



ANNUAL REPORT 2010/11



Hayleys PLC is one of Sri Lanka's largest multinational business conglomerates with a history spanning 133 years. The Company's subsidiaries and equity accounted investees in Sri Lanka as well as overseas, drive a globally competitive business portfolio spanning 12 defined sectors of enterprise. These sectors fall under the broader ambit of 7 categories - Global Markets and Manufacturing, Agriculture and Plantations, Transportation and Logistics, Leisure and Aviation, Consumer Products, Power and Energy, Investments and Services.

Commencing commercial operations in 1878 as Chas P. Hayley and Company, we were incorporated as Hayleys Ltd. 59 years ago.

Hayleys today accounts for 2.78% of Sri Lanka's export income and 4.5% of tea and 2.5% of rubber production.

VISION

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

MISSION

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
- Enduring Customer Value - enhancing experiences for every customer, from the rural farmer to the global consumer
- A Will to Win - exhibiting the will to win that which is important to Hayleys and its shareholders
- Respect for People - treating everyone with respect and dignity, providing for the development of our people and rewarding them for good performance
- Good Citizenship - caring for the communities in which we work, actively supporting their growth and being environmentally responsible in all we do
- Teamwork - working with each other and with our partners across boundaries, to make things happen
- Accountability - holding ourselves responsible to deliver what we promise

...by Design

The Hayleys Annual Report this year broadly consists of two key areas - the Management Review and Preview, including our Strategy in Action and the statutory and Financial Reports, messages and Sustainability Report.

The Management Review and Preview, and more particularly our Strategy in Action segment, is forward looking and helps put Hayleys future business prospects in perspective. Last year we reported on the basic strategies that drive our business towards achieving specified goals. This year we evolve our reporting to illustrate these strategies in action.

In tandem, we report on the highlights of the year's enterprise, which whilst being more retrospective, nevertheless carries on the Hayleys tradition of reporting clearly, concisely and comprehensively on all matters that our Annual Report should disclose for our stakeholders.

Contents

03

Financial Highlights

80

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

05

Chairman and Chief Executive's Message

86

Governance at Hayleys

08

Management Review and Preview

- 08 - Our Portfolio of Businesses
- 12 - Operating Environment
- 14 - Goals & Strategies
- 15 - Our Strategies in Action
- 27 - Outlook

108

Risk Management

28

Financial Review

115

Financial Reports

- 116 - Statement of Directors' Responsibilities
- 117 - Audit Committee Report
- 119 - Remuneration Committee Report
- 120 - Independent Auditors' Report
- 121 - Income Statements
- 122 - Balance Sheets
- 123 - Statements of Changes in Equity
- 124 - Cash Flow Statements
- 126 - Notes to the Financial Statements

34

Board of Directors

38

Group Management Committee

181

Other Information

- 181 - Value of Real Estate
- 182 - Ten Year Summary
- 184 - Country Report
- 186 - Milestones
- 187 - Glossary of Financial Terms
- 188 - Notice of Meeting
- Enclosed - Form of Proxy
- Inner Back Cover - Corporate Information

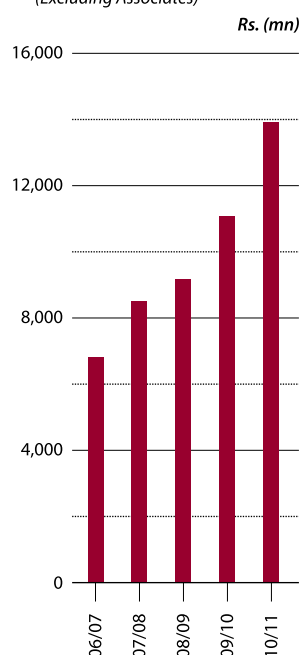
40

Sustainability Report

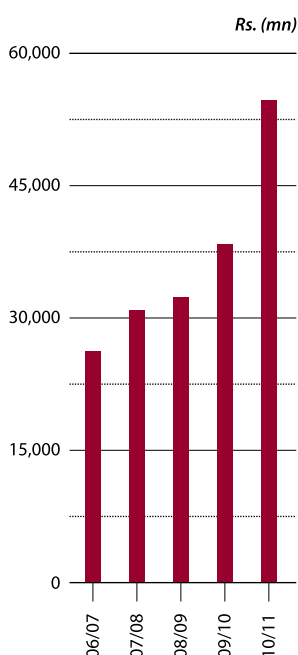
	2010/11 Rs. mn	2009/10 Rs. mn	Change %	2008/09 Rs. mn
Gross turnover*	54,399	38,169	43	32,356
Group turnover including equity accounted investees*	55,753	43,719	43	45,374
Group profit before tax*	2,120	3,293	(36)	1,576
Group profit after tax*	1,216	2,609	(53)	1,007
Profit for the period	1,207	2,581	(53)	803
Profit attributable to equity holders of the Company	725	1,731	(58)	311
Dividends	300	300	0	225
Shareholders' funds	15,694	15,214	3	12,356
Company market capitalisation	28,658	16,875	70	6,750
Group market capitalisation	54,092	36,691	47	17,753
Group investments	2,899	918	216	1,385
Group value addition	13,907	11,090	25	9,155
Revenue to Government (including equity accounted investees)	2,601	1,523	71	1,239
Group employment (persons) (including equity accounted investees)	31,651	30,177	5	33,711
Per share				
Earnings (basic) (Rs.)	9.66	23.08	(59)	4.15
Market value (year-end) (Rs.)	382.10	225.00	70	90.00
Net assets (year-end) (Rs.)	209.25	202.86	3	164.74
Dividend (Rs.)	4.00	4.00	0	3.00
Price earnings (year-end) (times)	39.55	9.75	316	21.69
Ratio				
Gross profit (%)*	20.8	24.7	–	24.6
Interest cover (times)*	3.5	5.6	–	2.1
Dividend yield (%)	1.0	1.8	–	3.3
Current ratio (times)	1.2	1.2	–	1.3

* Continuing Operations

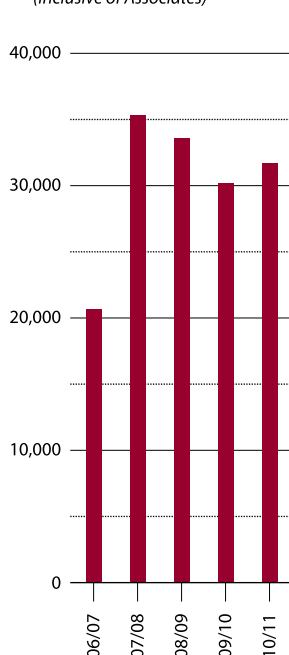
● **Group Value Addition**
(Excluding Associates)



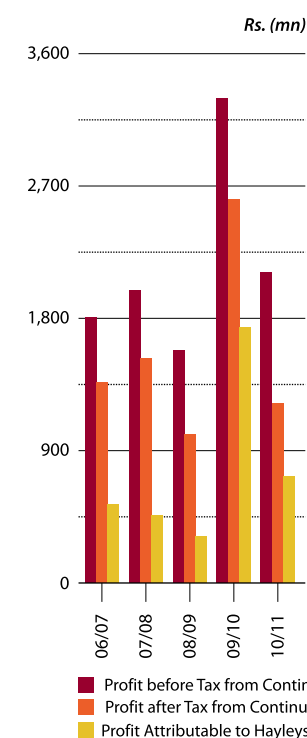
● **Turnover Growth**



● **Total No. of Employees**
(Inclusive of Associates)



● **Profit Growth**



■ Profit before Tax from Continuing Operations
 ■ Profit after Tax from Continuing Operations
 ■ Profit Attributable to Hayleys PLC



Hayleys is being driven forward as an integrated Group with noteworthy strides being made in line with new management strategies

I welcome you to the 60th Annual General Meeting of Hayleys PLC, and have pleasure in presenting to you the Annual Report and Audited Financial Statements for the financial year ended 31st March, 2011. The year was a challenging one with mixed results for your company. While most of our business sectors performed well with some even surpassing expectations, poor performances particularly in two sectors of the Group offset these gains in terms of bottom line results. I remain confident, that the many strategic and operational initiatives taken to address the issues faced by some of the Groups' sectors will place those business sectors back on the track of profitability.

Your company's businesses in Agriculture, Plantations, Consumer Products and Transportation turned in significantly better results, while the performance in Purification and Hand Protection was commendable in challenging operating conditions. All business sectors, including Textiles and Fibre, the two sectors that posted losses, reported healthy revenue growth, underscoring the sustainability of our business portfolio.

Hayleys is being driven forward as an integrated Group with noteworthy strides being made in line with new management strategies. These will be outlined briefly, later on in this message. These strategies are explained in greater detail in the forward looking section titled 'Management Review and Preview' elsewhere in this report. This section is unique in that it spells out in a clear and concise manner our portfolio of businesses, and is followed by an overview of the macroeconomic and operating environment to the extent that it is relevant to our businesses. It also elaborates on the goals and strategies that drive us. These we believe, encompass a vast array of actions and initiatives that are synergised in a diversified group such as Hayleys. These actions and initiatives have been presented in a section titled 'Our Strategies in Action'.

The prevailing peace in our land, in the first full year since the defeat of terrorism, has allowed Sri Lanka to focus on pursuing sustainable economic development and places the country on the path to sustainable growth. The Sri Lankan economy grew by 8% in 2010, with all key sectors of the economy contributing to this growth. The Government of Sri Lanka is to be commended for maintaining a low interest rate regime and reducing corporate tax thresholds for the ensuing year. This enables a greater part of corporate profits to be reinvested in the Company. Thus, reduced corporate taxes will lend significant impetus to the overall growth and development of the economy.

The global economy, as it continues to emerge from recession, sees uneven progress with the rate of recovery widely disparate across economies of the Western and the Eastern hemispheres.

