
A.H. Djafar  
S. Sopian  
M.S.P. Udaya Kumar  
B. Balartnarajah  
Ms.S.S. Ragunathan  
P. Rousseau  
F. Brocheet  
B. Dasgupta  
Ms. C. Karnchanabatr  
(R.P. Peris)



## Textiles

A.M. Pandithage  
S.C. Ganegoda  
K.D.D Perera  
E.R.P. Goonetilleke  
R. Seevaratnam  
H. Somashantha  
R.N. Somaratne  
R.P. Pathirana  
J.A.S. Piyawardena  
(M.C.D. Amalean)  
(S. Spezza)  
(Dr. E.M. Fernando)  
(J.A.G. Anandarajah)  
[S.D. Amalean (Alternate)]



## Construction Materials

A.M. Pandithage  
R.P. Peris  
S.C. Ganegoda  
R.P. Pathirana  
A.A. Akbarally  
D.W.P.N. Dediwela  
H.H. Abdulhusein  
A.J. Hirdaramani (Alternate)  
T. Akbarally(Alternate)  
(J.A.G. Anandarajah)  
(K.D.D. Perera)



## Agriculture

A.M. Pandithage  
M.R. Zaheed  
S.C. Ganegoda  
L.K.B. Godamunne  
M.M.M. De Silva  
U.E.R Gangoda  
Ms. J. Dharmasena  
D. Nilaweera  
S.M.Gamage  
R. Seevaratnam

A.N.K. Perera  
K.R. Rajapakse  
H.P. Lin  
G. Olbrechts  
M. Symons  
S. Yamada  
S. Kodama  
A.C. Pathirage  
N.D. Shilling  
R.J. Taylor  
(N.D. Shilling)  
(R.J. Taylor)



## Plantations

A.M. Pandithage  
W.G.R. Rajadurai  
G.K. Seneviratne  
J.A.G. Anandarajah  
S.C. Ganegoda  
Dr. K.I.M. Ranasoma  
L.T. Samarawickrama  
R. Seevaratnam  
F. Mohideen  
S. Siriwardana  
Merrill J Fernando  
Malik J Fernando  
L.N.De S. Wijeyeratne  
Dr. S.S.S.B.D.G. Jayawardena  
Prof. U. Liyanage  
Ms. M.D.A. Perera  
W.D.N.H. Perera  
N.Y. Fernando  
M.M.M. De Silva  
D.S. Seneviratne  
Dr. R.D. Bandaranaike  
D.J. Ambani  
R J. Perera  
N.R. Ranatunge  
R.M. Hanwell  
N.A.R.R.S. Nanayakkara  
N. Weeraratne  
C.V. Cabraal  
D.C. Fernando (Alternate)  
(S.T. Gunatilleke)





### Industry Inputs

A.M. Pandithage  
M.M.M. De Silva  
S.C. Ganegoda  
M.R. Zaheed  
D. Hewageegana  
M.D.S. Gonnetilleke  
L.J.C. De Silva  
P.T.S. De Silva  
D.D.W. Siriwardene  
(M.H. Zainudeen)



### Power and Energy

A.M. Pandithage  
A.R. De Silva  
W.G.R. Rajadurai  
H.S.R. Kariyawasan  
Y.P.A.S. Pathiratna  
B. Balaratnarajah  
M.M.M. De Silva  
D.D.W. Siriwardene  
D.S. Arangala  
R.A.A.W. Rajakaruna  
Merill J Fernando  
Malik J Fernando  
V.K. Hirdaramani  
R.P. Pathirana  
A.A. Akbarally  
M. Najmudeen  
(K.D.D. Perera)  
(R.P. Peris)  
(S.T. Gunatilleke)  
(J.A.G. Anandarajah)  
(N.Y. Fernando)



### Consumer Products

A.M. Pandithage  
S.C. Ganegoda  
M.R. Zaheed  
A.R. Zubair  
M.M.M. De Silva  
G.A.B.I. Silva  
H.J.O. Silva  
R. Seevaratman  
M.D.S. Goonetilleke  
D.D.W. Siriwardena



### Transportation and Logistics

A.M. Pandithage  
L.R.V. Waidyaratne  
S.C. Ganegoda  
S.R. Sadanandan  
T.U.K. Peiris  
A.B. Ratnayake  
Ms. E.M.C.S. Gamage  
A.M. Senaratna  
R. Seevaratnam  
P.L. Cumaratunga  
F.T. Salem  
C.D. La Ferriere  
E. Silhol  
E. Zeenny  
I. Saleem  
T. Nakai  
S. Sugishima  
K. Wai Chak  
O. Novoru  
M.G. Gomez  
S.I. Ramakrishnan  
L.B. Culas  
P.S. Gunawardena

S.N. Wickremesooriya  
K.L.C. Fernando  
R.W.P. Polonowita  
S.J. Wijesinghe  
B.P.R. Liyanage  
Ms. Y.N. Perera  
M.D.D. Pieris  
D.D.W. Siriwardene  
C. Perera  
M. Masri  
C.I.J. Charles  
A.H. Kulasinghe  
J.R. Hill  
K. Miyoshi  
N.P. Samarasinghe  
A.M. Gahazali  
M.I.S. Sabar  
P. Jayanetti  
J.C. Anandappa  
O. Kubota  
T. Aoyagi  
P.D. Good  
F.S. Abeygoonewardena  
M.R.S.M.S.R.C. Samaratunge  
V.V.P. Daluwatte  
M. Saitoh  
L.D.E.A. De Silva  
(K. Amarasekera)  
(R. Samaratunga)  
(K. Balasundaram)  
(Ms. M.R.P. Balendra)  
(K.P. Kalyan)  
(B.A.B. Goonetilleke)  
(T. Banno)



### Leisure and Aviation

A.M. Pandithage  
S.C. Ganegoda  
K.D.D. Perera  
L.T. Samarawickrama  
S.P. Dissanayake  
S.J. Wijesinghe  
N.J. De S. Deva-Aditya  
L.N. De S. Wijeyeratne  
Ms. R.N. Ponnambalam  
W.D.N.H. Perera  
J.G. Victoria  
K.A.Y.P. Sumanapala  
Ms.V.Jayasundera  
C.J. Wickramasingha  
D.E. Silva  
B.C.S.A.P. Gooneratne  
S.B. Rangamuwa  
J.P. Van Twest  
S. Senaratne  
S.H. Amarasekera  
Ms. D.S.N. Weerasooriya  
E.J. Pietersz  
D.J.A. Wijesinghe  
S.D.D.K. Senaratne  
(V.K. Wickremesinghe)



### Investments and Services

A.M. Pandithage  
S.C. Ganegoda  
M.M.M De Silva  
S.P. Dissanayake  
D.D.W. Siriwardene  
Ms. L.Y. Pararasasegaram  
L.D.E.A. De Silva  
Dr. A. Sivagananathan  
S. Balasubramaniam  
Ms. M.P. Abeyesekera  
Ms. S. Abeytunge  
Ms. D. Talpahewa

## Corporate Governance

The Company has complied with the Corporate Governance rules laid down under the listing rules of the Colombo Stock Exchange. The Corporate Governance section on pages 129 to 157 discusses this further.

## Auditors

Messrs Ernst & Young, Chartered Accountants, are deemed reappointed, in terms of section 158 of the Companies Act No. 07 of 2007, as Auditors of the Company.

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

The Auditors, Messrs Ernst & Young were paid Rs. 1.5 mn (Rs. 1.0 mn), and Rs. 30.8 mn (Rs. 25.7 mn) as audit fees by the Company and its Subsidiaries respectively. In addition, they were paid Rs. 0.75 mn (Rs. 0.52 mn) and Rs. 16.9 mn (Rs. 6.7 mn), by the Company and its Subsidiaries respectively, for Non-audit related work, which consisted mainly of tax consultancy services.

In addition to the above, Group companies, both local and overseas, engage other audit firms. Audit fees and payments relating to Non-audit work in respect of these firms amount to Rs. 9.6 mn (Rs. 18.2 mn.) and Rs. 5.1 mn (Rs. 10.9 mn) respectively.

The Auditors of the Company and its Subsidiaries, have confirmed that they do not have any relationships (other than that of Auditor) with, or interests in, the Company or any of its Subsidiaries other than those disclosed above.

## Share Information

Information relating to earnings, dividend, net assets, market value per share and share trading is given on pages 12, 302 and 303.

## Events Occurring after the Reporting Date

No circumstances have arisen since the Balance Sheet date that would require adjustment, other than those disclosed in Note 35 to the Financial Statements on page 279.

## Employment

The Group has a structure and a culture that recognizes the aspirations, competencies and commitment of its employees. Career growth and advancement within the Group is promoted.

Details of Group's human resource practices and employee and industrial relationships are given in employees section of the sustainability report.

The number of persons employed by the Group at year-end was 35,373 (33,201).

The Group does not operate any share option schemes.

## Shareholders

It is the Group's policy to endeavour to ensure equitable treatment to its shareholders.

Details of major shareholders is given on page 302.

## Statutory Payments

The declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on page 174.

## Environmental Protection

The Group's efforts to conserve scarce and non-renewable resources, as well as its environmental objectives and key initiatives, are described in the Environment Issues section of the Sustainability Report on page 110.

## Enterprise Risk Management

The Group has a structured risk management process in place to support its operations. The Hayleys Board Audit Committee and the sector audit committees play a major role in this process. The Risk Management section of this report elaborates these practices and the Group's risk factors.

## Internal Controls

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

The Board, having reviewed the system of internal controls, is satisfied with the Group's adherence to and effectiveness of these controls for the period up to the date of signing the Financial Statements.

## Going Concern

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

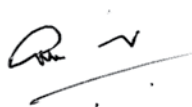
## Directors' Shareholdings

Details relating to shareholdings of Directors are given on page 303.

## Annual General Meeting

The Annual General Meeting will be held at Winchester, The Kingsbury, No. 48, Janadhipathi Mawatha, Colombo 01, at 3.00 p.m. on Friday, 28th June, 2013. The Notice of the Annual General Meeting appears on page 322.

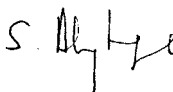
For and on behalf of the Board



**Mohan Pandithage**  
Chairman & Chief Executive



**Sarath Ganegoda**  
Director



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

20th May, 2013

*Comparative figures are shown in brackets.*

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

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

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

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

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

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

As required by Section 56 (2) of the Companies Act, the Board of Directors has authorised distribution of the dividend now proposed, being satisfied based on information available to it that the Company would satisfy the solvency test after such distribution in accordance with Section 57 of the Companies Act, and have sought in respect of the dividend now proposed, a certificate of solvency from the Auditors.

The external Auditors, Messrs Ernst & Young who were deemed reappointed in terms of Section 158 of the Companies Act No. 07 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on page 179 sets out their responsibilities in relation to the Financial Statements.

## Compliance Report

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

By order of the Board  
**HAYLEYS GROUP SERVICES (PVT) LTD.**  
*Secretaries*

20th May, 2013

The Financial Statements of Hayleys PLC and the Consolidated Financial Statements of the Group as at 31st March, 2013 are prepared and presented in compliance with the requirements of the following:

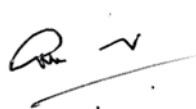
- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka;
- Companies Act No. 07 of 2007;
- Listing Rules of the Colombo Stock Exchange; and
- Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The Group's accounting policies were changed as per the requirements of the new Sri Lanka Accounting Standards (SLRFS/LKAS) which were effective from 1st of January, 2012. As a result the comparative information have also been restated to comply with the new framework. We confirm that the significant accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied, as described 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 frauds 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 Group's Internal Auditors. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the effectiveness of the 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 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 does not impair their independence.



**Mohan Pandithage**  
*Chairman and Chief Executive*



**Dilhan De Silva**  
*Group Chief Financial Officer*

20th May, 2013

## Role of the Audit Committee

The role of the Committee, which has specific terms of reference, is described in the Corporate Governance Report on page 152.

## Composition of the Audit Committee

The Audit Committee, appointed by and responsible to the Board of Directors, comprises three Independent Non-Executive Directors and a Non-Executive Director. Company Secretary acts as the Secretary to the Audit Committee. The Chairman and Chief Executive, Group Chief Financial Officer and Manager - Management Audit and Systems Review attend meetings of the Committee by invitation. The Chairman of the Audit Committee is a Senior Qualified Accountant.

The names of the members and brief profiles of each member are given on pages 152 & 118 to 123 of this Report. Their individual and collective financial knowledge and business acumen and the independence of the Committee, are brought to bear on their deliberations and judgments on matters that come within the Committee's purview.

## Meetings of the Audit Committee

The Committee met 9 times during the year. The attendance of the members at these meetings is stated in the table on page 157.

Other members of the Board and the Group Management Committee, as well as the External Auditors were present at discussions where this was appropriate. The proceedings of the Audit Committee are regularly reported to the Board of Directors.

## Tasks of the Audit Committee

### Financial Reporting System

The Committee reviewed the financial reporting system adopted by the Group in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Accounting Standards. The methodology included obtaining statements of compliance from Heads of Finance and Directors in charge of operating

units. The Committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system, also recognised the adequacy of the content and quality of routine management information reports forwarded to its members.

## Internal Audits

The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded, and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements. The Group Management Audit and Systems Review Department reports on key control elements and procedure in Group companies that are selected according to an annual plan were reviewed.

Internal Audits are outsourced to leading audit firms in line with an agreed annual audit plan. Follow up reviews are scheduled to ascertain that audit recommendations are being acted upon. The Committee appraised the independence of the Group MA & SRD and other Internal Auditors, in the conduct of their assignments.

The Committee obtained and reviewed statements from the heads of business sectors identifying their respective major business risks, mitigatory action taken or contemplated for management of these risks. The COSO Enterprise Risk Reporting Process is presently being implemented within the Group.

The Committee obtained representations from Group companies on the adequacy of provisions made for possible liabilities and reviewed reports tabled by Group companies certifying their compliance with relevant statutory requirements.

## Subsidiary Company Audit Committees

Certain listed subsidiaries and also some of the unlisted subsidiaries have appointed their own Audit Committees comprising Independent Non-Executive Directors. These Audit Committees function independently of the Audit Committee of Hayleys PLC, but have similar terms of reference. The minutes of their meetings are made available to Hayleys Audit Committee.



## External Audits

The Committee held meetings with the External Auditors to review the nature, approach, scope of the audit and the Audit Management Letters of Group companies. Actions taken by the management in response to the issues raised, as well as the effectiveness of the internal controls in place, were discussed with the heads of business units. Remedial action was recommended wherever necessary.

The Audit Committee has reviewed the other services provided by the External Auditors to the Group to ensure that their independence as Auditors has not been compromised.

## Appointment of External Auditors

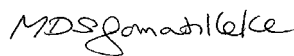
The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young, continue as Auditors for the financial year ending 31st March 2014.

## Support to the Committee

The Committee received information and support from management during the year to enable it to carry out its duties and responsibilities effectively.

## Conclusion

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



**Mangala Goonatilleke**

*Chairman*

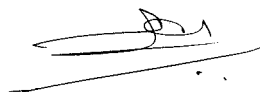
*Audit Committee*

15th May, 2013

The Remuneration Committee of Hayleys PLC consists of Non-Executive Directors, a majority of whom are independent, and is chaired by an Independent Non-Executive Director as per good governance requirements. The Chairman and Chief Executive assists the Committee by providing relevant information and participating in its analysis and deliberations, except when his own compensation package is reviewed.

The Committee is responsible for determining the compensation of the Chairman and Chief Executive, Executive Directors and members of the Group Management Committee. In addition, they lay down guidelines and parameters for the compensation structures of all management staff within the Group taking into consideration industry norms.

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



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

2nd May, 2013



#### Chartered Accountants

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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HAYLEYS PLC

### Report on the Financial Statements

We have audited the accompanying Financial Statements of Hayleys PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries which comprise the Statements of Financial Position as at 31 March 2013, and the Statements of Income, the Statements of Comprehensive Income, Statements of Changes in Equity and Cash Flow Statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting policies used and significant

estimates made by management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2013 and the Financial Statements give a true and fair view of the financial position of the Company as at 31 March 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position as at 31 March 2013 and the financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

### Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of Section 151(2) and Sections 153(2) to 153(7) of the Companies Act No. 7 of 2007.

20 May 2013  
Colombo

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

For the year ended 31st March,	Notes	Consolidated		Company	
		2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Revenue	6	74,301,852	65,806,714	229,332	176,664
Cost of sales		(57,211,418)	(52,427,811)	(174,173)	(150,745)
Gross profit		17,090,434	13,378,903	55,159	25,919
Group dividend		–	–	1,018,608	1,235,872
Other income	7	326,917	384,494	324	214,404
Distribution expenses		(2,232,081)	(1,882,458)	–	–
Administrative expenses		(8,362,975)	(7,539,271)	(178,647)	(163,902)
Other expenses	8	(159,263)	(226,510)	(1,980)	–
Results from operating activities		6,663,032	4,115,158	893,464	1,312,293
Finance income	9	1,430,416	579,962	403,285	163,710
Finance costs	9	(3,068,540)	(2,138,023)	(933,376)	(426,931)
Net finance costs	9	(1,638,124)	(1,558,061)	(530,091)	(263,221)
Share of profit of equity accounted investees (Net of tax)		352	3,806	–	–
Profit before tax	10	5,025,260	2,560,903	363,373	1,049,072
Tax expense	11	(1,405,871)	(914,724)	(17,489)	(5,341)
Profit for the year		3,619,389	1,646,179	345,884	1,043,731
Profit for the year attributable to:					
Owners of the parent		1,853,641	1,037,822		
Non-controlling interest		1,765,748	608,357		
Profit for the year		3,619,389	1,646,179		
Earnings Per Share					
Basic, profit for the year attributable to ordinary equity holders of the parent (Rs.)	12	24.72	13.84		
Diluted, profit for the year attributable to equity holders of the parent (Rs.)	12	24.72	13.84		

Notes from pages 189 to 295 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

For the year ended 31st March,	Notes	Consolidated		Company	
		2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Profit for the year		3,619,389	1,646,179	345,884	1,043,731
<b>Other comprehensive income</b>					
Net exchange differences on translation of foreign operations		299,830	196,083	–	–
Share of other comprehensive income of equity accounted investees		17,180	24,125	–	–
Net change in fair value of available-for-sale financial assets		(7,125)	(32,135)	–	–
Revaluation of land		2,541,335	–	1,176,520	–
<b>Other comprehensive income for the period, net of tax</b>		2,851,220	188,073	1,176,520	–
<b>Total comprehensive income for the period, net of tax</b>		6,470,609	1,834,252	1,522,404	1,043,731
Total comprehensive income for the period attributable to owners of the parent		4,334,453	1,158,120		
Non-controlling Interest		2,136,156	676,132		
		6,470,609	1,834,252		

## > Statements of Financial Position >

As at	Notes	Consolidated			Company		
		31st March, 2013 Rs. '000	31st March, 2012 Rs. '000	1st April 2011 Rs. '000	31st March, 2013 Rs. '000	31st March, 2012 Rs. '000	1st April 2011 Rs. '000
Assets							
Non-current assets							
Property, plant & equipment	14	37,205,718	30,821,610	25,365,572	5,133,138	3,940,025	3,858,410
Investment properties	15	688,041	688,361	23,650	—	—	—
Biological assets	16	235,020	192,112	161,780	—	—	—
Intangible assets	17	5,358,548	5,164,380	3,369,171	—	—	—
Investments in subsidiaries	18	—	—	—	8,673,205	7,840,097	5,610,679
Investments in equity accounted investees	18	268,803	305,632	643,272	—	—	1,960
Other non-current financial assets	19	366,970	385,651	234,611	179,174	191,644	204,114
Other non-current assets	20	190,647	188,730	167,020	—	—	—
Deferred tax assets	27	352,206	239,301	166,777	—	—	—
Total non-current assets		44,665,953	37,985,777	30,131,853	13,985,517	11,971,766	9,675,163
Current Assets							
Inventories	21	10,365,582	10,397,611	8,472,031	1,282	920	1,396
Amounts due from subsidiaries	39	—	—	—	1,446,449	295,886	400,527
Amounts due from equity accounted investees	39	1,334	—	3,723	—	—	784
Trade and other receivables	22	15,287,867	13,865,668	11,654,783	25,577	47,194	13,809
Other current assets	22	1,232,130	624,667	522,020	14,670	5,245	4,749
Assets classified as held-for-sale	40	3,021	4,862	15,993	—	—	—
Income tax recoverable	30	228,895	147,762	170,917	3,840	4,644	5,501
Other current financial assets	19	49,738	175,703	61,048	22,778	32,240	20,709
Short-term deposits		998,646	915,067	1,378,314	—	—	—
Cash and cash equivalents		2,125,511	1,755,418	1,487,226	49,993	25,834	19,915
Total current assets		30,292,724	27,886,758	23,766,055	1,564,589	411,963	467,390
Total assets		74,958,677	65,872,535	53,897,908	15,550,106	12,383,729	10,142,553



As at	Notes	Consolidated			Company		
		31st March, 2013 Rs. '000	31st March, 2012 Rs. '000	1st April 2011 Rs. '000	31st March, 2013 Rs. '000	31st March, 2012 Rs. '000	1st April 2011 Rs. '000
Equity and Liabilities							
Stated capital	23	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000
Employee share trust loan	23	(489,887)	(491,439)	(492,243)	(489,887)	(491,439)	(492,243)
Treasury shares	23	–	–	(398,902)	–	–	–
Capital reserves		1,377,676	1,222,076	1,404,887	13,226	13,226	13,226
Other components of equity		9,000,862	6,373,692	6,164,166	4,861,023	3,684,503	3,684,503
Revenue reserves		11,011,187	9,692,441	7,005,076	2,187,419	2,141,535	1,397,804
Total equity attributable to equity holders of the company		22,474,838	18,371,770	15,257,984	8,146,781	6,922,825	6,178,290
Non-controlling interest		11,195,960	10,077,099	8,481,037	–	–	–
Total equity		33,670,798	28,448,869	23,739,021	8,146,781	6,922,825	6,178,290
Non-Current Liabilities							
Interest-bearing borrowings	25	5,671,153	5,212,336	4,541,156	910,000	1,386,666	1,680,000
Deferred income	26	783,222	777,670	792,868	–	–	–
Deferred tax liability	27	1,035,201	886,679	797,574	–	–	–
Employee benefit obligations	28	4,285,224	3,921,370	3,335,442	372,714	333,279	259,857
Total non-current liabilities		11,774,800	10,798,055	9,467,040	1,282,714	1,719,945	1,939,857
Current Liabilities							
Trade and other payables	29	10,959,952	9,665,656	8,042,943	282,130	169,906	110,980
Provisions	29	37,232	36,586	31,829	–	–	–
Other current liabilities		22,040	4,305	9,909	14,229	4,305	9,909
Other current financial liabilities	19 C	–	81,617	2,042	–	–	–
Amounts due to subsidiaries		–	–	–	668,608	827,250	151,091
Amounts due to equity accounted investees	38	30,131	21,155	52,563	–	–	–
Liabilities directly associated with assets classified as held-for-sale	40	332	2,174	2,582	–	–	–
Income tax payable	30	571,132	297,510	399,052	11,675	–	–
Current portion of long-term interest-bearing borrowings	25	1,584,541	2,006,321	1,748,681	476,667	506,667	720,000
Short-term interest-bearing borrowings	31	16,307,719	14,510,287	10,402,246	4,667,302	2,232,831	1,032,426
Total current liabilities		29,513,079	26,625,611	20,691,847	6,120,611	3,740,959	2,024,406
Total liabilities		41,287,879	37,423,666	30,158,887	7,403,325	5,460,904	3,964,263
Total equity and liabilities		74,958,677	65,872,535	53,897,908	15,550,106	12,383,729	10,142,553

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



**Dilhan De Silva**  
Group Chief Financial Officer

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



**Mohan Pandithage**  
Chairman and Chief Executive  
20th May, 2013



**Sarath Ganegoda**  
Director

Notes from pages 189 to 295 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

## > Statements of Changes in Equity >

For the period ended 31st March, 2013

### Consolidated

	Attributable to equity holders of the Company				
	Stated capital	Employee share trust	Treasury shares loan	Capital Reserves	
				Reserve on scrip issue	Other capital reserve
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April, 2012	1,575,000	(491,439)	–	762,125	459,951
Profit for the year	–	–	–	–	–
<b>Other Comprehensive Income</b>					
Exchange differences on translation of foreign operations	–	–	–	–	–
Share of other comprehensive income of equity accounted investees	–	–	–	–	–
Net change in fair value of available-for-sale financial assets	–	–	–	–	–
Revaluation of land	–	–	–	–	–
Total other comprehensive income	–	–	–	–	–
Total Comprehensive income for the year	–	–	–	–	–
<b>Transactions with owners, recorded directly in equity</b>					
Dividends to equity holders	–	–	–	–	–
Recovery for the year	–	1,552	–	–	–
Transfers	–	–	–	78,284	2,440
Total contributions by and distributions to owners	–	1,552	–	78,284	2,440
<b>Changes in ownership interests in subsidiaries</b>					
Acquisition of non-controlling interest without a change in control	–	–	–	(73,029)	147,905
Total changes in ownership interests in subsidiaries	–	–	–	(73,029)	147,905
Total transactions with owners	–	1,552	–	5,255	150,345
Balance as at 31st March, 2013	1,575,000	(489,887)	–	767,380	610,296
Balance as at 1st April, 2011	1,575,000	(492,243)	(398,902)	988,537	416,350
Profit for the year	–	–	–	–	–
<b>Other Comprehensive Income</b>					
Exchange differences on translation of foreign operations	–	–	–	–	–
Share of other comprehensive income of equity accounted investees	–	–	–	–	–
Net change in fair value available-for-sale financial assets	–	–	–	–	–
Total other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–
<b>Transactions with owners, recorded directly in equity</b>					
Dividends to equity holders	–	–	–	–	–
Recovery for the year	–	804	–	–	–
Transfers	–	–	–	–	–
Treasury shares sold	–	–	398,902	–	–
Total contributions by and distributions to owners	–	803	398,902	–	–
<b>Changes in ownership interests in subsidiaries</b>					
Acquisition of non-controlling interest with a change in control	–	–	–	–	–
Acquisition of non-controlling interest without a change in control	–	–	–	(226,412)	43,601
Total changes in ownership interests in subsidiaries	–	–	–	(226,412)	43,601
Total transactions with owners	–	803	398,902	(226,412)	43,601
Balance as at 31st March, 2012	1,575,000	(491,439)	–	762,125	459,951

Revaluation Reserve relates to the revaluation of land and represents the fair value of the land as at the date of revaluation.

Details of the Capital Reserves are given in Note to the Financial Statements.

Foreign Currency Translation Reserve comprises all foreign currency differences arising from the translation of the Financial Statements of foreign operations.

Other Components of Equity			Revenue Reserves			Shareholders' funds	Non-controlling interest	Total equity
Revaluation reserve	Available-for-sale reserve	Foreign currency translation reserve	General reserve	Timber reserve	Retained earnings			
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
5,711,359	2,850	659,483	2,082,710	31,662	7,578,069	18,371,770	10,077,099	28,448,869
-	-	-	-	9,584	1,844,057	1,853,641	1,765,748	3,619,389
-	-	137,343	-	-	-	137,343	162,487	299,830
17,180	-	-	-	-	-	17,180	-	17,180
-	(4,247)	-	-	-	-	(4,247)	(2,878)	(7,125)
2,330,536	-	-	-	-	-	2,330,536	210,799	2,541,335
2,347,716	(4,247)	137,343	-	-	-	2,480,812	370,408	2,851,220
2,347,716	(4,247)	137,343	-	9,584	1,844,057	4,334,453	2,136,156	6,470,609
-	-	-	-	-	(300,000)	(300,000)	(765,579)	(1,065,579)
-	-	-	-	-	-	1,552	-	1,552
-	-	-	142,525	-	(223,249)	-	-	-
-	-	-	142,525	-	(523,249)	(298,448)	(765,579)	(1,064,027)
34,731	(5)	111,632	9,496	131	(163,797)	67,063	(251,715)	184,652
34,731	(5)	111,632	9,496	131	(163,797)	67,063	(251,715)	184,652
34,731	(5)	111,632	152,021	131	(687,046)	(231,385)	(1,017,294)	(1,248,679)
8,093,806	(1,402)	908,458	2,234,731	41,377	8,735,080	22,474,838	11,195,960	33,670,798
5,599,343	23,427	541,396	2,291,646	34,310	4,679,120	15,257,985	8,481,037	23,739,022
-	-	-	-	7,948	1,029,873	1,037,822	608,357	1,646,179
-	-	118,087	-	-	-	118,087	77,996	196,083
22,658	-	-	-	-	-	22,658	1,467	24,125
-	(20,447)	-	-	-	-	(20,447)	(11,688)	(32,135)
22,658	(20,447)	118,087	-	-	-	120,298	67,775	188,073
22,658	(20,447)	118,087	-	7,948	1,029,873	1,158,120	676,132	1,834,252
-	-	-	-	-	(300,000)	(300,000)	(388,571)	(688,571)
-	-	-	-	-	-	803	-	803
(65,895)	-	-	(229,502)	-	295,397	-	-	-
-	-	-	-	-	1,451,605	1,850,507	745,833	2,596,340
(65,895)	-	-	(229,502)	-	1,447,002	1,551,310	357,262	1,908,572
-	-	-	-	-	-	-	979,158	979,158
155,253	(130)	-	20,566	(10,596)	422,074	404,355	(416,490)	(12,135)
155,253	(130)	-	20,566	(10,596)	422,074	404,355	562,668	967,023
89,358	(130)	-	(208,936)	(10,596)	1,869,076	1,955,665	919,930	2,875,595
5,711,359	2,850	659,483	2,082,710	31,662	7,578,069	18,371,770	10,077,099	28,448,869

Available-for-sale Reserve relates to change in fair value of available-for-sale financial assets.

Timber Reserve relates to change in fair value of managed trees which includes commercial timber plantations cultivated on estates.

Notes from pages 189 to 295 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

## > Statements of Changes in Equity >

For the year ended 31st March, 2013

### Company

	Stated capital Rs. '000	Employee share trust loan Rs. '000	Other capital reserve Rs. '000	Revaluation reserve Rs. '000	General reserve Rs. '000	Retained earnings Rs. '000	Total Rs. '000
Balance as at 1st April, 2012	1,575,000	(491,439)	13,226	3,684,503	382,087	1,759,448	6,922,825
Profit for the year	–	–	–	–	–	345,884	345,884
Repayment of employee share trust loan	–	1,552	–	–	–	–	1,552
<b>Other Comprehensive income</b>							
Revaluation of land	–	–	–	1,176,520	–	–	1,176,520
Total other comprehensive income	–	–	–	1,176,520	–	–	1,176,520
Total comprehensive income for the year	–	1,552	–	1,176,520	–	345,884	1,523,956
<b>Transactions with owners, recorded directly in equity</b>							
Dividends to equity holders	–	–	–	–	–	(300,000)	(300,000)
Total contributions by and distributions to owners	–	–	–	–	–	(300,000)	(300,000)
Total transactions with owners	–	–	–	–	–	(300,000)	(300,000)
Balance as at 31st March, 2013	1,575,000	(489,887)	13,226	4,861,023	382,087	1,805,332	8,146,781
Balance as at 1st April, 2011	1,575,000	(492,243)	13,226	3,684,503	382,087	1,015,717	6,178,290
Profit for the year	–	–	–	–	–	1,043,731	1,043,731
Repayment of employee share trust loan	–	804	–	–	–	–	804
<b>Other Comprehensive income</b>							
Revaluation of land	–	–	–	–	–	–	–
Total other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	–	804	–	–	–	1,043,731	1,044,535
<b>Transactions with owners, recorded directly in equity</b>							
Dividends to equity holders	–	–	–	–	–	(300,000)	(300,000)
Total contributions by and distributions to owners	–	–	–	–	–	(300,000)	(300,000)
Total transactions with owners	–	–	–	–	–	(300,000)	(300,000)
Balance as at 31st March 2012	1,575,000	(491,439)	13,226	3,684,503	382,087	1,759,448	6,922,825

For the year ended 31st March,

	Consolidated		Company	
	2013	2012	2013	2012
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cash Flows from Operating Activities</b>				
Cash generated from operations (Note A)	8,907,470	3,883,954	(163,056)	1,944,136
Post employee benefit paid	(416,613)	(344,783)	(30,970)	(3,218)
Income tax paid	(1,175,911)	(1,066,718)	(5,010)	(4,484)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>7,314,946</b>	<b>2,472,453</b>	<b>(199,036)</b>	<b>1,936,434</b>
<b>Cash Flows from Investing Activities</b>				
Purchase and construction of property, plant & equipment	(5,148,902)	(5,053,434)	(45,694)	(108,737)
Investments in other current assets	(34,160)	(39,177)	–	–
Increase due to development of biological assets	(11,697)	(4,040)	–	–
Government grants received - capital	58,114	37,582	–	–
Proceeds from sale of treasury shares	–	2,596,340	–	–
Proceeds from disposal of property, plant & equipment	418,377	302,658	2,972	566
Proceeds from disposal of non-current financial assets	–	–	3,657	280,000
On acquisition of right to generate hydro power/ERP System	(170,656)	(75,481)	–	–
Proceeds from the sale of equity accounted investees	7,020	172,699	–	–
Proceeds from sale of financial instruments	17,353	1,343	8,122	(25,095)
Long term investments in group companies and others	–	–	(855,043)	(2,235,057)
Acquisition through business combinations	(544,836)	(3,410,355)	–	–
Interest received	401,933	214,786	93,116	28,842
Dividends received from equity accounted investees	12,278	7,800	–	–
Dividends received from non-group companies	310,219	135,613	307,017	134,122
Recovery of employee share trust loan	1,552	804	1,552	804
<b>Net cash used in investing activities</b>	<b>(4,683,405)</b>	<b>(5,112,863)</b>	<b>(484,301)</b>	<b>(1,924,556)</b>
<b>Net cash inflow/(outflow) before financing</b>	<b>2,631,540</b>	<b>(2,640,409)</b>	<b>(683,337)</b>	<b>11,878</b>
<b>Cash Flows from Financing Activities</b>				
Capital payment on finance lease	(543)	(39,992)	–	–
Payment for right to use land	(33,453)	(40,769)	–	–
Interest paid (including interest capitalised)	(2,678,471)	(1,476,666)	(920,308)	(399,698)
Net payment to non-controlling interest	(783,511)	(388,571)	–	–
Buy back of own shares	–	(50,000)	–	–
Acquisition of non-controlling interest	(164,285)	–	–	–
Proceeds from interest-bearing borrowings	2,074,754	2,557,233	–	–
Repayment of interest-bearing borrowings	(2,089,286)	(1,923,922)	(506,667)	(506,666)
Dividends paid to equity holders of parent	(300,000)	(300,000)	(300,000)	(300,000)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(3,974,796)</b>	<b>(1,662,687)</b>	<b>(1,726,975)</b>	<b>(1,206,364)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1,343,255)</b>	<b>(4,303,096)</b>	<b>(2,410,312)</b>	<b>(1,194,486)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>(11,839,192)</b>	<b>(7,536,096)</b>	<b>(2,206,997)</b>	<b>(1,012,511)</b>
<b>Cash and cash equivalents at end of the year (Note B)</b>	<b>(13,182,447)</b>	<b>(11,839,192)</b>	<b>(4,617,309)</b>	<b>(2,206,997)</b>

Notes from pages 189 to 295 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

For the year ended 31st March,

	Consolidated		Company	
	2013	2012	2013	2012
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>A. Cash Generated from Operations</b>				
Profit before tax	5,025,260	2,560,903	363,373	1,049,072
	5,025,260	2,560,903	363,373	1,049,072
<b>Adjustments for:</b>				
Net finance expense	1,638,124	1,558,061	530,091	263,221
Share of profits from equity accounted investees	(352)	(3,806)	–	–
Depreciation on property, plant & equipment	1,771,639	1,556,382	24,892	26,761
Depreciation on investment property	320	93	–	–
Change in fair value of biological assets	(31,171)	(26,046)	–	–
(Gain)/loss on the disposal of property, plant & equipment	(66,889)	(43,192)	1,237	(204)
(Gain)/loss on the disposal current financial assets	–	(1,995)	419	(213,000)
(Gain)/loss on the disposal of other current financial assets	743	–	–	(1,200)
Gain on bargain purchase of subsidiaries	(9,907)	(81,372)	–	–
Amortisation of intangible assets	108,539	35,845	–	–
Net gains/(loss) on translation of foreign currency	340,948	(395,557)	–	–
Differences of exchange on translation of foreign entities	26,080	437,434	–	–
Impairment of trade & other receivables	(182,795)	18,824	–	1,446
Provision for unrealised profit and write-down of inventories	63,868	95,941	–	–
Impairment of other non current assets	32,243	17,467	–	–
(Gain)/loss on the disposal of equity accounted investees	4,671	(20,975)	–	–
Provision for post employee benefit obligations	761,589	881,084	70,405	76,640
Government grants amortised	(52,562)	(52,780)	–	–
Net change in fair value of financial assets at fair value through profit or loss	(2,267)	–	–	–
Change in fair value of loans and receivables	(3,559)	–	–	–
Impairment of financial Instruments	15,020	12,470	–	–
	9,441,042	6,548,781	990,417	1,202,736
(Increase)/decrease in trade and other receivables	(1,832,514)	(2,081,009)	(1,135,222)	11,443
(Increase)/decrease in inventories	(5,340)	(1,986,293)	(361)	476
Increase/(decrease) in trade and other payables	1,304,283	1,402,475	(17,890)	729,481
	8,907,470	3,883,954	(163,056)	1,944,136
<b>B. Analysis of cash and cash equivalents</b>				
Cash and cash equivalents	2,126,626	1,756,028	49,993	25,834
Short-term deposits	998,646	915,067	–	–
	3,125,272	2,671,095	49,993	25,834
Short-term interest-bearing borrowings	(16,307,719)	(14,510,287)	(4,667,302)	(2,232,831)
Cash and cash equivalents	(13,182,447)	(11,839,192)	(4,617,309)	(2,206,997)

**C.** During the year, the Group acquired property, plant & equipment with an aggregate cost of Rs. 5,149 mn and Rs. 13 mn was acquired by means of finance leases.



