

**Private & Confidential**

The Board of Directors  
Hayleys PLC  
400 Deans Road  
Colombo 10.

16 January 2015

Dear Sirs

**Accountants' Report for Inclusion in the Prospectus on proposed issue of 'AA (-)' Rated, Senior, Unsecured, Listed, Redeemable Four and Five Year Debentures of Hayleys PLC**

**Introduction**

This report has been prepared for the inclusion in the Prospectus issued in connection with the issuance of 20,000,000 'AA (-)' Rated, Senior, Unsecured, Listed, Redeemable Four and Five Year Debentures with a value of Rupees Two Billion (Rs. 2,000,000,000/-).

We have examined the financial statements of Hayleys PLC (the "Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") and report as follows.

**1. Incorporation**

Hayleys PLC (the 'Company'), is a Public Limited Liability Company incorporated on 31<sup>st</sup> May 1952 and domiciled in Sri Lanka. The Company had a primary listing on the Colombo Stock Exchange in 1954. It is a Diversified Holding Company, carrying out investments in and providing management services to Hayleys Group Companies.

**2. Financial Statements**

**2.1 Five-Year Summary of Audited Financial Statements**

A summary of Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and Cash Flow Statements of Hayleys PLC and a summary of consolidated Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and Cash Flow Statements of the Company and its subsidiaries for the financial years ended 31 March 2010 to 31 March 2014, based on the audited financial statements are set out in Pages (page numbers to be inserted after Prospectus is finalized) of the Prospectus.

**2.2 Audited Financial Statements for the Year Ended 31 March 2014**

Our audit report on the Financial Statements for the year ended 31 March 2014 together with such financial statements comprising Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and Cash Flow statements along with the accounting policies and notes thereon is given on Pages (page numbers to be inserted after Prospectus is finalized) of the Prospectus.



### 2.3 Audit Opinions for the years ended 31 March 2010, 2011, 2012, 2013 and 2014

- a) With regard to Financial Statements of the Company and the consolidated Financial Statements of the Company and its subsidiaries for the year ended 31 March 2010, Messrs KPMG Ford, Rhodes, Thornton & Co has issued an unqualified audit opinion by way of their auditor's report dated 17 May 2010.
- b) With regard to Financial Statements of the Company and the consolidated Financial Statements of the Company and its subsidiaries for the year ended 31 March 2011, Messrs KPMG Ford, Rhodes, Thornton & Co has issued an unqualified audit opinion by way of their auditor's report dated 19 May 2011.
- c) We have audited the Financial Statements of the Company and the consolidated Financial Statements of the Company and its subsidiaries for the year ended 31 March 2012. An unqualified audit opinion has been issued for the said financial year by our report dated 17 May 2012 respectively.
- d) We have audited the Financial Statements of the Company and the consolidated Financial Statements of the Company and its subsidiaries for the year ended 31 March 2013. An unqualified audit opinion has been issued for the said financial year by our report dated 20 May 2013 respectively.
- e) We have audited the Financial Statements of the Company and the consolidated Financial Statements of the Company and its subsidiaries for the year ended 31 March 2014. An unqualified audit opinion has been issued for the said financial year by our report dated 19 May 2014 respectively.

### 2.4 Accounting Policies used for the years ended 31 March 2010, 2011, 2012, 2013 and 2014

The Accounting policies of the Company and its subsidiaries are stated in the audited financial statements of Hayleys PLC, note 3 to these financial statements indicate that the financial statements of the company and its subsidiaries for the years ended 31 March 2010 to 31 March 2014 comply with Sri Lanka Accounting Standards.

#### First-time adoption of Sri Lanka Accounting Standards ("SLFRS/LKAS")

For the period ended 31 March 2012, the Company has prepared its financial statements in accordance with previous Sri Lanka Accounting Standards (SLASs). The Financial statements, for the year ended 31 March 2013 are the first financial statements which the Company has prepared in accordance with revised Sri Lanka Accounting (SLFRS/LKAS) effective from 1 April 2012.

#### LKAS 19 Employee Benefits (Revised 2013)

The Group applied LKAS 19 (revised 2013) retrospectively in the year ended 31 March 2014.

There were no other material changes in accounting policies of the Company and its subsidiaries.



## 2.5 Dividends

The Company has declared and paid dividends in respect of Ordinary Voting Shares for the years ended 31 March 2010 to 31 March 2014 in the following manner.

Year	Dividend Paid (Rs.)	Dividend per Share (Rs.)
2009/10	300,000,000	4.00
2010/11	300,000,000	4.00
2011/12	300,000,000	4.00
2012/13	337,500,000	4.50
2013/14	375,000,000	5.00

## 2.6 Events after the Reporting Period

- a) Amaya Leisure PLC, a subsidiary of Hayleys Group, has acquired 51% equity stake which is denoted by 82,718,215 shares of Sun Tan Beach Resort (Pvt) Ltd at a cost of Rs. 563mn.
- b) First and Final dividend 2013/14 Rs 5.00 per share paid on 8th July, 2014.
- c) Hayleys PLC acquired 7,534,370 shares (62.48% Holding) in Alufab PLC for Rs. 174.1 mn on 15<sup>th</sup> October, 2014.
- d) Hayleys Advantis Ltd, a subsidiary of Hayleys PLC, has invested in a state-of-the-art facility. The name of the Company being Hayleys Free Zone Ltd, and the investment to-date amounts to Rs. 200mn.
- e) Hayleys MGT Knitting Mills PLC, a subsidiary of Hayleys PLC, made a right issue of four shares for every eleven ordinary share held in September 2014 and it was fully subscribed. A total of 55,397,570 new shares were issued at a price of Rs. 9.50 per share. The purpose of the issue was to strengthen the Hayleys MGT Knitting Mills PLC's financial position by retiring debt.
- f) Hayleys PLC sold 29,860,000 (19.6%) shares of Hayleys MGT Knitting Mills PLC at Rs. 12.50 per share in July 2014.
- g) As per requirements of Colombo Stock Exchange rules, it has decided to dissolve the Hayleys Employee Share Trust, and sell a certain portion of shares to settle Hayleys PLC loan and allocate the balance shares to beneficiaries.

The above significant post balance sheet events came to our attention while carrying out limited procedures. Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with Sri Lanka Auditing Standards or Sri Lanka Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

## 2.7 Restriction on Use

This report is made solely for the purpose of the Board of Directors of Hayleys PLC in usage in the application for the purpose of issuing rated, senior, unsecured, listed, redeemable, four and five year debentures. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the addressee, for our audit work, for this report we



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have formed. This Report should not to be used, circulated, quoted or otherwise referred to for any other purpose.

Yours faithfully,

*Must a Young*

Hayleys Group Services (Pvt) Ltd.

*S. M. L.*

Secretaries