Despite having to grapple with some global negatives, it is encouraging to note that turnover of your company grew by 43% crossing the Rs. 50 bn mark. Group profit on the other hand, failed to keep abreast of the overall growth in our businesses ending below budgeted levels. Our consolidated profit for the year under review was Rs. 2.1 bn before tax, as against Rs. 3.3 bn last year. Profit after tax was Rs. 1.2 bn as against Rs. 2.6 bn last year. Similarly, profit attributable to equity holders was Rs. 725 mn as against the record figure of Rs. 1.8 bn in 2009-10.

The decline in profits was largely due to the losses sustained by our businesses in the Global Markets and Manufacturing sector, namely the Textiles and Fibre businesses which posted pre tax losses of Rs. 817 mn and Rs. 150 mn respectively during the year under review. In the Textile sector the prudent intervention by the present management enabled the detection of certain irregularities/discrepancies which appear to have accumulated over a period of time. The situation warranted a criminal investigation which is currently proceeding and also

necessitated a writing down of current assets to reflect the net realisable values of those assets. I am pleased to inform you that corrective action has since been taken and the management team strengthened and revamped through the recruitment of personnel for key positions. The Company has upgraded its machinery to lend impetus to achieving an improved performance. The losses in the Fibre business on the other hand, were due mainly to debilitating raw material shortages. In the Fibre sector too, the management team has been strengthened and operations are being restructured to improve efficiencies. A shift in focus to value added fibres has been recognised and implemented.

Prospects of these businesses in the ensuing year are positive. We have healthy order books in both our Textiles and Fibre businesses. This demonstrates the level of confidence our customers have placed in us and we look forward to a successful year ahead.

The Board recommends a first and final dividend of Rs. 4/- per share which is on par with the total dividend distributed for the last financial year.

INVESTMENTS

Shareholders would also be pleased to note that we have made several new investments in the year in line with Group strategy. These fortify Hayleys' strong base for sustainable growth.

During the year under review, Hayleys gained full ownership of Mabroc Teas via the acquisition of the balance 60% of that company's shares. Mabroc is a tea exporting company specialising in value added products and this acquisition helps Hayleys PLC's pursuit of value addition and its journey up in the value chain.

We also acquired a controlling interest in the Alumex Group, a leader in the aluminum extrusion industry in Sri Lanka. This forward thinking strategic move enabled Hayleys to enter the construction materials industry.

We created a new sub-sector - Construction Materials - to accommodate this exciting new business. The Alumex Group contributed positively to the results of the year reviewed, with Rs. 1.38 bn to turnover and Rs. 137 mn to operating profit since its acquisition.

In keeping with Group policy of possessing both equity and management control of its businesses, the Group increased its holding in Hayleys Agro Fertilizers (Pvt) Ltd. from 51% to 100%. This also gives us the flexibility to expand rapidly into value added and higher technology segments of the fertilizer industry.

The Group gained controlling interest in Hayleys Plantation Services Ltd., the owners of Talawakelle Tea Estates, via the purchase of a further 1/3rd stake in the Company. This acquisition will allow Hayleys to bring its own growth strategies to influence the further development of the Plantations sector and application of synergies for mutual benefit.

Our investment in Nirmalapura Wind Power (Private) Ltd., a subsidiary company which is pursuing electricity generation from wind power, is a promising prospect. The 10 MW plant is expected to commence operations by September 2011. We see this project as a significant contributor to the Group's profitability and growth in the years to come.

An extensive refurbishment programme is underway for Ceylon Continental Hotel, which will transform and equip the Hotel to meet the requirements of the growing tourism industry of the country. As expected, the improved performance at the Ceylon Continental Hotel has reflected the upward trend in the industry.

Accolades

Businesses across the Group have once again been recipients of numerous prestigious national awards. Details of these awards appear on page 46 of this Annual Report. I take pride in mentioning that Hayleys PLC was adjudged Sri Lanka's Best Corporate Citizen for 2010 by The Chamber

of Commerce of Sri Lanka. This award bears testimony to the Company's deep commitment to corporate responsibility and sustainability.

The Hayleys PLC Annual Report for the year ended 31st March, 2010 won a Gold award in its category of Group companies with more than five subsidiaries, and a Bronze award in the overall category at the Annual Report Competition organised by The Institute of Chartered Accountants of Sri Lanka. This Annual Report also won a Silver Award at the 24th International ARC Awards Competition in New York, popularly known as the Oscars of Annual Reports.

GROUP STRATEGY

Group strategy is explained in context of the portfolio, operating environment and goals in the section titled 'Management Review and Preview' appearing on pages 08 to 27 of this Annual Report.

Succinctly put, Hayleys has established short- and medium-term goals in the key areas of Profitability, Liquidity, Growth and Stability. We have also spelt out the strategies adopted to realise these goals both at portfolio level as well as across the businesses that comprise our portfolio. These strategies concentrate on areas such as growing our businesses, rationalising our portfolio and shedding or redeploying assets and investing in new business areas that are viewed as a good strategic fit with our portfolio objectives.

In the process of delivering these strategies, Hayleys will look to move up the value chain, pursue value addition whilst maintaining quality consistency and enhancement and be committed to develop our people among other initiatives.

In achieving desired results and delivering enhanced shareholder value, I am aware of the need to be quick on one's feet, yet temper that approach with the skill and knowledge base that allows emancipated decision-making. This is what we foster at Hayleys.

In terms of our composition of business, Hayleys PLC's operations are concentrated within 12 business sectors.

To the currently existing 12 sectors of the Group, a new sector - Construction Materials - has been added with the acquisition of the Alumex Group.

Our Agriculture sector was reconfigured with the merging of the Agri Products and Agri Inputs sub-sectors. This move significantly streamlines our business and yields greater synergies that will undoubtedly benefit the sector in the future.

Another pertinent development during the year under review was the vesting of a significant portion of the Group's back office accounting functions with Hayleys Aquila, itself a new entrant to our business landscape. We hope to bring the entirety of our back office accounting functions under Aquila and offer this expertise as a BPO service to third parties.

The great value Hayleys enjoys is the manner in which these diverse business sectors forge ahead, maintaining their diversity, yet drawing synergies from the core Hayleys ethos and combining them to meet the aspirations of our shareholders.

Last year, I reported on the many initiatives we took to strengthen the Hayleys family and unify all under one Hayleys flag. We also launched a Company Anthem. I consider these initiatives to be a vital aspect in terms of identity and the way we perceive ourselves and are perceived by others.

Our team of 31, 651 'Haylians' is one of our greatest assets. They are increasingly becoming more united under the Hayleys flag.

CHANGES TO THE BOARD

Mr. J.D. Bandaranayake, who served as an Independent Non-Executive Director resigned in January 2011. Mr. L.K.B. Godamunne who served as an independent Non-Executive Director will retire at this Annual General Meeting. Mr. T.L.F.W. Jayasekera will retire by rotation at this Annual General Meeting and is not seeking re-election. Please join me in thanking these

gentlemen for their invaluable service and in wishing them and their families well.

Mr. H.S.R. Kariyawasan was appointed to the Board in June 2010. Mr. Kariyawasan has responsibility for the Purification Products business. Dr. H. Cabral, President's Counsel, was appointed to the Board in February 2011 as an Independent Non-Executive Director. Dr. K.I.M. Ranasoma was appointed to the Board on 1st April, 2011. Dr. Ranasoma has responsibility for the Hand Protection business. Please join me in welcoming these gentlemen who bring with them valuable experience and expertise to the Board.

Mr. J.A.G. Anandarajah relinquished his responsibilities as the Managing Director of the Dipped Products Group with effect from 31st March, 2011. He will however, continue as the Managing Director of Hayleys Plantations, DPL Plantations and also oversee the functions at Kelani Valley Plantations and Talawakelle Tea Estates along with Mabroc Tea and our new Construction sector company, Alumex.

I thank Mr. Anandarajah for the tremendous contribution he made to Dipped Products PLC and appreciate the continued support he extends to the Hayleys Group.

PROSPECTS

I must emphasize that despite the challenges faced by the Group in the year under review, it remains strong in its fundamentals and is supported by a robust strategy. There is concurrent rationalisation, consolidation and strategic growth that imbue the Hayleys enterprise with new dynamism that sees it poised for growth.

Hayleys' business interests lie squarely within the growth areas of the nation.

Growth and development in the country are influencing sectors such as Leisure and Aviation where targeted growth in tourist arrivals augurs well for our interests in hotels and airline representation. Our Transportation and Construction sectors are well placed to contribute substantially to national infrastructure development, particularly in the areas of power generation

and transportation. The constant search for technological advancement and value added products plus the upliftment of the farming community and industry of Sri Lanka yields much scope for our Agriculture and Agri Business sector.

Returning 'economic peace' in the global arena and growth in external trade will benefit the blue-chip businesses in our Global Markets and Manufacturing sector.

It is my view that the future holds many opportunities that have the potential to far outstrip challenge. Hayleys is well-positioned to embrace these opportunities with confidence.

IN CONCLUSION

I thank my fellow Directors and colleagues of the Group Management Committee whose diligence and continuing hard work ensures that Hayleys delivers enhanced value to its shareholders. I thank our Management Team and all employees across the Group for their commitment, their loyalty and dedication to the well-being and performance of Hayleys. I also take this opportunity to thank our local and overseas customers, joint venture partners, agents and suppliers for their continued association, and our bankers for the support and confidence they have placed in us. Last but not least, I thank you, our shareholders who have steadfastly stood by us and we reiterate our commitment to meet your aspirations.

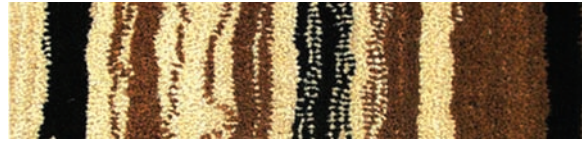


A.M. Pandithage
Chairman & Chief Executive

19th May, 2011

GLOBAL MARKETS & MANUFACTURING

Fibre



The Fibre sector manufactures a diverse range of products including brushes, floor coverings, curled fibre, bedding and cushioning, erosion control and horticulture products. It also produces compressed coir-fibre pith and has a range of non-coir products including cotton and semi-synthetic felt sheets made from recycled textile fibre.