## 1. Reporting Entity

Hayleys PLC, is a company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The address of the Company's registered office and the principal place of business is given on inner back cover.

The Consolidated Financial Statements of Hayleys PLC, as at and for the year ended 31st March, 2013 encompass the Company and its Subsidiaries (together referred to as the 'Group') and the Group's interest in Equity Accounted Investees. Descriptions of the nature of the operations and principal activities of the Company, its Subsidiaries and Equity Accounted Investees are given on pages 304 to 305. There were no significant changes in the nature of the principle activities of the Company and the Group during the financial year under review.

Hayleys PLC, does not have an identifiable Parent of its own.

The Financial Statements of all companies in the Group other than those mentioned in Note 36 to the Financial Statements are prepared for a common financial year, which ends on 31st March.

The financial statements were authorised for issue by the Directors on 20th May 2013.

## 2. Basis of Preparation

### 2.1 Statement of Compliance

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

For all periods up to and including the year ended 31st March, 2012, the Group prepared its Financial Statements in accordance with Sri Lanka Accounting Standards (SLAS) applicable as at 31 March, 2012. These Financial Statements for the year ended 31st March, 2013 are the first the Group has prepared in accordance with Sri Lanka Accounting Standards effective from 1st January, 2012 comprising SLFRS and LKAS. Refer to Note 5 for explanation of the transition.

## 2.2 Basis of Measurement

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

- Lands are measured at cost at the time of the acquisition and subsequently lands are carried at valuation.
- Financial instruments fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.
- Certain biological assets are measured at fair value.

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

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

## 2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional currency, except for certain subsidiaries and whose functional currencies are different as they operate in different economic environments (see Note 34). All financial information presented in Sri Lankan Rupees have been given to the nearest thousand (Rs. 000), unless stated otherwise.

## 2.4 Materiality and Aggregation

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

## Significant Accounting Policies

### 3. Basis of Consolidation

The Consolidated Financial Statements (referred to as the 'Group') comprise the Financial Statements of the Company and its subsidiaries and the Group's interest in Equity Accounted Investees.

Subsidiaries, Equity Accounted Investees are disclosed in Notes to the Financial Statements.

### 3.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities which is evident when the Group controls the composition of the Board of Directors of the entity or holds more than 50% of the issued shares of the entity or 50% of the voting rights of the entity or entitled to receive more than half of every dividend from shares carrying unlimited right to participate in distribution of profits or capital.

Entities that are subsidiaries of another entity which is a subsidiary of the Company are also treated as subsidiaries of the Company.

The interest of outside shareholders in Group companies is disclosed separately under the heading of 'Non-controlling Interest'.

The results of subsidiaries acquired or incorporated during the period have been consolidated from the date of acquisition or incorporation, while the results of subsidiaries disposed, have been accounted up to the date of disposal. Non-controlling Interest is measured at the proportionate share of the acquiree's identifiable net assets.

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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

#### 3.1.1 Business Combination and Goodwill

##### Acquisitions on or after 1st April, 2011

Business Combinations occurred after 1st April, 2011 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Transaction costs, other than those associated with the issue of debt or equity securities that Group incurs in connection with a business combinations are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with LKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination,

irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion the cash-generating unit retained.

### Acquisitions prior to 1st April, 2011

As part of the transition to SLRSs, the Group elected to restate only those business combinations that occurred on or after 1st April, 2011. In respect of acquisitions prior to 1st April, 2011, goodwill represents the amount recognised under the previous Sri Lanka Accounting Standards (SLASs).

### 3.1.2 Transactions with Non-Controlling Interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly through subsidiaries, is disclosed separately under the heading 'Non- controlling Interest'.

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

### 3.1.3 Equity Accounted Investees

Equity accounted investees are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Equity accounted investees are accounted for using the equity method.

Under the equity method, the investment in the equity accounted investee is carried on the Statement of Financial Position at cost plus post acquisition changes in the Group's share of net assets of the equity accounted investee. Goodwill relating to the equity accounted investee is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Income Statement reflects the Group's share of the results of operations of the equity accounted investee. When there has been a change recognised directly in the equity of the equity accounted investee, the Group recognises its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the equity accounted investee are eliminated to the extent of the interest in the equity accounted investee.

The Consolidated Financial Statements include the Group's share of profit net of tax after non-controlling interests in subsidiaries and equity movements of equity accounted investees from the date that significant influence commences until the date significant influence ceases. When the Group's share of losses exceeds its investment in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred obligations or has made payments on behalf of the investee.

The Financial Statements of the equity accounted investees are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its equity accounted investee. The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the equity accounted investee and its carrying value and recognises the amount in the 'share of profit of an equity accounted investee' in the Income Statement.

Upon loss of significant influence over the equity accounted investee, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the equity accounted investee upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### 3.1.4 Interest in a Joint Venture

The Group has an interest in a joint venture which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous

agreement for financial and operating decisions among the venturers. The Group recognises its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its Consolidated Financial Statements. The Financial Statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group's Consolidated Financial Statements to eliminate the Group's share of intragroup balances, transactions and unrealised gains and losses on such transactions between the Group and its jointly controlled entity. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Upon loss of joint control the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an Equity Accounted Investee.

The Financial Statements of the joint venture are aligned to the group accounting policies.

### 3.1.5 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. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 3.1.6 Foreign Currency

#### 3.1.6.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates applicable on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Foreign currency differences arising on retranslation are recognised in profit and loss. All differences arising on settlement or translation of monetary items are taken to the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income. Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are translated at the exchange rate that prevailed at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

#### 3.1.6.2 Foreign Operations

The results and financial position of all Group entities that have a functional currency other than the Sri Lanka Rupee are translated into Sri Lanka Rupees as follows:

- assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition, are translated to Sri Lanka Rupees at the exchange rate at the reporting date;
- income and expenses are translated at the average exchange rates for the period.

Foreign currency differences are recognised in other comprehensive income. When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement

of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised in other comprehensive income in the translation reserve.

Any goodwill arising on the acquisition of a foreign operation subsequent to 1st April, 2011 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Prior to 1st April, 2011, the date of transition to SLFRS, the Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

## 3.2 Assets and Bases of their Valuation

### 3.2.1 Property, Plant & Equipment

#### 3.2.1.1 Recognition and Measurement

Items of property, plant & equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any, whilst land is measured at fair value.

#### 3.2.1.2 Owned Assets

The cost of property, plant & equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1st April, 2011.

Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment.

Revaluation of land is done with sufficient frequency to ensure that the fair value of the land does not differ materially from its carrying amount, and is undertaken by professionally qualified valuers.

Any revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case, the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, 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.

#### 3.2.1.3 Leased Assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 April, 2011, the date of inception is deemed to be 1 April, 2011 in accordance with the transitional requirements of IFRIC 4 Determining whether an Arrangement contains a lease.

#### 3.2.1.4 Group as a Lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

### 3.2.1.5 Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

### 3.2.1.6 Subsequent Costs

The cost of replacing a component of an item of property, plant & equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised in accordance with the derecognition policy given below.

The costs of the day-to-day servicing of property, plant & equipment are recognised in profit and loss as incurred.

### 3.2.1.7 Derecognition

The carrying amount of an item of property, plant & equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Gains and losses on derecognition are recognised in profit and loss and gains are not classified as revenue. When revalued assets are sold, any related amount included in the Revaluation Reserve is transferred to Retained Earnings.

### 3.2.2 Depreciation

Depreciation is recognised in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Freehold land is not depreciated.

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

Leasehold right to land	- Over the lease period
Buildings	- 20 - 50 years
Software	- 03 - 05 years
Plant & machinery	- 05 - 20 years
Stores equipment	- 05 - 10 years
Motor vehicles	- 04 - 05 years
Furniture, fittings & office equipment	- 02 - 13 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.

### 3.2.3 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are 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 income statement in the year in which the expenditure is incurred.

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 income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life



continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition 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 income statement when the asset is derecognised.

### 3.2.3.1 Leasehold Rights

In respect of operating leases acquired under a business combination where the Group is lessee, Group determines whether the terms of each operating lease are favourable or unfavourable relative to market terms. The Group recognises an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms. Leasehold rights represent value of favourable lease terms.

### 3.2.3.2 Research and Development

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

- The technical feasibility of completing the intangible asset so that it 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 benefits
- The availability of resources 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.

### 3.2.3.3 Brand Name

Brands acquired as part of a business combination, are capitalised as part of a Brand Names if the Brand meets the definition of an intangible asset and the recognition criteria are

satisfied. Brand Names are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

### 3.2.3.4 Customer List

The present value of the income anticipated deriving from repeat customer list of the travel agents as at the acquisition date is recognised as an intangible asset based on a valuation carried out by an independent valuer. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses.

Customer List recognised at the acquisition date will be amortised over the period income anticipated to derive from repeat customers and reviewed annually for any impairment in value.

### 3.2.3.5 Other Intangible Assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

### 3.2.3.6 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 profit and loss as incurred.

### 3.2.3.7 Amortisation

Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and brand name, from the date on which they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- Right to generate hydro power - 15-20 years
- Customer List - 5 years

## 3.2.4 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at its cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the investment

property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. Transfers between investment property, owner occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

### 3.3 Financial Instruments - Initial Recognition and Subsequent Measurement

#### 3.3.1 Financial Assets

##### 3.3.1.1 Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

##### 3.3.1.2 Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

#### Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by LKAS 39.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance income or finance costs in the income statement.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under LKAS 39 are satisfied. The Group has not designated any financial assets at fair value through profit or loss.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

## Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. 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 income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in other operating expenses for receivables.

## Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate, less impairment.

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 income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

## Available-for-Sale Financial Investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the income statement in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

### 3.3.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The

transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

### 3.3.1.4 Impairment of Financial Assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### Financial Assets carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's

original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

#### Available-for-Sale Financial Investments

The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

### 3.3.2 Financial Liabilities

#### 3.3.2.1 Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

### 3.3.2.2 Subsequent Measurement

The measurement of financial liabilities depends on their classification as described below:

#### Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of LKAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

#### Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement 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 income statement.

#### Financial Guarantee Contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the

holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Fair values of corporate guarantees to Banks are measured on a periodic basis and the same is recognised as finance income through inter-company current account balances.

### 3.3.2.3 Derecognition

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 income statement.

### 3.3.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only 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

### 3.3.4 Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 19.

### 3.3.5 Derivative Financial Instruments

#### 3.3.5.1 Initial Recognition and Subsequent Measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks,. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured 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 income statement.

### 3.3.6 Current Assets

Assets classified as current assets on the statement of financial position are cash and bank balances and those which are expected to be realised in cash during the normal operating cycle or within one year from the reporting date, whichever is shorter.

#### 3.3.6.1 Inventories

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- All inventory items, except manufactured inventories and work-in-progress are measured at weighted average directly attributable cost.
- Manufactured inventories and work-in-progress are measured at weighted average factory cost which includes all direct expenditure and appropriate share of production overhead based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business less, the estimated cost of completion and the estimated costs necessary to make the sale.

#### 3.3.6.2 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

### 3.3.7 Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there

is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently, if events or changes in circumstances indicate that they might be impaired.

#### Formers - Provision for Impairment

In respect of formers, a 10% provision on the written down value is recognised as impairment in profit and loss .

#### 3.3.7.1 Calculation of Recoverable Amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, 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. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

#### 3.3.7.2 Impairment/Reversal of Impairment

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3.3.8 Non-Current Assets Held-for-Sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the



assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

### 3.4 Liabilities and Provisions

#### 3.4.1 Employee Benefits

##### 3.4.1.1 Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

##### 3.4.1.2 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 28. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Provision has been made for retirement gratuities from the first year 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 liability is not externally funded. This liability is computed on the following basis:

Length of service (Years)	No. of months salary for each completed year of service
Up to 20	1/2
20 up to 25	3/4
25 up to 30	1
30 up to 35	1 1/4
Over 35	1 1/2

#### 3.4.2 Short-Term Benefits

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

#### 3.4.3 Provisions

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

#### 3.4.4 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.

#### 3.4.5 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the respective Note 32 to the Financial Statements.

#### 3.4.6 Ordinary Shares

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

### 3.4.7 Repurchase of Stated Capital (Treasury Shares)

When stated capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

## 3.5 Income Statements

For the purpose of presentation of the Income Statement, the function of expenses method is adopted.

### 3.5.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

The specific recognition criteria described below must also be met before revenue is recognised.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from services rendered is recognised in profit and loss in proportion to the stage of completion of the transaction at the reporting date. Room revenue is recognised on the rooms occupied on daily basis.

Food and Beverage revenue is recognised at the time of sales.

Rental income is recognised in profit and loss as it accrues.

Dividend income is recognised in profit and loss on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the commission made by the Group.

Grants are recognised initially as deferred income when there is a reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit and loss on a systematic basis in the periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit and loss on a systematic basis over the useful life of the asset.

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 operating income' in profit and loss.

Other income is recognised on an accrual basis.

### 3.5.2 Expenses

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.

#### 3.5.2.1 Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the lease term are classified as operating leases. Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease.

#### 3.5.2.2 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

#### 3.5.2.3 Finance Income and Finance Costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through

profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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.

Foreign currency gains and losses are reported on a net basis.

#### 3.5.2.4 Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Current tax relating to items recognised directly in equity is recognised in equity and not in the income statement. 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 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 tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred 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 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 profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts

and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

Tax withheld on dividend income from subsidiaries and equity accounted investees is recognised as an expense in the Consolidated Income Statement at the same time as the liability to pay the related dividend is recognised.

### 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 included. 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.

## 3.6 General

### 3.6.1 Events Occurring after the reporting date

All material post Balance Sheet events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

### 3.6.2 Earnings per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## 3.7 First Time Adoption of SLFRS

These Financial Statements, for the year ended 31st March, 2013, are the first the Group has prepared in accordance with SLAS effective from 1st January, 2012. For periods up to and including the year ended 31st March, 2012,

the Group prepared its financial Statements in accordance with Sri Lanka Accounting Standards (SLAS) applicable as at 31st March, 2012.

Accordingly, the Group has prepared Financial Statements which comply with SLAS effective from 1st January, 2012 applicable for periods ending on or after 31st March, 2011, together with the comparative period data as at and for the year ended 31st March, 2012, as described in the accounting policies. In preparing these Financial Statements, the Group's opening Statement of Financial Position was prepared as at 1st April, 2011, the Group's date of transition to SLAS effective from 1st January, 2012. This Note explains the principal adjustments made by the Group in restating its SLASs Statement of Financial Position as at 1st April, 2011 and its previously published SLASs Financial Statements as at and for the year ended 31st March, 2012.

### 3.7.1 Exemptions Applied

SLFRS 1 First-Time Adoption of Sri Lanka Accounting Standards (SLFRS) allows first-time adopters certain exemptions from the retrospective application of certain SLFRS.

The Group has applied the following exemptions:

- **Business Combinations**

SLFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for SLFRS, or of interests in equity accounted investees and joint ventures that occurred before 1st April, 2011. Use of this exemption means that the carrying amounts of assets and liabilities as per SLAS, which are required to be recognised under SLFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SLFRS. Assets and liabilities that do not qualify for recognition under SLFRS are excluded from the opening SLFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of SLFRS recognition requirements.

SLFRS 1 also requires that the carrying amount of goodwill as per SLAS must be used in the opening SLFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with SLFRS 1, the Group has tested goodwill for impairment at the date of transition to SLFRS. No goodwill impairment was deemed necessary at 1st April, 2011.

The Group has not applied LKAS 21 retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

### • Property, Plant & Equipment

As part of the SLFRS transition process, the Group evaluated the classification/useful lives of assets recorded in the financial statements in assessing whether the depreciation period was representative of the useful lives of the assets.

### • Designation of Previously Recognised Financial Instruments

The Group has designated certain unquoted equity instruments held at 1st April, 2011 as available-for-sale investments.

### • Estimates

The estimates at 1st April, 2011 and at 31st March, 2012 are consistent with those made for the same dates in accordance with SLAS (after adjustments to reflect any differences in accounting policies) apart from the following items where application of SLAS did not require estimation:

- Biological assets - managed timber
- Liability to make lease payment
- Available-for-sale financial assets - unquoted equity shares

The estimates used by the Group to present these amounts in accordance with SLFRS reflect conditions at 1st April, 2011, the date of transition to SLFRS and as of 31st March, 2012 except following.

### 3.7.2 Standards Issued But Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the Group's Financial Statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

### • SLFRS 9 Financial Instruments: Classification and Measurement

SLFRS 9 replaces LKAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in LKAS 39. The standard is effective for annual periods beginning on or after 1st January, 2015. The adoption of the first phase of SLFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

### • SLFRS 10 - Consolidated Financial Statements

SLFRS 10 replaces the portion of LKAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated Financial Statements. It also includes the issues raised in Standing Interpretations Committee - SIC-12 Consolidation - Special Purpose Entities.

SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by SLFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in LKAS 27. This standard becomes effective for annual periods beginning on or after 1st January, 2014.

### • SLFRS 11 - Joint Arrangements

SLFRS 11 replaces LKAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers. SLFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will impact the financial position of the Group. This is due to the cessation of proportionate consolidating of joint ventures being changed to equity accounting. This standard becomes effective for annual periods beginning on or after 1st January, 2014.

### • **SLFRS 12 - Disclosure of Interests in Other Entities**

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 related to Consolidated Financial Statements, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1st January 2014.

### • **SLFRS 13 - Fair Value Measurement**

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not state when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1st January, 2014.

### **3.7.3 Explanations to the Transition of SLFRS**

To comply with the SLFRS 1, the Group provides explanations to the transition to SLFRS/LKAS from SLAS. The explanations includes a background and quantification of the change, This also includes reconciliation of Group's equity as at the date of transition 1st April, 2011 and end of latest reporting period 31st March, 2012. Reconciliation for total comprehensive income includes only for the latest financial year ended 31st March, 2012.

## **3.8 Plantations**

The plantation companies in the Group adopt certain accounting policies, which differ from that of the Group, since their nature of operations is significantly different from that of the rest of the Group. The accounting policies adopted are in accordance LKAS 41 Agriculture.

Those accounting policies that significantly vary from the rest of the Group are given below. Where material, the impact of the different accounting policies has been quantified.

### **3.8.1 Property, Plant & Equipment**

#### **3.8.1.1 Permanent Land Development Costs**

Permanent land development costs are those costs incurred in major infrastructure development and building new access roads on leased lands.

The costs have been capitalised and amortised over the shorter of useful lives or remaining lease periods.

Permanent impairments to land development costs are charged to the Income Statement in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

#### **3.8.1.2 Biological Asset**

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber, other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes tea and rubber trees, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

The entity recognise the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property, Plant & Equipment as per the ruling issued by ICASL.

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 16.



The main variables in DCF model concerns

Variable	Comment
Currency valuation	Rs.
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each spices in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Group
Economic useful life	Estimated based on the normal life span of each spices by factoring the forestry plan of the Group
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfil in bringing the trees in to saleable condition
Planting cost	Estimated costs for the further development of immature areas are deducted
Discount Rate	Future cash flows are discounted at following discount rates: Timber trees 17.5%

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

The gain or loss arising on initial recognition of biological assets at fair value less cost to sell and from a change in fair value less cost to sell of biological assets are included in profit or loss for the period in which it arises.

### 3.8.1.3 Immature and Mature Plantations

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, interplanting and fertilising, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long-term loans used for financing immature plantations.

The expenditure incurred on bearer biological assets (Tea, Rubber, Timber fields) which comes into bearing during the year, is transferred to mature plantations. Expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of each reporting period.

Permanent impairments to Biological Asset are charged to the Income Statement in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

### 3.8.1.4 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only where the number of plants per hectare exceeded 3,000 plants and, also if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalised have been charged to the Income Statement in the year in which they are incurred.

### 3.8.1.5 Depreciation

Depreciation is recognised in Profit and Loss on a straight line basis over the estimated useful lives of each item of Property Plant & Equipment as follows:

Mature Plantations (Replanting and New Planting)

Description	Years
Mature plantations - Tea	33
- Rubber	20
Sanitation, water & electricity supply	20

Depreciation methods, useful lives and residual values are reassessed at the reporting date. Mature plantations are reassessed at the reporting date. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less.

No depreciation is provided for immature plantations.

### 3.8.1.6 Leased Assets

The leasehold rights of assets taken over from JEDB/SLSPC are amortised in equal amounts over the shorter of the remaining lease periods and the useful lives as follows:

Description	Year
Bare land	53
Improvements to land	30
Mature plantations (Tea & Rubber)	30
Buildings	25
Machinery	20

### 3.8.2 Borrowing Costs

Borrowing costs incurred in respect loans that are utilised for field development activities have been capitalised as a part of the cost of the relevant immature plantation. The capitalisation will cease when the crops are ready for commercial harvest.

### 3.8.3 Inventories

#### 3.8.3.1 Finished Goods Manufactured From Agricultural Produce of Biological Assets

These are valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is the estimated selling price at which stocks can be sold in the ordinary course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

#### 3.8.3.2 Input Material, Spares and Consumables

At actual cost on weighted average basis.

#### 3.8.3.3 Agricultural Produce Harvested from Biological Assets

Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agriculture produce are valued by adding the cost of conversion to the fair value of the agricultural produce.

### 3.8.4 Grants and Subsidies

Grants and subsidies are recognised at their fair value where there is a reasonable assurance the grant/subsidy will be received and all attaching conditions, if any, will be complied with. When the grant or subsidy relates to an income item is recognised as income over the periods necessary to match them to the costs to which it is intended to compensate on a systematic basis.

Grants and subsidies related to assets, including non-monetary grants at fair value are deducted at arriving at the carrying value of the asset (or are deferred in the Financial Position and credited to the Income Statement over the useful life of the asset.)

### 3.9 Cash Flow Statement

The Cash Flow Statement has been prepared using the 'indirect method'.

Interest paid is classified as an operating cash flow. Grants received, which are related to purchase and construction of property, plant & equipment are classified as investing cash flows. Dividend and interest income are classified as cash flows from investing activities.

Dividends paid are classified as financing cash flows. Dividends received by Hayleys PLC, which is an investment company, are classified as operating cash flows and are not disclosed separately in the Company Cash Flow Statement.

### 3.10 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Chairman to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chairman include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant & equipment, and intangible assets other than goodwill.

## 4. Critical Accounting Estimates and Judgements

### Use of Estimates and Judgements

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.

#### 4.1 Going Concern

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

#### 4.2 Measurement of the Recoverable amount of Cash-Generating Units containing Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3.3.7.1. The basis of determining the recoverable amounts of cash generating units and key assumptions used are given in Note 17.

#### 4.3 Taxation

The Group is subject to income tax. Significant judgment was required to determine the total provision for current and deferred taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the Financial Statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these Financial Statements.

The Group recognised assets and liabilities for current and deferred taxes based on estimates of whether additional taxes will

be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

#### 4.4 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 28. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

#### 4.5 Impairment of Property, Plant & Equipment and Intangible Assets other than Goodwill

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.

#### 4.6 Revaluation of Land

The Group measures lands at revalued amount with change in value being recognised in the Statement of Other Comprehensive Income. The valuer has used valuation techniques such as open market value.

#### 4.6 Fair Valuation of Biological Assets

The Group measures consumable Biological Assets at fair value with changes in value being recognised in the Statement of Income. Fair valuation involves assumptions which are given in Note 14. Such estimations are subject to significant uncertainties.

## 5. Explanations to the Transition of SLFRS

To comply with the SLFRS 1, the Group provides explanations to the transition to SLFRS from SLAS. The explanations include brief descriptions about the background of the change and a quantification of change. This also includes reconciliation of Group's equity as at the date of transition 1st April, 2011 and end of latest reported period for year ended 31st March, 2012. Reconciliation also includes for the total comprehensive income for the financial year ended 31st March, 2012.

### 5.1 Reconciliation of Income Statement for the year ended 31st March, 2012

As at	Notes to the Reconciliation	Consolidated			Company		
		SLAS for the year ended 31st March, 2012 Rs. '000	Effect of Transition to SLFRS/LKAS Rs. '000	SLFRS/LKAS for the year ended 31st March, 2012 Rs. '000	SLAS for the year ended 31st March, 2012 Rs. '000	Effect of Transition to SLFRS/LKAS Rs. '000	SLFRS/LKAS for the year ended 31st March, 2012 Rs. '000
Revenue	A	62,298,006	3,508,708	65,806,714	176,664	–	176,664
Cost of sales	B	(48,985,972)	(3,441,839)	(52,427,811)	(149,673)	(1,072)	(150,745)
<b>Gross profit</b>		<b>13,312,034</b>	<b>(66,869)</b>	<b>(13,378,903)</b>	<b>26,991</b>	<b>(1,072)</b>	<b>(25,919)</b>
Group dividend		–	–	–	1,235,872	–	1,235,872
Other income	C	2,567,540	(2,183,046)	384,494	348,669	(134,265)	214,404
Distribution expenses		(1,883,053)	595	(1,882,458)		–	–
Administrative expenses	D	(7,408,760)	(130,511)	(7,539,271)	(165,043)	1,141	(163,902)
Other expenses	E	(218,960)	(7,550)	(226,510)		–	–
Results from operating activities		6,368,801	2,253,643	(4,115,158)	1,446,489	(134,265)	1,312,293
Finance income	F	355,680	224,282	579,962	28,842	134,868	163,710
Finance costs	F	(1,931,187)	(206,836)	(2,138,023)	(399,698)	(27,233)	(426,931)
Net finance costs		(1,575,507)	17,446	(1,558,061)	(370,856)	107,635	(263,221)
Share of profit of equity accounted investees (net of tax)		12,695	(8,889)	3,806			–
<b>Profit before tax</b>		<b>4,805,989</b>	<b>(2,245,086)</b>	<b>(2,560,903)</b>	<b>1,075,633</b>	<b>(26,561)</b>	<b>1,049,072</b>
Tax expense	G	(960,665)	45,941	(914,724)	(5,341)	–	(5,341)
<b>Profit for the year</b>		<b>3,845,324</b>	<b>(2,199,145)</b>	<b>(1,646,179)</b>	<b>1,070,292</b>	<b>(26,561)</b>	<b>1,043,731</b>
Profit for the period attributable to:							
Owners of the Parent		2,519,732	(1,481,910)	(1,037,822)			
Non-controlling interest		1,325,592	(717,235)	608,357			
<b>Profit for the year</b>		<b>3,845,324</b>	<b>(2,199,145)</b>	<b>1,646,179</b>			

## 5.2 Reconciliation of Statement of Comprehensive Income for the year ended 31st March, 2012

As at	Notes to the Reconciliation	Consolidated			Company		
		SLAS for the year ended 31st March 2012	Effect of Transition to SLFRS/LKAS	SLFRS/LKAS for the year ended 31st March 2012	SLAS for the year ended 31st March 2012	Effect of Transition to SLFRS/LKAS	SLFRS/LKAS for the year ended 31st March 2012
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit for the year		3,845,324	(2,199,145)	1,646,179	1,070,292	(26,561)	1,043,731
<b>Other comprehensive income</b>							
Net exchange differences on translation of foreign operations	H	–	196,083	196,083	–	–	–
Share of other comprehensive income of equity accounted investees		–	24,125	24,125	–	–	–
Net change in fair value of available-for-sale financial assets	T	–	(32,135)	(32,135)	–	–	–
<b>Other comprehensive income for the period, net of tax</b>		–	188,073	188,073	–	–	–
<b>Total comprehensive income for the period, net of tax</b>		3,845,324	(2,011,072)	1,834,252	1,070,292	(26,561)	1,043,731
Total comprehensive income for the period attributable to							
Equity holders of the parent		2,519,732	(1,361,612)	1,158,120			
Non-controlling interest		1,325,592	(649,460)	676,132			
		3,845,324	(2,011,072)	1,834,252			

### 5.3 Reconciliation for the Statement of Financial Position as at 31st March, 2012

As at	Notes to the Reconciliation	Consolidated			Company		
		SLAS as at	Effect of	SLFRS/LKAS	SLAS as at	Effect of	SLFRS/LKAS
		31st March,	Transition to	as at	31st March,	Transition to	as at
		2012	SLFRS/LKAS	31st March,	2012	SLFRS/LKAS	31st March,
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets							
Non-current assets							
Property, plant & equipment	I	30,360,487	461,123	30,821,610	3,919,284	20,741	3,940,025
Investment properties	K	37156	651,205	688,361	–	–	–
Biological assets	J	–	192,112	192,112	–	–	–
Intangible assets	L	4,833,959	330,421	5,164,380	–	–	–
Investments in subsidiaries		–	–	–	7,840,097	–	7,840,097
Investments in equity accounted investees	M	340,353	(34,721)	305,632	–	–	–
Other non-current financial assets	N	411,911	(26,260)	385,651	291,407	(99,763)	191,644
Other non-current assets	Q	–	188,730	188,730		–	–
Employee share trust loan	P	491,439	(491,439)	–	491,439	(491,439)	–
Deferred tax assets	O	212,982	26,319	239,301		–	–
Total non-current assets		36,688,287	1,297,490	37,985,777	12,542,227	(570,461)	11,971,766
Current assets							
Inventories	Q	10,682,430	(284,819)	10,397,611	920	–	920
Amounts due from subsidiaries		–	–	–	295,139	747	295,886
Amounts due from equity accounted investees		–	–	–	–	–	–
Trade and other receivables	R	14,545,445	(679,776)	13,865,669	71,387	(24,193)	47,194
Other current assets	R		624,667	624,667	–	5,245	5,245
Assets classified as held for sale		4,862	–	4,862	–	–	–
Income tax recoverable		147,762	–	147,762	4,644	–	4,644
Other current financial assets	S	60,985	114,718	175,703	31,632	608	32,240
Short term deposits		915,067	–	915,067		–	–
Cash and cash equivalents		1,755,418	–	1,755,418	25,834	–	25,834
Total current assets		28,111,969	(225,211)	27,886,759	429,556	(17,593)	411,963
Total assets		64,800,256	1,072,279	65,872,535	12,971,783	(588,054)	12,383,728



As at	Notes to the Reconciliation	Consolidated			Company		
		SLAS as at 31st March, 2012 Rs. '000	Effect of Transition to SLFRS/LKAS Rs. '000	SLFRS/LKAS as at 31st March, 2012 Rs. '000	SLAS as at 31st March, 2012 Rs. '000	Effect of Transition to SLFRS/LKAS Rs. '000	SLFRS/LKAS as at 31st March, 2012 Rs. '000
<b>Equity and liabilities</b>							
Stated capital		1,575,000	–	1,575,000	1,575,000	–	1,575,000
Employee share trust	P	–	(491,439)	(491,439)	–	(491,439)	(491,439)
Treasury shares		–	–	–	–	–	–
Capital reserves	T	6,619,929	(5,397,853)	1,222,076	3,697,729	(3,684,503)	13,226
Other components of equity	T	–	6,373,692	6,373,692	–	3,684,503	3,684,503
Revenue reserves	U	9,964,448	(272,007)	9,692,441	2,238,156	(96,615)	2,141,535
Total equity attributable to equity holders of the company		18,159,377	212,393	18,371,770	7,510,885	(588,054)	6,922,825
Non-controlling interest		9,582,712	494,387	10,077,099	–	–	–
<b>Total equity</b>		<b>27,742,089</b>	<b>706,780</b>	<b>28,448,869</b>	<b>7,510,885</b>	<b>(588,054)</b>	<b>6,922,825</b>
<b>Non-current liabilities</b>							
Interest-bearing borrowings	V	5,655,017	(442,681)	5,212,336	1,386,667	–	1,386,666
Deferred income		777,670	–	777,670	–	–	–
Deferred tax liability	O	795,041	91,638	886,679	–	–	–
Retirement benefit obligations		3,921,370	–	3,921,370	333,279	–	333,279
<b>Total non-current liabilities</b>		<b>11,149,098</b>	<b>(351,043)</b>	<b>10,798,055</b>	<b>1,719,946</b>	<b>–</b>	<b>1,719,945</b>
<b>Current liabilities</b>							
Trade and other payables	Z	9,706,543	(40,885)	9,665,656	174,204	(4,305)	169,905
Provision	Z	–	36,586	36,586	–	–	–
Other current liabilities	Z	–	4,305	4,305	–	4,305	4,305
Other current financial liabilities	Y	–	81,617	81,617	–	–	–
Amounts due to subsidiaries		–	–	–	827,250	–	827,250
Amounts due to equity accounted investees		21,155	–	21,155	–	–	–
Liabilities directly associated with assets classified as held for sale		2,174	–	2,174	–	–	–
Income tax payable		297,510	–	297,510	–	–	–
Current portion of long-term interest-bearing borrowings	W	1,501,839	504,482	2,006,321	506,667	–	506,667
Short-term interest-bearing borrowings	X	14,379,848	130,439	14,510,287	2,232,831	–	2,232,831
<b>Total current liabilities</b>		<b>25,909,069</b>	<b>716,542</b>	<b>26,625,611</b>	<b>3,740,952</b>	<b>–</b>	<b>3,740,958</b>
<b>Total liabilities</b>		<b>37,058,167</b>	<b>365,499</b>	<b>37,423,666</b>	<b>5,460,898</b>	<b>–</b>	<b>5,460,903</b>
<b>Total equity and liabilities</b>		<b>64,800,256</b>	<b>1,072,279</b>	<b>65,872,535</b>	<b>12,971,783</b>	<b>(588,054)</b>	<b>12,383,728</b>

## 5.4 Reconciliation for the Statement of Financial Position as at 1st April, 2011

As at	Notes to the Reconciliation	Consolidated			Company		
		SLAS	Effect of	SLFRS/LKAS	SLAS	Effect of	SLFRS/LKAS
		as at	Transition to	as at	as at	Transition to	as at
		31st March, 2011 Rs. '000	SLFRS/LKAS Rs. '000	1st April, 2011 Rs. '000	31st March, 2011 Rs. '000	SLFRS/LKAS Rs. '000	1st April, 2011 Rs. '000
Assets							
Non-current assets							
Property, plant & equipment	I	24,445,595	919,977	25,365,572	3,837,739	20,671	3,858,410
Investment properties	K	—	23,650	23,650	—	—	—
Biological assets	J	—	161,780	161,780	—	—	—
Intangible assets	L	3,361,546	7,625	3,369,171	—	—	—
Investments in subsidiaries		—	—	—	5,610,679	—	5,610,679
Investments in equity accounted investees	M	463,647	179,625	643,272	1,960	—	1,960
Other non-current financial assets	N	703,059	(468,448)	234,611	291,407	(87,293)	204,114
Other non-current assets	Q	—	167,020	167,020	—	—	—
Employee share trust loan	P	492,243	(492,243)	—	492,243	(492,243)	—
Deferred tax assets	O	197,235	(30,458)	166,777	—	—	—
Total non-current assets		29,663,325	468,528	30,131,853	10,234,030	(558,865)	9,675,163
Current assets							
Inventories	Q	8,720,285	(248,254)	8,472,031	1,396	—	1,396
Amounts due from subsidiaries		—	—	—	400,527	—	400,527
Amounts due from equity accounted investees		3,723	—	3,723	784	—	784
Trade and other receivables	R	12,210,780	(555,997)	11,654,783	37,510	(23,710)	13,809
Other current assets	R	—	522,020	522,020	—	4,749	4,749
Assets classified as held for sale		15,993	—	15,993	—	—	—
Income tax recoverable		170,917	—	170,917	5,501	—	5,501
Other current financial assets	S	14,853	46,195	61,048	5,196	15,514	20,709
Short term deposits		1,378,314	—	1,378,314	—	—	—
Cash and cash equivalents		1,487,226	—	1,487,226	19,915	—	19,915
Total current assets		24,002,091	(236,036)	23,766,055	470,825	(3,438)	467,390
Total assets		53,665,416	232,492	53,897,908	10,704,855	(562,303)	10,142,553

		Consolidated			Company		
As at	Notes to the Reconciliation	SLAS as at 31st March, 2011 Rs. '000	Effect of Transition to SLFRS/LKAS Rs. '000	SLFRS/LKAS as at 1st April, 2011 Rs. '000	SLAS as at 31st March, 2011 Rs. '000	Effect of Transition to SLFRS/LKAS Rs. '000	SLFRS/LKAS as at 1st April, 2011 Rs. '000
Equity and liabilities							
Stated capital		1,575,000	–	1,575,000	1,575,000	–	1,575,000
Employee share trust	P	–	(492,242)	(492,242)	–	(492,243)	(492,243)
Treasury shares	P	–	(398,902)	(398,902)	–	–	–
Capital reserves		6,951,296	(5,546,409)	1,404,887	3,697,729	(3,684,503)	13,226
Other components of equity	T	–	6,164,166	6,164,166	–	3,684,503	3,684,503
Revenue reserves	U	7,119,699	(114,623)	7,005,076	1,467,864	(70,060)	1,397,804
Total equity attributable to equity holders of the Company		15,645,995	(388,010)	15,257,985	6,740,593	(562,303)	6,178,290
Non-controlling interest		8,052,425	428,612	8,481,037	–	–	–
Total equity		23,698,420	40,602	23,739,022	6,740,593	(562,303)	6,178,290
Non-current liabilities							
Interest-bearing borrowings	V	4,432,619	108,537	4,541,156	1,680,000	–	1,680,000
Deferred income		792,868	–	792,868	–	–	–
Deferred tax liability	O	713,907	83,667	797,574	–	–	–
Retirement benefit obligations		3,335,442	–	3,335,442	259,857	–	259,857
Total non-current liabilities		9,274,835	192,205	9,467,040	1,939,857	–	1,939,857
Current liabilities							
Trade and other payables	Z	8,084,330	(41,388)	8,042,942	120,885	(9,909)	110,980
Provision	Z	–	31,829	31,829	–	–	–
Other current liabilities	Z	–	9,909	9,909	–	9,909	9,909
Other current financial liabilities	Y	–	2,042	2,042	–	–	–
Amounts due to subsidiaries		–	–	–	151,091	–	151,091
Amounts due to equity accounted investees		52,563	–	52,563	–	–	–
Liabilities directly associated with assets classified as held for sale		2,582	–	2,582	–	–	–
Income tax payable		399,052	–	399,052	–	–	–
Current portion of long-term interest-bearing borrowings	W	1,893,093	(144,412)	1,748,681	720,000	–	720,000
Short-term interest-bearing borrowings	X	10,260,541	141,705	10,402,246	1,032,426	–	1,032,426
Total current liabilities		20,692,161	(315)	20,691,846	2,024,406	–	2,024,406
Total liabilities		29,966,996	191,890	30,158,886	3,964,256	–	3,964,263
Total equity and liabilities		53,665,416	232,492	53,897,908	10,704,855	(562,303)	10,142,553

## 5.5 Notes to the Reconciliation

### A. Revenue

According to SLFRS/LKAS the Group recorded revenue on a gross basis from the date of transition for transactions relating to freight forwarding and out bound tour arrangements.