Hand Protection



The Hand Protection sector manufactures gloves for domestic, industrial and medical use. In this field, Dipped Products PLC and its subsidiaries enjoy international repute for quality and value, offering a comprehensive range of products that caters to a variety of applications.

Purification



Haycarb is one of the world's leading manufacturers of activated carbon, capable of supplying the needs of any customer, anywhere in the world, no matter how specialised or unusual those needs may be.

Haycarb is a pioneer in this field and our product range includes carbons in granular, pellet and powder form. In addition, we offer value added services such as regeneration of spent carbon.

The Company has also evolved this area of business to offer turnkey solutions utilising activated carbon in end products for air, water, effluent, sewage and solid waste treatment.

Textiles



"Hayleys MGT Knitting Mills PLC is a BOI approved subsidiary of Hayleys PLC manufacturing weft knitted fabrics. A pioneering manufacturer of knitted fabric in Sri Lanka, MGT commenced commercial production in 1992. The Company is renowned as a manufacturer of premium quality products and supplies to many world renowned brands such as M&S, NIKE, OxyLane, ASDA, TESCO, Levis, BHS and NEXT.

Construction Material



Alumex Group is Sri Lanka's foremost Aluminium Extrusion manufacturer with sound industry expertise spanning two decades.

Alumex's product portfolio offers a wide range of innovative high quality extrusions in over 700 designs and covers a broad spectrum of products for fabrication of Windows (Sliding, Casement, Top Hung, Pivoted, Turn & Tilt, Fixed) and Doors (Swing, Sliding, Folding), Curtain Walls, Sky Lights, Tubes, Pipes, Partitions, Shop Fronts and many more.

➡ **'Ravi - Clean Green' branded Ekel Broom introduced to the American market**

➡ **5% global market share of industrial and general purpose rubber gloves**

➡ **Haycarb is the world's largest manufacturer of coconut shell-derived activated carbon accounting for over 17% of global production**

➡ **Annual production capacity exceeds 12,000 MT of single jersey, Interlock, Rib, Pique, Fleece and polar fleece fabric**

➡ **Enjoys 55% Market Share of Aluminium Extrusion Market in Sri Lanka**

AGRICULTURE

Agriculture



The Agri Inputs sector develops and markets a variety of agricultural inputs including vegetable seed, seed paddy, seed potato, crop protection products, agricultural machinery and equipment, veterinary products, micro irrigation systems, and fertilizers.

⬆ **90% of the country's Agri - Input retail outlets are covered by the sector's distribution network**

⬆ **We reach over 350,000 farmers and growers directly island-wide with a range of extension services**



The Agri Products sector exports a range of value added agricultural products including processed and semi-processed vegetables and fruits shipped in both bulk and retail packaging. The sector is also involved in export of Hybrid Flower & Vegetable Seeds.

Agri Products pioneered the early generation seed potato production and also produces high quality seed paddy and big onion seeds for the local market.

It is fast becoming a major producer of tissue culture plantlets and is already producing fruits, flowering, foliage and forestry plantlets for local and export markets.

⬆ **50% market share in Japan for pickles in jars**

⬆ **Retail packed and processed vegetables exported to 32 countries**

Plantations



The Plantations sector consists of two regional plantation companies, Kelani Valley Plantations PLC and Talawakelle Tea Estates PLC. These companies together own and manage 44 Tea and Rubber estates, with a total extent of nearly 20,000 ha

⬆ **These companies account for 4.5% of Sri Lanka's tea and 2.5% of its rubber production**

TRANSPORTATION & LOGISTICS

Transportation & Logistics



The Transportation and Logistics sector, a comprehensive range of end-to-end logistics services in areas such as Integrated Logistics, Marine, Terminals and Engineering and International Freight Management. We represent some of the world's foremost shipping lines, international freight forwarders and Fed-Ex, the world's largest air express freight forwarding company.

⬆ **First local company in the portable cabin industry to receive ISO 9001:2008 certification for Quality Management Systems**

CONSUMER PRODUCTS

Consumer Products



The Consumer sector focuses on bringing the products of world renowned brands into Sri Lanka and making them available to the local consumer. Representing a wide and diverse portfolio of products that span from FMCG to Imaging, to Stationery and Healthcare, the Company is the sole distributor for reputed brands such as Proctor & Gamble, Philips Lighting, Fuji Film, Camlin Stationery and Blue Cross Pharmaceuticals.

⬆ **Provided floodlighting for the Mahinda Rajapakse Cricket Stadium, Hambantota for Cricket World Cup - 2011**

LEISURE & AVIATION

Leisure & Aviation



Hotels and Resorts

The Hotels and Resorts sector caters to the potential of the leisure industry. The portfolio of investments held by the sector was further rationalised and focused expansion of this sector is underway.

Aviation

Hayleys Aviation represents some of the world's leading passenger and cargo airlines as General Sales Agent (GSA) in Sri Lanka and the Maldives Islands. The division also maintains a presence at the Colombo International Airport through 'Hayleys Airport Services' which offers flight handling supervision, terminal services and cargo handling for several international airlines operating to Colombo.

The Group also specialises in the Travel Agency business through its IATA accredited travel agency 'Hayleys Travels' offering services such as reservations, ticketing, outbound holiday packages and other travel-related services.

Destination Management

'Hayleys Tours' the Destination Management arm of the Group represents several renowned tour operators and offers services for inbound travellers such as Ground Handling Services including Transport, Accommodation, Excursions and MICE (Meeting, Incentives, Conferences and Exhibitions).

⬆ **Hayleys Group increased its stake in Hunas Falls Hotels PLC to 50.24%**

⬆ **An extensive overhaul and refurbishment of The Ceylon Continental Hotel commenced during the 3rd quarter of the financial year**

POWER & ENERGY

Industry Inputs



The Industry Inputs sector is a key player in the supply of raw materials and auxiliaries to Sri Lankan manufacturers of paints, rubber products and food products. Furthermore, a significant part of its business lies in the supply of dyes and chemicals to the textile industry. This sector is also engaged in supplying and supporting diesel power generating units and electronic systems for the construction industry; representing some renowned principals.

A constituent company within this sector, Hayleys Life Sciences supplies and maintains medical imaging equipment and consumables.






















The Power and Energy sector has added 5.4 MW of generating capacity to Sri Lanka's national grid. The annual energy output amounts to 22 GW HRS. This sector also undertakes contracts to develop and construct power houses and supply turbine generators on a turnkey basis. Turnkey projects thus far completed by the division supply a total of 9.5 MW to the national grid. This sector also produces electricity from waste heat generated in the production of coconut shell charcoal in an eco-friendly process.



⬆ **'Green' electricity produced from waste heat generated in the production of coconut shell charcoal**

⬆ **Project initiation of 5MW Mawanana mini hydroproject in 3rd quarter**

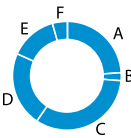
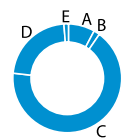
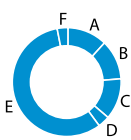
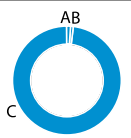
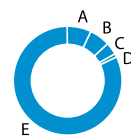
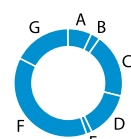
⬆ **Electricity generation from hydro plants reached record levels**

Our Portfolio of Businesses

Main Sector	Sub Sector	Market			
 GLOBAL MARKETS & MANUFACTURING	Fibre	Export - 95.8% Local - 4.2% 	A - Asia B - Australia C - Europe D - Americas E - Africa F - Sri Lanka	- - - - - -	24% 2% 34% 22% 14% 4%
	Hand protection	Export - 99% Local - 1% 	A - Asia B - Australia C - Europe D - Americas E - Sri Lanka	- - - - -	8% 2% 67% 22% 1%
	Purification	Export - 96.5% Local - 3.5% 	A - Asia B - Australia C - Europe D - Africa E - Americas F - Sri Lanka	- - - - - -	12% 12% 12% 4% 57% 3%
	Textiles	Export - 99% (Indirect) Local - 1% 	A - Asia B - Sri Lanka C - Indirect Exports	- - -	1% 1% 98%
	Construction Material	Local - 100% 	Sri Lanka	-	100%
 AGRICULTURE	Agriculture	Export - 18.9% Local - 81.1% 	A - Asia B - Australia C - Europe D - Americas E - Sri Lanka	- - - - -	7% 6% 4% 1% 82%
	Plantation	Export - 100% (Indirect) 	Indirect export	-	100%
 TRANSPORTATION & LOGISTICS	Transportation & Logistics	Local - 100% 	Sri Lanka	-	100%
 LEISURE & AVIATION	Leisure & Aviation	Local - 100% 	Sri Lanka	-	100%
 POWER & ENERGY	Industry inputs	Export - 7% Local - 93% 	Americas Sri Lanka	- -	7% 93%
	Power & Energy	Local - 100% 	Sri Lanka	-	100%
 CONSUMER PRODUCTS	Consumer products	Local - 100% 	Sri Lanka	-	100%
GROUP *		Export - 62.6% Local - 37.3% 	A - Asia B - Australia C - Europe D - Americas E - Africa F - Sri Lanka G - Indirect exports	- - - - - - -	7% 3% 19% 14% 2% 37% 18%

 Export
 Local

* Group figure includes investments and services

	Retention	Turnover	EBIT	Assets	ROCE	Average Capital Employed	Employees
	Rs. mn	Rs. mn	Rs. mn	Rs. mn		Rs. mn	
	(129)	4,582	(123)	5,337	(4%)	3,458	494
	267	11,700	454	7,729	9%	4,888	1,340
	457	6,325	643	3,803	22%	2,989	953
	(642)	6,543	(678)	4,596	(15%)	4,553	1,164
	146	1,383	136	1,402	24%	1,322	362
	268	7,406	721	4,293	31%	2,316	638
	657	5,373	632	7,955	14%	4,545	25,031
	357	4,735	558	3,736	19%	2,992	720
	124	924	124	2,402	6%	2,208	457
	(23)	1,932	29	823	5%	620	82
	105	354	182	1,178	19%	962	44
	152	3,799	237	1,230	43%	551	203
	2,215	55,753*	2,915	53,335	8%	37,074	31,651

* Including Equity Accounted Investees

In the year 2010 Sri Lanka's economy grew by 8% ... driven by a broad based recovery across all sectors.

The global economy recovered in the year 2010 from the recession in 2009, with overall global growth estimated at 5%...Global trade also recovered, growing by 12% in 2010.

THE SRI LANKAN ECONOMY

The financial year 2010/11 was a milestone, being the first full year of peace for three decades in Sri Lanka. The year has been highly anticipated since it would signal the direction of the Sri Lankan economy in the post-conflict era. Whilst prospects brightened at home, the global economy moved towards an unbalanced recovery, with emerging economies growing steadily and a more tentative recovery in the developed world. Our Group has interests in both domestic and global markets, and we have had to carefully navigate through an external environment that has provided both opportunity and challenge.

In the year 2010 Sri Lanka's economy grew by 8% a significant increase from the 3.5% growth of 2009. Growth was driven by a broad based recovery across all sectors. The agriculture sector grew rapidly as new lands in the North and East came into cultivation and the plantation sector enjoyed buoyant prices. The services sector, accounting for 59% of total GDP, was an important driver of Sri Lanka's growth, with construction (9.3%), tourism (39.8%), financial services (7.5%), transport (11.9%) and retail (7.5%) being fast growing sub-sectors. All of these sectors have benefited from the increased confidence in economic prospects in the post-war situation. 2010 also saw the completion of two major elections where the ruling coalition secured comfortable majorities and this has established a strong sense of political stability and policy certainty, which was further entrenched in the November 2010 budget.

GLOBAL ECONOMY

The global economy recovered in the year 2010 from the recession in 2009, with overall global growth estimated at 5% in 2010. The recovery was however unbalanced, with Developing Asia growing at 9.3%, Europe at 1.8% and the U.S at 2.8%. Global trade also recovered, growing by 12% in 2010.

At the same time there were numerous shocks faced by the global economy, starting with debt crises in Europe, political upheaval

in the Middle East, numerous natural disasters and a sharp upturn in commodity prices including food and energy, which have eroded discretionary spending power of consumers worldwide. The resulting inflation in both emerging economies and developed economies resulted in a sharp tightening of monetary policy in emerging economies since late 2010, threatening to curtail the recovery in the global economy. At the same time the increased public debt taken on by many developed economies also calls into question medium term macroeconomic stability in some of these countries. The growing importance of emerging economies such as China and India emphasizes the necessity for the Group to further diversify exports and tap into niche markets in these countries. Therefore whilst the recovery of the global economy has helped Hayleys export and trade sectors, the still uncertain external climate has proved to be a challenge for overall stability and longer term planning.

COMMODITY PRICES

Possibly the biggest challenge faced by the Group in 2010/11 has been the spiralling cost of raw materials both in Sri Lanka and globally. A confluence of several factors has resulted in prices of key commodities for Hayleys, including oil, natural rubber, cotton and coconut, increasing substantially during the year. The international Cotton A index increased 131% between January 2010 and January 2011, Colombo RSS 1 rubber prices, increased 50% in the 6 months between September 2010 and March 2011 and oil prices increased 40% between February 2010 and February 2011, coconut shell charcoal prices increased by 50% point to point during the year. In some cases it has become increasingly difficult to procure raw materials, even at an elevated price, with coconut fibre being a case in point. Along with supply shortfalls, high demand from rapidly growing emerging economies helped drive commodity prices in 2010. Increasing commodity prices affected margins in the manufacturing sector but helped earnings in

the plantation sector, as both tea and rubber prices increased during the year. In response to these challenges the Group continues to diversify its raw material supply base and is implementing flexible pricing mechanisms to retain long standing customers.

INFLATION AND LABOUR

The rapid rise in commodity prices, particularly food prices, pushed Sri Lanka's inflation rate up towards the end of 2010 and early 2011. By March 2011 year on year inflation reached 8.6%. The recent spike in inflation has been largely supply driven, as a result of floods damaging the food output and higher cost of imported commodities. However conditions for demand driven inflation have been increasingly visible as credit growth and money supply have increased steadily, raising some concerns. A tight labour market (unemployment was 4.9% in 2010) and increasing food prices pushed up wage costs and made it increasingly difficult to source labour. This has been a challenge for operations and is likely to be a continuing trend as Sri Lanka's economy grows.

INTEREST RATES

The relatively benign inflation rate has enabled the Central Bank of Sri Lanka to maintain a low interest rate regime throughout the year. In fact policy rates in January 2011 were reduced to 7% (Repo) and 8.5% (reverse Repo) - reversing a trend seen in other emerging economies, which have been raising interest rates. Market interest rates have also been on a declining trend following the Central Bank's policy rates. The Prime Lending Rate was 9.12% in May 2011 down from 10.52% in March 2010. The lower interest rate has helped the Group to manage finance costs and has also created opportunities for fresh borrowing to expand activities. The capital account liberalisation measures proposed by the Government in the 2011 Budget should further facilitate access to capital moving forward. However

going forward, if inflationary pressure continues to build, it will become necessary for a tightening of monetary policy to manage price stability.

EXCHANGE RATES

Since the end of the civil conflict the Sri Lankan Rupee has been continually appreciating against key global currencies. Between March 2010 and March 2011, the Rupee has appreciated against the US\$ (3.6%), the Euro (1.6%) and the Indian Rupee (2.4%). However the Rupee has depreciated against other global currencies such as the Japanese Yen (4.8%) and the British Sterling Pound (4.3%) during the same period of time¹. The appreciation of the Rupee against the US\$ and the Euro has been a challenge for many Hayleys export firms due to exchange rate losses impacting margins. However, currency appreciation also reduces costs of imported inputs and products, which is beneficial to some of the Group companies. The volatility of certain currencies, particularly the Euro, due to its debt crisis and uncertainty regarding inflation and monetary responses in Europe, has created challenges for future planning in the Group.

AGRICULTURE

The agricultural sector in Sri Lanka continued to grow rapidly in 2010, driven by high prices in commodity markets and the increased availability of fertile land in Northern and Eastern Provinces. The strong prices enjoyed by rubber and tea helped the Hayleys Plantation sector to record healthy profits. Furthermore, the increase in overall agricultural production improved demand in the Agri-inputs sector. There were also negative outcomes, which undermined the performance of agriculture during the year. The latter half of 2010 saw extensive rainfall and flooding in Sri Lanka that damaged Agricultural output and affected the entire value chain of the agriculture sector. In August 2010 the GSP + scheme

was withdrawn by the European Union, and as a result Sri Lankan agricultural exports to the EU suffered as buyers switched to cheaper alternatives or were unwilling to raise prices, hurting exporters' margins. Fruits and vegetables exports of Hayleys have been adversely affected by this development.

SERVICES

The services sector has been the fastest growing sector in Sri Lanka in recent years. In 2009, the services sector was adversely affected by the economic contraction and the intensification of the war. In 2010 the sector has led the recovery of Sri Lanka's economy as the end of conflict, reconstruction activities and declining interest rates have all helped spur the sector. Construction, tourism, financial services, energy, transportation and retail have all grown significantly in 2010. The Group has been able to strategically increase its exposure to some of these key sectors in order to benefit from the immediate growth prospects.

In construction Hayleys entered the aluminium extrusions industry and the Group has expanded activity in the leisure sector and will continue to build on this moving forward. As the economy grows the demand for energy will grow in parallel, and Hayleys investments in renewable energy (mini-hydro and wind), will yield good results for the Group going forward. Both domestic and international transport sectors grew significantly in 2010 as the domestic economy gathered pace and reconstruction activities have created new opportunities in project-based logistical services. International transport, both air and sea transport, increased as a result of growing tourism and international trade. Hayleys presence in both these sectors has been beneficial to the Group. With growth in demand for consumer retail services in Sri Lanka the Group has been able to benefit through its consumer goods sector and will explore further avenues to build on this area.

¹. Exchange rates are taken prior to the Earthquake in Japan of 11th March, 2011




We will continue to enhance profitability and maintain optimal liquidity

In the short term, we focus on surpassing profitability targets whilst maintaining optimal liquidity. In the medium term, we envisage our strategic investments will facilitate the achievement of our growth targets. Our focus remains growth and stability. Our long-term goal is to achieve overall sustainability across the portfolio.

Term	Goal	Indicator	Target
Short-Term	Profitability	ROCE (excluding value of land)	>20%
		EBITDA/Assets	>10%
	Liquidity	Operating cash flow/PAT	>100%
		Current ratio	1.5 – 2 times
		Debt/ EBITDA	<2.5
Medium-Term	Growth	Turnover growth - Local (> inflation)	>6%
		Turnover growth - Exports (> SLRs depreciation)	>4%
		Capital growth	>13 %
	Stability	External credit rating	> = AA
		Gearing	35% - 40%

We present below the key strategies formulated to help Hayleys achieve its goals. In addition, we are reporting on initiatives that have been taken during the year under review, to portray these strategies in action.

At a portfolio level

-  Redeploying/liquidating assets of underperforming businesses.
-  Growing existing well performing businesses both horizontally and vertically.
-  Investing in new businesses and restructuring existing ones based on their strategic fit to the portfolio. Meeting the hurdle rates shown above as well as giving Hayleys both management and equity control will be determining factors.