The profit & loss of the perennial crop has been recognised in the financial period of harvesting in terms of SLAS 32. Thus the unsold stocks were treated as a part of revenue. The scope of revenue recognition was changed to LKAS 18. Accordingly, the revenue is recognised based on the date of auction where the recognition criteria's are met and therefore the quantity which is sold at auction is treated as sales.

Consolidated	For the year ended 31st March, 2012 Rs. '000
Reassessment of the revenue on freight Forward/Tour Operations	3,447,100
Measurement of revenue-unsold stocks of perennial crops	(124,714)

### B. Cost of Sales

According to SLFRS/LKAS the recognition of cost of sales has been changed simultaneous to the changes in revenue recognition. Thus, cost of sales consists of costs that are directly attributable to goods sold.

Cost of opening stocks and the closing stocks were adjusted to the cost of production. Further, the measurement of unsold tea and rubber stocks have been changed in terms of LKAS 2 and LKAS 41.

The Group has elected to reassess useful life of certain items of property, plant and equipment as at the date of transition. The impact on depreciation due to review of useful lives of assets in manufacturing was recognised in cost of sales from the date of the transition.

Consolidated	For the year ended 31st March, 2012 Rs. '000
Reassessment of the cost of sale on Freight Forward/Tour operations	3,447,100
Measurement of cost of sale-unsold stocks of perennial crops	124,714
Effect of depreciation of plant and machinery by reassessment of useful life	82,201
Company	
Effect of depreciation of plant and machinery by reassessment of useful life	1,072

### C. Other Income

As per previous SLAS the Group was permitted to recognise the capital gain of Rs. 2.1 bn in the Income Statement on the disposal of Hayleys PLC shares by its Group companies. However under the SLFRS/LKAS the Group is required to treat these shares as treasury shares. Therefore at the time of disposal the Group recognised the gain directly into equity.

The Group previously recorded dividend income from long-term investments under Other Income. However this was reclassified under finance income due to the adoption of SLFRS/LKAS.

According to LKAS 41 the Group has recorded Biological Assets at fair value resulting in a gain of Rs. 26 mn for the year ended 31st March, 2012.

For the year ended  
31st March, 2012  
Rs. '000

Consolidated	
Reclassification of gain on disposal of treasury shares in equity	(2,197,439)
Reclassification of dividend income to finance income	(135,613)
Reclassified sundry income, rent income and intended commission to other income	104,176
Fair value gain on biological assets	26,046
Company	
Reclassification of dividend income to finance income	134,122

#### D. Administrative Expenses

The Group has elected to reassess useful life of certain items of property, plant and equipment as at the date of transition. The impact on depreciation due to review of useful lives of assets in administration was recognised in administration expenses from the date of the transition.

Further the Group has reclassified sundry income, rent income and indent commission to other income which was previously recorded in net of with administration expenses amounting to Rs. 124 mn for the year ended 31.03.2012.

For the year  
Rs. '000

Consolidated	
Effect of depreciation of plant and machinery by reassessment of useful life	9,257
Reclassified sundry income, rent income and intended commission to other income	104,176
Reclassification of amortisation of intangible assets	7,550
Company	
Effect of depreciation of plant and machinery by reassessment of useful life	1,141

#### E. Other Expense

The Group reclassified the software amortisation expenses from administration expense to other expenses due to reclassification intangible assets from property, plant & equipment.

For the year ended  
31st March, 2012  
Rs. '000

Consolidated	
Reclassification of amortisation of intangible assets	7,550

#### F. Net Finance Cost

As per SLFRS/LKAS requirement' the Group split the net finance cost into finance income and finance expense from the date of transition. Further as per Note "C" the Group has reclassified the dividend income under finance income.

The Group also assessed the fair value of forward exchange contract, and recorded the relevant gain or loss via finance income or expense under SLFRS/LKAS. Further the Gain and loss arising from financial instruments fair value through profit and loss, Impairment of such Investments have been recorded in finance income/expense accordingly.

## G. Tax Expenses

A deferred tax effect arose due to the increase of the taxable temporary difference as a result of reassessing of the remaining useful life of property, plant & equipment capitalisation of borrowing cost and fair valuation of biological asset. As a result deferred tax expense has been increased by Rs. 46 mn for the year ended 31st March, 2012.

	For the year ended 31st March, 2012 Rs. '000
Consolidated	
Deferred tax effect on reassessment of useful life of property, plant & equipment and fair valuation of biological assets	45,941

## H. Foreign Currency Translation Reserve

The Group recorded the exchange differences which arose from the translation of the foreign operations through other comprehensive income which has increased due to the SLFRS/LKAS adjustments recorded in the foreign operating entities.

## I. Property, Plant & Equipment

The Group elected to reassess certain items of property, plant and equipment as at the date of transition. As a result the carrying value has increased by Rs. 920 mn as at the date of transition and Rs. 424 mn as at 31.03.2012 (this includes the impact on depreciation due to increase in value of property, plant & equipment).

	Balance as at 31st March, 2012 Rs. '000	Balance as at 1st April, 2011 Rs. '000
Consolidated		
Reassessment of useful life of property, plant & equipment	1,210,402	1,037,814
Reclassification to investment property	(651,205)	(23,650)
Reclassified to biological assets	(75,155)	(70,870)
Re-Classification of computer software from property, plant & equipment	(22,919)	(23,317)
Company		
Remeasurement of useful life of property, plant & equipment	20,741	20,672

## J. Biological Assets

According to LKAS 41 managed agricultural activity was recorded at fair value, which was ascertained by a professionally qualified valuer. As a result, the net assets increased by Rs. 162 mn and 192 mn as at date of transition and 31st March, 2012 respectively. The Comprehensive Income for the year ended 31st March, 2012 increased by Rs. 26 Mn due to the gain on fair value of biological assets.

	Balance as at 31st March, 2012 Rs. '000	Balance as at 1st April, 2011 Rs. '000
Consolidated		
Cost of manage timber reclassification as biological assets	75,155	70,870
Gains and losses on fair value of biological assets	116,215	90,168



## K. Investment Property

The Group has reclassified certain property under SLFRS/LKAS as Investment property since these lands were used for the purpose of capital appreciation and to earn a rent income.

	Balance as at 31st March, 2012 Rs. '000	Balance as at 1st April, 2011 Rs. '000
Consolidated		
Reclassification from property, plant & equipment	651,205	23,650

## L. Intangible Assets

The Group has written off goodwill acquired from business combination amounting to Rs. 15.7 mn as at the date of transition due to adoption of SLFRS/LKAS. Further the Group reclassified software from property, plant & equipment to Intangible assets from the date of transition.

	Balance as at 31st March, 2012 Rs. '000	Balance as at 1st April, 2011 Rs. '000
Consolidated		
Reassessment of goodwill	323,968	–
Written off of goodwill acquired from business combination	(15,684)	(15,684)
Re-Classification of computer software from property, plant & equipment	22,919	23,317

## M. Investments in Equity Account Investees

Group has revalued some land held by the equity account investees under SLFRS/LKAS which were previously recorded under cost. Therefore investment in equity account Investees increased by Rs. 180 mn and decreased by Rs. 35 mn as at the date of transition and 31st March, 2012 respectively.

	Balance as at 31st March, 2012 Rs. '000	Balance as at 1st April, 2011 Rs. '000
Consolidated		
Revaluation of the lands owned by equity account investees	179,625	34,721

## N. Other Non-Current Financial Assets

As per LKAS 32 and 39, other long-term investments have been reclassified to other non-current financial assets.

Under SLAS, the Group accounted for long-term investments at cost. According to SLFRS/LKAS, the Group designated such investments as available-for-sale or fair value through profit or loss. SLFRS/LKAS requires available for sale investments to be measured at fair value. The difference between the fair value and cost has been recognised as a separate component of equity, in the available-for-sale reserve. Due to this other non-current financial assets decreased by Rs. 468 mn and Rs. 26 mn as at the date of transition and as at 31st March, 2012 respectively.

	Balance as at 31st March, 2012 Rs. '000	Balance as at 1st April, 2011 Rs. '000
Consolidated		
Cost of acquisition of treasury shares	–	(398,902)
Fair value change of available for sale financial asset	11,997	69,546
Impairment on available for sale	99,763	(87,292)
Recognition of financial assets in accordance with IFRIC 4	85,498	–
Company		
Fair value change of available for sale financial asset	99,763	87,292

### O. Deferred Tax Assets/Liability

Transitional adjustments relating to SLFRS/LKAS adjustments led to temporary differences. Such temporary differences resulted in deferred tax adjustments which are recognised in correlation to the underlying transaction either in retained earnings or as a separate component of equity. The deferred tax effect arises due to the increase of the taxable temporary difference as a result of reassessment of useful life time of property, plant & equipment and fair valuation of biological asset. The Deferred tax assets decreased by Rs. 30 mn as at date of transition and increased by Rs. 26 mn as at 31st March, 2012. Further liability as at the date of transition and 31st March, 2012 increased by Rs. 84 mn and by Rs. 92 mn respectively.

	Balance as at 31st March, 2012 Rs. '000	Balance as at 1st April, 2011 Rs. '000
Consolidated		
<b>Deferred Tax Assets</b>		
Reassessment of useful-life time of property, plant & equipment	26,319	30,458
<b>Deferred Tax Liability</b>		
Reassessment of useful-life time of property, plant & equipment	86,633	79,627
Fair valuation of biological asset	5,005	4,039

### P. Employee Share Trust Loan/Employee Share Trust Reserve

According to SLFRS/LKAS the Group is required to present the loan given to the employee share trust as treasury shares. Accordingly the loan was adjusted in the equity of the Group.

	Balance as at 31st March, 2012 Rs. '000	Balance as at 1st April, 2011 Rs. '000
Consolidated		
Employee Share Trust Loan	491,439	492,243

### P.1 Treasury Shares

The Company has given a loan to employee share trust to buy its own shares. Therefore it is considered as a share buy back. According to SLFRS/LKAS the employee share trust loan has been deducted from equity of the Company.

	Balance as at 31st March, 2012 Rs. '000	Balance as at 1st April, 2011 Rs. '000
Consolidated		
Cost of the investment in treasury shares	–	398,902

## Q. Inventories

Tea, rubber and other nurseries were classified as Inventory under SLAS. Since living plants are scoped under the definition of biological assets in terms of LKAS 41, these nurseries were classified as biological assets.

Further the Group has reassessed the realisable value of inventory and charged an impairment.

	Balance as at 31st March, 2012 Rs. '000	Balance as at 1st April, 2011 Rs. '000
Consolidated		
Reclassification of the Moulds to other non-current assets	188,731	167,020
Reclassification to biological assets	62,321	62,676
Reassessed the realisable value of inventory	27,580	11,333

## R. Trade and Other Receivables/Other Current Assets

Due to the application of LKAS 32 and 39, non-financial assets (Prepayments and Prepaid staff benefit) in trade and others receivables have been reclassified to other current assets amounting to Rs. 492 mn and Rs. 551 mn as at date of transition and 31st March, 2012 respectively. Further the Group has provided for Rs. 30 mn Rs. 54 mn as the impairment provision for debtors under collective and individual impairment testing method.

	Balance as at 31st March, 2012 Rs. '000	Balance as at 1st April, 2011 Rs. '000
Consolidated		
Reclassification to other current assets	624,667	522,020
Impairment provision for debtors	28,447	23,279
Reassessed the realisable value of inventory	27,580	11,333
Company		
Reclassification to other current assets	5,194	4,698
Impairment provision for debtors	18,947	18,947
Reassessed the realisable value of inventory	27,580	11,333

## S. Other Current Financial Assets

As per LKAS 32 and 39, short-term Investments have been reclassified to other current financial assets.

Under SLAS, the Group measured Short-term investments at the lower of cost or market value on an aggregated portfolio basis. According to SLFRS/LKAS, the Group designated such investments as fair value Through Profit and Loss investments which are measured at fair value.

	Balance as at 31st March, 2012 Rs. '000	Balance as at 1st April, 2011 Rs. '000
Consolidated		
Fair value change of other current financial asset	114,718	46,195
Company		
Fair value change of other current financial asset	608	15,514

## T. Other Component of Equity/Capital Reserve

Capital reserve included reserve on scrip issue, revaluation reserve and other capital reserve under previous gap. However revaluation reserve has reclassified to other component of equity under SLFRS/LKAS.

Other Component of Equity includes Revaluation Reserve, Available-for-sale Reserve and Foreign Currency Translation Reserve.

According to SLFRS/LKAS the Group has revalued some land which had not been revalued previously and recorded the surplus via revaluation reserve accounting to Rs. 53 mn as at the date of transition. Further the Group has reclassified some Land (Carbotels Ltd. and Eastern Hotels Ltd.) to investment property under SLFRS/LKAS which was accounted under property, plant & equipment previously.

According to SLAS, the Group accounted for equity investments at cost. However under SLFRS/LKAS, the Group designated such investments as available-for-sale which are measured at fair value. The difference between the fair value and cost has been recognised as a separate component of equity, in the available-for-sale reserve.

## U. Revenue Reserves

Revenue reserve included exchange fluctuation reserve, general reserve and retained earnings under previous gap. However under exchange fluctuation reserve has reclassified to other component of equity under SLFRS/LKAS.

Due to the application of SLFRS/LKAS, measurement and presentation of Financial Statements have changed. The Group has assessed the useful life of the property, plant & equipment and accounted under deem cost and which has accounted through retained earnings. Further the Group has recomputed the deferred tax, financial assets, inventory and financial liability has recorded under fair value and adjusted through retained earnings.

## V. Interest Bearing Borrowings

As per the provisions of SoRP for right-to-use land, the Group has reassessed the liability to make lease payment as at the date of transition.

	Balance as at 31st March, 2012 Rs. '000	Balance as at 1st April, 2011 Rs. '000
Consolidated		
Reclassification to current portion of interest bearing borrowings	(560,760)	5,842
Measurement of liability to make lease payment	118,078	112,029

## W. Current Portion of Interest-Bearing Borrowings

As per the provisions of SoRP for right-to-use land, the Group has reassessed the liability to make lease payment as at the date of transition.

Further the Group has reclassified some short-term loans under bank borrowing due to reclassification financial liabilities under SLAS/SLFRS.

Reclassification from non-current portion of interest bearing borrowings reclassification from interest bearing borrowings to short-term interest-bearing borrowings measurement of the conversion of interest bearing borrowings measurement of liability to make lease payment

	Balance as at 31st March, 2012 Rs. '000	Balance as at 1st April, 2011 Rs. '000
Consolidated		
Reclassification from non-current portion of Interest bearing borrowings	560,760	(5,842)
Reclassification from interest bearing borrowings to short-term interest bearing borrowings	(130,439)	(141,705)
Measurement of the conversion of interest bearing borrowings	80,209	
Measurement of liability to make lease payment	(6,043)	5,840

## X. Bank Borrowings (Overdrafts, Short-term Loans)

The Group has reclassified some short-term loans under bank borrowings which was recorded under current portion of Interest bearing borrowing previously.

	Balance as at 31st March, 2012 Rs. '000	Balance as at 1st April, 2011 Rs. '000
Consolidated		
Reclassification from Current portion of long term interest-bearing borrowings	130,439	141,705

## Y. Other Current Financial Liabilities

Due to the application of LKAS 32 and 39, financial liabilities arising from financial instrument (assets and liabilities with in a portfolio of forward contract or other derivative instruments) are recorded at fair value. As a result other current financial liabilities increased by Rs. 2 mn as at the date of transition and Rs. 162 mn as at 31.03 2012.

## Z. Trade & Other Payables/Provision/Other Current Liabilities

Due to the application of LKAS 32 and 39, non-financial liabilities (Tax payables and Provisions) in trade and other payables have been reclassified to other current liabilities amounting to Rs. 42 mn as at the date of transition and Rs. 41 mn as at 31.03.2012.

	Balance as at 31st March, 2012 Rs. '000	Balance as at 1st April, 2011 Rs. '000
Consolidated		
Reclassification to provision	36,586	31,829
Reclassification to other current liabilities	4,305	9,909

	Balance as at 31st March, 2012 Rs. '000	Balance as at 1st April, 2011 Rs. '000
Company		
Reclassification to other current liabilities	4,305	9,909

## 6. Revenue

### A. Industry Segment Revenue

	Consolidated	
	2013 Rs. '000	2012 Rs. '000
Fibre	4,836,652	4,577,755
Hand Protection	14,674,542	13,498,897
Purification Products	9,868,644	8,508,896
Textiles	5,738,055	5,206,976
Construction Materials	2,472,683	2,254,953
Agriculture	7,346,296	7,655,846
Plantations	8,951,933	7,916,671
Transportation & Logistics	11,343,068	8,644,290
Leisure & Aviation	2,062,892	1,634,686
Consumer Products	4,509,140	4,285,215
Power & Energy	756,697	329,671
Industry Inputs	1,730,833	1,292,709
Investments & Services	10,417	147
	74,301,852	65,806,714

### B. Geographical Segment Revenue

	Consolidated	
	2013 Rs. '000	2012 Rs. '000
Asia (excluding Sri Lanka)	9,639,509	7,241,867
Australia	1,745,033	1,795,083
Europe	12,530,959	11,510,908
United States of America	7,765,525	7,868,407
Africa	863,652	843,691
Indirect Exports	14,747,419	11,127,245
Sri Lanka (i)	27,009,755	25,419,513
	74,301,852	65,806,714



## C. Gross Revenue - Company

	2013 Rs. '000	2012 Rs. '000
Rent and building related Income	229,332	176,664
	229,332	176,664

## 7. Other Income

	Consolidated		Company	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Government grants amortised	52,562	52,780	–	–
Gain/(loss) on disposal of property, plant & equipment	66,889	43,192	–	204
Change in fair value of biological assets	31,170	26,045	–	–
Gain/(loss) on disposal of - long-term investment	–	–	324	213,000
- current financial assets	–	1,995	–	1,200
- equity accounted investees	–	55,006	–	–
Gain on bargain purchase of subsidiaries	9,907	81,372	–	–
Sundry income/scrap sales	78,330	77,562	–	–
Rent Income	38,346	12,006	–	–
Indent commission	49,713	34,536	–	–
	326,917	384,494	324	214,404

## 8. Other Expenses

	Consolidated		Company	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Loss on disposal of equity accounted investees	4,671	34,031	–	–
Loss on disposal of property, plant & equipment	–	–	1,237	–
Derecognition of property, plant & equipment	43,810	156,634	–	–
Loss on disposal of current financial assets	743	–	743	–
Amortisation of intangible assets	110,039	35,845	–	–
	159,263	226,510	1,980	–

## 9. Net Finance Cost

	Consolidated		Company	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
<b>A. Finance Income</b>				
Interest Income on available-for-sale financial assets	1,157	–	–	–
Interest Income on loans and receivables	354,343	214,786	93,116	28,842
Interest Income on bank deposits	46,433	–	–	–
Guarantee income	–	–	3,152	746
Dividend Income on available-for-sale investments	310,219	135,613	307,017	134,122
Net change in fair value of financial assets at fair value through profit or loss	2,267	–	–	–
Net foreign exchange gain	715,997	229,563	–	–
<b>Total Finance income</b>	<b>1,430,416</b>	<b>579,962</b>	<b>403,285</b>	<b>163,710</b>
<b>B. Finance Cost</b>				
Interest on long term loans	(588,110)	(509,830)	(716,164)	(213,236)
Interest on short term loans	(2,006,416)	(877,792)	(204,146)	(186,462)
Finance charges payable under finance leases	(83,945)	(89,044)	–	–
Net change in fair value of financial assets at fair value through profit or loss	–	(23,767)	(596)	(14,763)
Impairment of financial instruments	(15,020)	(12,470)	(12,470)	(12,470)
Net foreign exchange loss	(375,049)	(625,120)	–	–
<b>Total Finance costs</b>	<b>(3,068,540)</b>	<b>(2,138,023)</b>	<b>(933,376)</b>	<b>(426,931)</b>
<b>Net finance costs</b>	<b>(1,638,124)</b>	<b>(1,558,061)</b>	<b>(530,091)</b>	<b>(263,221)</b>

## 10. Profit before Tax from Continuing Operations

Profit before tax from continuing operations is stated after charging all expenses including the following:

	Consolidated		Company	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Directors' emoluments	585,673	560,192	143,114	124,604
Auditors' fees (includes overseas subsidiaries)				
<b>Audit services</b>				
- Ernst & Young	30,816	25,680	1,535	980
- Other auditors	9,637	18,238	-	-
<b>Non-audit services</b>				
- Ernst & Young	16,904	6,695	752	525
- Other auditors	5,111	10,871	-	2,044
Depreciation on property, plant & equipment	1,771,639	1,556,382	24,892	26,761
Donations	11,613	14,505	831	2,002
Provision for bad and doubtful debts and bad debts written off	(182,795)	18,824	-	1,446
Provision for unrealised profit and write-down of inventories	63,868	95,941	-	-
<b>Staff cost</b>				
Defined contribution plan cost	1,111,689	967,007	51,423	40,395
Defined benefit plan cost	761,589	881,084	70,405	76,640
Other staff cost (excluding defined contributions and defined benefits)	9,724,361	7,662,604	461,032	333,873
Staff training and development	45,947	35,165	14,037	4,882
Legal fees	30,567	24,506	-	-
Operating leases	95,888	82,307	-	-

## 11. Taxation

### A. Tax Expense

#### Consolidated Income Statement

	Consolidated	
	2013 Rs. '000	2012 Rs. '000
<b>Current income tax</b>		
Income tax on current year profits		
Hayleys PLC	17,489	5,341
Subsidiaries	1,117,247	837,483
	1,134,736	842,824
(Over)/under provision in respect of previous years	(582)	3,829
Irrecoverable ESC	2,012	19,726
	1,136,166	866,379
<b>Deferred tax expense</b>		
Origination/(reversal) of temporary differences		
Hayleys PLC	–	–
Subsidiaries	37,535	(78,214)
	37,535	(78,214)
Tax on dividend income	232,169	126,559
	232,169	126,559
<b>Tax expense</b>	<b>1,405,871</b>	<b>914,724</b>

## B. Reconciliation of Accounting Profit to Income Tax Expense

	Consolidated		Company	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Profit before tax	5,025,260	2,560,903	363,373	1,049,072
Share of profit of equity accounted investees	(352)	(3,806)	–	–
Intra-group adjustments	2,203,150	504,903	–	–
	7,228,059	3,062,000	363,373	1,049,072
Disallowable expenses	2,725,007	3,499,994	135,595	134,160
Tax deductible expenses	(3,792,474)	(2,914,751)	(48,837)	(8,566)
Tax exempt income	(2,940,497)	(2,613,898)	(1,325,626)	(1,585,083)
Tax loss b/f	(5,381,364)	(4,404,579)	(1,493,078)	(1,086,340)
Adjustment of tax loss b/f	256,809	679,354	3,642	22,425
Qualifying payments - donations	–	–	(112)	(118)
Tax loss c/f	6,397,716	5,381,364	2,427,504	1,493,078
Taxable income	4,493,255	2,689,484	62,461	18,628
Income tax @ 28%	583,438	373,442	17,489	5,216
Income tax @ 15%	181,878	113,410	–	–
Income tax @ 12%	8,456	19,922	–	–
Income tax at other tax rates	360,964	312,059	–	–
Social Responsibility Levy	–	23,991	–	–
Income tax on current year profit	1,134,736	842,824	17,489	5,216
Over/(under) provision in respect of previous years	(582)	3,829	–	125
Irrecoverable ESC	2,012	19,726	–	–
	1,136,166	866,379	17,489	5,341
Origination/(reversal) of temporary differences	37,535	(78,214)	–	–
Tax on dividend income	232,169	126,559	–	–
Tax expense	1,405,871	914,724	17,489	5,341
Effective tax rate	28%	36%	5%	1%

**C.** Corporate Income Taxes of companies resident in Sri Lanka have been computed in accordance with the Inland Revenue Act No. 10 of 2006 as amended, whilst Corporate Taxes of non-resident companies in the Group have been computed in keeping with the domestic statutes in their respective countries.

Irrecoverable Economic Service Charge has been charged in the Income Statements.

Resident companies in the Group, excluding those which enjoy a tax holiday or concessionary rate of taxation, were liable to income tax at 28% during 2012/13 (Y/A 2011/12 - 28 %).

## 1. Tax Exemptions

### 1 A. In terms of the Inland Revenue Act

- Ultracarb (Pvt) Ltd. is entitled for a 3-year income tax holiday. The tax holiday period is yet to commence.
- Haycarb Value Added Products (Pvt) Ltd. is entitled for a 6-year income tax holiday. The tax holiday is yet to commence.
- Hayleys MGT Knitting Mills PLC is exempted from income tax up to the year of assessment 2012/13. The rate applicable after expiry of the tax holiday will be 12%.
- Kelani Valley Instant Tea (Pvt) Ltd. is exempted from income tax up to the Year of Assessment 2012/13. The rate applicable for the next two years would be 10%.
- Foreign dividends received are exempted from income tax in terms of the Inland Revenue Act.

### 1 B. In terms of BOI Agreements

Companies enjoying Tax Holidays under BOI Law are as follows:

Texnil (Pvt) Ltd.	10 year tax holiday ending 31st March, 2013
Moceti International (Pvt) Ltd.	5 year tax holiday ending 31st March 2013
Kalupahana Power Company (Pvt) Ltd.	5 year tax holiday ending 31st March, 2013
Neluwa Cascade Hydro Power (Pvt) Ltd.	5 year tax holiday ending 31st March, 2014
Logiwiz NW (Pvt) Ltd.	5 year tax holiday ending 31st March, 2015
TTEL Somerset Hydro Power (Pvt) Ltd.	5 year tax holiday ending 31st March 2015
TTEL Hydro Power Company (Pvt) Ltd.	5 year tax holiday ending 31st March, 2015
Alco Industries (Pvt) Ltd.	5 year tax holiday ending 31st March, 2015
Hayleys Agro Biotech (Pvt) Ltd.	8 year tax holiday ending 31st March, 2018
Hayleys Business Solutions (Pvt) Ltd..	5 year tax holiday ending 31st March, 2017
Nirmalapura Wind Power Pvt Ltd.	6 year tax holiday is yet to commence

### 1 C. Exemptions outside Sri Lanka

Haycarb Holdings Bitung Ltd.	Tax Exempt
Shizuka Co. Ltd.	8 years year tax holiday yet to commence



## 2. Concessionary Tax Rates

### 2 A. In terms of the Inland Revenue Act

In terms of Sections 17, 46, 48A, 51, 56 and 59 of the Inland Revenue Act No. 10 of 2006, as amended, the profits of companies listed below enjoy concessionary rates of income tax.

Kelani Valley Plantations PLC	Profits from agriculture
Talawakelle Tea Estates PLC	Profits from agriculture
Sunfrost Ltd.	Profits from agriculture
HJS Condiments Ltd.	Profits from agriculture
Hayleys Agro Farms (Pvt) Ltd.	Profits from agriculture
Haycarb PLC	Profits from qualifying exports
Haycolour (Pvt) Ltd.	Profits from qualifying exports
Logiventures (Pvt) Ltd.	Profits from qualifying exports
Puritas Ltd.	Profits from qualifying exports
DPL Plantations (Pvt) Ltd.	Profits from agriculture
Hayleys Plantation Services (Pvt) Ltd.	Profits from agriculture
Mabroc Teas (Pvt ) Ltd.	Profits from qualifying exports and agriculture
Creative Polymat (Pvt) Ltd.	Profits from qualifying exports and indirect exports
Ravi Industries Ltd.	Profits from qualifying exports and indirect exports
Rileys (Pvt) Ltd.	Profits from qualifying exports and indirect exports
Haymat ( Pvt) Ltd.	Profits from qualifying exports and indirect exports
Toyo Cushion Lanka Ltd.	Profits from qualifying exports and indirect exports
Lanka Orient Express Lines Ltd.	Profits from transshipment
Clarion Shipping (Pvt) Ltd.	Profits from transshipment
NYK Lines Lanka (Pvt) Ltd.	Profits from transshipment
Hayleys Travels and Tours (Pvt) Ltd.	Profits from promotion of tourism
Hotel Services (Ceylon) PLC	Profits from promotion of tourism
Hunas Falls Hotel PLC	Profits from promotion of tourism
Culture Club Resorts (Pvt) Ltd.	Profits from promotion of tourism
Alumex Ltd.	Profits from manufacturing

## 2 B. In terms of BOI Agreements

As per agreements signed with the Board of Investment, the business income of the Companies listed below would be subject to a concessionary tax rate for the periods indicated:

Kandyan Resorts Pvt Ltd.	02%	on turnover for 15 years up to Y/A 2026/27
Hanwella Rubber Products Ltd.	12%	for 10 years up to Y/A 2020/21
Grossart (Pvt) Ltd.	12%	for 10 years up to Y/A 2019/20
Dipped Products PLC	12%	for 10 years up to Y/A 2018/19
Venigros Pvt Ltd.	12%	for 10 years up to Y/A 2018/19
Neoprex (Pvt) Ltd.	12%	for 10 years up to Y/A 2017/18
Logistics International Ltd.	12%	for 20 years upto Y/A 2016/17
Bonterra Ltd.	12%	for 20 years up to Y/A 2015/16
Bhagya Hydro (Pvt) Ltd.	10%	for 02 years up to Y/A 2013/14
Civaro International Ltd.	10%	for 02 years up to Y/A 2013/14
Feltex Pvt Ltd.	10%	for 02 years up to Y/A 2012/13
Logiwiz Ltd.	20%	indefinitely

## 3. Non-Resident Companies

Corporate Income Taxes of non-resident companies are:

Company	Income Tax Rate
Haychem (Bangladesh) Ltd.	37.5%
PT Mapalus Makawanua Charcoal Industry	25%
Haymark Inc	34%
Logiwiz Logistics India (Pvt) Ltd.	30%
Eurocarb Products Ltd	24%
Haycarb Holding Australia (Pvt) Ltd.	30%
Carbokarn Co. Ltd.	23%
ICOGUANTI S.p.A.	27.5%
CK Regen Systems Co. Ltd.	23%
Haylex Japan	30%
Dipped Products (Thailand) Ltd. (Reduced rate applicable till 31st December, 2017)	11.5%

## 12. Earnings Per Share

### Basic Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year.

### 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 potentially dilutive ordinary shares.

There were no potentially dilutive ordinary shares outstanding at any time during the year/previous year.

Basic/diluted earnings per share are calculated as follows:

	Consolidated	
	2013 Rs. '000	2012 Rs. '000
Profit attributable to equity holders of the Company (Rs. '000)	1,853,641	1,037,822
Weighted average number of ordinary shares (i)	75,000,000	75,000,000
Basic/diluted earnings per share (Rs.)	24.72	13.84
(i) Qualifying ordinary shares at beginning of the year	75,000,000	75,000,000
Qualifying ordinary shares at the end of the year	75,000,000	75,000,000

## 13. Dividends

	Company	
	2013 Rs. '000	2012 Rs. '000
First and Final proposed Rs. 4.50 per share (2012 - Rs. 4.00 per share)	337,500	300,000
Total dividends	337,500	300,000
Dividend per ordinary share (Rs.)	4.50	4.00

- (i) The dividends represent redistribution of dividends received by the Company and are therefore not subject to the 10% tax deduction.
- (ii) The Directors have recommended a first and final dividend of Rs. 4.50/- per share for the year ended 31st March, 2013 to be approved at the Annual General Meeting on 28th June, 2013.