Across the portfolio

- Greater value addition
- Enhanced products and services
- Moving up the value chain
- Quality consistency
- Expanding global marketing capabilities
- Energy efficiency and alternate fuels
- Lean manufacturing, process efficiency and waste minimisation
- Green products, green manufacturing, green practises and processes
- Internationalising manufacturing and production bases
- People and leadership development

Our Strategies in Action



AT A PORTFOLIO LEVEL

***Re-deploying/liquidating assets of underperforming businesses;***

- The Group discontinued 2 ventures during the year under review. These were mostly non-performing entities or entities which on rationalisation of our portfolio, did not fall within the scope of the Group's goals and strategies.
- The consolidation of Agri Inputs and Agri Products under Hayleys Agriculture Sector was effected in order to maximise the synergies existing within these two sectors.
- Texnil Pvt Ltd. was relocated from Sapugaskanda to Weliveriya where other factories are situated to obtain synergies such as management skills and infrastructure.

***Growing existing, well performing businesses both horizontally and vertically;***

- KVPL increased its stake in Mabroc Teas by acquiring a further 60% shares in the Company thereby acquiring 100% control. Mabroc is a Tea export company specialising in value added tea.
- Hayleys Agro Products increased its stake in Agro Fertilizer by acquiring a further 49% shares in the Company thereby acquiring 100% control.
- DPL purchased a 33% stake in Hayleys Plantation Services Ltd., the management company which owns 75% of Talawakelle Tea Estates PLC and thereby obtained controlling interest to the Hayleys Group.
- DPL spent \$ 4.5 mn on capacity expansion at DP Thailand to enhance its output by 50%

***Investing in new businesses and restructuring existing ones based on their strategic fit to the portfolio, meeting the hurdle rates shown in the previous page as well as giving Hayleys both management and equity control will be determining factors.***

- Hayleys PLC acquired a controlling interest in the Alumex Group, a leader in aluminium extrusions in Sri Lanka. Thus a new sub sector was formed - Construction Materials.
- In order to reflect the Group's new initiatives to leverage the potential in the tourism market, a new sector was formed - Leisure and Aviation. Consequent to this re-configuration of our Business Portfolio, all airline representing companies were transferred from Advantis to the new sector and a GMC member was appointed to oversee this sector.
- The managements of DPL and Grossart were amalgamated thereby reducing overall management and administrative costs.
- Hayleys' investment in the 10 MW generating Nirmalapura Hydro Energy plant is expected to yield good returns in the future.
- Project Aquila was launched to consolidate all accounting related processes under one company. This facilitates operations units to focus better on their core activities and for the Group to reduce cost of these non-core activities through streamlining and standardising processes.
- Hayleys Bio-tech expands its R & D capabilities by tying up with an the Irish nursery, Fitzgerealld.

ACROSS THE PORTFOLIO

01

Greater Value Addition



Consumer Products

Hayleys Consumer Products Ltd. was awarded the project to flood light the Mahinda Rajapakse International Cricket Stadium in Hambantota by Sri Lanka Cricket and completed it on time for the 2011 ICC Cricket World Cup. The successful completion of this project showcased the Company's in-house engineering expertise and capability of handling a project of such magnitude with state-of-the-art technology.



Textiles

Strengthened its fabric printing activities to improve the turnaround time and the product offering.



Purification Products

Haycarb PLC as aggressively pursued the value addition in its Products & Services. The enhancing of its product range to wider specialised applications along with new value adding products in two key areas. Haycarb has made strides in making carbons with higher surface area, higher purity with extension of its size range to fine powders and special sizes to meet new applications. Haycarb has focused and invested significantly in new product developments of specialised carbons for Energy Storage sector for Ultra capacitors and Hybrid batteries among many other new applications.



Transportation & Logistics

Hayleys Advantis as an integrated logistics service provider focuses on value addition to our clients in a multitude of ways. For example, some of our divisions such as 3PL, Energy Services & Inland Logistics/projects consistently enhanced its service provision for their key clients through value added offerings for longer term client retention.



02 Enhanced Products and Services



Agriculture

Commenced marketing Kubota Combine Harvesters and Farmtrack 4 Wheel Tractors - both highly innovative products capable of generating high margins



Hand Protection

Production of Nitrile disposable gloves at Dipped Products Thailand



Purification Products

Haycarb's purification systems arm Puritas (Pvt) Ltd. has extended its own reach to provide medium to large scale raw water and waste water treatment plants with international collaborations to cater to demand in the hospitality industry and infrastructure development projects in Sri Lanka



Consumer Products

Introduction of the new Camlin line of stationery products



Leisure & Aviation

Ceylon Continental commenced refurbishment of the Hotel enhancing the overall group capacity, food & beverage offering and thereby expanding the business opportunities given the increase in business and tourist arrivals.

Was awarded the GSA for Hainan Airlines in March 2011 the airline will commence operation in August 2011.



Transportation & Logistics

Has consistently looked at rationalising the product portfolio and has thus given greater focus to products and services that are sustainable. Such focus has enabled us to show improved performance for the year 2010/11, in areas such as international freight management and projects and inland logistics



03

Moving up the Value Chain



Purification Products

Launched its new logo and undertook a rebranding campaign in 2010. The new logo was launched to reinforce our global reputation that stands for innovation, technical superiority, customer centricity and 'Green' supply chain initiatives. The logo has been formulated to enable the Company to create a strong brand awareness and loyalty across its customer base, as a high quality provider of innovative Activated Carbon Solutions.



Consumer Products

Launched the 'World of Hayleys' super market type retail outlet to promote and sell Hayleys products as well as other consumer products in Colombo and in Jaffna.



Plantations

With the purchase of Mabroc Teas (Pvt) Ltd. the Group expanded its range of value added products both locally and overseas.



04 Quality Consistency



Hayleys PLC

wins the Best Corporate Citizen Award for the 4th time, and wins the Best Customer and Supplier Award.



Agriculture

Hayleys Agro Products and HJS/Sunfrost won the following Awards at the National Agri Business Awards for 2010

Agri Products

- Large Category inputs supplier - Silver Award - Farm Machinery and Equipment.
- Large Category Extension Services - Silver Award
- Large Category inputs suppliers Agro Chemical and Fertilizer - Gold Award
- Medium Category inputs supplier - (Veterinary Products) - Gold Award

HJS/Sunfrost

- National Level - 2nd Runner-Up
- Large Category - Marketing - Gold
- Large Category Extension Services - Gold

Agro Farms

won the Taiki Akimoto 55 award - certificate of commendation

Hayleys Fertilizer obtained the following certifications during the year - ISO 9001, ISO 14001



Hand Protection

DPL

- Certification of the DPL laboratory as per ISO 17025



Plantations

KVPL

- Sought certification in compliance with the standards of Rainforest Alliance.



Transportation & Logistics

Three of the constituents of the Advantis Group were recognised for maintaining the quality levels of their products and services as per the guidelines issued by the ISO 9001:2008 - Quality Management Systems.

MIT Cargo - Re-certification

Logistics International - Re-certification

Logiventures Engineering - Certification

A couple of our shipping units also won industry accolades during the year for quality and customer service.



Fibre

won four National Business awards.



Industry Inputs

Haycolour wins Gold at the National Chamber of Exports Awards.



Purification Products

Haycarb PLC has obtained ISO 14001 for operations in Sri Lanka in addition to ISO 9001, National Sanitation Foundation (NSF) Certification for product compliance Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) compliance for European imports.



05 Expanding Global Marketing Capabilities



Agriculture

Haychem Bangladesh Ltd. introduced a wide range of crop protection and animal health products during the year



Plantations

With the purchase of Mabroc Teas the Group has been able to expand its operations to Russia, Japan, the Middle East, Taiwan, Australia and the USA



Fibre

Civaro NA - Which was under the purview of the Advantis Group was transferred to the Fibre Sector in order to take better advantage of the existing foreign marketing and distribution channels.

Haylex UK - Strengthened the marketing office in the UK which is headed by a GMC member.



Purification Products

Expanded operations through its marketing subsidiaries in Australia, UK and USA whilst finding new customers and applications in other countries through direct marketing and through distributors. Special attention is placed on new growth markets in Asia.



06

Energy Efficiency and Alternate Fuels



Hand Protection

Texnil was converted from furnace oil to biomass energy in contributing to green manufacturing. Furthermore our Thailand factory specialising in medical glove manufacturing, expanded its capacity without adding a new heater by way of recovering more heat from the existing heaters thus improving the overall efficiency of the production facility



Plantations

Increasing utilisation of fuel wood to generate energy required to manufacture tea



Transportation & Logistics

Transport fleet emission tested and certified for optimal eco-friendly operation.

Warehouses designed to operate with natural lighting and ventilation maximising energy efficiency.



Power and Energy

Recycling energy - biomass conversion to reduce energy losses.



Construction Materials

New machinery has been introduced to the processes, which has saved substantial amount of electricity and fuel when compared with the previous machinery.



Purification Products

Has reduced both oil and electricity consumption expanding the oil free activation process gradually to reduce the use of furnace oil.



07 Lean Manufacturing, Process Efficiency and Waste Minimisation



Purification Products

Launched the implementation of the SAP ERP system



Hand Protection

Continues to embed lean manufacturing processes in its glove manufacturing business with the principal aim of enhancing productivity. In this effort, DPL has been able to make substantial improvements to its processes through focussed attention on current practices and coming up with new ways of working.

In the year under review, nearly 100% of factory staff was trained on the lean concepts to enable effectiveness of implementation.



Construction Materials

implemented 5S during the year.



08 Green Products, Green Manufacturing, Green Practices and Processes



Agriculture

Introduced new generation, environmental friendly, Innovative crop protection products



Plantations

TTEL - Participant in Rain Forest Alliance

Partner in Ethical Tea Partnership Programme

KVPL - Compliance with the standards of Rainforest Alliance. Applied for the certificate.



Transportation & Logistics

The Go Green team of MIT Cargo introduced an E-cycling programme this year to reduce improper disposal of e-waste. The programme has been approved by the Central Environmental Authority.



Textiles

Bio mass boiler is currently being validated by SIRIM QAS International. Sdn. Bhd as a Clean Development Mechanism Project in order to achieve sustainable development and contribute to the ultimate objective of the United Nations Framework Convention on Climate Change. (UNFCCC)



Hand Protection

Clean production concepts were introduced throughout all operational locations as means of reducing waste generation and enhancing re-use opportunities thereby significantly reducing the requirement for waste disposal.



Purification Products

Recogen - Haycarb's Green Charcoal Project has been strategically looked into; the utilisation level of this facility has improved year on year. Domestic shell collection model is revisited with a thorough campaign to collect more shells into the supply system. Haycarb obtained ISO 14001 certification in the year under review.



09 Internationalising Manufacturing and Production Bases



Hand Protection

\$ 4.5 mn investment made on capacity expansion at DP Thailand to facilitate a 50% expansion in production



Purification Products

Total capacity of Activated Carbon was increased from 22,500 MT per annum to 25,000 MT per annum with capacity additions in Indonesia and Thailand. The Regeneration Plant capacity in Thailand is scheduled to double and the project work is in progress. Construction of a washing plant is in progress at the Indonesian facility.



10

People and Leadership
Development

Implementing the Performance Management System across the Group

Job banding project was introduced to the Group during the year 2010 with a view of scientifically evaluating the level of each job relative to another, according to the HAY evaluation methodology



Participation at NUS training on General Management

Environmental Health and Safety Management System implemented by Advantis

*Continuous investment in training of staff.
Performance-based remuneration schemes enacted
(Salary Survey Performed)*



Hayleys Advantis - Launched a management development programme for all our divisional managers, under the title "leading to go beyond" based on Franklin Covey's 7 habits

Talent recognition and development initiatives were also initiated during the year as part of our overall people development strategy

Hayleys harnessed the power of speech with its own Toastmasters Club





Our strategic investments during the year will undoubtedly enable the Group to achieve its objectives and generate acceptable shareholder returns

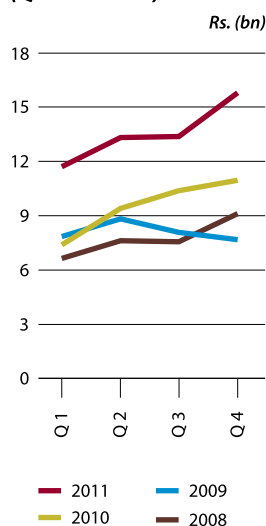
Term	Goal	Indicator	Target
Short-Term	Profitability	ROCE (excluding capital on land)	>20%
	Liquidity	Operating cash flow/PAT	>100%
		Current ratio	1.5 – 2 times
Medium-Term	Growth	Turnover growth - Local (> inflation)	>6%
		Turnover growth - Exports (> SLRs depreciation)	>4%
		Capital growth	>13 %
	Stability	External credit rating	> = AA
		Gearing	35% - 40%

Other than for the exceptional loss incurred in the textiles sector and the operational loss incurred in the fibre sector all other sectors performed on par or in excess of the previous year. Many of the sectors outdid the forecasted budgeted figures and targets outlined above. Therefore together with the corrective measures put in place at Hayleys MGT and in the Fibre sector the outlook in the coming years for the Hayleys Group is promising. The strategic investments in the construction materials sector, investment in the refurbishment of the Hotel Services (Ceylon) PLC and the investment in the 10 MW power plant Nirmalapura together with the expanding agriculture sector will undoubtedly enable the Group to achieve its objectives and generate acceptable shareholder returns.

The financial year 2010/11 has been a challenging one. The Group recorded a turnover of Rs. 54 bn and a profit before tax of Rs. 2.1 bn. When compared against the previous year the increase in turnover was 43%. The strong performances that were recorded throughout most sectors in the Group were overshadowed by the under performance of the Fibre and Textiles sectors. The acquisition of new subsidiaries through strategic investments also contributed to the increase in turnover and profitability.

The Agriculture, Plantations, Consumer Products and Transportation sectors turned in considerably better results in the year concluded. While the Purification and Hand Protection sectors sustained their performance despite the challenging operating conditions. Two businesses in Global Markets and Manufacturing sector, Textiles and Fibre, posted losses. The loss in the textiles business was largely due to the writing down of current assets to reflect the net realisable values. The loss in the Fibre business on the other hand was a consequence of the debilitating raw material shortages. The following provides an overview of the financial performance of the Group for the year under review.

**Group Turnover
(Quarter Wise)**



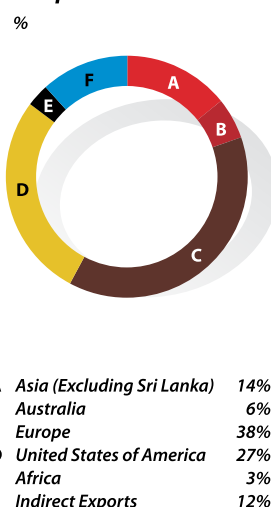
PROFITABILITY AND GROWTH TURNOVER

The Group's consolidated turnover in 2010/11 increased by Rs. 16 bn to Rs. 54 bn.

This increase was mainly attributable to the revenue of Talawakelle Tea Estate PLC, Hotel Services (Ceylon) PLC, Hunas Falls Hotel PLC, Hayley MGT Knitting Mills PLC and Alumex Group being consolidated into the Group's revenue. Some of which were equity accounted investees of the Group in the previous year.

The highest contributor to the Group's turnover in the year 2010/11 remains the Hand Protection sector, which accounted for 21.5% of Group turnover compared to 24.6% in the previous year. Other main contributors to turnover were Purification 11.6%, Agri Inputs 11.1%, Transportation & Logistics 8.7% and Plantations 8.6%. Agri Inputs and Transportation recorded a turnover growth of 35.6% and 34.8% respectively. The newly formed Leisure and Aviation sector which was previously included under the Transport sector made a contribution of 1.7% to the Group turnover.

**Geographic Break Down
of Export Turnover**



EXPORT TURNOVER

The Group's export turnover consists of turnover from export companies based in Sri Lanka and from the Group companies based overseas.

Total export turnover inclusive of equity accounted investees was Rs. 33 bn compared with Rs. 28 bn recorded in the previous year. The European market continued to be the main overseas market for the Group, contributing 31% to total turnover, followed by the United States with a turnover of 22%.

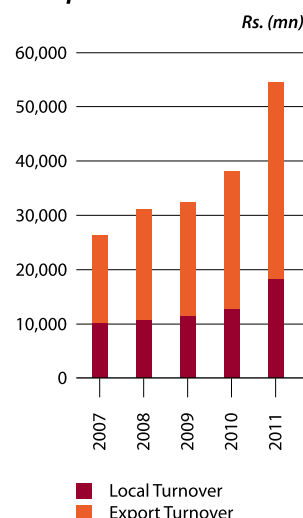
The dominant currency for exports continued to be the US Dollar, accounting for 83% of total export value, followed by the Euro with 12%. The appreciations of the Sri Lankan Rupee continued to negatively impact the conversion of US Dollar proceeds.

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

Group EBITDA for 2010/11 - Rs. 4,229 MN

The Group's earnings before interest, tax, depreciation and amortisation for the year decreased by 14% to Rs. 4,229 mn from Rs. 4,888 mn last year. The decrease was primarily due to the impact of losses from the Textiles and Fibre sector.

**Composition & Growth in
Group Turnover**



OTHER INCOME

Other income decreased by 71% from Rs. 731 mn. to Rs. 212 mn. The Group acquired 95% shareholding in Alutec Anodizing & Machine Tools Private Ltd. (Alumex Group) and subsequently divested 35% of its shareholding which resulted in a capital gain of Rs. 133 mn. In the previous year the main contributing factor was the gains from disposal of equity accounted investees namely Lighthouse, Vil Uyana and Seashells hotels which amounted to Rs. 571 mn.

PROFIT FROM OPERATIONS

The Group achieved an operating profit of Rs. 2.9 bn before net finance costs for 2010/11.

The Group's operating profit before finance cost recorded a decline from 4 bn in the previous year to 2.9 bn for the financial year 2010. This was largely due to the operational loss in companies in the Fibre sector on account at raw material and the loss of Hayleys MGT Knitting Mills PLC in the current year.

The Hand Protection sector's contribution to the Group's operating profit decreased to 15% from 25%. The sector's profit before net finance cost decreased by 45% compared with the previous year. This was primarily due to escalating costs of production attributable to a record increase in rubber prices. The DPL Thailand operation reported excellent results recording a turnover of Rs. 2 bn and the turnover of ICOGUANTI S.p.A., DPL's Italian marketing company rose 8% to Rs. 3.4 bn.

The Purification Products sector contributed 22% to the operational profit amounting to Rs. 643 mn compared with Rs. 696 mn in the previous year. The continuing strong demand for Activated Carbon and a greater focus by the Company on value addition enabled the sector to increase its sales volume.

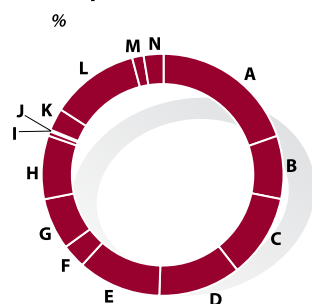
The Agri Inputs sector's contribution significantly increased to Rs. 650 mn from Rs. 389 mn. The end of the conflict saw a significant increase in cultivation in the Northern and Eastern regions, boosting demand for our products in crop protection, agricultural equipment and fertilizer.

The Agri Products sector's contribution declined to Rs. 70 mn during the year compared to Rs. 147 mn in the previous year. On a positive note by optimising the management synergies available in the Agriculture sector the Group will combine the above two sectors into one sector in the ensuing year.

The Transport sector's operating profit increased to Rs. 558 mn from Rs. 473 mn last year. International Freight Cluster contributed to 71% of the sector's operating profit compared to 50% last year. This was attributable to higher freight rates, increased imports, transshipment volumes and controlled overheads. 3PL & Inland Logistics contributed 23% to the sector's operating profit. Other clusters contributed 6%.