## 14. Property, plant & equipment

### A. Consolidated

	Land	Mature/ immature plantations	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost or deemed cost:</b>							
Gross book value							
<b>Balance as at 1st April, 2011</b>	7,720,209	4,230,492	7,087,679	12,719,106	663,782	1,708,279	34,129,548
Classification change	–	–	–	(2,821)	–	2,821	–
Acquisition through business combinations	474,379	–	1,374,493	197,899	66,752	127,794	2,241,317
Additions	66,695	386,247	458,174	3,214,178	232,733	311,035	4,669,061
Transfer to biological assets	–	(246)	–	–	–	–	(246)
Transfer to non-current financial assets	–	–	–	(83,231)	–	(187)	(83,418)
Transfer to investment property	(211,100)	–	(19,325)	–	–	–	(230,425)
Transfer from assets held for disposal	9,200	–	–	–	–	–	9,200
Disposals/write-off	(14)	–	(144,864)	(596,509)	(53,398)	(134,895)	(929,680)
Effect of movements in foreign exchange rates	31,521	–	98,086	505,352	(2,594)	30,131	662,497
<b>Balance as at 31st March, 2012</b>	8,090,890	4,616,493	8,854,243	15,953,974	907,275	2,044,978	40,467,854
Revaluation of land	2,541,335	–	–	–	–	–	2,541,335
Acquisition through business combinations	108,491	–	161,475	294,666	4,468	7,054	576,154
Additions	336,120	620,112	2,161,775	1,314,406	144,527	466,578	5,043,518
Disposals/write-off/transfer	(1,100)	(212,992)	(45,587)	(179,018)	(118,619)	(99,050)	(656,366)
Effect of movements in foreign exchange rates	16,008	–	79,537	362,391	13,693	10,494	482,123
<b>Balance at 31st March, 2013</b>	11,091,744	5,023,613	11,211,443	17,746,419	951,344	2,430,054	48,454,617
<b>Depreciation:</b>							
<b>Balance as at 1st April, 2011</b>	37,832	785,968	1,255,594	5,828,583	393,318	1,264,682	9,565,977
Acquisition through business combinations	6,071	–	5,399	81,077	4,182	6,566	103,295
Classification change	–	–	–	(3,885)	–	3,885	–
Depreciation for the year	31,425	109,892	233,057	868,145	130,333	183,530	1,556,382
Transfer to investment property	–	–	(5,628)	–	–	–	(5,628)
On disposals/write-off	(5)	–	(18,062)	(426,824)	(36,691)	(103,135)	(584,716)
Effect of movements in foreign exchange rates	(2)	–	23,705	212,778	(1,136)	21,570	256,916
<b>Balance at 31st March, 2012</b>	75,321	895,860	1,494,065	6,559,874	490,006	1,377,098	10,892,227
Acquisition through business combinations	–	–	14,254	27,125	1,561	1,405	44,345
Depreciation for the year	31,915	120,324	267,845	1,065,766	108,988	176,801	1,771,639
Disposals/write-off	–	–	(969)	(138,536)	(91,374)	(74,000)	(304,878)
Effect of movements in foreign exchange rates	–	–	14,819	185,491	2,337	7,345	209,991
<b>Balance as at 31st March, 2013</b>	107,236	1,016,184	1,790,014	7,699,720	511,518	1,488,649	12,613,323

	Land	Mature/ immature plantations	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Net book value</b>							
Balance as at 1st April, 2011	7,682,377	3,444,524	5,832,085	6,890,523	270,464	443,597	24,563,570
Balance as at 31st March, 2012	8,015,569	3,720,633	7,360,178	9,394,100	417,268	667,880	29,575,627
Balance as at 31st March, 2013	10,984,508	4,007,429	9,421,429	10,046,699	439,825	941,405	35,841,295
<b>Capital work-in-progress</b>							
Balance as at 1st April, 2011	–	–	–	–	–	–	802,001
Balance as at 31st March, 2012	–	–	–	–	–	–	1,245,983
Balance as at 31st March, 2013	–	–	–	–	–	–	1,364,423
<b>Carrying amount</b>							
Balance as at 1st April, 2011	–	–	–	–	–	–	25,365,572
Balance as at 31st March, 2012	–	–	–	–	–	–	30,821,610
Balance as at 31st March, 2013	–	–	–	–	–	–	37,205,718

## B. Company

	Freehold Land	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Total
<i>As at 31st March,</i>	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost or deemed cost:</b>						
Gross book value						
Balance as at 1st April, 2011	3,691,480	132,090	40,986	17,786	183,715	4,066,057
Additions	–	162	–	13,771	15,566	29,499
Disposals	–	–	(61)	–	(1,592)	(1,653)
Balance as at 31st March, 2012	3,691,480	132,252	40,925	31,557	197,689	4,093,903
Revaluation of land	1,176,520	–	–	–	–	1,176,520
Additions	–	69,515	1,334	–	40,465	111,314
Disposals	–	–	–	(5,502)	(1,062)	(6,564)
Balance as at 31st March, 2013	4,868,000	201,767	42,259	26,055	237,092	5,375,173
<b>Depreciation</b>						
Balance as at 1st April, 2011	–	44,713	32,627	2,793	134,320	214,453
Depreciation for the year	–	1,935	1,531	3,608	19,687	26,761
Disposals	–	–	(61)	–	(1,230)	(1,291)
Balance as at 31st March, 2012	–	46,648	34,097	6,401	152,777	239,923
Depreciation for the year	–	2,434	1,298	1,302	19,858	24,892
Disposals	–	–	–	(1,457)	(899)	(2,356)
Balance as at 31st March, 2013	–	49,082	35,395	6,246	171,736	262,459

	Freehold Land	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Total
As at 31st March,	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Net book value</b>						
Balance as at 01st April, 2011	3,691,480	87,377	8,359	14,993	49,395	3,851,604
Balance as at 31st March, 2012	3,691,480	85,604	6,828	25,156	44,912	3,853,980
Balance as at 31st March, 2013	4,868,000	152,685	6,864	19,809	65,356	5,112,714
<b>Capital work-in-progress</b>						
Balance as at 01st April, 2011						6,806
Balance as at 31st March, 2012						86,045
Balance as at 31st March, 2013						20,424
<b>Carrying amount</b>						
Balance as at 01st April, 2011						3,858,410
Balance as at 31st March, 2012						3,940,025
Balance as at 31st March, 2013						5,133,138

### C. Carrying Value

	Consolidated			Company		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
At cost	25,832,146	22,264,498	17,089,548	265,138	248,545	166,930
At valuation	8,349,638	5,808,303	5,808,303	4,868,000	3,691,480	3,691,480
On finance leases	3,023,934	2,748,808	2,467,721	—	—	—
	37,205,718	30,821,610	25,365,572	5,133,138	3,940,025	3,858,410

- (i) Total borrowing cost capitalised to-date amounts to Rs. 131.9 mn (2012- Rs. 42 mn).
- (ii) Group property, plant & equipment includes capitalised finance leases and leasehold rights on land. The carrying amount of these assets is:

	Consolidated			Carrying value	Carrying value
	Cost	Accumulated depreciation/ amortisation	Carrying value 2013	2012	1st April, 2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Land	504,576	46,912	457,664	475,065	454,768
Mature/immature plantations	2,856,649	557,636	2,299,013	2,028,892	1,802,012
Buildings	234,546	154,327	80,219	89,304	101,905
Machinery & stores equipment	105,350	57,489	47,861	54,006	53,525
Motor vehicles	153,014	81,233	71,781	67,880	45,404
Furniture	2,702	2,044	658	1,029	980
Capital work-in-progress	66,738	—	66,738	32,632	9,127
<b>Total</b>	<b>3,923,575</b>	<b>897,597</b>	<b>3,023,934</b>	<b>2,748,808</b>	<b>2,467,721</b>



## (iii) Unexpired lease periods of land:

Kelani Valley Plantations PLC	34 Years
Kalupahana Power Company (Pvt) Ltd.	34 Years
HJS Condiments Ltd.	87 Years/80 Years/22 Years
Talawakelle Tea Estates PLC	32 Years
Hotel Services (Ceylon) PLC	56 Years
Culture Club Resorts (Pvt) Ltd	31 Years

## (iv) Amounts by which values have been written to in respect of land revalued by independent qualified valuers are indicated below, together with the last date of revaluation:

Company	Location	Written to by		
		2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Hayleys PLC	Colombo (31.03.2013)	4,861,023	3,684,503	3,684,503
Volanka (Pvt) Ltd.	Kotugoda (31.03.2013)	551,400	389,373	389,373
	Katana (31.03.2013)	155,831	-	-
	Galle (31.03.2013)	70,577	27,096	27,096
Chas P. Hayley & Co. (Pvt) Ltd.	Galle (31.03.2013)	420,037	212,800	212,800
Dipped Products PLC	Kottawa (31.03.2013)	107,633	80,105	80,105
	Weliveriya (31.03.2013)	70,973	53,204	53,204
Venigros (Pvt) Ltd.	Weliveriya (31.03.2013)	50,925	33,900	33,900
Palma Ltd.	Gonawala (31.03.2013)	35,224	27,958	27,958
Haycarb PLC	Badalgama & Madampe (31.03.2013)	89,874	70,570	70,570
	Wewalduwa (31.03.2013)	94,377	64,822	64,822
Recogen (Pvt) Ltd.	Badalgama (31.03.2013)	26,931	18,256	18,256
Carbokarn Co. Ltd.	Bangkok (31.03.2013)	25,000	-	-
Lignocell (Pvt) Ltd.	Kuliapitiya (31.03.2013)	26,956	21,340	21,340
Hayleys Agriculture Holdings Ltd.	Dambulla (31.03.2013)	1,324	-	-
Haychem (Pvt) Ltd.	Kottawa (31.03.2013)	67,414	55,914	55,914
Haychem Bangladesh Ltd.	Mymensingh (31.03.2013)	17,598	-	-
Haycolour (Pvt) Ltd.	Kalutara (31.03.2013)	28,706	22,706	22,706
Hayleys Electronics Ltd.	Malabe (31.03.2013)	88,803	88,803	88,803
Hayleys Fibre PLC	Ekala (31.03.2013)	185,843	180,413	180,413
Hayleys Advantis	Welisara (31.03.2013)	689,832	468,756	468,756
Ravi Industries (Pvt) Ltd.	Ekala (31.03.2013)	194,700	87,600	87,600
Volanka Exports (Pvt) Ltd.	Welipanna (31.03.2013)	18,006	6,492	6,492
Rileys Ltd.	Galle (31.03.2013)	211,555	135,608	135,608
Toyo Cushion Lanka (Pvt) Ltd.	Katana (31.03.2013)	48,174	45,126	45,126
Sunfrost (Pvt) Ltd.	Allawwa (31.03.2013)	24,126	12,478	12,478
Hayleys MGT Knitting Mills PLC	Neboda (31.03.2013)	18,149	16,433	16,433
Hayleys Electronics Lightning (Pvt) Ltd.	Hokandara (31.03.2013)	4,047	4,047	4,047
Hunas Falls PLC	Elkaduwa (31.03.2013)	1,353	-	-
Amaya Group	Kandy (31.03.2013)	55,556	-	-
	Wadduwa (31.03.2013)	11,553	-	-
Alumex Ltd.	Makola (31.03.2013)	96,138	-	-
		8,349,638	5,808,303	5,808,303
	Revaluation reserve attributable to Non-controlling interest	(392,397)	(361,891)	(369,027)
	Share of revaluation reserve of equity accounted investees	101,833	109,695	156,380
		8,059,073	5,556,107	5,595,656
	Adjustment due to change in holding	34,732	155,252	3,687
		8,093,806	5,711,359	5,599,343

- (v) Land owned by the Group is revalued as at 31st March, 2013 by and Independent chartered valuation surveyor. The valuation had been carried out based on transaction observed in the market.
- (vi) Land owned by the Group other than that mentioned above has been stated at cost as the appreciation in value is insignificant. Further information is provided on pages 298 to 299. There are no tax implications or tax liabilities pertaining to revaluation of land.
- (vii) Subject to disclosure in Note 8 - Other Expenses, there has been no permanent impairment of property, plant & equipment which requires a provision.
- (viii) Property, plant & equipment with a carrying value of Rs. 5,750 mn and Rs. nil mn for the Group and Company respectively have been pledged as security for term loans obtained. The details are shown in Note 25.
- (ix) The carrying value of revalued land given above, had the said land been included at cost, would amount to Rs. 2,635 mn (Rs. 2,264 mn - 2012) for the Group and Rs. 7 mn (Rs. 7 mn - 2012) to the Company.
- (x) The cost of fully depreciated Property plant & equipment which are still in use at the reporting date is as follows:

	Consolidated		Company	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Buildings	50,274	44,237	–	–
Machinery and equipment	1,734,865	2,315,269	15,700	15,074
Furniture, fittings and office equipment	982,714	626,330	94,827	84,653
Motor vehicles	238,057	280,018	–	–
	3,005,918	3,265,854	110,527	99,727

## D. Capital Expenditure Commitments

The approximate amounts of capital expenditure approved by the Directors as at 31st March, 2013 were: Capital expenditure contracted for which no provision is made in the financial statements - Rs. 467 mn (Rs. 704 mn - 2012). Capital expenditure approved by the Directors but not contracted for - Rs. 1,274 mn (Rs. 1,539 mn - 2012).

## 15. Investment Properties

### A. Cost

	Land Rs. '000	Buildings Rs. '000	Total Rs. '000
<b>Cost</b>			
Balance as at 1st April, 2011	23,650	–	23,650
Additions	8,008	–	8,008
Transfer from property, plant & equipment	211,100	19,324	230,424
Acquisitions through business combinations	432,000	–	432,000
Balance as at 31st March, 2012	674,758	19,324	694,082
Additions	–	–	–
Balance as at 31st March, 2013	674,758	19,324	694,082

	Land Rs. '000	Buildings Rs. '000	Total Rs. '000
<b>B. Depreciation</b>			
Balance as at 1st April, 2011			
Charge for the year	–	93	93
Transfer from property, plant & equipment	–	5,628	5,628
<b>Balance as at 31st March, 2012</b>	–	5,721	5,721
Charge for the year	–	320	320
<b>Balance as at 31st March, 2013</b>	–	6,041	6,041

**Net book value**

Balance as at 1st April, 2011	23,650	–	23,650
Balance as at 31st March, 2012	674,758	13,603	688,361
Balance as at 31st March, 2013	674,758	13,283	688,041

**C. Rental income**

	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Rental income derived from investment properties	15,381	5,633	–
Direct operating expenses generating rental income	–	–	–
Direct operating expenses that did not generate rental income	–	–	–
<b>Net profit arising from investment properties</b>	<b>15,381</b>	<b>5,633</b>	<b>–</b>

- D.** Investment property is stated at cost. The fair value of the investment property as at 31st March, 2013 is given below by P.B. Kalugalgedara & Associates (Chartered Valuation Surveyor & Estate Agents), an accredited independent, industry specialist. The valuations had been carried out based on transactions observed in the market.

The details of fair value of investment property of the Group is as follows:

Company	Location	Building Area (Sq. Ft.)	Land in Acres	Value of Building Rs. '000	Value of land Rs. '000	Total Rs. '000
Hayleys Fibre PLC	"Ekala Estate", Minuwangoda Road, Ekala	53,880	6.30	7,382	251,900	259,282
Haycarb PLC	333/25, New Road Hunuputiya Wattala	12,240	0.97	5,901	54,460	60,361
Carbotels (Pvt) Ltd.	Weyagala Estate, Elkaduwa, Matale	–	65.06	–	34,600	34,600
Eastern Hotels (Pvt) Ltd .	Nilakarai Estate, Nilaweli, Trincomalee	–	23.47	–	432,000	432,000

## 16. Biological Assets

	Consolidated Rs. '000
Balance as at 1st April, 2011	161,780
Increase due to development	4,040
Change in fair value of biological assets	26,046
Transfer from property, plant & equipment	246
Balance as at 31st March, 2012	192,112
Increase due to development	11,697
Change in fair value of biological assets	31,171
Transfer from receivables	40
Balance as at 31st March, 2013	235,020

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated at approximate fair value particularly on the ground that little biological transformation has taken place and impact of the biological transformation on price is not material. When such plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

The fair value of managed trees was ascertained since LKAS 41 is only applicable for managed agricultural activity in terms of the ruling issued by The Institute of Chartered Accountants of Sri Lanka. The valuation was carried by Messrs Sunil Fernando Associates, chartered valuers, using discounted cash flow methods. In ascertaining the fair value of timber a physical verification was carried out covering all the estates.

Key assumptions used in valuation

1. The harvesting is approved by the PMMD and Forest Department based on the forestry development plan.
2. The prices adopted are net of expenditure.
3. Discount rate is 17.5%.
4. Though the replanting is a condition precedent for harvesting, yet the costs are not taken into consideration.

The valuations, as presented in the external valuation models based on net present values, take into account the long-term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisable value. The Board of Directors retains the view that commodity markets are inherently volatile and that long-term price projections are highly unpredictable. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in LKAS 41 against his own assumptions.

The carrying amount of biological assets pledged as securities for liabilities are nil for the year 2013 (2012 - nil).

### Sensitivity Analysis

#### Sensitivity variation on sales price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

Group - as at 31st March, 2013

Selling price fluctuation	-10%	0	+10%
	Rs. '000	Rs. '000	Rs. '000
Managed timber	206,540	235,020	246,016
<b>Total</b>	<b>206,540</b>	<b>235,020</b>	<b>246,016</b>

### Sensitivity variation on discount rate

Values as appearing in the Financial Position are very sensitive to changes in the discount rate applied. Simulations does on value of managed timber trees show that a rise or decrease by 1.5% of the estimated future selling price has the following effect on the net present value of biological assets:

Group - as at 31st March, 2013

Discounting rate fluctuation	-1.5%	0	+1.5%
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Managed timber	233,971	235,020	218,489
<b>Total</b>	<b>233,971</b>	<b>235,020</b>	<b>218,489</b>

## 17. Intangible Assets

	Right to generate hydro power Rs. '000	Goodwill Rs. '000	ERP system Rs. '000	Brand name Rs. '000	Customer list Rs. '000	Operating Lease Rs. '000	Total Rs. '000
<b>Cost</b>							
<b>Balance as at 01st April, 2011</b>	100,971	2,255,777	60,116	–	–	1,153,746	3,570,610
Transferred From Property, plant & equipment	–	–	6,465	–	–	–	6,465
Acquisition through business combinations	–	1,425,048	–	148,183	152,420	23,365	1,749,016
Additions	–	–	75,481	–	–	–	75,481
Disposals/write off	–	–	(1,808)	–	–	–	(1,808)
Effect of movements in exchange rates	–	–	882	–	–	–	882
<b>Balance as at 31st March, 2012</b>	100,971	3,680,825	141,135	148,183	152,420	1,177,111	5,400,645
Acquisition through business combinations	–	138,595	–	–	–	–	138,595
Additions	–	–	128,046	–	–	–	128,046
Disposals/write off	(3,181)	–	–	–	–	–	(3,181)
Effect of movements in exchange rates	–	–	(2,296)	–	–	–	(2,296)
<b>Balance as at 31st March, 2013</b>	97,790	3,819,420	266,886	148,183	152,420	1,177,111	5,661,810

	Right to generate hydro power Rs. '000	Goodwill Rs. '000	ERP system Rs. '000	Brand name Rs. '000	Customer list Rs. '000	Operating Lease Rs. '000	Total Rs. '000
<b>Amortisation</b>							
Balance as at 01st April, 2011	8,982	136,095	36,807	–	–	19,555	201,439
Transferred From Property, plant & equipment	–	–	301	–	–	–	301
Disposals/write off	–	–	(1,808)	–	–	–	(1,808)
Amortisation for the year	4,165	–	11,824	–	–	19,555	35,544
Effect of movements in exchange rates	–	–	790	–	–	–	790
<b>Balance as at 31st March, 2012</b>	<b>13,147</b>	<b>136,095</b>	<b>47,913</b>	<b>–</b>	<b>–</b>	<b>39,110</b>	<b>236,265</b>
Amortisation for the year	5,578	–	53,406	–	30,484	20,571	110,039
Effect of movements in exchange rates	–	–	(433)	–	–	–	(433)
<b>Balance as at 31st March, 2013</b>	<b>18,725</b>	<b>136,095</b>	<b>100,887</b>	<b>–</b>	<b>30,484</b>	<b>59,681</b>	<b>345,872</b>
<b>Net book value</b>							
Balance as at 01st April, 2011	91,989	2,119,682	23,309	–	–	1,134,191	3,369,171
Balance as at 31st March, 2012	87,824	3,544,730	93,222	148,183	152,420	1,138,001	5,164,380
Balance as at 31st March, 2013	79,065	3,683,325	165,999	148,183	121,936	1,117,430	5,315,938
Capital work in progress	–	–	42,610	–	–	–	42,610
<b>Carrying amount</b>							
Balance as at 01st April, 2011							3,369,171
Balance as at 31st March, 2012							5,164,380
Balance as at 31st March, 2013							5,358,548

(i) The aggregate carrying amount of goodwill allocated to each unit is as follows:

	Rs. mn
Dipped Products PLC	97
Dipped Products Group Companies	33
Advantis Group Companies	98
Haycarb Group Companies	202
Hunas Falls Hotels PLC	8
Hotel Services (Ceylon) PLC	633
Hayleys Plantation Services (Pvt) Ltd.	134
Haylex BV	10
Alumex Ltd.	1,052
Amaya Leisure PLC	1,415



- (ii) There has been no permanent impairment of intangible assets that requires a provision. Methods used in estimating recoverable amounts are given below:

The recoverable value of the Dipped Products PLC and Hunas Falls Hotels PLC, were based on fair value less cost to sell and others were based on value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and key assumptions used are given below:

Business growth	Based on historical growth rate and business plan
Inflation	Based on the current inflation rate and the percentage of the total cost subjected to inflation
Discount rate	Average market borrowing rate adjusted for risk premium
Margin	Based on current margin and business plan

- (iii) Remaining amortisation period of Rights to Generate Hydropower.

Remaining amortisation period	Carrying amount Rs. '000
96 months	2,512
117 months	1,718
156 months	39,056
Total	43,286

- (iv) The Group has recognised an intangible asset in respect of operating leases acquired from the acquisition of Hotel Services (Ceylon) PLC and Amaya Leisure PLC since the terms of the operating lease are favourable relative to market terms.

Intangible asset from the Leasehold right is the revalued value of the land over the present value of future lease rentals to be paid.

Hotel Services (Ceylon) PLC - 56 years

Amaya Leisure PLC - 22 years

- (v) The Group has recognised the brand name as an intangible asset for the Amaya chain of hotels from the acquisition of Amaya Leisure PLC. 'Amaya' brand is a well established name in the leisure sector. Management is of the opinion that the brand name will be a key attraction in the booming leisure sector.
- (vi) The Group has recognised an intangible asset in respect of customer relationship on the acquisition of Amaya Leisure PLC. The established customer list of Amaya Hotels is acknowledged as a key component in generation of revenue through travel agents and tour operators. The management is of the opinion that the company is capable of retaining the travel agents through business relationship strategies and this would ensure retention and lead to repeat business over the future years and inflow of future economic benefits from them.

## 18. Investments

### A. Company Investment in Subsidiaries

	% Holding			No. of Shares				
	2013	2012	As at 1st April, 2011	2013	Movement	2012	Movement	As at 1st April, 2011
<b>Investee</b>								
<b>Quoted investments</b>								
Haycarb PLC (Rs. 3,542 mn)	68	68	68	20,125,103	–	20,125,103	–	20,125,103
Hayleys Fibre PLC (Rs. 151 mn)	65	65	65	5,200,000	–	5,200,000	–	5,200,000
Dipped Products PLC (Rs. 2,764 mn)	42	41	41	24,902,073	125,993	24,776,080	–	24,776,080
Hayleys MGT Knitting Mills PLC (Rs. 1,221 mn)	79	55	57	119,683,817	91,545,365	28,138,452	–	28,138,452
Amaya Leisure PLC (Rs. 1,482 mn)	40	40	–	19,366,234	–	19,366,234	19,366,234	–
Hotel Services (Ceylon) PLC (Rs. 895 mn)	38	38	38	66,762,690	–	66,762,690	–	66,762,690
				256,039,917		164,368,559	19,366,234	145,002,325
<b>Unquoted investments</b>								
Hayleys Photoprint Ltd.	100	100	100	6	–	6	–	6
Haylex BV	100	100	100	1,000	–	1,000	–	1,000
Chas P. Hayley & Co. Ltd.	100	100	100	999,920	–	999,920	–	999,920
Ravi Industries Ltd.	86	86	86	10,773,750	–	10,773,750	6,224	10,767,526
Hayleys Group Services Ltd.	100	100	100	10,000	–	10,000	–	10,000
Hayleys Electronics Ltd.	98	98	98	951,855	–	951,855	–	951,855
Dean Foster (Pvt) Ltd.	49	49	49	5,882,351	–	5,882,351	–	5,882,351
Hayleys Advantis Ltd.	93	93	92	33,643,657	67,760	33,575,897	73,340	33,502,557
Volanka Exports Ltd.	4	4	3	118,050	11,418	106,632	15,519	91,113
Sunfrost (Pvt) Ltd.	5	5	5	423,300	–	423,300	–	423,300
Rileys (Pvt) Ltd.	6	6	11	2,500,000	–	2,500,000	–	2,500,000
XL Industries Ltd.	–	99	99	–	(2,662,601)	2,662,601	–	2,662,601
Volanka (Pvt) Ltd.	62	62	46	6,440	–	6,440	–	6,440
Toyo Cushion Lanka (Pvt.) Ltd.	18	17	17	1,215,126	32,580	1,182,546	13,998	1,168,548
Hayleys Produce Marketing Ltd.	100	100	100	250,000	–	250,000	–	250,000
Carbotels (Pvt) Ltd.	75	75	75	27,578,769	–	27,578,769	–	27,578,769
HJS Condiments Ltd.	9	8	8	1,131,571	138,552	993,019	3,851	989,168
Hayleys Plantation Services (Pvt) Ltd.	–	–	33	–	–	–	(6,700,002)	6,700,002
Hayleys Agro Holdings Ltd.	97	96	96	18,848,202	52,041	18,796,161	20,442	18,775,719
Hayleys Consumer Products Ltd.	99	98	98	19,349,014	106,445	19,242,569	55,014	19,187,555
Hayleys Industrial Solutions (Pvt) Ltd.	100	100	100	38,748,400	–	38,748,400	–	38,748,400
Hayleys Business Solutions International (Pvt) Ltd.	100	100	100	15,000,000	–	15,000,000	–	15,000,000
Hayleys Leisure Holdings (Pvt) Ltd.	100	100	100	2,000,000	–	2,000,000	–	2,000,000
Nirmalapura Wind Power (Pvt) Ltd.	30	30	–	29,900,000	–	29,900,000	29,900,000	–
Quality Seeds Co. Ltd.	74	49	–	1,878,000	55,000	1,823,000	1,235,000	–
Alumex Ltd.	60	60	60	1,200,010	–	1,200,010	–	1,200,010
				212,421,411		214,620,216	24,623,386	189,408,830
<b>Company investment in subsidiaries (at cost)</b>				468,461,328		378,988,775	43,989,620	334,411,155
<b>Provision for fall in value of investment made by the Company</b>								
Hayleys Electronics Ltd.								
XL Industries Ltd.								
<b>Company investment in subsidiary</b>								

(i) Countries of incorporation of overseas subsidiaries are given in Note 34.

Value Rs. '000

2013	Movement	2012	Movement	As at 1st April, 2011
47,204	–	47,204	–	47,204
3,575	–	3,575	–	3,575
377,775	14,162	363,612	–	363,612
1,393,061	823,908	569,153	–	569,153
2,084,086	–	2,084,086	2,084,086	–
1,408,629	–	1,408,629	–	1,408,629
5,314,330	838,071	4,476,259	2,084,086	2,392,173
–	–	–	–	–
25,733	–	25,733	–	25,733
698	–	698	–	698
15,255	–	15,255	178	15,077
100	–	100	–	100
95,687	–	95,687	–	95,687
9,904	–	9,904	–	9,904
331,436	3,613	327,823	3,948	323,875
1,982	66	1,916	247	1,669
4,233	–	4,233	–	4,233
10,333	–	10,333	–	10,333
–	(53,818)	53,818	–	53,818
23,107	–	23,107	–	23,107
13,080	1,152	11,928	351	11,577
2,532	–	2,532	–	2,532
308,004	–	308,004	–	308,004
13,844	3,363	10,481	63	10,418
–	–	–	(67,000)	67,000
246,306	2,554	243,752	938	242,814
250,028	860	249,168	443	248,725
387,484	–	387,484	–	387,484
150,000	–	150,000	50,000	100,000
20,000	–	20,000	–	20,000
154,204	–	154,204	154,204	–
3,707	1,747	1,960	1,960	–
1,386,905	–	1,386,905	–	1,386,905
3,490,062	(40,463)	3,495,025	145,332	3,349,693
8,804,392	797,608	7,971,284	2,229,418	5,741,866
(95,687)	–	(95,687)	–	(95,687)
–	35,500	(35,500)	–	(35,500)
8,673,205	833,108	7,840,097	2,229,418	5,610,679

## B. Company/Group Investment in Equity Accounted Investees

Investor	Investee	% Holding		
		2013	2012	As at 1st April, 2011
<b>Unquoted investments</b>				
Hayleys PLC				
	Quality Seed Co. Ltd.	–	23	23
	Transfer to subsidiaries	–	–	–
	Hayleys Plantation Services Ltd.	–	–	–
	Transfer to subsidiaries	–	–	–
	World Call Telecommunications	26	26	26
	Lanka (Pvt) Ltd.	–	–	–
Company Investment in equity accounted investees (at cost)				
Provision for impairment of investments				
Worldcall Telecommunications Lanka (Pvt) Ltd.				
Carrying value of company investment in equity accounted investees				
<b>Unquoted Investments</b>				
Haycarb PLC				
	Quality Seed Co. Ltd.	–	–	6
	Transfer to subsidiaries	–	–	–
Carbotels Ltd.				
	Jetwing Hotels Ltd.	–	–	40
	Tropical Villas (Pvt) Ltd.	–	–	40
	Eastern Hotels Ltd.	–	–	47
	Transfer to subsidiaries	–	–	–
	Negombo Hotels Ltd.	30	30	30
Haychem Ltd.				
	Quality Seed Co. Ltd.	–	–	20
	Transfer to subsidiaries	–	–	–
Hayleys Photoprint Ltd.				
	Worldcall Telecommunications Lanka (Pvt) Ltd.	3	3	3
	Lanka (Pvt) Ltd.	–	–	–
Hayleys Advantis Group				
	Logiwiz Fiji (Pvt) Ltd.	–	49	49
	NYK Logistics & Kusuvara Lanka (Pvt) Ltd.	30	30	30
	Mountain Hawk Investment Company Ltd.	–	50	50
	Transfer to subsidiaries	–	–	–
Kelani Valley Plantations PLC				
	Mabroc Teas (Pvt) Ltd.	–	–	–
	Transfer to subsidiaries	–	–	–
Volanka Exports Ltd.				
	PT Tulus Lanka Coir Industries	45	45	45
Hayleys Industrial Solutions Ltd.				
	TTEL Hydro Power Company (Pvt) Ltd.	–	–	–
	Transfer to subsidiaries	–	–	–
	TTEL Somerset Hydro Power (Pvt) Ltd.	–	–	–
	Transfer to subsidiaries	–	–	–
Provision for fall in value of investments				
PT Tulus Lanka Coir Industries				
World Call Telecommunication Lanka (Pvt) Ltd.				
Group investments in Equity accounted investees (at cost)				



	Consolidated							
	Investment at cost			Share of post acquisition profit/(loss) & MI Adj.		Net assets		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
As at 31st March								
Quality Seed Co. Ltd.	–	–	7,450	–	–	–	–	29,566
Carbotels equity accounted investees	127,794	127,794	216,933	3,985	(327,822)	247,873	243,888	571,710
World Call Telecommunications Lanka (Pvt) Ltd.	30,000	30,000	30,000	–	–	–	–	–
NYK Logistics & Kusuvara Lanka (Pvt) Ltd.	1,950	1,950	1,950	251	(2,126)	20,930	20,679	22,805
Logiwiz Fiji (Pvt) Ltd	–	6,532	6,532	(11,691)	–	–	11,691	11,691
Mountain Hawk Investment Company Ltd	–	7,500	7,500	(29,374)	21,874	–	29,374	7,500
PT Tulus Lanka Coir Industries	17,776	17,776	17,776	–	–	10,091	10,091	10,091
	177,520	191,552	288,141	(36,829)	(308,074)	278,894	315,723	653,363
Transferred to other long term investments	–	–	–	–	–	(10,091)	(10,091)	(10,091)
<b>Group Investments in equity accounted investee</b>	<b>177,520</b>	<b>191,552</b>	<b>288,141</b>	<b>(36,829)</b>	<b>(308,074)</b>	<b>268,803</b>	<b>305,632</b>	<b>643,272</b>

(i) Summarised financial information of equity accounted investees

Following information has not adjusted for group share:

	2013 Rs. '000	2012 Rs. '000	As at 1st April, 2011 Rs. '000
Assets and liabilities			
Total assets	2,226,993	2,244,559	1,915,167
Total liabilities	1,587,785	(1,386,689)	(596,273)

	2013 Rs. '000	2012 Rs. '000
Revenue and profit		
Total revenue	709,696	672,107
Total profit after tax	(4,615)	28,863

(ii) The Company has neither contingent liabilities nor capital commitments in respect of it's equity accounted investees.

(iii) The Group has not recognised following shares of its losses in respect of its equity investments, since the Group has no further obligation in respect of those losses beyond its investments.



As at 31st March,	Cumulative			For the year		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
World Call Telecommunications Lanka (Pvt) Ltd.	(31,290)	(30,639)	(28,120)	(651)	(2,519)	(4,741)
	(31,290)	(30,639)	(28,120)	(651)	(2,519)	(4,741)

(iv) Countries of incorporation of overseas equity accounted investees are given in Note 34.

## C. Inter-Company Shareholdings

Investor	Investee	% Holding			No. of Shares		
		2013	2012	1st April 2011	2013	2012	1st April 2011
Agro Technica Ltd.	Sunfrost (Pvt) Ltd.	1	1	1	75,000	75,000	75,000
Chas P. Hayley & Co. Ltd.	Toyo Cushion Lanka (Pvt) Ltd.	2	2	2	169,267	169,267	169,267
	Hayleys Electronics Ltd.	2	2	2	14,975	14,975	14,975
	Lignocell (Pvt) Ltd.	100	100	100	12,000,000	12,000,000	12,000,000
Dean Foster (Pvt) Ltd.	Volanka (Pvt) Ltd.	38	38	28	3,920	3,920	3,920
	Hayleys Advantis Group	1	1	1	488,369	488,369	488,369
	Chas P. Hayley & Co. (Pvt) Ltd.	–	–	–	80	80	80
	Amaya Leisure PLC	21	21	–	10,252,300	10,252,300	–
Dipped Products PLC	Palma Ltd.	100	100	100	4,000,000	4,000,000	4,000,000
	Grossart (Pvt) Ltd.	100	100	100	4,200,000	4,200,000	4,200,000
	Venigros (Pvt) Ltd.	100	100	100	8,000,000	8,000,000	8,000,000
	Feltex (Pvt) Ltd.	100	100	100	1,500,000	1,500,000	1,500,000
	DPL Plantations (Pvt) Ltd.	100	100	100	55,000,000	55,000,000	35,000,000
	Neoprex (Pvt) Ltd.	100	100	100	4,000,000	4,000,000	4,000,000
	Dipped Products (Thailand) Ltd. (100 Bhat)	99	99	99	4,516,248	3,700,290	3,700,290
	Texnil (Pvt) Ltd.	100	100	100	7,500,000	7,500,000	7,500,000
	ICOGUANTI SpA (Italy) (€1 – each)	61	55	55	1,100,000	1,100,000	1,100,000
DPL Plantations Ltd.	Hanwella Rubber Products Ltd.	73	73	70	18,152,000	18,152,000	6,090,000
	Kelani Valley Plantations PLC	71	71	71	24,200,000	24,200,000	24,200,000
	Hayleys Plantation Services (Pvt) Ltd.	66	66	33	13,400,000	13,400,000	6,700,000
Haycarb PLC	Dipped Products PLC	7	7	7	4,068,746	4,068,746	4,068,746
	Eurocarb Products Ltd. (UK) (£1 – each)	100	100	100	100,000	100,000	100,000

Investor	Investee	% Holding			No. of Shares		
		2013	2012	1st April 2011	2013	2012	1st April 2011
	Haycarb Value Added Products (Pvt) Ltd.	100	–	–	25,000,000	–	–
	Haycarb Holdings Australia (Pty.) Ltd. (Aus \$ 1 - each)	100	100	100	150,000	150,000	150,000
	Carbotels (Pvt) Ltd.	25	25	25	9,290,341	9,290,341	9,290,341
	Carbocarn Co. Ltd. (100 Baht, 72% paid-up)	50	50	50	250,000	250,000	250,000
	Puritas (Pvt) Ltd.	100	100	100	700,000	700,000	700,000
	Recogen (Pvt) Ltd.	100	100	100	37,000,000	37,000,000	37,000,000
	Kinetics (Pvt) Ltd.	100	100	100	4,088,367	4,088,367	4,088,367
	Haymark Inc. (Texas, USA)	100	100	100	stocks	stocks	stocks
	Haycarb Holdings Bitung Ltd. (\$ 1 – each)	100	100	100	1,400,000	1,400,000	1,400,000
	PT Mapalus Makawana Charcoal Industry (IDR 1,000,000)	2	2	2	707	707	707
	Ultracarb (Pvt) Ltd.	100	100	–	25,000,000	20,000,000	20,000,000
	Quality Seeds Co. Ltd.	6	6	6	147,000	147,000	147,000
Carbocarn Co. Ltd.	CK Regen Systems Co. Ltd.	100	100	100	150,000	150,000	150,000
	Shizuka Co. Ltd.	100	–	–	200,000	–	–
Puritas (Pvt) Ltd.	Lakdiyatha (Pvt) Ltd.	49	49	–	2,450,000	2,450,000	–
Haycarb Holdings Bitung Ltd.	PT Mapalus Makawanua Charcoal Industry (IDR 1,000,000)	98	83	83	36,935	30,830	30,830
Haychem (Pvt) Ltd.	Haychem Bangladesh Ltd. (100 Taka)	–	100	100	–	10,000	10,000
	Hayleys MGT Knitting PLC	–	2	2	–	848,774	848,774
	Quality Seeds Co. Ltd.	–	20	20	–	500,000	500,000
Haylex B.V.	HJS Condiments Ltd.	–	2	2	–	309,374	309,374
Hayleys Agriculture Holdings Ltd.	Agro Technica Ltd.	93	93	93	2,329,894	2,329,900	2,329,900
	Haychem (Pvt) Ltd.	100	100	100	4,400,000	4,400,000	4,400,000
	Hayleys Agro Fertilizers (Pvt) Ltd.	100	100	51	5,000,000	5,000,000	5,000,000
	Hayleys Agro Farms (Pvt) Ltd.	100	100	100	1,500,000	1,500,000	1,500,000
	Hayleys Agro Bio-Tech (Pvt) Ltd.	100	100	100	7,500,000	7,500,000	7,500,000
	HJS Condiments Ltd.	59	54	–	7,399,343	7,089,969	–
	Sunfrost (Pvt) Ltd.	93	93	–	7,445,000	7,445,000	–
	Haychem Bangladesh Ltd.	100	–	–	90,702	–	–
	Hayleys Mgt Knitting Mills PLC	2	–	–	2,546,322	–	–
	Quality Seeds Co. Ltd.	20	–	–	500,000	–	–
	X I L Industries Ltd. (Usha)	–	0	–	–	5,898	5,898
Hayleys Fibre PLC	Sunfrost (Pvt) Ltd.	–	–	6	–	–	500,000
	Toyo Cushion Lanka (Pvt) Ltd.	34	34	15	1,015,602	1,015,602	1,015,602
	Bonterra Lanka Ltd.	50	50	50	803,394	803,394	803,400
	Rileys (Pvt) Ltd.	19	21	34	7,750,000	7,750,000	7,750,000
	HJS Condiments Ltd.	–	–	12	–	–	1,561,607