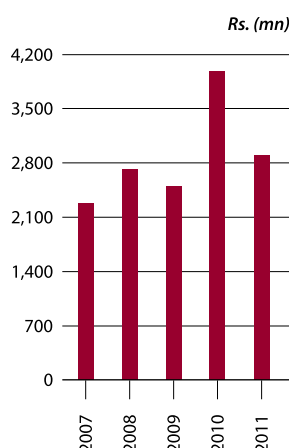
The Leisure and Aviation sector, a combination of what was previously the Resorts sector and the Aviation and Destination Management related entities which were transferred from the Transport sector contributed 4.2% to the Group's operational profit. In particular, this sector includes results of Hotel Services (Ceylon) PLC, Hunas Falls PLC which are accounted as subsidiaries in the

Segmental Contribution to Group Turnover

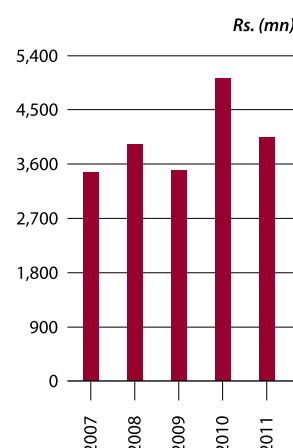


- A Hand Protection - 20%
- B Transportation - 8%
- C Purification - 11%
- D Agri Inputs - 11%
- E Plantations - 11%
- F Industry Inputs - 3%
- G Consumer Products - 7%
- H Fiber - 9%
- I Services & Investments - 0.4%
- J Power & Energy 0.4%
- K Agri Products 3%
- L Textiles 12%
- M Leisure & Aviation 2%
- N Material Construction 2%

Operating Profit



Earnings Before Interest Depreciation and Amortisation



current year. The Power and Energy sector's hydro power projects also yielded better results in the period under review.

Although the Consumer Products sector contributed only 8.1% towards the Group's profitability, the sector recorded an increased profitability of 32% compared to last year. This was attained mainly through the profitability of P&G, Health Care and Lighting businesses. The successful completion of the Hambanthota Suriyawewa cricket stadium's lighting project added value to this sector.

The Plantation sector that contributed only Rs. 16 mn to the operating profit in the previous year increased its contribution to Rs. 637 mn. The remunerative prices that prevailed for quality teas and better crops helped the Tea sector, while record prices boosted margins in the Rubber sector. This extraordinary change in the contribution was also due to the increase in the Group's share holding of Hayleys Plantation Services (Pvt) Ltd. resulting in the inclusion of Talawakelle Tea Estates PLC as a subsidiary.

The Group's Construction Material sector, newly created after the Alumex acquisition had contributed Rs. 137 mn to the operating profit. Alumex holds 51% share in aluminum extrusion market in the country. In light of the construction industry's growth potential in the country, this strategic investment is expected to yield positive contributions.

The second largest contributor to the Company's revenue was the Textiles sector which was consolidated, as a subsidiary for the entire year, into the Group's profits. This sector achieved a 17% increase in turnover compared to the previous year. However, its bottom line suffered a loss due to the discrepancies between actual and recorded figures for inventories and trade receivables. These discrepancies which appear to have accumulated over a period of time was detected by the prudent intervention of the present management who ordered comprehensive audits, the findings of which have warranted a criminal investigation which is currently proceeding. Nevertheless, amidst these interim negativities the future looks bright for the sector on accounting a

healthy order book which is a reflection of the confidence placed in the Company by its clients.

The Fibre sector of the Group posted losses despite the overall increase in the turnover, due to the debilitating raw material shortages. However, the single digit inflation rate that is currently prevailing will help to improve the future performance of this sector.

Nevertheless, it is noteworthy to mention that despite the substantial drawback of performance in the Textiles and Fibre sectors, the profitability of the other sectors have been commendable.

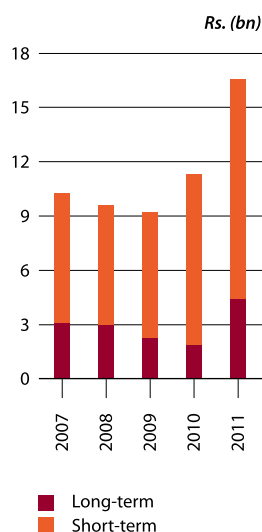
NET FINANCE COST

Net finance cost on continuing operations has increased by 18% from Rs. 710 mn to Rs. 840 mn.

Finance cost reflects the interest cost on borrowings and finance leases, along with interest income and gains/losses on exchange. Interest costs on continuing operations declined from Rs. 890 mn to Rs. 641 mn. The main contributor to this being the lower interest cost of the Group's short-term borrowings.

The Group's average cost of funds decreased to 9% from 11% over the previous year. Further, the Group's interest cover reduced to 3.5 times from 5.5 times recorded in the previous year.

Borrowings



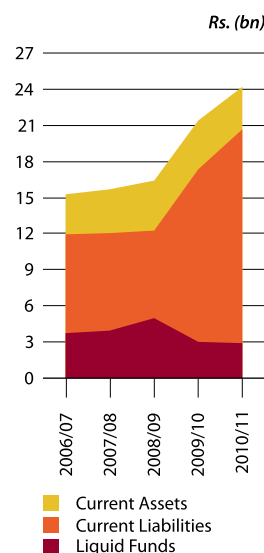
EQUITY ACCOUNTED INVESTEEES

During the year the Group further acquired shares in Hayleys Plantation Services and Mabroc Teas, effectively making them subsidiaries to the Group as opposed to being considered equity accounted investees as in the previous year. However, the losses made by Quality Seeds also contributed to the reduction in total contribution from equity accounted investees.

TAXATION

The year under review saw a considerable increase in tax charge from continuing operations. This charge was Rs. 904 mn compared to Rs. 684 mn in the previous year, an increase of 32%. The effective tax rate for the Group saw a significant increase from 21% to 43% in the current year. The main reason for this increase was due to the increased profitability of the Agriculture and Transport businesses and certain overseas companies that are taxed at a higher tax rate. Further, the losses sustained contributed to the overall decrease in profits which resulted in the increase in the effective tax rate. Tax exempt companies of the Group and information on their tax holidays, are stated in pages 138 to 140.

Working Capital



As reported in the previous year, the Group continues to carry the burden of cost arising from delays in outstanding VAT refunds.

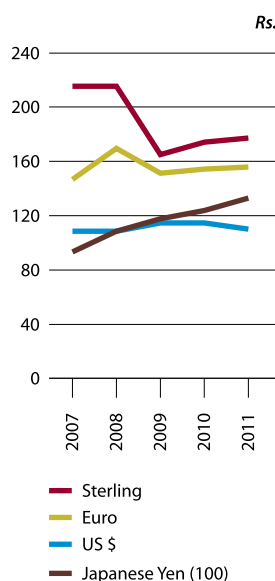
DISCONTINUED OPERATIONS

During the year, the Home Care Division in Consumer Products sector was discontinued. More over Civaro India (Pvt) Ltd. remained discontinued. Operation of Moceti Lanka (Pvt) Ltd. was re-continued whilst Civaro NA Inc. was transferred from Advantis to the Fibre sector to make use of its marketing and distribution capabilities.

NON-CONTROLLING INTEREST

The non-controlling share of profits after tax decreased by 43 % to Rs. 482 mn, compared to Rs. 849.8 mn in the previous year. The balance between non-controlling interest and equity holders' share of profits depends on the mix of companies contributing to profit and the levels of non-controlling interest in each, which varies from one year to another. In the year ended, only part of the profit of Hayleys Plantation Services Ltd., TTEL Hydro and TTEL Somerset was reflected in non-controlling Interest as it was consolidated into the Group within the year. The loss sustained at MGT Knitting Mills PLC of which 40% is non controlling interest also contributed to this decline in non-controlling interest.

Month End Exchange Rates



LIQUIDITY EXCHANGE RATES

The exchange rate policy in 2010 was concentrated on maintaining the stability in the domestic foreign exchange market. In view of foreign currency inflows, including USD 458 mn FDI, received during the year, the Sri Lankan Rupee appreciated 3.1% to Rs. 110.95 from an opening rate of Rs. 114.38. Improved investor confidence was reflected by the increase in foreign currency inflow through investment in equities, Government Securities and deposits, which was the main supporting factor for the strong Rupee. Central Bank intervened in the domestic exchange market to prevent excessive volatility of the currency, resulting in the Bank being a net seller of USD 66.6 mn during the year.

The Central Bank eased its monetary policy stance further in 2010 by reducing policy rates during the year; the policy was also supported by the relaxation of several exchange control measures. The stance taken by the Bank was with the view to stimulate credit growth to support the economic recovery following the end of the 30-year civil unrest in the country. Following three rate cuts, policy rates stood at 7.00% and 8.50% at the end of 2010 for repurchase and reverse repurchase rates respectively. Average

Weighted Prime Lending Rate (AWPLR) which reflects the rate applicable for loans to prime customers, also reduced in tandem with the rate cut. However, the full effect of the policy reduction was not reflected in the drop of the AWPLR.

Following the appreciation trend of the Rupee in the domestic market, advantage was sought through forward exchange contracts for export revenue within the Group. High volatility was seen in the G7 currencies throughout the year, which was managed successfully through suitable foreign exchange products in tandem with Group policy to minimise forex exposure, taking into consideration risk appetite of each subsidiary.

Benefits of low market interest rates were sought through the renegotiation and restructuring of existing long-term financing obtained for the Group. Further steps were taken to swap liabilities to fixed rates, which were based on floating rates and thereby reducing the exposure to volatile interest rates. The Group also realised advantages from the existing interest rate parity between the US Dollar and Rupee rates, by obtaining project financing in US Dollars, thereby reducing the finance cost of new projects.

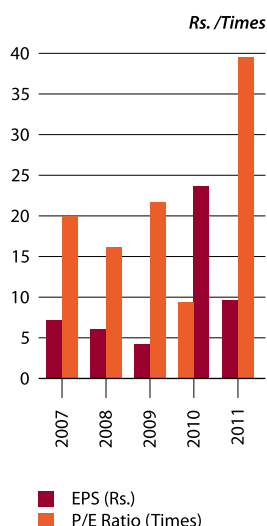
CAPITAL STRUCTURE

The Group's total borrowings increased by 47% in 2010/11.