Investor	Investee	% Holding			No. of Shares		
		2013	2012	1st April 2011	2013	2012	1st April 2011
Hayleys Industrial Solutions (Pvt) Ltd.	Haycolour (Pvt) Ltd.	100	100	100	60,000	60,000	60,000
	Bhagya Hydro (Power) (Pvt) Ltd.	–	100	100	–	3,500,000	3,500,000
	Hayleys Hydro Energy (Pvt) Ltd.	–	51	51	–	6,120,000	6,120,000
	Hayleys Lifesciences Ltd.	100	100	100	3,000,002	3,000,002	3,000,002
	Power Engineering Solutions (Pvt) Ltd.	100	100	100	320,002	320,002	320,002
	Nirmalapura Wind Power (Pvt) Ltd.	21	21	21	21,100,000	21,100,000	21,100,000
	TTEL Hydro Power (Pvt) Ltd.	–	49	49	–	3,366,300	3,366,300
	TTEL Summerset Hydro Power (Pvt) Ltd.	–	49	49	–	2,940,000	2,940,000
	Hayleys Power Ltd.	100	–	–	16,417,241	–	–
Hayleys Hydro Energy (Pvt) Ltd.	Neluwa Cascade Hydro (Pvt) Ltd.	100	100	100	11,910,001	11,910,002	11,910,002
Hayleys Plantation Services (Pvt) Ltd.	Talawakelle Tea Estates PLC	75	75	75	17,750,000	17,750,000	17,750,000
Talawakelle Tea Estates PLC	TTEL Hydro Power (Pvt) Ltd.	51	51	51	3,519,000	3,519,000	3,519,000
	TTEL Summerset Hydro Power (Pvt) Ltd.	51	51	51	3,060,000	3,060,000	3,060,000
Hayleys Advantis Group	Sunfrost (Pvt) Ltd.	1	1	1	50,000	50,000	50,000
	Hayleys MGT Knitting Mills PLC	2	2	2	3,693,690	1,231,230	1,231,230
Ravi Industries Ltd.	Rileys (Pvt) Ltd.	31	31	54	12,250,000	12,250,000	12,250,000
	Dipped Products PLC	1	1	1	567,000	567,000	567,000
	Ravi Marketing Services Ltd.	100	100	100	10,000	10,000	10,000
Rileys (Pvt) Ltd.	Haymat (Pvt) Ltd.	54	54	54	216,000	216,000	216,000
	Creative Polymats (Pvt) Ltd.	100	100	100	5,000,000	5,000,000	5,000,000
Toyo Cushion Lanka (Pvt) Ltd.	Dean Foster (Pvt) Ltd.	2	2	2	235,294	235,294	235,294
	Super Felt (Pvt) Ltd.	100	100	100	4,680,000	4,680,000	4,680,000
	Amaya Leisure PLC	2	2	–	816,400	816,400	–
Volanka (Pvt) Ltd.	Dipped Products PLC	8	8	8	4,873,640	4,873,640	4,873,640
	Sunfrost (Pvt) Ltd.	–	–	87	–	–	6,945,000
	Toyo Cushion Lanka (Pvt) Ltd.	22	22	22	1,455,832	1,455,832	1,455,832
	HJS Condiments Ltd.	–	–	42	–	–	5,528,362
	Dean Foster (Pvt) Ltd.	49	49	49	5,882,353	5,882,353	5,882,353
	Volanka Exports Ltd.	100	100	100	2,900,000	2,900,000	2,900,000
	Volanka Insurance Services (Pvt) Ltd.	100	100	100	59,000	59,000	59,000
	Rileys Ltd.	44	44	–	17,500,000	17,500,000	–
Carbotels (Pvt) Ltd.	Hunas Falls Hotels PLC	50	50	50	2,824,820	2,824,820	2,824,280
	Eastern Hotel (Pvt) Ltd.	96	93	47	894,304	373,485	186,744
	Hotel Services (Ceylon) PLC	13	13	13	23,000,000	23,000,000	23,000,000
Volanka Exports Ltd.	O E Techniques Ltd. (Oleo Essences & Perfumes)	100	100	100	10,000	10,000	10,000
	Amaya Leisure PLC	1	1	–	642,900	642,900	–

Investor	Investee	% Holding			No. of Shares		
		2013	2012	1st April 2011	2013	2012	1st April 2011
Kelani Valley Plantations PLC	Kalupahana Power Project Co. (Pvt) Ltd.	60	60	60	1,800,000	1,800,000	1,800,000
	Kelani Valley Green Tea (Pvt) Ltd.	100	100	100	2,000,000	2,000,000	1,020,000
	Kelani Valley Instant Tea (Pvt) Ltd.	95	95	75	2,850,000	2,850,000	2,250,000
	Mabroc Teas (Pvt) Ltd.	100	100	100	9,000,000	9,000,000	9,000,000
Hayleys Group Services (Pvt) Ltd.	Hayleys MGT Knitting PLC	1	1	1	508,933	508,933	232,701
Hayleys Leisure Holdings (Pvt) Ltd	Air Global (Pvt) Ltd.	100	100	100	1,000,000	1,000,000	1,000,000
	Millenium Transportation (Pvt) Ltd.	100	100	100	100,000	100,000	100,000
	North South Lines (Pvt) Ltd.	100	100	100	135,000	135,000	135,000
	Hayleys Travels and Tours (Pvt) Ltd.	100	100	100	1,780,000	1,780,000	1,780,000
Alumex Ltd.	Alutec Extrusions (Pvt) Ltd.	100	100	26	10,000,000	10,000,000	2,505,000
	Avro Enterprises (Pvt) Ltd.	100	100	–	25,002	25,002	2
	Alco Industries (Pvt) Ltd.	100	100	–	3,000,000	3,000,000	3,000,000
Hayleys Consumer Products Ltd.	Hayleys Consumer Marketing (Pvt) Ltd.	–	100	100	–	3,500,000	3,500,000
	Hayleys Electronics (Lighting) (Pvt) Ltd.	100	100	100	600,000	600,000	600,000
Amaya Leisure PLC	Kandyan Resorts (Pvt) Ltd.	100	100	–	29,784,000	29,784,000	–
	Culture Club Resorts (Pvt) Ltd.	100	100	–	27,779,004	27,779,004	–
	The Beach Resorts Ltd.	85	85	–	6,176,790	6,176,790	–
	Hunas Falls Hotels PLC	16	–	–	899,000	–	–
Hayleys Power Ltd.	Bhagya Hydro (Pvt.) Ltd	100	–	–	3,500,000	–	–
	Hayleys Hydro Energy (Pvt.) Ltd.	51	–	–	6,120,001	–	–
	TTEL Hydro Power (Pvt) Ltd.	49	–	–	3,366,300	–	–
	Kiridiweldola Hydro Power (Pvt) Ltd.	100	–	–	121,862	–	–
	TTEL Summerset Hydro Power (Pvt) Ltd.	49	–	–	2,940,000	–	–
	Anningkanda Hydro Power (Pvt) Ltd.	100	–	–	119,080	–	–

## 19. Other Financial Assets and Financial Liabilities

### A. Other Non-Current Financial Assets

	Available-for-sale instruments		Loans and receivables	Total
	Unquoted equity shares Rs. '000	Quoted equity shares Rs. '000	Receivables from finance lease Rs. '000	Rs. '000
<b>Consolidated</b>				
Balance as at 01st April, 2011	213,172	21,439	–	234,611
Additions	108	–	–	108
Acquisition through business combinations	24,000	75,476	–	99,476
Transfer from property, plant & equipment	–	–	85,498	85,498
Change in fair value	(11,683)	(22,359)	–	(34,042)
<b>Balance as at 31st March, 2012</b>	<b>225,597</b>	<b>74,556</b>	<b>85,498</b>	<b>385,651</b>
Transfer to investments in subsidiary	(354)	–	–	(354)
Change in fair value	(13,905)	(7,981)	3,559	(18,327)
<b>Balance as at 31st March, 2013</b>	<b>211,338</b>	<b>66,575</b>	<b>89,057</b>	<b>366,970</b>

	Available-for-sale instruments unquoted shares Rs. '000
<b>Company</b>	
Balance as at 01st April, 2011	204,114
Change in fair value	(12,470)
Balance as at 31st March, 2012	191,644
Change in fair value	(12,470)
<b>Balance as at 31st March, 2013</b>	<b>179,174</b>

## Investment Details

		As at			
		1st April, 2011	2012	2013	
	Investee	No. of Shares	Rs. '000	Rs. '000	Rs. '000
Unquoted equity shares					
Hayleys PLC	Prudentia Investment Corporation Ltd.	4,215,000	42,150	42,150	42,150
	Impairment in Prudentia Investment Corporation Ltd.		(42,150)	(42,150)	(42,150)
	AES Kelanitissa (Pvt) Ltd.	24,940,613	162,114	149,644	137,174
	Sri Lanka Institute of Nanotechnology (Pvt) Ltd.	4,200,000	42,000	42,000	42,000
		33,355,613	204,114	191,644	179,174
Hayleys Industrial Solutions	350,000 shares in Hydro Trust Lanka (Pvt) Ltd.	350,000	3,500	3,500	3,500
		350,000	3,500	3,500	3,500
Dipped Product PLC	Wellassa Rubber Company Ltd.	255,000	2,550	2,550	2,550
	Impairment in Wellassa Rubber Company Ltd.		–	–	(2,550)
		255,000	2,550	2,550	–
Haycarb Group	Barrik Gold Corporation - Aus. 27.20 each	3,456	94	94	94
		3,456	94	94	94
Hayleys Advantis Group	SLAFFA Cargo Services Ltd.	38,571	2,665	3,453	4,570
		38,571	2,665	3,453	4,570
Chas P Hayleys	Investment in Charles Fibre	–	123	177	–
		–	123	177	–
Lignocell	Investment in Charles Fibre		123	177	–
		–	123	177	–
Amaya Leisure PLC	Lake Lodge Resort (Pvt) Ltd.	–	–	24,000	24,000
		–	–	24,000	24,000
Total		–	213,172	225,597	211,338
Quoted equity shares					
Dipped Products PLC	Royal Ceramic Lanka PLC	1,100	30	25	22
		1,100	30	25	22
Hayleys Advantis Group	Ceybank Unit Trust	200,000	8,302	5,638	5,074
	Pyramid Unit Trust	200,000	8,066	5,518	5,848
	Comtrust Equity Fund	200,000	5,042	3,392	3,732
		600,000	21,410	14,548	14,654
Amaya Leisure PLC	Royal Ceramic Lanka PLC	521,600	–	59,984	51,899
		521,600	–	59,984	51,899
Total		–	21,439	74,556	66,575
Loans and Receivables					
Haycarb Group		–	–	85,498	89,057
		–	–	85,498	89,057

## B. Other Current Financial Assets

	Available-for-sale instruments			Financial instruments at fair value through profit or loss		Total
	Unquoted equity shares Rs. '000	Quoted equity shares Rs. '000	Quoted debt securities Rs. '000	Foreign exchange forward contract Rs. '000	Quoted equity shares Rs. '000	Rs. '000
<b>Consolidated</b>						
Balance as at 01st April, 2011	5,799	34	3,060	29,726	22,429	61,048
Additions	–	8,780	–	–	40,535	49,315
Acquisition through business combination	–	–	–	–	18,974	18,974
Disposals	(500)	(34)	(60)	(26,722)	(11,240)	(38,556)
Change in fair value	–	(1,815)	–	110,601	(23,864)	84,922
Balance as at 31st March, 2012	5,299	6,965	3,000	113,605	46,834	175,703
Disposals	–	(4,064)	(3,000)	(2,166)	(8,866)	(18,096)
Change in fair value	–	342	–	(110,476)	2,265	(107,869)
<b>Balance as at 31st March, 2013</b>	<b>5,299</b>	<b>3,243</b>	<b>–</b>	<b>963</b>	<b>40,233</b>	<b>49,738</b>

Financial instruments at fair value through profit or loss  
Quoted equity shares  
Rs. '000

<b>Company</b>	
Balance as at 01st April, 2011	20,709
Additions	33,856
Disposals	(7,562)
Change in fair value	(14,763)
Balance as at 31st March, 2012	32,240
Disposals	(8,866)
Change in fair value	(596)
<b>Balance as at 31st March, 2013</b>	<b>22,778</b>



## Investment Details

Investor	Investee	No. of Shares	As at 1st April, 2011 Rs. '000	2012 Rs. '000	2013 Rs. '000
<b>Unquoted equity shares - AFS</b>					
Mabroc Teas (Pvt) Ltd.	Cambron Exports (Pvt) Ltd		500	–	–
	Mabroc International (Pvt) Ltd.		732	732	732
	Mabroc Japan Co.		4,567	4,567	4,567
	<b>Total</b>		<b>5,799</b>	<b>5,299</b>	<b>5,299</b>
<b>Quoted equity shares - FVTPL</b>					
Hayleys PLC	Aitken Spence Hotel Holdings PLC	112	11	8	8
	ACL Cables PLC	260	11,962	7,966	17
	Asiri Hospitals PLC	49	11	–	17
	Blue Diamond Jewellery Worldwide PLC	–	–	–	–
	Central Industries PLC	7,957	865	630	497
	Ceylinco Insurance Co. PLC	–	55	–	–
	Aviva NDB Insurance PLC	–	15	10	–
	Ceylon Cold Stores PLC	252	63	23	34
	DFCC Bank PLC	338	58	38	44
	Kelani Tyres PLC	17,200	905	456	593
	Lanka ORIX Leasing Co. PLC	1,520	182	82	87
	Lanka Tiles PLC	–	2	–	–
	National Development Bank PLC	20,681	3,528	2,543	3,412
	Seylan Bank PLC	–	7	–	–
	Three Acre Farms PLC	1,840	3,044	938	78
	Overseas Realty PLC	70,000	–	945	980
	Pan Asia Power PLC	1,600,000	–	4,160	4,320
	Access Engineering Ltd.	400,000	–	10,680	7,880
	Hatton National Bank PLC - Non-Voting	15,000	–	1,417	1,977
	Hatton National Bank	5,000	–	765	837
	Environmental Resources Investment PLC	5,000	–	85	78
	Hunters & Company PLC	1,500	–	525	463
	Seylan Bank PLC	350	–	–	108
	Textured Jersey Lanka PLC	136,100	–	968	1,347
		<b>2,283,159</b>	<b>20,709</b>	<b>32,239</b>	<b>22,778</b>
Hayleys Advantis Group	Textured Jersey Lanka PLC	160,000	–	1,152	1,584
	Union Bank PLC	100,000	–	1,750	1,660
	Hatton National Bank PLC	–	–	4,064	–
		<b>260,000</b>	<b>–</b>	<b>6,966</b>	<b>3,244</b>

Investor	Investee	No. of Shares	As at 1st April, 2011 Rs. '000	2012 Rs. '000	2013 Rs. '000
Dean Foster (Pvt) Ltd.	ACL Cables PLC	4,120	387	258	270
	Asiri Hospitals PLC	270	2	2	3
	Bairaha Farms PLC	900	361	117	135
	Blue Diamonds Jewellery Worldwide PLC	13	–	–	–
	Central Industries PLC	900	86	63	56
	Ceylinco Sec & Fin Services PLC	1,300	14	13	12
	Aviva NDB Insurance PLC	30	9	6	11
	Lanka ORIX Leasing Co. PLC	3,280	392	177	187
	Three Acre Farms PLC	2,000	336	104	85
	Kelani Tyres PLC	2,000	105	53	69
	Vanik Incorporation PLC - voting	7,500	6	6	6
	- non-voting	5,000	4	4	4
	- UR 007	–	16	–	–
	Seylan Bank PLC	43	–	3	3
	Browns Investments PLC	186,200	–	614	614
	Textured Jersey Lanka PLC	136,100	–	980	1,347
		349,656	1,720	2,400	2,801
Amaya Leisure PLC	The Fortress Resorts PLC	90,075	–	1,549	1,351
	LB Finance PLC	20	–	3	3
	Free Lanka Capital Holdings PLC	5,320,000	–	10,640	13,300
		5,410,095	–	12,192	14,654
	Total		22,429	46,834	40,233
Quoted debt securities - AFS					
Mabroc Teas (Pvt) Ltd.	Vanik Incorporation PLC - Debenture		60	–	–
	Seylan Bank PLC - Debentures		3,000	3,000	–
	Total		3,060	3,000	–
Foreign exchange forward contracts - FVTPL					
	Dipped Products Group		19,097	3,004	838
	Haycub Group		10,629	–	125
	Nirmalapura Wind Power (Pvt) Ltd.		–	110,601	–
	Total		29,726	113,605	963
Quoted equity shares - AFS					
Mabroc Teas (Pvt) Ltd.	Sampath Bank PLC		34	–	–
Advanties Group	Textured Jursey Lanka PLC	160,000	–	1,152	1,584
	Union Bank PLC	100,000	–	1,750	1,660
	Hatton National Bank PLC		–	4,064	–
	Total		34	6,966	3,244

## C. Other Financial Liabilities

	2013 Rs. '000	2012 Rs. '000	Balance as at 1st April 2011 Rs. '000
<b>Consolidated</b>			
Financial instruments at fair value through profit or loss			
Foreign exchange forward contracts	–	81,617	2,042
	–	81,617	2,042
Total other current financial liabilities	–	81,617	2,042
Total other non-current financial liabilities	–	–	–

## 20. Other Non-Current Assets

	Consolidated		
	2013 Rs. '000	2012 Rs. '000	1st April 2011 Rs. '000
Cost	371,607	337,447	298,270
Provision for impairment	(180,960)	(148,717)	(131,250)
	190,647	188,730	167,020

## 21. Inventories

	Consolidated			Company		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Raw materials & consumables	4,203,077	3,691,944	3,189,473	1,282	920	1,396
Produce stocks	1,851,907	2,840,832	845,719	–	–	–
Nurseries	26,071	–	–	–	–	–
Work-in-progress	762,502	884,446	705,573	–	–	–
Finished goods	3,701,818	3,064,395	3,678,802	–	–	–
Goods-in-transit	189,582	221,502	262,030	–	–	–
	10,734,957	10,703,118	8,681,597	1,282	920	1,396
Provision for unrealised profit and write-down of inventories	(369,376)	(305,507)	(209,566)	–	–	–
	10,365,582	10,397,611	8,472,031	1,282	920	1,396

- (i) Carrying amount of inventories pledged as security for Bank facilities obtained amounted to Rs. 1,745 mn (2012 - Rs. 1,517 mn).  
(ii) Inventory carried at net realisable value as at 31st March, 2013 - Rs. 189 mn (2012- Rs. 45 mn).

## 22. Trade and Other Receivables/Other Current Assets

### 22.1 Trade and other Receivables

As at 31st March,	Consolidated			Company		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Trade receivables	10,276,760	7,978,120	7,271,845	–	–	–
Bills receivable	2,043,961	2,880,153	2,409,518	–	–	–
Payments in advance, deposits	3,576,058	3,803,202	2,788,691	57,759	79,376	44,545
Impairment for trade and other receivables	(655,002)	(837,797)	(818,972)	(32,182)	(32,182)	(30,736)
	15,241,777	13,823,678	11,651,082	25,577	47,194	13,809
Duty rebate receivable	7,668	5,651	–	–	–	–
Advances made under employee share ownership schemes	657	135	3,701	–	–	–
Employee Loans	37,765	36,204	–	–	–	–
	15,287,867	13,865,668	11,654,783	25,577	47,194	13,809

### A. Movement in the Provision for Impairment

	Consolidated Rs. '000	Company Rs. '000
Balance as at 1st April, 2011	(818,972)	(30,736)
Charge for the year	(18,824)	(1,446)
Balance as at 31st March, 2012	(837,797)	(32,182)
Reversal for the year	182,795	–
Balance as at 31st March, 2013	(655,002)	(32,182)

### B. The Aging Analysis of Trade Receivables is as follows:

	Total Rs. '000	Neither past due nor Impaired Rs. '000	0-60 days Rs. '000	61-120 days Rs. '000	121-180 days Rs. '000	181-365 days Rs. '000	> 365 days Rs. '000
Balance as at 31st March, 2013	15,287,867	7,321,253	6,884,997	686,571	129,981	16,461	248,605

## C. Currency-wise Analysis of Trade and Other Receivables

	Consolidated			Company		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Rupees	7,972,264	7,902,262	9,265,309	25,577	47,194	13,809
Australian Dollars	220,329	101,316	175,953			
Pounds Sterling	147,083	164,086	205,654			
United States Dollars	3,903,565	2,878,157	1,600,687			
Euro	2,035,904	2,327,166	179,423			
Thai Baht	346,283	217,751	131,834			
Indian Rupees	148,263	34,657	–			
Other	514,176	240,273	95,923			
	15,287,867	13,865,668	11,654,783	25,577	47,194	13,809

## 22.2 Other Current Assets

Prepayments	907,905	484,818	450,917	14,670	5,245	4,749
Pre paid staff benefit	71,002	66,181	31,488			
VAT receivables	253,224	73,668	39,615			
	1,232,130	624,667	522,020	14,670	5,245	4,749

## 23. Stated Capital

		Company		
		2013	2012	1st April, 2011
		Rs. '000	Rs. '000	Rs. '000
Issued & fully-paid - ordinary shares of Rs. 10/- each				
At the beginning of the year	- 75,000,000 (1st April, 2011 - 75,000,000)	1,575,000	1,575,000	1,575,000
At the end of the year	- 75,000,000 (31st March, 2012 - 75,000,000)	1,575,000	1,575,000	1,575,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## B. Employee Share Trust Loan

The Hayleys PLC. Employees' Share Trust was set up by a special resolution adopted by the shareholders at an Extraordinary General Meeting of the Company. The Trust was allotted 2,400,000 ordinary shares of Rs. 10/- each on 9th February, 1998 at the market price of Rs. 210/- per share, payment for the shares being made by the Trustees from the proceeds of an interest-free loan of Rs. 504 mn, granted by the Company. This loan is repayable by the Trustees utilising part of the net income of the Trust.

The market value of the shares held by the Trust as at 31st March, 2013 was Rs. 2,048 mn (31st March, 2012 - Rs. 2,468 mn).

## C. Treasury Shares

Treasury shares represent the ordinary shares of Hayleys PLC that were held by group companies. These shares were disposed during 2011/12 for a consideration of Rs. 2,596 mn and the details of the shareholdings as at 01st April, 2011 were as follows:

Company	No. of shares held	Value Rs.
Dipped Products PLC	3,536,159	156,101
Dean Foster (Pvt) Ltd.	2,922,413	214,000
Toyo Cushion Lanka (Pvt) Ltd.	232,737	11,370
Volanka Exports (Pvt) Ltd.	183,275	17,431
	6,874,584	398,902

## 24. Other Capital Reserves and Retained Earnings

### A. Other Capital Reserves

	Capital profit on redemption of debentures Rs. '000	Fixed asset replacement reserve Rs. '000	Capital reserve on sale of property, plant & equipment Rs. '000	Capital redemption reserve fund Rs. '000	Debenture redemption reserve fund Rs. '000	Reserve on amalgamation Rs. '000	Total Rs. '000
<b>Consolidated</b>							
Balance as at 1st April, 2011	109	11,750	66,734	39,886	1,047	296,824	416,350
Changes in ownership interests in subsidiaries	–	–	22,662	17,323	–	3,616	43,601
Transfers						–	–
Balance as at 31st March, 2012	109	11,750	89,396	57,209	1,047	300,440	459,951
Changes in ownership interests in subsidiaries	–	–	8	54	–	147,843	147,905
Transfers				2,440			2,440
Balance as at 31st March, 2013	109	11,750	89,404	59,703	1,047	448,283	610,296

	Capital profit on redemption of debentures Rs. '000	Fixed asset replacement reserve Rs. '000	Capital reserve on sale of property, plant & equipment Rs. '000	Debenture redemption reserve fund Rs. '000	Total Rs. '000
<b>Company</b>					
Balance as at 31st March, 2011	109	11,750	320	1,047	13,226
Balance as at 31st March, 2012	109	11,750	320	1,047	13,226
Balance as at 31st March, 2013	109	11,750	320	1,047	13,226

## B. Retained Earnings

	Consolidated			Company		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Holding company	1,805,332	1,759,448	1,015,717	1,805,332	1,759,448	1,015,717
Subsidiaries	6,859,401	5,732,308	3,540,764	–	–	–
Equity accounted investees	70,347	86,313	122,639	–	–	–
	8,735,080	7,578,069	4,679,120	1,805,332	1,759,448	1,015,717

## 25. Interest-Bearing Borrowings

### A. Total Non-Current Interest-Bearing Borrowings

	Consolidated			Company		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Finance lease obligations	637,603	649,431	631,822	–	–	–
Debentures	40,000	40,000	40,000	–	–	–
Long-term loans	4,993,551	4,522,905	3,869,334	910,000	1,386,667	1,680,000
Total Non-current interest-bearing borrowings	5,671,153	5,212,336	4,541,156	910,000	1,386,667	1,680,000

### B. Current Portion of Interest-Bearing Borrowings

	Consolidated			Company		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Finance lease obligations	24,794	34,043	27,026	–	–	–
Debentures	–	–	–	–	–	–
Long-term loans	1,559,747	1,972,278	1,721,655	476,667	506,667	720,000
Total current interest-bearing borrowings	1,584,541	2,006,321	1,748,681	476,667	506,667	720,000

The amount of undrawn borrowing facilities that may available for future operations and capital commitments, given in page 30 to the Financial Statements.



## C. Finance Lease Obligations

	Consolidated		
	Gross lease liability	Finance charges unamortised	Net lease obligations
	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April, 2011	2,809,000	(2,150,151)	658,848
New leases obtained	32,728	–	–
Reassessment of lease liability	(40,769)	–	–
Acquisitions through business combinations	31,819	–	–
Repayments	(81,680)	–	–
Balance as at 31st March, 2012	2,751,097	(2,067,623)	683,474
New leases obtained	16,558	–	–
Reassessment of lease liability	(33,453)	–	–
Repayments	(84,488)	–	–
Balance as at 31st March, 2013	2,649,714	(1,987,181)	662,533

## D. Currency-wise Analysis of Finance Lease Obligations

As at 31st March,	Consolidated		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Rupees	646,745	671,322	642,395
Taka	–	12,152	16,453
Thai Baht	15,788	–	–
	662,533	683,474	658,848

## E. Analysis of Finance Lease Obligations by Year of Repayment

	Consolidated		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Finance lease obligations repayable within 1 year from year-end			
Gross liability	106,889	117,379	112,142
Finance charges unamortised	(82,096)	(83,336)	(85,116)
Net lease obligations repayable within 1 year from year-end (i)	24,794	34,043	27,026
Finance lease obligations repayable between 1 and 5 years from year-end			
Gross liability	365,702	375,962	353,467
Finance charges unamortised	(318,809)	(319,702)	(300,670)
Net lease obligations (i)	46,894	56,260	52,796
Finance lease obligations repayable after 5 years from year-end			
Gross liability	2,184,489	2,263,341	2,340,129
Finance charges unamortised	(1,593,780)	(1,670,170)	(1,761,103)
Net lease obligations (i)	590,709	593,171	579,026
Net lease liability repayable later than 1 year from year-end	637,603	649,431	631,822

Liability to make lease payment as above was previously titled as 'Net Liability to lessor'. The change was in terms of the Statement of Recommended Practice (SoRP) issued by The Institute of Chartered Accountants of Sri Lanka on 19th December, 2012. Group has reassessed the above liability as of 1st January, 2011 as per the provisions of SoRP and the impact to the Financial Statements is given in Note 5.

### Kelani Valley Plantations PLC

According to the reassessment, the base rental payable per year has increased from Rs. 19.60 mn to Rs. 56.84 mn to be in line with the present rental and the implicit interest rate applicable for the lease liability has increased from 4% to 13% recognising the historical change in average GDP deflator.

### Talawakelle Tea Estates PLC

According to the reassessment, the base rental payable per year has increased from Rs. 7.22 mn to Rs. 22.73 to be in line with the present rental and the implicit interest rate applicable for the lease liability has increased from 4% to 13% recognising the historical change in average GDP deflator.

## F. Debentures

	Consolidated		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
At beginning of the year	40,000	40,000	40,000
Repayments during the year	—	—	(95,000)
At end of the year	40,000	40,000	40,000
Repayable after one year	40,000	40,000	40,000

4,000,000 (par value Rs. 10/-) unquoted debentures, were issued to LVL Energy Fund (Pvt) Ltd. at 15%, by Neluwa Cascade Hydro Energy (Pvt) Ltd. to finance its Hydropower Project capital requirements. These debentures are redeemable/convertible to preference shares.

## G. Currency-wise Analysis of Debentures

	Consolidated		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Rupees	40,000	40,000	40,000
	40,000	40,000	40,000

## H. Analysis of Debentures by Year of Repayment

	Consolidated		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Long-term loans repayable between 2 and 5 years from year-end	40,000	40,000	40,000
	40,000	40,000	40,000

## I. Long-Term Borrowings

	CONSOLIDATED			COMPANY		
	Total long-term borrowings  Rs. '000	Repayable within one year Rs. '000	Repayable after one year Rs. '000	Total long-term borrowings  Rs. '000	Repayable within one year Rs. '000	Repayable after one year Rs. '000
Balance as at 1st April, 2011	5,590,989	1,721,655	3,869,334	2,400,000	720,000	1,680,000
Acquisitions through business combinations	27,446	—	—	—	—	—
Effect of movements in exchange rates	151,960	—	—	—	—	—
Transfer to short-term borrowings	91,477	—	—	—	—	—
New loans obtained	2,557,233	—	—	—	—	—
Repayments	(1,923,922)	—	—	(506,667)	—	—
Balance as at 31st March, 2012	6,495,183	1,972,278	4,522,905	1,893,333	506,667	1,386,667
Acquisitions through business combinations	96,668	—	—	—	—	—
Effect of movements in exchange rates	(24,021)	—	—	—	—	—
New loans obtained (i)	2,074,754	—	—	—	—	—
Repayments	(2,089,286)	—	—	(506,666)	—	—
Balance as at 31st March 2013	6,553,298	1,559,747	4,993,551	1,386,667	476,667	910,000

(i) Hotel Services PLC, Haycarb Group, Hayleys Advantis Group, Amaya Leisure PLC have obtained loans during the year amounting to Rs. 800 mn, Rs. 480 mn, Rs. 250 mn, Rs. 75 mn, respectively.

## J. Currency-wise Analysis of Long-Term Borrowings

As at 31st March,	Consolidated			Company		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Rupees	4,362,585	4,070,155	4,183,276	1,386,667	1,893,333	2,400,000
Australian Dollars	6,079	—	—	—	—	—
Sterling Pounds	50,756	—	—	—	—	—
United States Dollars	1,816,273	2,041,812	613,831	—	—	—
Euro	157,460	154,082	161,974	—	—	—
Taka	10,335	11,850	—	—	—	—
Thai Baht	149,810	217,285	631,908	—	—	—
Other	—	—	—	—	—	—
	6,553,298	6,495,183	5,590,989	1,386,667	1,893,333	2,400,000

## K. Analysis of Long-Term Borrowings by Year of Repayment

As at 31st March,	Consolidated			Company		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Long-term loans repayable between 1 and 2 years from year-end	1,679,838	1,041,123	1,731,742	466,667	476,667	753,000
Long-term loans repayable between 2 and 5 years from year-end	2,915,599	2,400,402	1,705,430	443,333	910,000	927,000
Long-term loans repayable later than 5 years from year-end	398,125	1,081,380	432,162	—	—	—
	4,993,561	4,522,905	3,869,334	910,000	1,386,667	1,680,000

## L. Long-Term Borrowings Repayable after One Year

Company	Lender/rate of interest (p.a.)	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	Repayment	Security
Hayleys PLC	HNB (AWPLR - 1%)	710,000	1,100,000	1,330,000	To be paid bi-annually	None
	DFCC (AWPLR +0.5%)	200,000	286,667	350,000	Quarterly instalments	None
H J S Condiments Ltd.	NDB (8.79%)	—	—	3,300	60 monthly instalments starting from March, 2008 till February, 2013	Mortgage over land and building
	BOC (6.5%)	—	1,686	4,067	60 monthly instalments starting from February, 2009 till January, 2014	Mortgage over plant and machinery
Venigross Pvt) Ltd.	NDB (6.5%)	—	—	4,624	Monthly Instalments ending August, 2012	Mortgage over land and building
Kalupahana Power Co. (Pvt) Ltd.	NDB (AWDR + 4%)	—	—	22,000	Quarterly instalments ending March, 2013	Mortgage over heater at Weliveriya Primary Mortgage over sub, leasehold rights of Kalupahana Power Co (Pvt) Ltd. and machinery equipment of the Company

Company	Lender/rate of interest (p.a.)	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	Repayment	Security
ICO Guanti SpA	Alessandria Financing 1.95% (Euro 1,000,000)	133,022	125,722	134,823	Repayment over 2 years as per agreed schedule	None
	BNL (6.5%) - Euro 100,000)	–	–	9,236	Monthly instalments ending July, 2011	None
Dipped Products (Thailand) Ltd.	Thai Military Bank Public Company Ltd. MLR - 0.75% (Baht 150,000,000)	–	9,567	124,592	Monthly instalments ending June 2012	Mortgage over land, building and machinery
	HSBC - Thailand Minimum of 4.25% 1 month LIBOR+ 2% (USD 4 mn)	265,250	409,491	305,452	Monthly instalments ending July 2015	Mortgage over land, building and machinery and corporate guarantee by Parent Company.
Mabroc Teas (Pvt) Ltd.	Union Bank 5%	5,724	–	–	954 x 18 instalment ending 31.08.2013	Primary mortgage over blending machine.
Kelani Valley Plantations PLC	NDB (11.51%)	–	3,008	7,518	Monthly instalments ending August, 2013	Primary mortgage of Rs. 255 mn over the leasehold rights of Panawatta and Pedro Estates have been pledged and a letter of undertaking from DPL Plantations (Pvt) Ltd. was given to subordinate management fee and dividends in a default situation of term loan.
	NDB (11.51%)	1,853	6,300	10,748	Monthly instalments ending May, 2014	
	NDB (6.5%)	–	1,500	6,000	Monthly instalments ending May, 2013	
	DFCC Bank (9.42%)	34,533	45,733	56,933	Monthly instalments ending March, 2017	Primary mortgage over the leasehold rights of Halgolla, We- Oya, Polatagama and Enderapola Estates and a letter of undertaking from DPL Plantations (Pvt.) Ltd. was given to subordinate management fee and dividends in a default situation of the term loan.
	DFCC Bank (6.5%)	4,164	8,706	13,249	Monthly instalments ending November, 2014	
	DFCC Bank (11.64%)	40,000	51,428	62,857	Monthly instalments ending June, 2017	
	DFCC Bank (6.5%)	7,633	12,722	17,809	Monthly instalments ending June, 2015	Primary mortgage of Rs: 348 mn over the leasehold right of Halgolla, We-Oya, Polatagama and Enderapola Estates and letter of undertakings from DPL Plantation (Pvt) Ltd. was given to subordinate management fee and dividends in a default situation of term loan.
	DFCC Bank (6.5%)	3,334	5,001	6,669	Monthly instalments ending December, 2015	
	DFCC Bank (6.5%)	347	2,427	4,507	Monthly instalments ending February, 2014	
	Seylan Bank (12%)	–	–	18,126		
Toyo Cushion Lanka (Pvt) Ltd.	HNB	3,335	11,603	22,312	Monthly, ending 19.12.2014	Stocks and debtors
Haycarb Holding (Australia) Pty Ltd.	Capital Finance (Fixed - 9.75%) (LIBOR + 4%)	3,857	5,317	–	35 equal instalments + one final payment commencing 2006/07	Mortgage over vehicles
Recogen Ltd.	DFCC (6.5%)	–	2,500	12,500	Monthly instalments over five years commencing 07.01.2008	Corporate guarantee by Haycarb

Company	Lender/rate of interest (p.a.)	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	Repayment	Security
Haycarb PLC	Commercial Bank (LIBOR + 3.75%)	69,904	90,531	–	Monthly instalments over 5 years commencing June, 2011	None
	HSBC (LIBOR + 3.5%)	76,134	92,052	–	Monthly instalments over 5 years commencing June, 2011	None
	Commercial Bank (LIBOR + 5.25%)	88,094	–	–	47 equal monthly instalments commencing November, 2013	None
	Standard Chartered Bank (LIBOR + 4%)	126,890	–	–	60 equal monthly instalments commencing September, 2012	Mortgage over the share certificate of Haycarb Value Added Products (Pvt) Ltd. amounting to Rs. 250 mn
Shizuka Co. Ltd.	Bangkok Bank (LIBOR + 4% p.a.)	57,025	–	–	60 monthly instalments commencing October, 2010	Mortgage over company land and guaranteed by related person.
Lakdiyatha (Pvt) Ltd.	Hatton National Bank (LIBOR + 4.75%)	47,876	55,913	–	Monthly instalments over seven years commencing 01.01.2013	Development agreement entered between Sri Lanka Tourism Development Authority and Lakdiyatha (Pvt) Ltd.
CK Regen Systems Co. Ltd.	Kasikorn Ban, Thailand MLR - 0.05%	31,500	62,894	–	Monthly instalments over five years commencing 10.01.2011	Mortgage over Land & Building.
PT Mapalus Makawanua Charcoal Industry	Bank Panin Manado - Fixed - 8%	41,882	57,128	–	Monthly instalments over five years commencing September, 2011	Mortgage over Land & Building.
Haycarb Holding Bitung Ltd.	Commercial Bank (LIBOR + 4%)	81,452	–	–	Payable in 59 monthly instalments of UD \$ 13,300 each and a final instalment of US \$ 15,300	Corporate guarantee for US \$ 80,000 from Haycarb PLC.
Logiventures Pvt Ltd.	HSBC - AWPLR+2%)	202,000	–	–	Payable in 83 monthly instalments of Rs. 3 mn and 1 instalment of Rs.1 mn	Land
Logiventures (Pvt) Ltd.	HSBC (LIBOR + 4%)	–	–	9,205	Repayment over 3 years as per agreed schedule	Corporate Guarantee
Hayleys Agriculture Holdings Ltd.	Hatton Nation Bank PLC PLR plus 2%	144,200	–	–	Monthly Instalment Rs. 8.1 mn	None
TTEL Hydro Power (Pvt) Ltd.	Sampath Bank PLC 3 months average AWDR + 4% p.a.	87,386	102,532	115,766	12 monthly instalments commence from January, 2010 repayable within 8 years	Primary mortgage bond over leasehold rights for Rs. 132.3 mn project assets.

Company	Lender/rate of interest (p.a.)	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	Repayment	Security
Neluwa Cascade Hydro Power (Pvt) Ltd.	NTB - (3m TB + 1.3%)	10,000	40,000	80,000	24 quarterly instalment commencing December, 2008	Primary mortgage bond over project land and assets for Rs. 180 mn supported by a corporate guarantee from Hayleys Industrial Solutions (Pvt) Ltd. for Rs. 180 mn.
Hayleys Industrial Solutions Ltd.	NDB Bank (AWPLR + 1.99%)	56,250	93,750	131,250	48 monthly instalments commencing from 31st October, 2011	Rs. 150 mn corporate guarantee from Hayleys PLC.
Bhagya Hydro Power (Pvt) Ltd.	Sampath Bank (AWDR + 5%)	7,275	17,235	22,215	95 monthly instalments commencing September, 2007 of Rs. 410,000/- and a final instalment of Rs. 550,000/-	Loan agreement for Rs. 39.5 mn. primary concurrent mortgage for Rs. 78 mn over free hold properties of the project.
	Seylan Bank (AWDR + 5%)	7,620	7,911	12,642	95 monthly instalments from September, 2007 of Rs. 430,000/- and a final instalment of Rs. 422,000/-.	Rs. 39.5 mn to be secured by a primary concurrent mortgage over freehold land and project assets.
Hayleys MGT Knitting Mills PLC	Commercial Bank - 6.5%	472	3,545	–	71 monthly instalments of US\$ 2,545 (Rs. 280,000/-)	Corporate guarantee.
	Commercial Bank - 6.5%	11,506	14,925	–	96 monthly instalments of US\$ 2,886 (Rs. 312,500/-)	Mortgage over machinery.
	Commercial Bank 1 month (LIBOR + 5%)	–	20,582	75,759	48 monthly instalments of US\$ 25,000 each.	Primary mortgage over machinery.
	Bank of Ceylon 3 months (LIBOR + 5%)	–	28,868	59,462	42 monthly Instalments of US\$ 31,250 each.	Primary mortgage over machinery.
	HSBC - 1 Month (LIBOR + 4.75%)			65,421	48 monthly instalments US \$ 31250 each	None
TTEL Sommerset Hydro Power Company (Pvt) Ltd.	HNB (AWDR + 4%)	32,592	51,146	66,314	12 monthly instalments commence from December, 2008 repayable within 7 years	Registered primary mortgage bond for Rs. 112 over lease rights of the property. Corporate Guarantee of TTEL and HISL for Rs. 112 mn in the proportionate of 51% and 49% respectively.
Lignocell Pvt Ltd.	HNB	–	5,000	–	24 monthly instalments	None



Company	Lender/rate of interest (p.a.)	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	Repayment	Security
Talawakelle Tea Estates PLC	NDB Bank 9.42%	58,498	70,203	–	96 monthly instalment ending 31.12.2018	Primary Mortgage over leasehold rights of Somerset, Great Western, Holyrood, Logie and Dessford estates.
	NDB Bank 13.25%	115,270	144,705	340,562	60 monthly instalments ending 30.11.2017	
	NDB Bank 13.07%	91,671	96,497	–	60 monthly instalments ending 30.06.2023	
	NDB Bank 13.07%	13,500	15,000	–	60 monthly instalments ending 30.09.2023	
	Sampath Bank (10.24%)	64,129	77,173	140,217	92 monthly instalments ending 30.11.2018	Primary mortgage bond for Rs. 100 mn over leasehold right of Mattakelle Estate
	Sampath Bank (10.24%)	50,000	50,000	–	48 Monthly instalments ending 30.09.2018	Primary mortgage bond for Rs. 30 mn over leasehold rights of Clarendon Estate. Secondary mortgage over leasehold right to the value of Rs. 20 mn of Deniyaya estate.
	Commercial Bank	–	–	4,115	Monthly instalments commencing September, 2011	Primary floating mortgage for Rs. 109 mn over leasehold rights of Radella, Palmerstone and Handford Estates.
	Hatton National Bank (AWDR + 4%)	14,000	–	–	96 monthly instalments ending 30.01.2018	
Ravi Industries Ltd.	HNB 3M (Euro+3.75)	1,672	4,106	5,976	Quarterly instalments from December, 2010	None
	HNB LKR 13%	6,175	18,399	–	Equal monthly instalments from September, 2012	Primary mortgage over specific machinery.
	USD	17,291	–	–	Equal monthly instalments from September, 2012	
	PABC 3M (Euro + 3.75)	7,508	10,327	–	Equal monthly instalments from October, 2011	Primary mortgage over specific machinery.
	PABC (Libor + 4.25)	7,394	10,118	–	Equal monthly instalments from March, 2012	Primary mortgage over specific machinery.
Volanka Ltd.	DFCC 4%	64,286	78,574	95,000	One year mercy period loan repayment starting from January, 2012	Primary mortgagee over an allotment of land with buildings
Rileys Ltd.	NDB Bank 16%	–	–	2,680	33 monthly instalments from August, 2009	None
Alumex Ltd.	Commercial Bank 6.5%+AWPLR	4,108	11,260	18,413	2007 April to 2014 October	Mortgage over land.
Alutec Extrusions (Pvt) Ltd.	Commercial Bank 6.5% + AWPLR	18,018	39,593	56,776	November, 2010 to October, 2014	Mortgage over land & building .
Alumex (Pvt) Ltd.	LOLC 6.5% + AWPLR	13,542	19,792	32,292	June, 2010 to June, 2016	Mortgage over machinery.
Alutec Extrusions (Pvt) Ltd.	Commercial Bank/ (AWPLR +1.5%)	17,695	–	–	36 monthly instalments - end May, 2016	None

Company	Lender/rate of interest (p.a.)	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	Repayment	Security
Alumex (Pvt) Ltd.	Commercial Bank 1%+AWPLR	–	928	4,108	48 monthly instalments	Mortgage over vehicle.
Hotel Services PLC	Bank of Ceylon (AWPLR + 0%)	1,200,000	400,000	–	7-year including 1 & 1/2 year grace period	Mortgage on leasehold right of the land.
Haychem Bangladesh	CBCL/15% p.a.	7,155	9,057	–	60 monthly equal instalments	Registered mortgage over land and building.
Haycolour Ltd.	HNB (14.12%)	–	480	–	Rs. 280,000 monthly instalments	None
	DFCC (9.75%)	–	–	3,839	Monthly instalments over 5 years	None
Amaya Hills	NDB/AWPLR + 2%	9,844	17,172	–	48 monthly instalments commencing from March, 2011	Amaya Hills Property.
Amaya Lake	NDB/AWPLR + 2%	14,316	21,760	–	48 monthly instalments commencing from January, 2011	Amaya Hills Property.
Nirmalapura Wind Power	HSBC/LIBO + 3.25%	604,374	594,369		48 monthly instalments	Mortgage over land.
		4,993,551	4,522,905	3,869,334		

## 26. Deferred Income

### A. Grants (i)

	Consolidated Rs. '000
Balance as at 1st April, 2011	792,868
Grants received during the year	37,582
Amortised during the year	(52,780)
Balance as at 31st March, 2012	777,670
Grants received during the year	58,114
Amortised during the year	(52,562)
Balance as at 31st March, 2013	783,222

(i) Grants received for the Group is as follows:

Plantation Sector - Received from the Plantation Reform Project (PRP), Plantation Human Development Trust, Ministry of Community Development, Asian Development Bank, Social Welfare Project, Estate Infrastructures Development Project, Plantation Development Support Project, Ceylon Electricity Board, Tea Board and Rubber Development Division of the Ministry of Plantations Industry.

Haycarb Group - Received from the Ceylon Chamber of Commerce under the promotion of Eco-efficient Productivity Project.

Hunas Falls Hotels PLC - Received from the Ceylon Chamber of Commerce as a grant to finance the project on conversion of the diesel fired boiler to Dendro Thermal Power.

Agriculture Sector - Received from USAID for construction of which was constructed of Gherkin Storage Facilities (Vats) in Padiyathalawa - Eastern Province.

## 27. Deferred Taxation

### A. Deferred Tax Asset

	Consolidated		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Net deferred tax liability	682,995	647,378	630,797
Deferred tax asset	352,206	239,301	166,777
Deferred tax liability	1,035,201	886,679	797,574

### B. Net Deferred Tax Liability

	Consolidated Rs. '000
Balance as at 1st April, 2011	630,797
Amount reversal during the year	(78,214)
Acquisition through business combinations	68,264
Effect of movements in exchange rates	26,531
Balance as at 31st March, 2012	647,378
Amount originating during the year	37,535
Effect of movements in exchange rates	(1,918)
Balance as at 31st March, 2013	682,995

C. Net deferred tax liabilities are attributable to the following as at the year end:

	Consolidated		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
<b>Deferred tax assets</b>			
Tax effect of defined benefit obligation	(586,740)	(412,539)	(317,386)
Tax effect of tax loss carried forward	(283,214)	(41,312)	(59,856)
Tax effect of provisions	(33,343)	(20,527)	(33,812)
Others	-	(6,282)	(132)
	(903,297)	(480,659)	(411,186)
<b>Deferred tax liabilities</b>			
Tax effect of property, plant & equipment	1,586,292	1,128,037	1,041,983
Net deferred tax liabilities	682,995	647,378	630,797

## 28. Employee Benefit Obligations

	Consolidated			Company		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Present value of unfunded gratuity	4,285,224	3,956,872	3,414,621	372,714	335,194	265,128
Total present value of the obligation	4,285,224	3,956,872	3,414,621	372,714	335,194	265,128

	Consolidated	Company
	2013 Rs. '000	2012 Rs. '000
Balance as at 1st April, 2011	3,335,442	259,857
Amortisation of transitional liability		
Acquisition through business combinations	48,721	–
Effect of movements in exchange rates	906	–
Benefits paid by the plan	(344,783)	(3,218)
Current service costs	257,589	15,190
Interest cost	301,266	17,825
Actuarial losses	227,761	29,651
Balance as at 31st March, 2012	3,921,370	333,279
Amortisation of transitional liability		
Exchange difference	18,879	–
Benefits paid by the plan	(416,613)	(30,970)
Current service costs	324,815	19,802
Interest cost	405,873	38,822
Actuarial losses	30,900	11,781
Balance as at 31st March 2013	4,285,224	372,714

	Consolidated		Company	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
<b>The expense is recognised in the following line items in the Income Statement</b>				
Cost of sales	22,294	20,946	854	805
Administrative expenses	739,295	860,138	69,551	75,835
	761,589	881,084	70,405	76,640

LKAS 19 - 'Employee Benefits' requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods and discount that benefit using the Projected Unit Credit Method in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure:

Rate of discount	11%
Salary increase	10%

Assumptions regarding future mortality are based on a 67/70 mortality table, issued by the Institute of Actuaries, London.

The demographic assumptions underlying the valuation are with respect to retirement age, early withdrawals from service and retirement on medical grounds.

The Group's and Company's employee benefit obligations would have been Rs. 3,597 mn (2012 - Rs. 3,425 mn) and Rs. 217 mn (2012 - 305 mn) respectively, as at the Balance Sheet date had the Group calculated its retirement benefit obligation as per the requirements of the Payments of Gratuity Act No. 12 of 1983, applying the basis of computation given in page 201.

## Sensitivity Analysis - Salary/Discount Rate

Values appearing in the Financial Statements are very sensitive to the changes in financial and non-financial assumptions used.

A sensitivity was carried out as follows:

A one percentage point change in the discount rate

	Consolidated		Company	
	+1%	-1%	+1%	-1%
Effect on the present value of defined benefit obligation	3,890,259	4,482,877	365,615	390,609

## 29. Trade and Other Payables/Provisions

### 29.1 Trade and Other Payables

	Consolidated			Company		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Trade payables	4,081,647	3,255,361	3,168,951	—	—	—
Bills payable	1,716,121	2,245,297	1,284,092	—	—	—
Other payables including accrued expenses	5,086,014	4,084,935	3,465,899	241,076	131,044	75,833
Unclaimed dividends	76,170	80,063	124,001	41,054	38,862	35,147
	10,959,952	9,665,656	8,042,943	282,130	169,906	110,980

**(i) Currency-wise Analysis of Trade and Other Payables**

	Consolidated			Company		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Rupees	6,574,293	6,243,354	6,867,362	282,130	169,906	110,980
Pounds Sterling	25,776	8,690	11,552	—	—	—
United States Dollars	2,859,060	2,435,792	1,136,012	—	—	—
Euro	952,437	760,229	4,643	—	—	—
Thai Baht	408,405	157,983	4,800	—	—	—
Indian Rupees	7,205	12,260	14,553	—	—	—
Other	132,776	47,348	4,021	—	—	—
	10,959,952	9,665,656	8,042,943	282,130	169,906	110,980

**29.2 Provisions**

	Maintenance warranties Rs. '000	Other Rs. '000	Total Rs. '000
As at 1st April, 2011	13,914	17,915	31,829
Arising during the year	10,585	5,362	15,947
Utilised	—	(5,657)	(5,657)
Unused amounts reversed	(5,533)	—	(5,533)
As at 31st March, 2012	18,966	17,620	36,586
Arising during the year	—	7,750	7,750
Utilised	(1,419)	(5,685)	(7,104)
As at 31st March, 2013	17,547	19,685	37,232

### 30. Income Tax

	Consolidated			Company		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000

#### A. Income Tax Recoverable

At the end of the year (See Note B)	228,895	147,762	170,917	3,840	4,644	5,501
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	Consolidated 2013 Rs. '000	Company 2013 Rs. '000
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#### B. Income Tax Payable

Net Movement as at 1st April, 2011	228,135	(5,501)
Subsidiaries'/parents' taxation on current year's profit	842,824	5,216
Irrecoverable economic service charge	19,726	–
Under provision in respect of previous years	3,829	125
Tax on dividend	126,559	–
Acquisition of subsidiary	261	–
Exchange gain	(4,868)	–
Payments made during the year	(1,066,718)	(4,484)
Net movement for the year ended 31st March, 2012	149,748	(4,644)
Subsidiaries'/parents' taxation on current year's profit	1,134,736	17,489
Irrecoverable economic service charge	2,012	–
Over provision in respect of previous years	(582)	–
Tax on dividend	232,169	–
Acquisition of subsidiary	20	–
Exchange loss	44	–
Payments made during the year	(1,175,911)	(5,010)
Net movement for the year ended 31st March, 2013	342,237	7,835

	Consolidated			Company		
	Net movement for the year Rs. '000	Income tax recoverable Rs. '000	Income Tax payable Rs. '000	Net movement for the year Rs. '000	Income tax recoverable Rs. '000	Income Tax payable Rs. '000
Balance as at 01st April, 2011	228,135	170,917	399,052	(5,501)	5,501	–
Balance as at 31st March, 2012	149,748	147,762	297,510	(4,644)	4,644	–
Balance as at 31st March, 2013	342,237	228,895	571,132	7,835	3,840	11,675



## 31. Short-Term Interest-Bearing Borrowings

	Consolidated			Company		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	2012 Rs. '000
Rupees	11,087,832	9,125,659	4,128,312	4,667,302	2,232,831	1,032,426
Australian Dollars	83,622	–	5,151	–	–	–
Sterling Pounds	–	2,043	7,808	–	–	–
United States Dollars	3,582,289	5,256,583	5,015,629	–	–	–
Euro	872,654	75,421	977,859	–	–	–
Thai Baht	551,030	–	228,760	–	–	–
Indonesian Rupiah	44,037	–	–	–	–	–
Bangladesh Taka	86,254	50,581	38,727	–	–	–
	16,307,719	14,510,287	10,402,246	4,667,302	2,232,831	1,032,426

## 32. Contingent Liabilities and Commitments

### A. Contingent Liabilities and Commitments

#### Company

The contingent liability as at 31st March, 2013 on guarantees given by Hayleys PLC., to third parties amounted to Rs. 780.25 mn. (2012 - Rs. 30.25 mn) of this sum Rs. 780 mn (2012 - Rs. 30 mn) relate to facilities obtained by subsidiaries. Details of other guarantees are given in Note 25 to the Financial Statements.

#### Group

Contingent liability as at 31st March, 2013 on bills discounted amounted to USD 1,108,991 in respect of Hayleys MGT Knitting Mills PLC.

The contingent liability as at 31st March, 2013 on guarantees given by Haycarb PLC to third parties amounted to Rs. 545.62 mn (2012 - Rs. 586.23 mn). Of this sum, Rs. 308.17 mn (2012 - Rs. 271.62 mn) relates to facilities obtained by its subsidiaries.

The contingent liabilities as at 31st March, 2013 on guarantees given by Dipped Products PLC to third parties amounted to Rs. 866.78 mn (2012 - 726.30 mn). Total of this sum relates to facilities obtained by its subsidiaries.

### B. Commitments

(i) In terms of the operating lease agreements entered into, minimum future lease payments payable for the Group is as follows:

	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
Repayable within one year	6,961	5,704	3,691
Repayable after one year less than 5 years	24,870	27,545	16,393
Repayable after 5 years	718,209	723,171	727,849
	750,040	756,420	747,933

### 33. Foreign Currency Translation

The principal exchange rates used for translation purposes were:

	Average		As at 31st March,		1st April
	2013	2012	2013	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
United States Dollar	129.83	113.33	126.89	127.85	110.46
Australian Dollar	134.06	119.39	132.28	133.10	114.17
Pounds Sterling	205.07	181.59	192.07	204.33	177.86
Thai Baht	4.22	3.71	4.34	4.16	3.64
Bangladesh Taka	1.61	1.47	1.62	1.56	1.52
Euro	167.17	157.00	162.13	170.66	156.15
Indian Rupee	2.38	2.37	2.33	2.50	2.48

### 34. Functional Currency

The Group's functional currency is Sri Lankan Rupee, except in the following subsidiaries and equity accounted investees where the functional currency is different as they operate in different economic environments.

Company	Functional Currency
Hayleys MGT Knitting Mills PLC	USD
Haychem (Bangladesh) Ltd.	Taka
PT Mapalus Makawanua Charcoal Industry	Rupiah
Haycarb Holdings Bitung Ltd.	USD
Eurocarb Products Ltd.	Sterling Pounds
Haycarb Holdings Australia (Pty) Ltd.	Australian Dollars
Haymark Inc.	USD
Carbokarn Company Ltd.	Thai Baht
Haylex BV Group	Euro, Yen & USD
Dipped Products (Thailand) Ltd.	Thai Baht
CK Regen Systems Co. Ltd.	Thai Baht
ICO Guanti SpA	Euro
PT Tulus Lanka Coir Industries	Rupiah
Civaro Freight India (Pvt) Ltd.	Indian Rupees
Hayleylines Ltd.	USD
Logiwiz Logistics India (Pvt) Ltd.	Indian Rupees
Shizuka Co. Ltd.	Thai Baht
Charles Fibre (Pvt) Ltd.	Indian Rupees

### 35. Events Occurring after the Reporting Date

No other circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the Financial Statements other than following:

- (i) Hotel Services (Ceylon) PLC signed an arrangement with DEG-Deutsche Investitions-und-Entwicklungsgesellschaft mbH, a German financial Institution to borrow USD 10,000,000 and the proceeds are to be received upon the completion of security documents which is under process.
- (ii) Directors have proposed the payment of a final dividend of Rs. 4.50 per share for the year ended 31st March, 2013 which will be declared at the Annual General meeting to be held on 28th June, 2013. In accordance with Sri Lanka Accounting Standard No. 10 - 'Events after Reporting Period', the proposed final dividend has not been recognised as a liability as at the Balance Sheet date.

### 36. Companies with Different Accounting Years

The Financial Statements of Worldcall Telecommunications Lanka (Pvt) Ltd., Hayleys Plantation Services Ltd., Haylex BV Group, Talawakelle Tea Estates PLC, Haychem Bangladesh Ltd., Kelani Valley Plantation Group (excluding Mabroc Group), Carbokarn Co. Ltd. Haycarb Holdings Australia Group, Haymark Inc, PT Mapalus Makawanua Charcoal Industry, Haycarb Holdings Bitung Ltd., ICO Guanti SpA, Dipped Products (Thailand) Ltd., Shizuka Co. Ltd. and CK Regen System Co. Ltd. which have been drawn up to 31st December as per their reporting requirements, have been consolidated..

These Companies have been consolidated based on the Financial Statements drawn up to 31st December in compliance with LKAS 27 on 'Consolidated and Separate Financial Statements'.

## 37. Acquisition of Subsidiaries

A. The acquisition had the following effect on the Groups' assets and liabilities.

	2013 Acquisition of Shizuka Co. Ltd. Rs. '000	2013 Acquisition of Mountain Hawk (Pvt) Ltd. Rs. '000	2013 Total Rs. '000	2012 Total Rs. '000
Property, plant and equipment	441,255	90,554	531,809	2,165,102
Investment property	–	–	–	432,000
Non-current financial assets	–	–	–	21,646
Inventories	26,499	–	26,499	35,228
Trade and other receivables	1,066	489	1,555	247,626
Current financial assets	–	–	–	114,911
Borrowings	(96,668)	–	(96,668)	(52,851)
Retirement benefit obligations	–	–	–	(48,721)
Deferred tax liability	–	–	–	(68,264)
Trade and other payables	(9,623)	(7,747)	(17,370)	(187,984)
Income tax payable	(20)	–	(20)	(261)
<b>Net identifiable assets and liabilities</b>	<b>362,509</b>	<b>83,296</b>	<b>445,805</b>	<b>2,658,432</b>
Share of net assets accounted under equity accounted investees	–	(29,657)	(29,657)	(201,883)
Minority shareholders' interests	–	–	–	(726,238)
Investments	–	–	–	–
Dividend	–	–	–	12,399
Goodwill/(negative goodwill) acquired/ loss on disposal	138,595	(9,907)	128,688	1,667,645
	501,104	43,732	544,836	3,410,355

B.

Satisfied by

Cash consideration	501,104	43,732	544,836	3,410,355
Analysis of cash and cash equivalents on acquisition of subsidiary				
Cash consideration	(84,358)	(44,750)	(129,108)	(3,460,823)
Short term borrowings	(14,482)	1,018	(13,464)	76,962
Cash at bank and in hand acquired	(402,264)	–	(402,264)	(26,494)
	(501,104)	(43,732)	(544,836)	(3,410,355)

C. Carbokarn Company Ltd., which is a 50% owned subsidiary of Haycarb PLC, acquired 100% issued share capital of Shizuka Company Ltd. during the year.

D. During the year Hayleys Advantis Ltd. acquired the controlling interest in Mountain Hawk (Pvt) Ltd.

### 38. Disposal of Equity Accounted Investees

Civaro Fiji (Pvt) Ltd. was disposed during the year, details of which is given in Note 18 to the Financial Statements.

	2013 Disposal of Civaro Fiji (Pvt) Ltd.
Share of net assets disposed	11,691
Loss on disposal	(4,671)
	7,020
Satisfied by;	
Cash Consideration	7,020

### 39. Related Party Transactions

#### (a) Parent and Ultimate Controlling Party

Company does not have an identifiable parent of its own.

#### (b) Transactions with Key Management Personnel

##### (i) Loans to Directors

No loans have been given to the Directors of the Company.

##### (ii) Key Management Personnel Compensation

Key management personnel comprises the Directors of the Company and details of compensation are given in Note 10 to the Financial Statements, and the post retirement benefits obligations changed for the year amounting to Rs. 31 mn.

##### (iii) Other Transactions with Key Management Personnel

- The names of Directors of Hayleys PLC., who are also directors of subsidiary and equity accounted investees companies are stated on page 304 and 305.
- Details of Directors shareholdings are given in Annual Report of the Directors on the Affairs of the Company on page 303. There were no other transactions with key management personnel other than those disclosed in Note 39 to these Statements.
- The undermentioned Directors of Hayleys PLC Ltd., have leased the following residential premises to the undernoted companies in the Group:

Lessor	Premises	Lessee	Monthly Rental Rs.
A.M. Pandithage	No. 119, Kynsey Road, Colombo 08	Hayleys PLC	5,000
S.C. Ganegoda	No. 28, Campbell Place, Dehiwala	Haylays PLC	2,500
J.A.G. Anadarajah	No. 66 B/7, Sri Maha Vihara Road, Dehiwala	Hayleys PLC	2,826

#### (c) Transactions with Subsidiaries, Equity Accounted Investees and Other Related Companies

Relationships with subsidiaries and equity accounted investees are explained in Note 18 Business segment classification is also given under group companies on pages 22 to 117.

- (i) Companies within the Group engage in trading transactions under normal commercial terms and conditions.
- (ii) Hayleys PLC. provides office space to its group companies and charges rent. In addition, the Company incurs common expenses such as on export shipping, secretarial, legal data processing, personnel and administration functions. Such costs are allocated to group companies. During the year, payments were made to group companies for the purchase of goods and services. Details are given below:

Business segment	2013 Rs. '000 Subsidiaries			2012 Rs. '000 Subsidiaries		
	Rent	Common expenses	Purchase of goods and services	Rent	Common expenses	Purchase of goods and services
Fibre	4,887	76,546	1,548	6,500	71,417	779
Hand protection	17,986	76,466	12,658	16,318	70,271	2,796
Purification products	22,284	75,198	135	19,001	63,672	612
Textiles	1,052	70,145	296	3,129	42,121	174
Construction materials	16,844	68,791	36	13,912	57,299	26
Agriculture	71	17,551	0	63	12,562	0
Plantations	15,765	53,713	434	12,827	31,789	311
Industry inputs	10,368	35,150	3,411	16,477	42,836	3,544
Power & energy	1,365	2,603	0	19	1,533	0
Transportation & logistics	84,879	84,560	13,305	44,732	44,571	5,931
Consumer products	17,512	48,919	755	16,312	27,355	323
Leisure & aviation	3,580	66,254	10,280	11,571	21,621	8,603
Investments & services	12,722	16,586	12,143	555	1,745	9,743
	209,316	692,482	55,001	161,415	488,794	32,842

Details of inter-company balances are given below:

Company	2013 Rs. '000		2012 Rs. '000		As at 01st April 2011 Rs. '000		As at 01st April 2011 Rs. '000 Equity Accounted Investees
	Subsidiaries		Subsidiaries		Subsidiaries		
Business segment	Receivable	Payable	Receivable	Payable	Receivable	Payable	Receivable
Fibre	74,052	–	66,301	(50,000)	32,783	–	–
Hand protection	8,442	–	25,311	(425,000)	33,987	–	–
Purification products	11,143	–	3,131	–	11,699	–	–
Textiles	258,748	–	99,376	–	8,812	–	–
Construction materials	1,778	–	3,861	–	9,668	–	–
Agriculture	37,424	10	26,785	–	2,665	–	751
Plantations	7,934	(486,748)	7,656	(104,964)	4,941	–	–
Industry inputs	45,470	(618)	6,583	–	41,563	–	–
Power & energy	86,477	(0)	21,472	–	2,203	–	27
Transportation & logistics	23,794	(6,024)	6,513	(25,415)	14,830	–	–
Consumer products	25,872	(626)	15,538	(19,191)	236,939	(18,638)	–
Leisure & aviation	860,597	–	12,392	(74,083)	131	(68,193)	6
Investments & services	4,719	(174,603)	219	(128,597)	267	(64,260)	–
	1,446,449	(668,608)	295,886	(827,250)	400,527	(151,091)	784

Group	2013 Rs. '000 Equity Accounted Investees		2012 Rs. '000 Equity Accounted Investees		As at 01st April 2011 Rs. '000 Equity Accounted Investees	
	Receivable	Payable	Receivable	Payable	Receivable	Payable
Transportation & Logistics	1,334	(30,131)	–	(21,155)	3,723	(52,563)
Total	1,334	(30,131)	–	(21,155)	3,723	(52,563)



### Transactions with Other Related Companies

Company	Relationship	Name of Director	Nature of Transaction	Amount
Sampath Bank PLC	Common Directors	Mr. Dammika Perera	Interest	115,118
		Mr. Ranil Pathirana	Bank Facility	1,463,585
			Outstanding	678,479
Diesel & Motor Engineering PLC	Common Directors	Mr. Mohan Pandithage	Purchase of Goods & Services	8,293
Delmege Group	Common Directors	Mr. Dammika Perera	Purchase of Goods & Services	28,860
		Mr. Nimal Perera	Sale of Goods & Services	6,143
Hirdaramani International Export (Pvt) Ltd.	Common Directors	Mr. Ranil Pathirana	Sale of Goods & Services	16,952
LB Finance PLC	Common Directors	Mr. Dammika Perera	Interest	4,331
			Lease Rental Paid	7,334
Pan Asia Bank PLC	Common Directors	Mr. Nimal Perera	Interest	28,564
		Mr. Mangala Goonethileke	Bank Facility	424,144
			Outstanding	129,842
Royal Ceramics PLC	Common Directors	Mr. Dammika Perera	Purchase of Goods & Services	41,281
		Mr. Nimal Perera		
		Mr. Mangala Goonerthileke		
Union Bank PLC	Common Directors	Dr. Harsha Cabraal PC	Lease Rental Paid	580

(iii) Details of guarantees given in respect of related parties are given in Note 18 to the Financial Statements.

(iv) No provision was made in respect of related party receivables.

(v) No security has been obtained for related party receivables and all related party dues are payable on demand.

(vi) Interest on related party dues are decided based on the inter-bank lending rates, associated risk and purpose for which funds are used.

(vii) There are no related parties or related party transactions other than those disclosed in Note 39 to the Financial Statements.

## 40. Discontinued Operations

### Assets and Liabilities of Discontinued Operations

As at 31st March,	Consolidated		
	2013 Rs. '000	2012 Rs. '000	1st April, 2011 Rs. '000
<b>Assets classified as held for sale</b>			
Property, plant & equipment	–	917	10,117
Inventories	–	1,302	1,302
Trade and other receivable	1,906	2,033	3,964
Cash in hand and bank	1,115	610	610
<b>Total assets</b>	<b>3,021</b>	<b>4,862</b>	<b>15,993</b>
<b>Liabilities directly associated with assets classified as held for sale</b>			
Trade and other payables	332	2,174	2,370
Current portion of long-term interest-bearing borrowings	–	–	212
Short-term interest bearing borrowings	–	–	–
<b>Total liabilities</b>	<b>332</b>	<b>2,174</b>	<b>2,582</b>

## 41. Segment Analysis

The segment information is based on two segmental formats. The business segment is considered as the primary format and based on the management structure of the Group. The Management are of the view that the Chairman is considered the chief operating decision maker and resources are allocated and performance assessed based on the sectors. Therefore each sector which falls under the purview of a different GMC member is considered a separate segment. The geographical format is considered as a secondary format and is based on the location of office in which the business is recorded.

	Fibre		Hand Protection		Purification Products		Textile		Construction Materials		Plantations		Agriculture	
For the year ended 31st March,	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<i>In Rs. '000</i>														
<b>Revenue</b>														
Total	5,355,809	5,420,648	14,674,542	13,498,897	10,161,258	8,508,896	5,738,056	5,206,976	2,472,683	2,254,953	9,777,463	8,668,799	7,913,097	8,042,339
Intra Group	(519,103)	(842,893)	–		(292,614)		–		–		(825,529)	(752,128)	(510,794)	(386,493)
External	4,836,706	4,577,755	14,674,542	13,498,897	9,868,644	8,508,896	5,738,056	5,206,976	2,472,683	2,254,953	8,951,934	7,916,671	7,402,303	7,655,846
Segment results	–													
Inter segment adjustments														
Profit before net finance cost	322,144	28,669	1,372,603	883,552	1,305,572	811,230	(260,183)	(734,955)	412,927	178,546	1,138,711	627,645	760,928	1,216,190
Net finance cost	(177,851)	(149,356)	(46,848)	(149,395)	(128,213)	(172,864)	(188,329)	(115,256)	(38,016)	(67,054)	(172,777)	(155,452)	(60,304)	(371,387)
Share of associate company profits														(5,620)
Profit before tax	144,293	(120,687)	1,325,755	734,157	1,177,359	638,366	(448,512)	(850,211)	374,911	111,492	965,934	472,193	700,624	839,183
Depreciation	88,040	85,116	437,004	368,957	188,181	117,488	248,502	235,227	71,166	85,914	184,722	172,379	112,077	91,201
Impairment of assets														
Amortisation of intangible assets														
Total assets (excluding associates)	6,391,888	5,935,322	9,635,225	9,613,768	7,624,438	5,703,250	3,213,903	4,454,809	1,717,987	1,576,560	9,344,267	8,618,365	6,809,749	7,168,120
Investment in associates														
Capital expenditure	141,687	142,356	468,638	567,945	320,379	681,047	53,036	197,990	59,741	107,427	746,923	439,905	132,327	181,029
<b>Non-interest bearing liabilities</b>														
Deferred taxation	13,942	16,625	56,564	52,666	19,632	14,635	190,008	189,039	78,782	79,605	309,464	211,734	15,088	10,284
Retirement benefit obligations	307,118	302,727	1,486,695	1,383,934	153,493	133,385	154,529	163,852	54,981	49,438	890,560	833,032	271,687	223,363
Trade and other payables	374,274	635,373	2,376,697	1,933,627	637,770	465,870	836,055	856,758	377,618	360,094	340,028	286,222	1,979,434	2,189,643
<b>Cash Flow</b>														
Segment cash flows from operating activities	408,717	(19,187)	1,782,120	228,968	1,024,656	(449,779)	74,790	718,284	406,050	132,160	1,259,021	449,370	125,079	(311,945)
Segment cash flows from investing activities	(55,737)	(79,235)	(324,065)	665,990	(798,562)	(756,872)	(64,392)	(169,994)	(48,456)	(84,978)	(682,076)	(959,745)	345,192	(337,657)
Segment cash flows from financing activities	(56,185)	18,094	(858,132)	(424,352)	(49,086)	263,161	717,518	(231,945)	(259,636)	(46,543)	(178,046)	117,214	(22,310)	(629,750)

Consumer Products		Leisure and Aviation		Industry Inputs		Power & Energy		Transportation & Logistics		Investments & Services		Non-Segment Adjustments		Group Total	
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
4,509,140	4,285,215	2,062,892	1,634,686	1,730,833	1,292,709	700,688	329,671	11,343,068	8,644,290	347,680	233,759	-	-	76,787,209	68,021,838
-	-	-	-	-	-	-	-	-	-	(337,317)	(233,612)	-	-	(2,485,357)	(2,215,126)
4,509,140	4,285,215	2,062,892	1,634,686	1,730,833	1,292,709	700,688	329,671	11,343,068	8,644,290	10,363	147	-	-	74,301,852	65,806,714
262,563	279,086	59,766	85,936	234,773	161,535	448,903	125,400	980,819	592,266	888,204	1,037,713	(1,264,698)	(1,177,655)	6,663,032	4,115,158
(113,403)	(70,073)	(80,272)	6,909	(44,911)	(15,828)	(144,554)	(94,592)	75,229	62,069	(517,875)	(265,782)	-	-	(1,638,124)	(1,558,061)
-	-	(5,057)	6,005	-	-	-	-	5,409	3,421	-	-	-	-	352	3,806
149,160	209,013	(25,563)	98,850	189,862	145,707	304,349	30,808	1,061,457	657,756	370,331	771,931	(1,264,698)	(1,177,655)	5,025,260	2,560,903
10,259	8,663	159,137	186,903	6,040	4,722	127,477	80,261	104,113	86,260	34,921	33,301	-	-	1,771,639	1,556,382
2,104,491	1,534,543	6,945,215	4,278,404	1,373,839	1,090,721	2,419,085	2,512,104	5,729,296	4,208,470	15,859,749	13,026,013	(4,479,258)	(3,909,837)	74,689,874	65,566,724
-	-	-	-	-	-	-	-	20,930	61,744	247,873	243,888	-	-	268,803	305,632
15,689	40,590	2,498,950	315,730	3,470	22,228	25,917	1,836,065	474,563	106,209	102,197	30,542	-	-	5,043,518	4,669,061
17	-	307,195	253,041	-	-	9,825	5,142	34,684	28,908	-	25,000	-	-	1,035,201	886,679
40,090	34,307	62,364	53,830	64,134	70,924	1,087	678	390,485	318,949	408,001	352,951	-	-	4,285,224	3,921,370
622,539	700,553	955,888	469,729	319,971	241,748	134,690	51,216	1,704,236	1,198,660	300,752	276,163	-	-	10,959,952	9,665,656
(244,584)	(457,163)	(84,468)	(31,603)	(59,035)	57,336	592,071	551,890	483,046	669,712	(994,230)	1,569,852	(2,541,713)	(635,442)	7,314,946	2,472,453
(14,000)	183,844	(2,064,388)	(463,558)	(13,842)	(12,211)	(222,284)	(1,834,616)	(642,914)	(105,150)	(498,873)	(1,971,939)	400,991	813,258	(4,683,405)	(5,112,863)
(74,950)	-	2,162,790	404,338	(62,976)	(68,620)	(393,149)	1,298,480	88,613	(605,863)	(902,756)	(758,392)	(4,086,491)	(998,509)	(3,974,796)	(1,662,687)

## Secondary Segments (Geographical Segments)

As at 31st March,

	Consolidated	
	2013 Rs. '000	2012 Rs. '000
Sri Lanka	6,977,510	4,683,683
Australia	29,542	49,107
Thailand	240,278	70,459
Bangladesh	61,481	35,409
Japan	22,061	37,885
India	6,063	(19,847)
Indonesia	304,058	34,448
Continental Europe	255,890	288,395
United Kingdom	9,762	91,582
United States of America	21,085	21,692
	7,927,730	5,294,276
Non-segment expense	(1,264,698)	(1,177,655)
	6,663,032	4,115,158

As at 31st March,

	Consolidated			
	Total Assets		Capital Expenditure	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Sri Lanka	64,605,982	57,484,374	4,598,963	4,232,035
Australia	336,475	311,145	59	7,916
Thailand	3,804,019	2,631,286	289,436	270,768
Bangladesh	330,644	156,056	10,158	–
Japan	238,646	324,673	–	–
India	83,931	87,243	1,970	633
Indonesia	1,872,570	665,892	124,243	152,200
Continental Europe	2,928,635	2,701,154	15,108	1,847
United Kingdom	418,231	984,938	3,581	3,663
United States of America	75,750	220,153	–	–
	74,694,883	65,566,914	–	–
Investment in equity accounted investee	263,803	305,632	–	–
	74,958,686	65,872,546	5,043,518	4,669,062

## 42. Financial Risk Management

The Group has exposure to the following risk from financial instruments:

1. Credit risk
2. Liquidity risk
3. Operational risk
4. Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further, quantitative disclosures are included throughout these Consolidated Financial Statements.

### Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework, which includes developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify, quantify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by the Management Audit System Review Department (MASRD). MASRD undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily from trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

### Trade and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Management; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. Outstanding customer receivables are regularly monitored at the individual sector and Group Management Committee (GMC) level. Further, SLESIC cover or other forms of credit insurance is obtained for most exports or in the instance this is not obtained, specific GMC approval is obtained prior to the export.

More than 85 percent of the Group's customers have been transacting with the Group for over five years, and no impairment loss has been recognised against these customers. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers. Customers that are graded as 'high risk' are placed on a restricted customer list and future sales are made on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component 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. 15.3 mn (2012 - Rs. 13.9 mn) which is recorded at Note 22.

### Investments

Credit risk from invested balances with the financial institutions are managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

### Cash and Cash Equivalents

The Group held cash and cash equivalents of Rs. 2,126 mn at 31st March, 2013 (2012 - 1,755 mn) which represents its maximum credit exposure on these assets.

Respective credit ratings of banks in which group cash balances held are as follows:

- People's Bank - AAA(Ika)
- Standard Chartered Bank - AAA(Ika)
- Hong Kong and Shanghai Banking Corporation Ltd. - AAA(Ika)
- Commercial Bank of Ceylon PLC - AA+(Ika)
- Sampath Bank PLC - AA(Ika)
- Nations Trust Bank PLC - A(Ika)
- Pan Asia Banking Corporation PLC Bank - BBB(Ika)
- Hatton National Bank PLC - AA-(Ika)
- Bank of Ceylon - AA+(Ika)
- DFCC Bank - AA+(Ika)



## Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Group Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The liquidity requirements of business units and subsidiaries are met through short-term loans from Group Treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements. The Group Treasury monitors the cash flows in subsidiary and Group level and obtains adequate bank facilities to meet the funding requirements. The Group does not concentrate on a single financial institution, thereby minimising the exposure to liquidity risk. The Group aims to fund investment activities of the individual and group level by funding the long-term investment with long-term financial sources in terms of equity, debenture or long-term loans. Short-term investments are funded using short-term loans. Group is currently evaluating the possibility of obtaining capital from overseas. Further, the Group will also issue Debentures in local market to collect funds for future expansion requirements.

The monthly liquidity position is monitored by the Treasury. All liquidity policies and procedures are subject to review and approval by Group Treasury. Daily reports cover the liquidity position of both the Group and operating subsidiaries.

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

Balance as at	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Interest-bearing loans and borrowings	4,468,933	4,473,065	8,950,262	4,682,320	988,834	23,563,414
Trade and other payables	2,739,988	5,479,976	2,739,988	–	–	10,959,952
	7,208,921	9,953,041	11,690,250	4,682,320	988,834	34,523,366

## Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks. The operational risk raised from all of the Group's operations such as legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance when this is effective

## Market Risk

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

The sensitivity analyses in the following sections relate to the position as at 31st March, 2013 and 2012.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant as at 31st March, 2013 and 2012.

## Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group mainly borrows in the short term to fund its working capital requirement which are linked to floating interest rates. For other funding needs the Group maintains a proper mix of interest rate based on the basis of the predictability of future cash flows. Group Treasury closely monitors the interest rate fluctuations in the market and advises the sectors on a daily basis.

## Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase/decrease in interest rate	Effect on profit before tax Rs. '000
2013	+ 105	(43,915)
	- 105	43,915
2012	+ 73	(25,741)
	- 73	25,741

## Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk on sales, purchases and borrowings and net investments in foreign subsidiaries that are denominated in a currency other than the respective functional currencies of the Group. These currencies primarily are the Euro, US Dollars (USD), Bangladesh Taka, Pound Sterling (GBP), Indonesia (Rupiah) and Thailand (Baht).

The Group hedges its exposure to fluctuations on the translation of its foreign operations by holding net borrowings in foreign currencies and by using foreign currency swaps and forwards contracts. Group Treasury closely monitors the exchange rate fluctuations and advises the sectors on a daily basis.

## Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the US Dollar and Euro exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

The Group's exposure to foreign currency changes for all other currencies is not material.

		Increase/decrease in interest rate	Effect on profit before tax Rs. '000
2013	USD	+ 5%	(217,703)
	Euro	+ 5%	2,668
	USD	- 5%	217,703
	Euro	- 5%	(2,668)
2012	USD	+ 5%	(342,801)
	Euro	+ 5%	66,872
	USD	- 5%	342,801
	Euro	- 5%	(66,872)

## Commodity Risk

The Group is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase and manufacturing process. Due to the significantly increased volatility of the price of the underlying, the management has developed and enacted a risk management strategy regarding commodity price risk and its mitigation. The sectors constantly monitor the raw material price levels of Charcoal, Rubber, Aluminium and Yarn for downwards trends and invest in bulk purchase when low prices are prevalent. Management may revise the selling price based on the commodity prices whenever possible.

## Equity Price Risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the GMC.

## 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, retained earnings and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

At present employees hold 9.14% of ordinary shares, through the share trust vest and/or are exercised.

The net debt to adjusted equity ratio at the reporting date was as follows:

Consolidated	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Interest-bearing borrowing	5,671,153	5,212,336	4,541,156
Current portion of long-term interest-bearing borrowings	1,584,541	2,006,321	1,748,681
Short-term interest bearing borrowings	16,307,719	14,510,287	10,402,246
	23,563,413	21,728,944	16,692,083
Equity	33,670,798	28,448,869	23,739,022
Equity and debts	57,234,211	50,177,813	40,431,105
Gearing Ratio	41%	43%	41%

Company	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Interest-bearing borrowing	910,000	1,386,666	1,680,000
Current portion of long-term interest-bearing borrowings	476,667	506,667	720,000
Short-term interest-bearing borrowings	4,667,302	2,232,831	1,032,426
	6,053,969	4,126,164	3,432,426
Equity	8,146,781	6,922,825	6,178,290
Equity and debts	14,200,750	11,048,989	9,610,716
Gearing ratio	43%	37%	36%

## Collateral

The Group has pledged part of its land and building, plant and machinery, stock and debtors as collateral for long-term borrowings. At 31st March, 2013 and 2012, the fair values of the long-term loan were Rs. 3,488 mn and Rs. 2,762 mn, respectively. The counterparties have an obligation to return the securities to the Group on settlement of the loan. There are no other significant terms and conditions associated with the use of collateral.



Year ended 31st March	10-Year Compound Growth	2013 Rs. '000	2012** Rs. '000	2011** Rs. '000	2010** Rs. '000
<b>Results</b>					
Group turnover	20%	74,301,852	65,806,714	54,370,207	38,169,336
Profit before taxation	17%	5,025,260	2,560,903	2,040,629	3,293,392
Taxation	20%	(1,405,871)	(914,724)	(903,853)	(684,197)
Profit after tax	17%	3,619,389	1,646,179	1,136,776	2,581,126
Non-controlling interest	19%	(1,765,748)	(608,357)	(450,553)	(849,893)
Profit attributable to Hayleys PLC	15%	1,853,641	1,037,822	677,181	1,731,233
<b>Funds Employed</b>					
Stated capital***	9%	1,575,000	1,575,000	1,575,000	1,575,000
Employee share trust		(489,887)	(491,439)	(492,242)	
Treasury shares				(398,902)	
Capital reserves	(7%)	1,377,676	1,222,076	1,404,887	7,047,507
Other Component of Equity		9,000,861	6,373,692	6,164,166	
Revenue reserves	16%	11,011,187	9,692,441	7,005,076	6,592,052
Shareholders' funds	16%	22,474,837	18,371,770	15,257,985	15,214,559
Minority interest	18%	11,195,960	10,077,099	8,481,037	7,118,790
Borrowings (both short- and long-term)	19%	23,563,413	21,728,944	16,692,083	11,337,734
	17%	57,234,210	50,177,813	40,431,105	33,671,083
<b>Assets Employed</b>					
Non-current assets	19%	44,667,452	37,985,777	30,131,853	23,453,761
Current assets	16%	30,291,225	27,886,759	23,766,055	21,414,944
Current liabilities net of borrowings	20%	(11,620,819)	(10,109,003)	(8,540,919)	(7,922,413)
Provisions	20%	(5,320,426)	(4,808,050)	(4,133,016)	(2,828,159)
Deferred income	21%	(783,222)	(777,670)	(792,868)	(447,050)
Capital Employed	17%	57,234,210	50,177,813	40,431,105	33,671,083
<b>Cash Flow</b>					
Net cash inflow/(outflow) from operating activities		7,099,276	2,431,684	1,203,321	2,589,712
Net cash inflow/(outflow) from investing activities		(4,683,405)	(5,112,863)	(4,660,037)	(3,574,446)
Net cash inflow/(outflow) from financing activities		(3,759,125)	(1,621,918)	1,960,277	(1,012,142)
Increase/(decrease) in cash and cash equivalents		(1,343,256)	(4,303,096)	(1,496,439)	(1,996,876)
<b>Key Indicators</b>					
Earnings per share (basic) (Rs.)		24.72	13.84	9.03	23.08
Dividend per share (basic) (Rs.)		4.50	4.00	4.00	4.00
Net assets per share (Rs.)		299.66	244.96	203.44	202.86
Market price per share (Rs.)		298.70	360.00	382.10	225.00
% change in market price (after adjusting for scrip issues)		(17.03)	(5.78)	70.00	150.00
% change in All Share Price Index		6.00	(24.99)	94.00	127.00
Return on average shareholders' funds (%)		8.25	5.65	4.44	11.38
Return on average capital employed (%)		12.41%	9.08%	7.81	13.30
Price earnings ratio (times)		12.09	26.02	42.32	9.75
Interest cover (times covered)		2.17	1.92	3.41	5.60
Dividend payout Ratio (%)		18.21	28.91	44.30	17.33

\*\* Includes results of discontinued operations.

\*\*\* Share capital and share premium previously reported have been reclassified to reflect stated capital as defined in the Companies Act No. 07 of 2007.

+ Increase due to a rights issue followed by scrip issue.

+++ Increase due to a rights issue.

\* Restated in line with SLFRS/LKAS.

2009** Rs. '000	2008** Rs. '000	2007 ** Rs. '000	2006 Rs. '000	2005 Rs. '000	2004 Rs. '000
32,442,999	31,326,583	27,584,626	24,011,798	19,445,441	15,503,450
1,374,638	1,554,720	1,521,915	1,448,558	1,837,232	1,337,700
(571,236)	(464,946)	(432,631)	468,127	(427,861)	(276,559)
803,402	1,089,774	1,089,284	980,431	1,409,371	1,061,141
(492,464)	(637,151)	(555,719)	(394,170)	(634,984)	(401,789)
310,938	452,623	533,565	586,261	774,387	659,352
1,575,000	1,575,000	1,575,000	1,575,000	+1,575,000	+++1,475,000
5,697,166	5,954,623	5,457,476	2,466,637	2,253,637	2,054,681
5,083,473	4,692,428	4,667,992	4,215,591	4,110,588	3,578,426
12,355,639	12,222,051	11,700,468	8,257,228	7,939,225	7,108,107
4,220,619	3,986,239	3,704,926	2,967,915	2,868,478	2,899,028
9,232,776	9,600,416	10,235,592	9,781,034	8,113,582	5,493,388
25,809,034	25,808,706	25,640,986	21,006,177	18,921,285	15,500,523
17,215,706	17,625,669	17,005,585	12,957,290	11,932,426	9,655,743
16,414,322	15,732,377	15,214,288	14,496,109	12,538,508	9,504,855
(5,317,991)	(5,391,701)	(4,832,001)	(4,895,234)	(4,193,374)	(2,422,279)
(2,153,244)	(1,906,595)	(1,541,717)	(1,360,003)	(1,185,246)	(1,092,694)
(349,759)	(251,044)	(205,169)	(191,985)	(171,029)	(145,102)
25,809,034	25,808,706	25,640,986	21,006,177	18,921,295	15,500,523
1,082,097	1,841,624	408,821	216,967	1,095,244	419,206
200,631	(751,827)	(843,422)	(1,650,184)	(3,016,839)	(1,721,816)
(892,834)	(687,588)	(1,153,882)	768,153	1,638,736	680,486
389,894	402,209	(1,588,483)	(665,064)	(282,859)	(622,124)
4.15	6.03	7.11	7.82	10.37	8.89
3.00	3.00	3.50	3.50	3.50	3.50
164.74	162.96	156.01	110.10	106.35	95.79
90.00	97.75	142.00	98.50	112.50	115.00
(7.90)	(31.20)	44.2	(12.90)	44.3	(4.00)
(36.00)	(9.00)	23	29	36	74
3.00	4	5	7	10	10
9.40	11.00	11	10	14	12
21.70	16.2	20.0	12.6	10.8	12.9
2.10	2.5	3.4	2.5	5.2	5.2
72.29	49.75	49.23	44.76	33.75	39.37



## Value of Real Estate

As at 31st March 2013

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No. of Buildings in Each Location	Market Value of Land Rs. mn
Hayleys PLC	Colombo	No. 25, Foster Lane, Colombo 10	5.96	58,442	5	4,868
		No. 400, Deans Road, Colombo 10		102,442	8	
Volanka (Pvt) Ltd.	Kotugoda	No. 193, Minuwangoda Road, Kotugoda	15.70	182,981	30	627
	Galle	No. 153/1, Robosgewatta, Matara Road, Magalle, Galle	1.20	15,000	2	137
	Katana	No. B 28, Divulapitiya Road, Dissagewatte, Katana	14.50	205,000	4	162
Chas P. Hayley & Co. (Pvt) Ltd.	Galle	No. 153, Robosgewatta, Matara Road, Magalle, Galle	0.56	8,030	2	80
	Galle	"Thurburn Stores", 161, Matara Road, Magalle, Galle	0.78	9,901	1	113
	Galle	No. 195, Bandaranayake Mawatha, Magalle, Galle	1.60	57,376	7	182
	Galle	No. 193/2, 193/2A, 193/4, Bandaranayake Mawatha, Magalle, Galle	1.10	13,632	4	62
Dipped Products PLC	Kottawa	Brahmanagama, Kottawa	8.40	114,428	20	122
	Weliveriya	Nedungamuwa, Weliveriya	8.19	8,120	2	75
	Malabe	No. 59, Pothuarawa Road, Malabe	2.26	57,595	6	249
Venigros (Pvt) Ltd.	Weliveriya	Nedungamuwa, Weliveriya	7.09	55,391	7	57
Palma Ltd.	Gonawala	184/25 and 184/26, Maguruwila Road, Pattiwila, Gonawala.	1.82	22,068	6	36
Haycarb PLC	Badalgama	Katana Road, Beatrice Estate, Badalgama	12.88	159,769	13	41
	Madampe	Kuliyapitiya Road, New Town, Pothuwila, Madampe	25.95	231,263	9	62
	Wewalduwa	333/25, New Road, Hunupitiya, Wattala	2.45	59,202	3	125
Recogen (Pvt) Ltd.	Badalgama	Katana Road, Beatrice Estate, Badalgama	10.84	22,604	3	35
Lignocell (Pvt) Ltd.	Madampe	Sellam Pathaha, Melawagara, Madampe	7.03	104,846	10	20
	Kuliyapitiya	"Biginhill Estate", Karagahagedera, Kuliyapitiya	3.90	57,778	10	13
Carbotels (Pvt) Ltd.	Elkaduwa	Weyagala Estate, Elkaduwa, Matale.	65.06	Nil	Nil	35
Haychem (Pvt) Ltd.	Kottawa	No. 168/D, Brahmanagama, Kottawa, Pannipitiya.	5.00	50,000	14	68
Hayleys Agriculture Holdings Ltd.	Dambulla	Athabadiwewa, Pahawewa, Dambulla	4.35	2,500	2	8

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No. of Buildings in Each Location	Market Value of Land Rs. mn
Haycolour (Pvt) Ltd.	Kalutara	Haycolour Factory, Ethanmadala, Kalutara	4.43	5,700	5	29
Hayleys Fibre PLC	Ekala	"Ekala Estate", Minuwangoda Road, Ekala	6.30	53,880	15	252
	Kuliyapitiya	"Biginhill Estate", Karagahagedara, Kuliyapitiya	3.90	44,457	12	13
Hayleys Advantis Group	Welisara	No. 309/15, Negombo Road, Welisara	6.70	7,500	4	428
	Kelaniya	No. 408 A, Nungamugoda, Kelaniya	7.75	175,000	6	494
	Sedawatte	148/A1, Nawalokapura Sedawatte, Wellampitiya	2.25	5,000	3	448
	Seeduwa	No. 710, Negombo Road, Liyanagemula, Katunayake	0.63	8,032	1	82
Ravi Industries Ltd.	Ekala	252A, Kurunduwatte Road, Ekala, Ja-ela	6.08	99,266	13	195
Volanka Exports Ltd.	Nattandiya	Wathugahamulla, Welipannagahamulla	7.20	61,800	9	20
Rileys (Pvt) Ltd.	Ekala	131, Minuwangoda Road, Ekala, Ja-ela	3.80	81,026	8	228
Toyo Cushion Lanka (Pvt) Ltd.	Katana	105,Thimbirigaskatuwa, Katana	3.40	27,945	13	65
Sunfrost (Pvt) Ltd.	Allawwa	Nelumdeniya Road, Alawwa Waththa Road, Alawwa	5.18	21,293	18	50
	Padiyathalawa	Bogaharawa Road, Kehelulla, Padiyathalawa	5.42	1,430	1	4
Bhagya Hydro (Pvt) Ltd.	Gomala oya	Gomala Oya Mini Hydro Power Plant, Godagampola, Ratnapura	2.11	2,300	2	2
Nelwa Cascade Hydro Power (Pvt) Ltd.	Neluwa	Lower Neluwa Mini Hydro Power Plant, Tawalama, Neluwa	2.45	1,894	1	6
Hayleys Electronics Lightning (pvt) Ltd.	Hokandara	W.P. Colvin Perera Lane, Hokandara South	0.14	Nil	Nil	12
Hayleys MGT Knitting Mills PLC	Neboda	Narthupana Estate, Neboda	34.80	380,776	22	278
Hunas Falls Hotels PLC	Kandy	Elkaduwa, Kandy	19.88	63,246	16	41
Alumex Ltd.	Makola	Off Pitigala Road, Sapugaskanda, Makola	7.37	129,351	12	320
Eastern Hotels (Pvt) Ltd.	Trincomalee	Nilakarai Estate, Nilaweli, Trincomalee	23.47	Nil	Nil	432
Culture Club Resorts (Pvt) Ltd.	Dambulla	Kapela , Kandalama, Dambulla	20.00	70,000	72	1
Kandyan Resorts (Pvt) Ltd.	Kandy	Heerassagala, Kandy	6.19	101,000	10	380
The Beach Resorts Ltd.	Wadduwa	Mudillagahawatte, Wadduwa, Panadura	5.44	Nil	Nil	188

## Vital Statistics

Population (2012)	20.3 mn
Land Area	65,610 Sq. km.
Languages	Sinhala, Tamil and English
Per capita GDP (2012)	USD 2,923
Maximum Corporate Tax Rate (2013)	28%
Currency (2013)	Sri Lankan Rupee (LKR 127: 1 USD)

## Background

Sri Lanka lies in a strategic position at the Southern tip of the Indian sub-continent, at a mid-point along key shipping routes between east and west. After three decades of Civil War Sri Lanka achieved peace in May 2009. This has paved the way for a paradigm shift in the country's development path characterised by faster economic growth, higher investment, infrastructure development and political and economic policy stability. Sri Lanka has traditionally been a country which relied on the plantation sector and in labour intensive industries such as apparel manufacture. In more recent years the services sector has taken on greater importance with trade, finance, transport, construction, telecommunication and leisure dominating the economy. In 2012 per capita income reached US\$ 2,923 and is projected to reach US\$ 4,000 by 2015.

## Political Climate

Sri Lanka is a multi-ethnic, multi-religious democratic republic with an elected national parliament and president along with provincial and local governments which are

responsible for certain subjects at sub-national levels. The prevailing political stability and policy certainty has created a positive investment climate both for Sri Lankan firms and potential foreign investors. In 2011. Foreign Direct Investment breached the US\$ 1 bn level for the first time and is projected to reach US\$ 2 bn in 2013. The stable political environment has also enabled the Government to embark on an ambitious programme of infrastructure development and economic policy reform.

## Policy Directions

During the Civil War, investment in Sri Lanka's infrastructure was neglected. The current Government has embarked on an aggressive investment drive in the country's infrastructure, focusing on national highways and railways, ports, airports and energy. Sri Lanka opened its first expressway in December 2011 connecting Colombo to the Southern Province, and in the coming years will have expressways connecting Colombo to the Airport, the hill capital Kandy and the North. The national railway network is being modernised to enable faster rail and new routes are also

being created. The Colombo Port is being expanded through the Colombo South Harbour to cater to larger vessels and to increase its capacity. The primary airport in Katunayake is also undergoing expansion and a second international airport has been completed in Mattala in the South. Several new power projects are in progress ranging from coal power to hydro and wind power. Sri Lanka also began oil exploration off its North-West coast, and thus far 2 drill sites have indicated presence of hydrocarbons. At present the commercial viability of these sites is being examined. The investments over the next 5 years will result in Sri Lanka enjoying a modern infrastructure network which will support economic growth in the long-term.

In addition to investment in physical infrastructure, emphasis is being placed on development of social infrastructure. Sri Lanka has always attached great importance to social development and had a policy of free health and education up to tertiary level since the pre-independence era. This has resulted in a literacy rate of over 90%, life expectancy of 74 years and birth and death

rates comparable to developed nations (17.4 and 5.9 per 1,000 persons). In order to further enhance the quality of education, the government has indicated a desire to encourage foreign universities to establish off-shore campuses in Sri Lanka, catering to both domestic and regional markets. Simultaneously measures are being taken to enhance existing education institutions at primary, secondary and tertiary levels. In addition to public sector education, Sri Lanka has developed substantial professional qualifications institutions, resulting in the country now having the world's second highest pool of CIMA trained students outside the UK, making Sri Lanka an attractive source for financial outsourcing.

Along with investments in infrastructure the Government has outlined a medium-term economic policy framework which emphasises private sector led growth, with reduced taxes on corporate (maximum 35% reduced to 28%) and personal incomes (maximum 35% reduced to 24%), international trade and a simplified tax structure. Rationalisation of expenditure would also lead to better fiscal management, eventually

resulting in consolidation of fiscal deficits closer to 5% of GDP in the medium term, as envisaged in the Fiscal Management Responsibility Act. This would help entrench lower inflation and interest rates and lead to longer term macroeconomic stability. The Central Bank has also outlined a plan to gradually liberalise the capital account, making it easier for Sri Lankan corporates to access global capital markets and to develop the domestic corporate bond market. Accordingly, the financial market has developed rapidly, with a number of banks following the sovereign in tapping the global bond market, and the domestic corporate debt and equity markets have grown significantly in recent times.

The overall policy thrust of the Government can be summarised as a 5 hub strategy, where the Government hopes to position Sri Lanka as a regional hub in the following areas:

- Shipping and naval hub
- Aviation hub
- Energy hub
- Knowledge hub
- Commercial and finance hub

### Economic Climate

As is the trend in emerging economies, Sri Lanka's economy is dominated by the services sector (59% of GDP) with industry (30% of GDP) and agriculture (11% of GDP) making up smaller shares. Recent economic growth has been broad based with all three sectors growing significantly since 2009. Whilst Sri Lanka has found itself in an uncertain global economic environment, the domestic economy has enjoyed a peace dividend that has resulted in high growth (over 8% in 2010 and 2011), low unemployment (4% in 2012), historically benign inflation (within single digits for over 50 consecutive months), and an improving fiscal position on the back of structural reforms and an IMF Stand By Arrangement (budget deficit of 6.4% of GDP for 2012 and a projected deficit of 5.8% for 2013). The financial sector has also performed well with the banking sector achieving strong results in 2012.

Sri Lanka's economy has always been characterised by resilience. Even during the war, economic growth was maintained at an average of around 5%. With

the recent policy reforms, developments in infrastructure and increased investment, the economy is well on target to securing a long-term growth path well above past trends.

Sri Lanka is ideally located at a central point amongst the emerging global economic powerhouses. India is immediately North of Sri Lanka and the two countries have a 13-year old Free Trade Agreement which is expected to be developed into a Comprehensive Economic Partnership Agreement (CEPA) encompassing investment, trade in services and economic co-operation. Sri Lanka has developed close political and economic ties with China, and strong aviation and shipping links are already in place. Therefore, the strategic objectives of Sri Lanka's 5-hub vision are in line with emerging global realities and trends. Greater economic and political integration with these emerging giants places Sri Lanka in an ideal position to play a pivotal role amongst the drivers of global economic growth in the medium to long-term.

## Ordinary Shareholders as at 31st March, 2013

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	2,497	493,498	0.66	36	11,027	0.01	2,533	504,525	0.67
1,001 – 10,000	514	1,664,835	2.22	32	132,549	0.18	546	1,797,384	2.40
10,001 – 100,000	154	4,840,152	6.45	26	606,714	0.81	180	5,446,866	7.26
100,001 – 1,000,000	29	8,142,408	10.86	6	1,902,171	2.54	35	10,044,579	13.39
OVER 1,000,000	8	57,206,646	76.28				8	57,206,646	76.28
	3,202	72,347,539	96.47	100	2,652,461	3.54	3,302	75,000,000	100.00
<b>Category</b>									
Individuals	2,942	60,686,255	80.92	90	2,620,213	3.49	3,032	63,306,468	84.41
Institutions	260	11,661,284	15.55	10	32,248	0.04	270	11,693,532	15.59
	3,202	72,347,539	96.47	100	2,652,461	3.53	3,302	75,000,000	100.00

## First Twenty Shareholders as at 31.03.2013

Name of the Shareholder	No. of Shares as at 31.03.2013	%	No. of Shares as at 31.03.2012	%
Mr. K.D.D. Perera	30,699,599	40.93	30,916,399	41.22
SBL/Mr. K.D.D. Perera	3,400,000	4.53	2,900,000	3.87
Trustees of the D.S.Jayasundera Trust	8,698,017	11.60	8,698,017	11.60
Trustees of the Hayleys PLC - Employees Share Trust	6,855,735	9.14	6,855,735	9.14
Lanka ORIX Leasing Company PLC	2,434,148	3.25	2,423,128	3.23
Vallibel One PLC	2,182,584	2.91	1,812,584	2.42
Employees Provident Fund	1,819,473	2.43	1,819,473	2.43
Hayleys Group Services (Pvt) Ltd. Number 2 Account	1,117,090	1.49	1,117,090	1.49
Mrs. M.L. Johnpulle (Deceased)	907,165	1.21	907,165	1.21
Mr. G.M. Spittel (Deceased)	568,197	0.76	568,197	0.76
Mrs. R.N. Ponnambalam	540,315	0.72	540,315	0.72
M.S. Jayasundera (Deceased)	500,098	0.67	500,098	0.67
Mr. A.C. Wikramanayake	483,302	0.64	443,630	0.59
Mrs. F.C. Phillips & Mr. R.H.S. Phillips	482,304	0.64	482,304	0.64
Mrs. Y.M. Spittel	465,561	0.62	465,561	0.62
Aviva NDB Insurance PLC A/C No. 07	462,976	0.62	306,476	0.41
Mrs. P.M. Godamunne	443,447	0.59	443,447	0.59
Mrs. S.D. Wickramasinghe	440,281	0.59	440,281	0.59
Mr. G.N. Wikramanayake	370,422	0.49	370,422	0.49
Janashakthi Insurance PLC (Shareholders)	307,200	0.41	307,200	0.41
Browns Investments PLC	293,105	0.39	293,400	0.39
Total	63,471,019	84.63	62,610,922	83.49

Percentage of Public Holding 39.95%.

## Directors' Shareholdings

Name of Director	No. of Shares as at 31.03.2013	No. of Shares as at 01.04.2012
Mr. A.M. Pandithage	2,338	2,338
Mr. K.D.D. Perera - 30,699,599 (01.04.2012-30,916,399 )	36,283,849	36,000,649
SBL/Mr. K.D.D. Perera - 3,400,000 (01.04.2012-2,900,000)		
LB Finance PLC - 1,666 (01.04.2012-1,666)		
Vallibel One PLC - 2,182,584 (01.04.12 - 1,812,584)		
Royal Ceramics Lanka PLC - Nil (01.04.12 - 370,000)		
Mr. M.R. Zaheed	1,487	1,487
Mr. W.D.N.H. Perera	11	11
Mr. S.C. Ganegoda	2,000	2,000
Dr. K.I.M Ranasoma	751	751
Walldock Mackenzie Ltd./Mr. L.T Samarawickrama	43,500	43,500
Mr. R.P. Pathirana	2,000	2,000
Mr. M.D.S. Goonatilleke	2,500	2,500

## Share Trading Information for the Twelve Months ended 31st March, 2013

Highest Price	- Rs. 366.00 on 20th April, 2012
Lowest Price	- Rs. 280.00 on 11th December, 2012
Closing Price	- Rs. 298.70
No. of Transactions	- 1,034
No. of Shares Traded	- 1,314,324
Value of Shares Traded	- Rs. 434,506,880.40

## Share Trading Information for the Twelve Months ended 31st March, 2012

Highest Price	- Rs. 426.00 on 19th April, 2011
Lowest Price	- Rs. 295.00 on 3rd November, 2011
Closing Price	- Rs. 360.00
No. of Transactions	- 1,741
No. of Shares Traded	- 18,938,893
Value of Shares Traded	- Rs. 7,188,680,168/-

## Share Trading Information for the Twelve Months ended 31st March, 2011

Highest Price	- Rs. 415.00 on 01st February, 2011
Lowest Price	- Rs. 223.00 on 01st April, 2010
Closing Price	- Rs. 382.10
No. of Transactions	- 6,916
No. of Shares Traded	- 22,585,884
Value of Shares Traded	- Rs. 7,697,117,910/-

Sub Sector	Company	Nature of Business
<b>Fibre</b>	Ravi Industries Ltd.	Industrial and household brush ware
	Rileys (Pvt) Ltd.	Cleaning devices
	Haymat (Pvt) Ltd.	Coir fibre mats
	Creative Polymats (Pvt) Ltd.	Moulded rubber products
	Hayleys Fibre PLC	Value added coir-based products
	Bonterra Lanka Ltd.	Value added coir-based products
	Chas P. Hayley & Company (Pvt) Ltd.	Coir and treated rubber timber products
	Volanka Exports Ltd.	Coir-based products and essential oil
	Toyo Cushion Lanka (Pvt) Ltd.	Needled and rubberised coir products
	Lignocell (Pvt) Ltd.	Coir fibre pith
	Haylex BV	Marketing
	Charles Fibres (Pvt) Ltd.	Trading in coir-based products
<b>Hand Protection</b>	Dipped Products Group	General purpose and speciality rubber gloves
<b>Purification Products</b>	Haycarb Group	Activated Carbon and Environmental Purification Solutions
<b>Textiles</b>	Hayleys MGT Knitting Mills PLC	Knitted fabric
<b>Construction Material</b>	Alumex Group	Aluminium extrusions
<b>Agriculture</b>	Hayleys Agriculture Holdings Ltd.	Crop production and protection materials, agricultural equipment and animal health products
	Agro Technica Ltd.	Agricultural machinery and equipment
	Haychem (Bangladesh) Ltd.	Crop protection chemicals
	Sunfrost (Pvt) Ltd.	Fresh/processed vegetables
	HJS Condiments Ltd.	Retailed-packed, processed vegetables
	Hayleys Agro Farms (Pvt) Ltd.	Planting material
	Hayleys Agro Biotech (Pvt.) Ltd.	Horticultural tissue culture products
	Quality Seed Company Ltd.	Hybrid flower seeds
<b>Plantations</b>	Hayleys Agro Fertilizers (Pvt) Ltd.	Fertiliser
	DPL Plantations (Pvt) Ltd.	Plantation Management
	Hayleys Plantation Services (Pvt) Ltd.	Plantation Management
	Kelani Valley Plantations PLC	Processed tea and rubber
	Talawakele Tea Estates PLC	Processed black and green tea
	Kelani Valley Instant Tea (Pvt) Ltd.	Manufacture of ready to drink tea powder
	Mabroc Teas (Pvt) Ltd.	Export of bulk and retail packed tea
<b>Consumer Products</b>	Hayleys Consumer Products Ltd.	Lighting products and solutions, photo imaging, health care, FMCG products
	Hayleys Electronics Lighting (Pvt) Ltd.	Lighting products and solutions



Sub Sector	Company	Nature of Business
<b>Leisure &amp; Aviation</b>		
<b>Hotels</b>	Carbotels (Pvt) Ltd.	Hotel Investment
	Hunnas Falls Hotels PLC	Leisure
	Hotel Services (Ceylon) PLC	Leisure
	Amaya Leisure PLC	Leisure
	Culture Club Resorts (Pvt) Ltd.	Leisure
	Kandyan Resorts (Pvt) Ltd.	Leisure
	Eastern Hotels Ltd.	Leisure
<b>Aviation &amp; Destination Management Services</b>	Hayleys Leisure Holdings (Pvt) Ltd.	Investments and Hotel Management
	Air Global (Pvt) Ltd.	Airline representation
	North South Lines (Pvt) Ltd.	Airline representation
	Millennium Transportation (Pvt) Ltd.	Airline representation
	Hayleys Travels and Tours (Pvt) Ltd.	Travel Agency and Destination Management
<b>Power &amp; Energy</b>		
<b>Industry Inputs</b>	Hayleys Industrial Solutions (Pvt) Ltd.	Engineering and projects, power generation, pigments and industrial raw materials
	Hayleys Life Sciences (Pvt) Ltd.	Supplying health care equipment
	Haycolour (Pvt) Ltd.	Textile dyestuff and binders
<b>Power &amp; Energy</b>	Bhagya Hydro (Pvt) Ltd.	Hydropower
	Neluwa Cascade Hydro Power (Pvt) Ltd.	Hydropower
	Hayleys Hydro Energy (Pvt) Ltd.	Hydropower
	Nirmalapura Wind Power (Pvt) Ltd.	Wind power
	Power Engineering Solutions Pvt Ltd. (Mawanana)	Marketing of power generating equipment
	TTEL Somerset Hydro Power (Pvt) Ltd.	Hydropower
	TTEL Hydro Power Company (Pvt) Ltd.	Hydropower
	Hayleys Neluwa Hydro Power (Pvt) Ltd.	Hydropower
<b>Transportation &amp; Logistics</b>		
	Hayleys Advantis Group	Shipping agency, international freight forwarding, express freight, bunkering, husbanding and port agency, ship chartering, ocean container repairing and conversion, container yard operation, inland logistics, energy logistics, warehousing and third-party logistics
<b>Investments &amp; Services</b>		
	Dean Foster (Pvt) Ltd.	Investments
	Hayleys Business Solutions International (Pvt) Ltd.	Business Process Outsourcing and Centralised Shared Services
	Hayleys Group Services (Pvt) Ltd.	Secretarial/Investments
	Volanka (Pvt) Ltd.	Investments

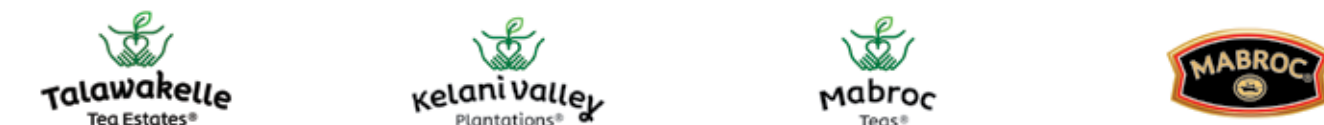
## Global Markets and Manufacturing



## Agriculture



## Plantations and Tea Exports



## Transportation and Logistics



## Leisure and Aviation



## Consumer Products



## Investments and Services



## Power and Energy



## National Awards for Business Excellence

Amaya Hills - Kandy Hospitality Sector - Runner-Up - 2012

HJS Condiments Limited - Sector Gold Award for Manufacturing - Food & Beverage Sector

HJS Condiments Limited - 2nd Runners up in the Large Category

Kelani Valley Plantations PLC (KVPL) - Agriculture and Plantations Sector Winner - Gold Award

Quality Seed Company Limited - Agriculture and Plantations Sector Winner - Silver Award

Lignocell (Private) Limited - Manufacturing - Non-Traditional Exports Sector - Medium category - Silver Award

### Greening Hotels Awards

Amaya Hills, Kandy - Certificate of Merit - EU Switch-Asia Greening Hotels - 2012

## Annual CA Annual Report Awards

Hayleys PLC - Silver Award for Diversified Holdings (Above 5 Subsidiaries)

Kelani Valley Plantations PLC (KVPL) - Silver Award for Plantation companies

Talawakelle Tea Estates PLC (TTEL) - Bronze Award for Plantation companies

Hayleys Advantis Group - Silver Award - Services Category

Amaya Leisure PLC - Hotel Companies Certificate of Compliance

## ARC Annual Report Awards - 2011

Hayleys PLC

- Gold for Cover Photo/Design - Diversified Business Category
- Gold for Overall Annual Report - Diversified Business Category
- Bronze for Written Text

Kelani Valley Plantations PLC

- Honours for Overall Annual Report - Agriculture/Agri-Business category
- Honours for Cover Photo/Design - Agriculture/Agri-Business category

## Best Presented Annual Report Awards and SAARC Anniversary Awards for Corporate Governance Disclosures 2011

Hayleys PLC - Award Winner - Service Sector (Excluding Financial Services & Communication & IT Sector)

Kelani Valley Plantations PLC - Award Winner - Agriculture Sector

## Asia Responsible Entrepreneurship Awards (AREA)

Dipped Products PLC - 'Investment in People' category

## National Agri Business Awards - 2012 - Awarded by National Agri Business Council

Hayleys Agriculture Holdings Ltd.

Import & Supply of Farm Machinery, Equipment & tools category - Gold Award

Extension Services category - Gold Award

Veterinary Care Products category - Gold Award

Agro Chemicals category - Silver Award

Importation & Marketing of Seeds - Bronze Award

Sunfrost Ltd.

Extension Services - Large - Gold Award

HJS Condiments Ltd.

Marketing - Export of Fruit & Vegetables - Large - Gold Award

## National Award (1st Runner-up) for Marketing - Export of Fruits and Vegetables

### Quality Seeds

Producer - Seed Farms - Gold Award

Producer - Plant Nurseries - Bronze Award

Foliage and Cut Flower Farms - Bronze Award

### Hayleys Agro Farms

Producer Seed Farms - Bronze Award

### Agro Technica Ltd.

Manufacture of Farm Machinery & Equipment - Silver Award

### Hayleys Agro Biotech Ltd.

Retail/Wholesale Marketing - Silver Award

### Talawakelle Tea Estates PLC

Producer - Plantations - Silver Award

## National Plantation Awards 2012

Kelani Valley Plantations PLC (KVPL)

- Best among RPCs for 'Commitment to Value Addition,' 'Innovativeness' and 'Highest Investment for Social Welfare Activities and Corporate Social Responsibility'
- **2nd place** - Replanting,' in the Tea sector, 'Commitment to move towards mechanisation' and Commitment to HRD - Capacity Building'
- **3rd place** - Replanting' in the Rubber sector, 'Highest Crop Productivity' in the Tea sector and 'Commitment to Generate Hydro Power'

Talawakelle Tea Estates PLC (TTEL)

- 'Replanting - Highest Rate (Percentage) and Extent in the Tea Sector'
- **2nd place** - 'Highest Crop Productivity' in the Tea sector
- **3rd place** - 'Forestry Management, Environmental Friendliness and Self-sufficiency in Energy'

**Highest Sales Average (High and Low Elevations) at Colombo Auctions - Awarded by Forbes & Walker Tea Brokers (Pvt) Ltd.**

Talawakelle Tea Estates PLC

**Vision Awards Annual Report Competition 2010 - Awarded by League of American Communications Professionals (LACP)**

Hayleys PLC

- Platinum Award - Conglomerates & Holding Companies
- Platinum Award - Best Annual Report Cover in the Asia-Pacific Region
- Number 36 ranking in the Top 100 Annual Reports Worldwide
- Number 8 ranking in the Top 50 Annual Reports in the Asia-Pacific Region.

Haycarb PLC

- Bronze - Chemicals

Kelani Valley Plantations PLC

- Silver - Agri Business

**Singapore Airlines Top Agent Awards 2011/12**

Hayleys Travels - Amongst Top Ten Travel Agents in Sri Lanka

**Star Awards - 2012 for the Best Performing Entrepreneur**

Talawakelle Tea Estates' Mattakelle Estate - Best Performing Entrepreneur - Central Province, Large Manufacturing Sector

**NCE EXPORT AWARDS 2011 - National Chamber of Exporters, Sri Lanka**

HJS Condiments - Silver Award for Agriculture Value Added - Large Sector

Toyo Cushion Lanka (Private) Ltd. - Gold award for Agriculture value added - Medium Sector.

Lignocell (Pvt) Ltd. - Silver Award for Agriculture value added - Large Sector

Bonterra Lanka Ltd. - Silver Award for Agriculture value added - Medium Sector

**TripAdvisor "Certificate of Excellence" 2012**

- Amaya Lake - Dambulla
- Amaya Hills - Kandy
- Hunas Falls by Amaya - Kandy
- Langdale by Amaya - NuwaraEliya

**Annual Sri Lanka Tourism Awards 2011**

- Best Four Star Hotel - Amaya Lake Resort Dambulla

**TripAdvisor's Travelers Choice Awards 2013**

- Langdale by Amaya
- Top 20 Luxury Hotels in Sri Lanka - 14th Place
- Top 25 Small Hotels in Sri Lanka - 20th Place

**Global Commerce Excellence Award in recognition of supporting the Sri Lankan Economy during the period 1985 - 2009**

Awarded by Airport Aviation Services/BOI/ Sri Lanka Ports Authority/Shipper's Academy Colombo in Association with Central Bank of Sri Lanka

- Hayleys Advantis Group (Freight Forwarding Sector) - 2 awards
- Hayleys Advantis Group (Ship Agency Business) - 2 awards
- Hayleys Advantis Group (Air Express Transportation - FedEx) - 1 award

**IJS Global - Best Upcoming Agent In the Asia Pacific Region**

- Hayleys Advantis Group (Freight Forwarding Sector)

**The Institute of Chartered Ship Brokers Sri Lanka Branch Awards**

- Best Customer Service Award - Colombo - Mediterranean Service
- Hayleys Advantis Group (Ship Agency Business)
- Best Shipping Agent Customer Service - Colombo - USA Trade
- Hayleys Advantis Group (Ship Agency Business)

**LMD Top 100 (2011/12)**

Hayleys PLC

- Ranked 3rd

**LMD - Most Respected Entities (2011/12)**

Hayleys PLC

- Ranked 3rd overall
- placed first for Nation-Mindedness

**LMD - Business Person of the Year 2012**

(Ranked amongst Top 10)

- Mr. Mohan Pandithage - Chairman and Chief Executive

**Business Today - Top 20 (2010/11)**

Hayleys PLC

- Ranked 9th

## Accreditations and Certifications received or renewed during the reporting period



### ISO 9001:2008 Quality Management

#### System Certification

HJS Condiments Ltd.  
 Haychem Ltd.  
 Hayleys Agro Bio Tech (Pvt) Ltd.  
 Hayleys Agro Fertilizer (Pvt) Ltd.  
 Alutec Extrusions (Pvt) Ltd.  
 Hayleys Advantis Group -  
     Ship Agency Business  
 Hayleys Advantis Group -  
     Freight Forwarding  
 Mountain Hawk Express - Fedex  
 Logiventures (Pvt) Ltd.  
 Logistics International Ltd.  
 Hayleys Energy Services Lanka (Pvt) Ltd.  
 Logiwiz Ltd.  
 Ravi Industries Ltd.  
 Hayleys Exports PLC  
 Bonterra Lanka Ltd.  
 Toyo Cushions Ltd.  
 Chas P. Hayley (Pvt) Ltd.  
 Haycarb Group  
 Dipped Products PLC  
 Lignocell Pvt Ltd  
 Mabroc Teas (Pvt) Ltd



### ISO 14001:2004 Environmental Management System Certification

HJS Condiments Ltd.  
 Haychem Ltd.  
 Hayleys Agro Fertilizer (Pvt) Ltd.  
 Hayleys Energy Services Lanka (Pvt) Ltd.  
 Ravi Industries Ltd.  
 Haycarb Group  
 Dipped Products PLC  
 Hayleys Advantis Group -  
     Ship Agency Business



### ISO 22000:2005 Food Safety

Management System  
 HJS Condiments Ltd.  
 Talawakelle Tea Estates PLC  
 Kelani Valley Plantations PLC  
 Mabroc Teas (Pvt) Ltd.

HACCP  
 Mabroc Teas (Pvt) Ltd.



### OHSAS 18001:2007 Certification

HJS Condiments Ltd.  
 Hayleys Energy Services Lanka (Pvt) Ltd.  
 Logiwiz Ltd.



### Kosher Certification

HJS Condiments Ltd.



### Halaal Certification

HJS Condiments Ltd.



### FDA Approval from USA

HJS Condiments Ltd.



### Global GAP Certification

Hayleys Agro Biotech (Pvt) Ltd.  
 Kelani Valley Plantations PLC  
 (all tea estates - recertified)



### BRC Global Standard for Food Safety

HJS Condiments Ltd.  
 Dipped Products PLC



AUSTRALIAN QUARANTINE  
AND INSPECTION SERVICE

### Australian Quarantine and Inspection Service

Hayleys Agro Biotech (Pvt) Ltd.



### USDA NOP Certification of Organic Production Methods

HJS Condiments Ltd.



### Organic EU Certification of Organic Production Methods

HJS Condiments Ltd.



### SA 8000

HJS Condiments Ltd.  
 Hayleys Energy Services Lanka (Pvt) Ltd.

## > Awards Received During the Reporting Period >

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### Ethical Tea Partnership Certification

Talawakelle Tea Estates PLC  
Kelani Valley Plantations PLC



### Rainforest Alliance Certification

Talawakelle Tea Estates PLC  
Kelani Valley Plantations PLC



### UTZ Certification

Talawakelle Tea Estates PLC



### NSF 42 Certification Renewal

Haycarb Group



### ISO 27001 - Information Security Management Certification

Hayleys Business Solutions International (Pvt) Ltd.



### BRC Global Standard for Consumer

#### Products

Issue 3: Feb 2010, Achieved Grade - A  
Dipped Products Group



### Forest Stewardship Council

Ravi Industries Ltd.  
Kelani Valley Plantations PLC



### FSC Forest Management/Chain of Custody (FM/COC)

Kelani Valley Plantations PLC -

Dewalakanda Rubber Factory

Kelani Valley Plantations PLC -

Panawatta Rubber Factory

Dipped Products PLC



### International Air Transport Association

Hayleys Travels and Tours (Pvt) Ltd.

### Directive on Personal Protective

#### Equipment (PPE)

Dipped Products PLC

### ISO 17025:2005

Dipped Products PLC

Given below is a complete list of trade organisations/chambers in which Hayleys Group has affiliations with.

Type of Membership	Council	Role
Vice President	Vietnam Business Council of the Ceylon Chamber of Commerce	Facilitate trade and investment between Sri Lanka and Vietnam
Committee Member	Environmental Management Systems Users and Promoters Association	Dedicated to mobilise development and maintenance of sound Environment Management Systems (EMS)
Presidency	Agricultural Machinery Manufacturers' Association	Enhancing local industry through the provision of agricultural machinery
Directorship	Sri Lanka Institute of Nanotechnology (NANCO)	Enhancing technology based economic development in Sri Lanka via innovation
Executive Committee Membership	National Agribusiness Council	Contributing to the growth of Sri Lankan Agri related business
Committee Membership	Committee on Biotechnology of the National Science Foundation	Active involvement in promoting research, development and innovation in the field of biotechnology
Committee Membership	Ceylon Chamber of Commerce	Enhancing business networking via affiliated associations and bilateral business councils.
Executive Committee Membership/Chairman	CropLife, Sri Lanka	Promoting the safe use of pesticides for crop protection
Committee Membership	University Grants Commission	Supporting the development of a University System of the highest quality appropriate to national needs and aspirations, in keeping with global trends
Committee Membership	Institute of Food Science & Technology	Strengthening and sustaining Sri Lanka's food industry
Committee Membership	Seed Producers Association of Sri Lanka	Involvement in producing, processing, certifying and distributing seed and planting material to farmers
Corporate Membership	All Island Poultry Association (AIPA)	Ensuring sustainability of the poultry industry in Sri Lanka
Directorship	Plantation Human Development Trust	Providing sustainable development programs in the plantations industry
Vice-President and Secretary	Friends of Horton Plains, Talawakelle	Enhancing sustainability in the NuwaraEliya district
Committee Member	Ceylon Rubber Traders Association	Representing the interest of rubber sellers
Committee Member	Planters Association	Representing the interests of regional planters
Board Membership/Treasurer General Council Member	SLASSCOM	Promoting research and innovation
Sri Lanka Representative Board Membership	Global Compact Network Ceylon	Facilitate the progress of companies engaged in the Global Compact with respect to implementation of the ten principles of the Global Compact in Sri Lanka.
Advisory Council Membership		Acts in an advisory capacity to the CASA Executive Committee
Executive Committee Member	Ceylon Association of Ships Agents (CASA)	Decision-making role with regard to shipping matters
Member of Committee of Main Lines & Feeder		Address operational matters and reports to the Executive Committee
Member of the Ocean Freight Sub Committee	Sri Lanka Freight Forwarding Association	Committing towards the promotion, development and protection of the Sri Lankan freight forwarding industry
Committee Member	Ceylon Chamber of Commerce - Sri Lanka - Russia Business Council	Facilitate trade and investment between Sri Lanka and Russia
Committee Member, Infrastructure Committee	Ceylon Chamber of Commerce	Contributing to physical infrastructure development





## > Memberships >

Type of Membership	Council	Role
Directorship	Sri Lanka Port Management and Consultancy Services Limited	Contributing to Port development
Executive Committee Member	Association of Clearing and Forwarding Agencies	Providing support and leverage to the shipping industry
Executive Committee Membership	Association of Container Depot Operators	Supporting the interest and business of Container Depot Operators in Sri Lanka
Steering Committee Member	Council for Business with Britain	Promoting bilateral trade between Sri Lanka and Britain
Member	Association of Container Transporters	Enriching and setting standards of the container transport industry in Sri Lanka
Directorship	American Chamber of Commerce	Encouraging trade, business and investment activities between Sri Lanka and the United States of America.
Steering Committee Member	Ceylon Chamber of Commerce - Ports, Shipping, Aviation and Logistics Council	Supporting growth and competitiveness of shipping, aviation and logistics industries
Vice President	Ceylon Chamber of Commerce - Sri Lanka France Business Council	Facilitate trade and investment between Sri Lanka and France
Vice President	Chartered Institute of Logistics and Transport	Encouraging the art and science of logistics and transport
Vice President	Indonesia Business Council	Facilitate trade and investment between Sri Lanka and Indonesia
Individual Supplier Member	GLOBAL G.A.P - Germany	World's leading farm assurance programme
Board membership	The Chartered Institute of Management Accountants Sri Lanka - Governance Board	To ensure a high level of professional competence among the membership and those aspiring to be members by supervising and regulating student training.
Committee Member	Sri Lanka Association of Air Express Companies	Supporting the interests of Air Express companies.
Member	Global Projects Logistics Network	
Energy Representative	Ceylon Chamber of Commerce - Sri Lanka-Russia Business Council	Facilitate trade and investment between Sri Lanka and Russia.
Chairman	Ceylon Association of Ships Agents - Breakbulk, Bulk, Tankers, Casual Callers and Bunkering Committee	Decision making role with regard to shipping matters.

## 1878

Charles Pickering Hayley forms Chas P. Hayley & Co. in Galle.

## 1909

Hayley & Kenny, a partnership formed between W W Kenny and Chas P Hayley, opens in Colombo.

## 1913

Hayley & Kenny purchases Thurburn Stores, 400, Deans Road premises.

## 1936

Hayley and Kenny becomes a private limited liability Company.

## 1944

Chas P Hayley & Co. becomes a private limited liability company and fully owned subsidiary of Hayley & Kenny Ltd.

## 1952

George G Hayley with senior executives also subscribing to equity forms Hayleys Ltd. with a paid up capital of Rs. 200,000/-, to acquire from the heirs of the late Chas P Hayley and W W Kenny, the entire undertaking of Hayley & Kenny Ltd.

## 1954

Hayleys Ltd., becomes a public Company.

## 1958

Shipping agency department is formed, later to be reconstituted as Maritime Agencies Ltd. (forerunner of Hayleys Advantis Ltd.).

## 1964

Industries department is formed to manufacture agricultural machinery and spraying equipment.

## 1968

Haychem Ltd., a collaboration with Bayer of Germany, is formed to formulate agrochemicals.

## 1973

Haycarb Ltd., is formed to pioneer the manufacture and export of activated carbon from coconut shell charcoal.

## 1975

Ravi Industries Ltd., a Company engaged in the manufacture of brushes is acquired.

## 1976

Dipped Products Ltd., is incorporated to pioneer manufacture of Rubber Gloves.

## 1983

The first overseas venture, Sorbtech Inc. (now Haymark Inc.) is formed in USA.

## 1985

Overseas marketing companies are formed in Holland, UK, Japan and Australia.

## 1991

- Hayleys ventures into hoteliering through its subsidiary Carbotels Ltd.
- Employee share ownership schemes are introduced within the Group.
- Hayleys steps into the business of plantations.

## 1994

Group's first overseas manufacturing facility Carbokarn Co. Ltd., opens in Thailand.

## 2001

Hayleys steps into power generation in collaboration with AES Corporation of USA.

## 2002

Inland marketing companies realigned under 3 focused companies Hayleys Agri Products Ltd., Hayleys Consumer Products Ltd. and Hayleys Industrial Solutions Ltd.

## 2003

- Group entered into ship owning business, where Maritime Holdings Ltd. makes its maiden investment in the Container Vessel "Orient Stride".
- Dipped Products Ltd's initial overseas plant is set up in Thailand heralding its entry into the medical glove market.

## 2006

- Hayleys adopts a new visual identity replacing its former logo of 50 years with one, more contemporary and representative of the diversity of the Group's products and services.
- Hayleys achieves hat trick by winning Sri Lanka's Best Corporate Citizen title for the third successive year.
- Mabroc Kelani Valley launches the world's first "Ethical Tea" to be recognised by the UN's Global Compact.

## 2007

Hayleys becomes one of the first ten signatories worldwide to the CEO Water Mandate of the UN's Global Compact.

## 2010

Hayleys acquires its first city hotel - Ceylon Continental Hotel.

## 2011

Hayleys enters in to the aluminum extrusions industry by acquiring the Alumex Group. Hayleys re-enters and wins the Best Corporate Citizens Award for the 4th consecutive year that it took part in the competition.

## 2012

Hayleys acquires the Amaya Group.

## 2013

- Hayleys enters into wind power generation through Nirmalapura.
- 3 sectors post pre-tax profits of over Rs. 1 billion for the first time in the history of Hayleys.

Index No.	Description	Report Section	Status	Page
<b>1.</b>	<b>Strategy &amp; Analysis</b>			
1.1	Statement from the most senior decision-maker of the Organisation	Chairman's Statement	●	16-21
1.2	Description of Key Impacts, Risks & Opportunities	Risk Management	●	158-164
<b>2.</b>	<b>Organisational Profile</b>			
2.1	Name of the Organisation	Corporate Information	●	Inner Back Cover
2.2	Primary Brands, Products and/or Services	Our Portfolio of Businesses	●	22-23
2.3	Operational Structure of the Organisation	Group Companies	●	304-305
2.4	Location of Organisation's Headquarters	Corporate Information	●	Inner Back Cover
2.5	Number of countries where the Organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the Report	Our Portfolio of Businesses	●	22-23
2.6	Nature of ownership & legal form	Corporate Information	●	Inner Back Cover
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Our Portfolio of Businesses	●	22-23
2.8	Scale of the Reporting Organisation	Reporting parameters	●	25-31
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<b>3.</b>	<b>Report Parameters</b>			
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3.2	Date of most recent previous report	Reporting parameters	●	25-31
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3.7	Any specific limitations on the scope or boundary of the Report	Reporting parameters	●	25-31
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can affect comparability from period to period and/or between organisations	Reporting parameters	●	25-31
3.9	Data measurement techniques and the bases of calculations	Reporting parameters	●	25-31
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● Fully Reported    ○ Partially Reported    □ Not Reported

Index No.	Description	Report Section	Status	Page
<b>4</b>	<b>Governance, Commitments &amp; Engagement</b>			
4.1	Governance Structure of the Organisation	Reporting parameters Corporate Governance	●	25-31 129-157
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Corporate Governance	●	129-157
4.3	The number of members of the highest governance body that are independent and/or non-executive members	Corporate Governance	●	129-157
4.4	Mechanisms for Shareholders and employees to provide recommendations or direction to the highest governance body	Corporate Governance	●	129-157
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the Organisation's performance	Corporate Governance	●	129-157
4.6	Processes in place for the highest governing body to ensure conflicts of interests are avoided	Corporate Governance	●	129-157
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the Organisation's strategy on economic, environmental, and social topics	Corporate Governance	●	129-157
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Corporate Governance	●	129-157
4.9	Procedures of the highest governance body for overseeing the Organisation's identification and management of economic, environmental, and social performance.	Corporate Governance	●	129-157
4.10	Processes for evaluating the highest governance body's own performance	Corporate Governance	●	129-157
4.11	Precautionary Approach	Corporate Governance	●	129-157
4.12	Externally developed economic, environmental and social Charters and principles	Corporate Governance	●	129-157
4.13	Membership in industry/ business association	Annexes	●	314-320
4.14	List of stakeholder groups engaged by the Organisation	Reporting parameters	●	25-31
4.15	Basis for identification and selection of stakeholders with whom to engage	Reporting parameters	●	25-31
4.16	Approaches to stakeholder engagement including frequency	Reporting parameters	●	25-31
4.17	Key topics and concerns raised through stakeholders engagement and the Organisation's response	Reporting parameters	●	25-31
<b>Economic Performance</b>				
EC1	Direct economic value generated and distributed	Delivering and Deriving Value	●	95
EC2	Financial implications and other risks and opportunities for the Organisation's activities due to climate change	Delivering and Deriving Value	●	96
EC3	Coverage of the Organisation's defined benefit plan obligations	Accounting Policies	●	201
EC4	Significant financial assistance received from Government		□	
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation		□	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	Delivering and Deriving Value	●	96

● Fully Reported    ○ Partially Reported    □ Not Reported

Index No.	Description	Report Section	Status	Page
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation		<input type="checkbox"/>	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement		<input type="checkbox"/>	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Delivering and Deriving Value	●	96-97
<b>Environmental Performance</b>				
EN1	Materials used by weight or volume	Delivering and Deriving Value	○	111
EN2	Percentage of materials used that are recycled input materials	Delivering and Deriving Value	○	111
EN3	Direct energy consumption by primary energy source	Delivering and Deriving Value	○	112-114
EN4	Indirect energy consumption by primary source	Delivering and Deriving Value	○	112-114
EN5	Energy saved due to conservation and efficiency improvements	Delivering and Deriving Value	●	111
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives		<input type="checkbox"/>	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved		<input type="checkbox"/>	
EN8	Total water withdrawal by source		<input type="checkbox"/>	
EN9	Water sources significantly affected by withdrawal of water		<input type="checkbox"/>	
EN10	Percentage and total volume of water recycled and reused		<input type="checkbox"/>	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		<input type="checkbox"/>	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		<input type="checkbox"/>	
EN13	Habitats protected or restored		<input type="checkbox"/>	
EN14	Strategies, current action & future plans for managing biodiversity		<input type="checkbox"/>	
EN15	Number of IUCN Red List Species & National Conservation List Species with habitats in areas affected by operations		<input type="checkbox"/>	
EN16	Total direct and indirect greenhouse gas emissions by weight	Delivering and Deriving Value	●	112-114
EN17	Other relevant indirect greenhouse gas emissions by weight	Delivering and Deriving Value	●	112-114
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Delivering and Deriving Value	○	115
EN19	Emissions of ozone-depleting substances by weight		<input type="checkbox"/>	
EN20	NO, SO, and other significant air emissions by type and weight		<input type="checkbox"/>	
EN21	Total water discharge by quality and destination		<input type="checkbox"/>	
EN22	Total weight of waste by type and disposal method	Delivering and Deriving Value	●	116
EN23	Total Number of & Volume of significant spills		<input type="checkbox"/>	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally		<input type="checkbox"/>	

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Index No.	Description	Report Section	Status	Page
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff		<input type="checkbox"/>	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation		<input type="checkbox"/>	
EN27	Percentage of products sold & their packaging materials reclaimed		<input type="checkbox"/>	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Delivering and Deriving Value	●	117
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce		<input type="checkbox"/>	
EN30	Total environmental protection expenditures and investments by type		<input type="checkbox"/>	

## Society

SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Highlights	○	15
SO2	Percentage and total number of business units analysed for risks related to corruption	Delivering and Deriving Value	●	108-109
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures		<input type="checkbox"/>	
SO4	Actions taken in response to incidents of corruption	Delivering and Deriving Value	●	108-109
SO5	Public policy positions and participation in public policy development and lobbying		<input type="checkbox"/>	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country		<input type="checkbox"/>	
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes		<input type="checkbox"/>	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	Delivering and Deriving Value	●	108-109
SO9	Operations with significant potential or actual negative impacts on local communities		<input type="checkbox"/>	
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities		<input type="checkbox"/>	

## Labour Practices and Decent Work

LA1	Total workforce by employment type, employment contract, and region, broken down by gender	Delivering and Deriving Value	●	100-101
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	Delivering and Deriving Value	●	102-103
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations		<input type="checkbox"/>	
LA4	Percentage of employees covered by collective bargaining agreements	Delivering and Deriving Value	●	103
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Delivering and Deriving Value	●	104

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Index No.	Description	Report Section	Status	Page
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programmes	Delivering and Deriving Value	●	104
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by province	Delivering and Deriving Value	●	104
LA8	Education, training, counselling, prevention of diseases, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Delivering and Deriving Value	●	104
LA9	Health and safety topics covered in formal agreements with trade unions		□	
LA10	Average hours of training per year per employee by employee category	Delivering and Deriving Value	●	105
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings		□	
LA12	Percentage of employees receiving regular performance and career development reviews, by gender		□	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity		□	
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operations		□	
LA15	Return to work and retention rates after parental leave, by gender		□	
<b>Human Rights</b>				
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	Delivering and Deriving Value	●	105
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights and actions taken		□	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained		□	
HR4	Total number of incidents of discrimination and corrective actions taken		□	
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights		□	
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	Delivering and Deriving Value	●	105

● Fully Reported    ○ Partially Reported    □ Not Reported



Index No.	Description	Report Section	Status	Page
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour		<input type="checkbox"/>	
HR8	Percentage of security personnel trained in Organisation policies & Procedures concerning aspects of human rights that are relevant to operations		<input type="checkbox"/>	
HR9	Total number of incidents of violations of rights of indigenous people and actions taken		<input type="checkbox"/>	
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	Delivering and Deriving Value	●	105
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms		<input type="checkbox"/>	
<b>Products Responsibility</b>				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures		<input type="checkbox"/>	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services		<input type="checkbox"/>	
PR3	Type of product & service Information required by procedures and percentage of significant products and services subject to such information requirements	Delivering and Deriving Value	●	98-99
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling		<input type="checkbox"/>	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction		<input type="checkbox"/>	
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Delivering and Deriving Value	●	98-99
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes		<input type="checkbox"/>	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		<input type="checkbox"/>	
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	Delivering and Deriving Value	●	98-99

● Fully Reported    ○ Partially Reported    □ Not Reported

## UNGC Principles - GRI Indicators Cross Reference

Issue Areas	GC Principles	Page/s
<b>Human Rights</b>	<b>Principle 1</b> Businesses should support and respect the protection of internationally proclaimed human rights	105-107
	<b>Principle 2</b> Businesses should make sure that they are not complicit in human rights abuses	105-107
<b>Labour</b>	<b>Principle 3</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	100-103
	<b>Principle 4</b> Businesses should uphold the elimination of all forms of forced and compulsory labour	100-103
	<b>Principle 5</b> Businesses should uphold the effective abolition of child labour	100-103
	<b>Principle 6</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation	100-103
<b>Environment</b>	<b>Principle 7</b> Businesses should support a precautionary approach to environmental challenges	110-117
	<b>Principle 8</b> Businesses should undertake initiatives to promote greater environmental responsibility	110-117
	<b>Principle 9</b> Businesses should encourage the development and diffusion of environmentally friendly technologies	110-117
<b>Anti-Corruption</b>	<b>Principle 10</b> Businesses should work against corruption in all its forms, including extortion and bribery	108-109

### **Actuarial Gains and Losses**

Is the effects of difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

### **Amortisation**

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

### **Available for Sale**

Non derivative financial asset 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.

### **Biological Asset**

A living animal or plant

### **Borrowings**

All interest bearing liabilities.

### **Capital Employed**

Total equity, minority interest and interest bearing borrowings.

### **Capital Reserves**

Reserves identified for specific purposes and considered not of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity available for distribution.

### **Cash Equivalents**

Liquid investments with original maturity periods of three months or less.

### **Contingent Liability**

A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.

### **Current Ratio**

Current assets divided by current liabilities. A measure of liquidity.

### **Current Service Cost**

Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

### **Deferred Taxation**

The tax effect of timing differences deferred to/from other periods, which would only qualify for inclusion on a tax return at a future date.

### **Dividend Cover**

Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

### **Dividend Payout**

Dividend per share as a percentage of the earnings per share.

### **Dividend Yield**

Dividend per share as a percentage of the market price. A measure of return on investment.

### **EBIT**

Abbreviation for Earnings Before Interest and Tax.

### **Effective Tax Rate**

Income tax expenses divided by profit from ordinary activities before tax.

### **Equity**

Shareholders' funds.

### **Equity Accounted Investees**

An entity including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

### **Fair Value**

Fair value is the amount for which an asset could be exchanged between a knowledgeable or liability settled between knowledgeable willing parties in an arm's length transaction.

### **Fair Value Through Profit and Loss**

A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or a derivative

(except for a derivative that is a financial guarantee contract).

### **Financial Asset**

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

### **Financial Instrument**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

### **Financial Liability**

Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

### **Gain on Bargain Purchase**

Business combination in which the amount of the identifiable assets acquired and liabilities assumed exceeds the aggregate consideration transferred.

### **Gearing**

Proportion of total interest bearing borrowings to capital employed.

### **Interest Cover**

Profit before tax plus net finance cost divided by net finance cost. Measure of an entity's debt service ability.

### **Key Management Personnel (KMP)**

KMP are those persons having authority and responsibility for planning directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

### **Market Capitalisation**

Number of shares in issue multiplied by the market value of a share at the reported date.

### **Net Assets Per Share**

Shareholders' funds divided by the weighted average number of ordinary shares in issue. A basis of share valuation.

### **Non-controlling Interest**

The interest of individual shareholders, in a company more than 50% of which is owned by a holding Company.

### **Other comprehensive income**

Items of income and expenses that are not recognised in profit or loss as required or permitted by other SLFRS's.

### **Price Earnings Ratio**

Market price of a share divided by earnings per share as reported at that date.

### **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**

Is the 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.

### **Segments**

Constituent business units grouped in terms of similarity of operations and location.

### **SoRP**

Statement of Recommended Practice.

### **Value Addition**

The quantum of wealth generated by the activities of the Group measured as the difference between turnover and the cost of materials and services bought in.

### **Working Capital**

Capital required to finance day-to-day operations computed as the excess of current assets over current liabilities.

Hayleys PLC  
Company No. PQ 22

**NOTICE IS HEREBY GIVEN** that the Sixty-Second Annual General Meeting of Hayleys PLC will be held at the Winchester, The Kingsbury, No. 48, Janadhipathi Mawatha, Colombo 01 on Friday, 28th June, 2013 at 3.00 p.m. and the business to be brought before the Meeting will be:

1. To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March, 2013, with the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Mr. L.R.V. Waidyaratne, who has been appointed by the Board, since the last Annual General Meeting, a Director.
4. To re-elect Mr. H.S.R. Kariyawasan, who retires by rotation at the Annual General Meeting, a Director.
5. To re-elect Mr. M.R. Zaheed, who retires by rotation at the Annual General Meeting, a Director.
6. To re-elect Dr. H. Cabral, who retires by rotation at the Annual General Meeting, a Director.
7. To authorise the Directors to determine contributions to charities for the financial year 2013/14.
8. To ratify sum of Rs. 530,650.- donated to charities in excess of the sum approved by the shareholders for the financial year 2012/13.
9. To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been reappointed as Auditors.
10. To consider any other business of which due notice has been given.

*Note:*

- (i) A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office, No. 400, Deans Road, Colombo 10 by 3.00 p.m. on 26th June, 2013.*
- (ii) It is proposed to post ordinary dividend warrants on 8th July, 2013 and in accordance with the Rules of the Colombo Stock Exchange the shares of the Company will be quoted ex-dividend with effect from 1st July, 2013.*

By Order of the Board

**HAYLEYS PLC**

HAYLEYS GROUP SERVICES (PRIVATE) LIMITED

*Secretaries*

Colombo  
27th May, 2013



## > Form of Proxy >

Hayleys PLC Annual Report 2012/13

I/We\* .....

of .....

being a shareholder/shareholders\* of HAYLEYS PLC hereby appoint,

1. ....

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 Sixty-Second Annual General Meeting of the Company to be held on Friday, 28th June, 2013 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, 2013, with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a dividend as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. L.R.V. Waidyaratne, who has been appointed to the Board since the last Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. H.S.R. Kariyawasan, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. M.R. Zaheed, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Dr. H.Cabral, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise the Directors to determine contributions to charities for the financial year 2013/14.	<input type="checkbox"/>	<input type="checkbox"/>
8. To ratify sum of Rs. 530,650/- donated to charities in excess of the sum approved by the shareholders for the financial year 2012/13.	<input type="checkbox"/>	<input type="checkbox"/>
9. To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been reappointed as Auditors.	<input type="checkbox"/>	<input type="checkbox"/>

(\*\*) The proxy may vote as he thinks fit on any other resolution brought before the Meeting.

As witness my/our\* hands this ..... day of ..... 2013.

Witnesses: .....

.....

.....

.....

Signature of Shareholder

Note: \* Please delete the inappropriate words.

1. A proxy need not be a shareholder of the Company.

2. Instructions as to completion, appear on the reverse.



## > Form of Proxy >

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### **Instructions as to Completion**

1. To be valid, this Form of Proxy must be deposited at the Registered Office, No. 400, Deans Road, Colombo 10, by 3.00 p.m. on 26th June, 2013.
  2. In perfecting the Form of proxy, please ensure that all details are legible.
  3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors of the Company) as your Proxy, please insert the relevant details at (1) overleaf and initial against this entry.
  4. Please indicate with an X in the space provided how your proxy is to vote on each resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (\*\*) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
  5. In the case of a Company/Corporation, the Proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
  6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
-

## Corporate Information

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### Name of Company

Hayleys PLC

### Legal Form

A Public Limited Company incorporated in Sri Lanka in 1952.  
Founded 1878.

### Company Number

PQ 22

### Accounting year end

31st March

### Principal Activities

Holding Company; carrying out investments in and providing management and services to Hayleys Group Companies.

### Stock Exchange Listing

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

### Head/Registered Office

Hayley Building  
P.O. Box 70, No. 400,  
Deans Road,  
Colombo 10, Sri Lanka.  
Telephone: (94-11) 2627000  
Facsimile: (94-11) 2699299

### Auditors

Ernst & Young  
Chartered Accountants  
No. 201, De Saram Place,  
Colombo 10, Sri Lanka.

### Bankers

Hatton National Bank  
HSBC  
Bank of Ceylon  
NDB Bank  
Standard Chartered Bank  
Sampath Bank  
Commercial Bank of Ceylon  
Deutsche Bank  
DFCC  
Citibank

### Secretaries

Hayleys Group Services  
(Private) Limited  
No. 400, Deans Road,  
Colombo 10,  
Sri Lanka.  
Telephone: (94-11) 2627650  
E-mail: [info@sec.hayleys.com](mailto:info@sec.hayleys.com)

Please direct any queries about the administration of shareholdings to the Company Secretaries.

### Investor Relations

Please contact  
Strategic Business Unit  
Telephone: (94-11) 2627662  
E-mail: [info@cau.hayleys.com](mailto:info@cau.hayleys.com)

### Internet

[www.hayleys.com](http://www.hayleys.com)





HAYLEYS PLC

Hayley Building,

P.O. Box 70, No. 400, Deans Road, Colombo 10, Sri Lanka.

T: +94 112 627 000 F: +94 112 699 299 W: [www.hayleys.com](http://www.hayleys.com)



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