The Group's capital structure changed from 33% to 29% of the capital being funded through the equity of shareholder and non-controlling interest.

Total borrowings of the Group increased during the year by 47%, from Rs. 11.3 bn to Rs. 16.6 bn. Although there was an increase in the long-term borrowings by 105% the increase in short-term borrowing as at the year end was 16%, a contributory factor being the long-term financing arranged to fund the acquisition of Alumex Group. The restructuring of the short-term loan taken for the acquisition of Hotel Services (Ceylon) PLC played a part in the increase of the long-term borrowings.

EPS & P/E Ratio



The Group has both local and foreign currency borrowings. Long-term foreign currency borrowings are mainly in USD. Short-term foreign currency borrowings include borrowings in USD, Thai Baht, Euro and Bangladesh Taka. Foreign currency borrowings by local companies mainly support export operations. Foreign currency borrowings include both the long-term and short-term borrowings, made by the Group's overseas companies.

Gearing levels have increased from 34% to 41% this year.

Cash and cash equivalents, together with short-term deposits, increased by 7.1% from Rs. 2.6 bn to Rs. 2.8 bn.

Group subsidiaries have at their disposal banking facilities including Rupee overdrafts and foreign currency borrowings.

The Group's current ratio reduced slightly from the previous year to 1.1 as the Group had increased short-term borrowings as at the year end.

INVESTMENTS

In the year under review, Hayleys PLC acquired a 95% equity in Alutec Anodizing & Machine Tools (Pvt) Ltd. (Alumex Group) and subsequently divested 35% of its share holding. Whilst retaining 60% controlling interest.

Kelani Valley Plantations PLC made a strategic investment with the acquisition of the balance 60% share in Mabroc Teas (Pvt) Ltd., thereby acquiring effective control.

DPL acquired 33.3% of shareholding in Hayleys Plantation Ltd. which holds the 75% shareholding of Talawakele Tea Estates PLC.

Due to the above purchase the Group's Net Book Value of fixed assets increased by Rs. 5.3 bn.

CASH FLOW

The Group recorded a net decrease of Rs. 1.2 bn in cash and cash equivalents for 2010/11.

Cash generated from operating activities amounted to Rs. 1.2 bn. The increase in trade and other receivables, inventory and the decrease in trade and other payables negatively impacted the cash generated from operations.

The cash outflow on interest paid increased by 17% whilst cash paid on income tax increased by 24%.

Net cash used for investing activities was Rs. 4.6 bn, an increase of 30% compared to the previous year. This was mainly due to the acquisition of Alumex Group, which is in the business of construction materials. The investment in Hayleys Plantation Services by Dipped Products PLC and the investment made by Kelani Valley Plantations PLC in Mabroc Teas Ltd. also contributed to the above.

STABILITY

PERFORMANCE MEASUREMENT

Dividends

The Company proposes a tax free final dividend of Rs. 4.00 per share. The dividend yield has reduced to 1% from 1.8% last year, owing to a increase in the share price of the Group.

Earnings per Share

The Group's basic earnings per share from continuing operations decreased by 59% to Rs. 9.66 from Rs. 23.08.

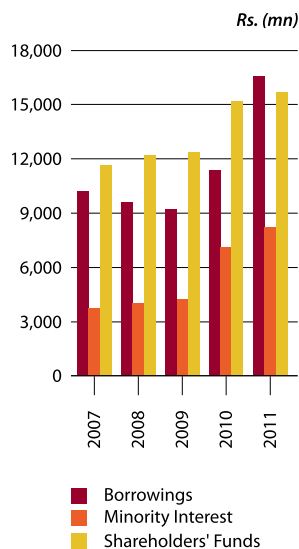
Performance of the share

The share price of the Company at the end of the financial year stood at Rs. 382.10, an increase of 70% compared with the previous year's closing price of Rs. 225.00. The share price reached a peak of Rs. 415.50 whilst the lowest for the year was recorded at Rs. 223.00. The share price remained strong throughout the period under review depicting investor confidence in the Group.

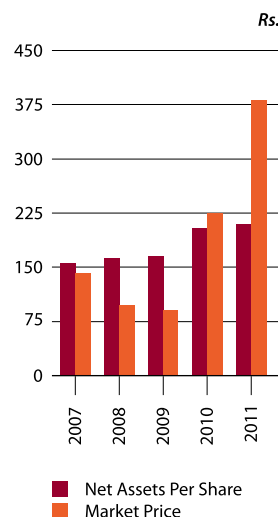
The net assets per share grew by 3.15% to 209.25 from 202.86. Further, the year end share price of Rs. 382.10 was higher than the net assets per share thus reflecting a price to book value of 1.83 as against 1.09 in the previous year.

A total of 22,585,884 shares were traded during the year, generating a market turnover of Rs. 7,697 mn. The total Market Capitalisation as at the 31st March 2011 was Rs. 28,658 mn which was 2.23% of the total Market Capitalisation of the Colombo Stock Exchange.

Capital Structure



Market Price and Net Assets Per Share



Overall market performance of the Group was in line with the performance of the Colombo Stock Exchange. Both indices performed extremely well during the year recording gains. The All Share Price Index closed at 7,226 after beginning at 3,724 whilst the Milanka Price Index closed at 6,874 after beginning at 4,712.

Total Shareholder Return (TSR) was 71.6% for the financial year 2010/11 in comparison with a TSR of 154% in the previous financial year. The TSR reflects the total return received by a shareholder through the appreciation of the share price and dividends received during the financial year.

VALUE ADDITION

The Group operations for the year 2010/11 created a total value of Rs. 13.9 bn, an increase of 25% over the previous year.

Of this value addition, 57% was distributed amongst the employees of the Group whilst 10% and 19% were distributed to the Lenders of Capital and to the Government of Sri Lanka. 2% was distributed amongst the shareholders whilst the remaining 12% was retained in the business.

FINANCIAL REPORTING

The Group is committed to adopting best practices for financial reporting and maintains a close watch on new developments in the financial reporting environment. The financial reports on pages 121 to 180 have been prepared in compliance with Sri Lanka Accounting Standards and every attempt is made to provide the reader with a clear and comprehensive understanding of these financials.

OUR ACHIEVEMENTS

Hayleys PLC was adjudged as the best Corporate Citizen 2010 by the Ceylon Chamber of Commerce at their Annual Corporate Citizen Awards which is held to raise awareness on the importance of CSR and Strategic Corporate Sustainability to the business community and to promote and encourage these practices amongst the corporate sector.

Meanwhile, the Hayleys Annual Report for 2009/10 won Silver awards at the ARC Awards for Cover, Interior and the Overall categories in New York. ARC Awards is considered the Oscars of Annual Reports.

The Hayleys Annual Report 2009/10 was awarded the joint Gold Award in the category of Diversified Group Companies at

the competition organised by The Institute of Chartered Accountants of Sri Lanka. In addition, Hayleys also jointly won the Bronze award for the Overall Excellence in Annual Financial Reporting in this competition.

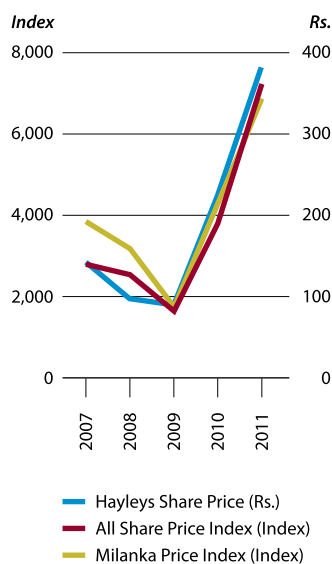
The Agro Products and HJS/Sunfrost companies won Gold awards at the National Agri Business Awards 2010. Kelani Valley Plantations PLC. sought the certification in compliance with the Rainforest Alliance Standard during the year.

The Company continues to give high priority to timely delivery of both quarterly and annual Financial Statements. Our comprehensive reporting has enabled shareholders and other stakeholders to make a fair assessment of the Company's performance.

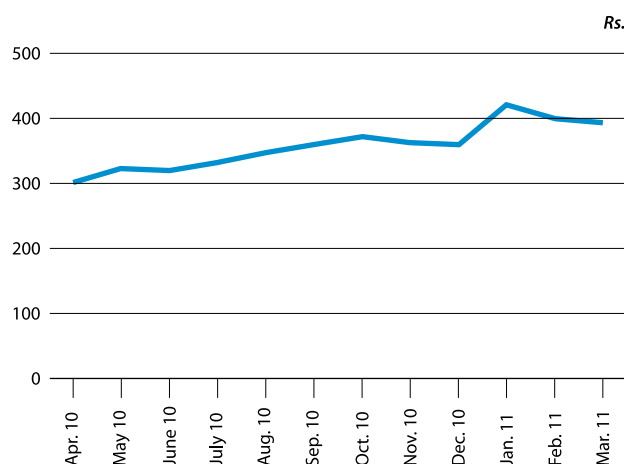
FINANCIAL RISK MANAGEMENT

As a diversified business entity with considerable investments in a wide range of sectors the Group is exposed to a variety of financial risks, including foreign exchange risks, credit risks, interest rate risks, liquidity risks and investment risks. Effective management of these risks is essential to the sustainability and the growth of the business and in safeguarding the shareholders' funds. The Group's risk management programme focuses on mitigating these risks. The Risk Management Section of this report deals with mitigating action taken to address these.

Movement in Share Price Indices



Share Price





11



05



03



10



01



04



02

08

07

09

06

12

01. A.M. PANDITHAGE**Chairman & Chief Executive**

Joined Hayleys in 1969. Appointed Group Executive Director in 1996 and to the Board in 1998. Appointed Deputy Chairman in 2007 and Chairman & Chief Executive in July 2009. Chief Executive of Hayleys Advantis from its inception. Fellow of the Chartered Institute of Logistics & Transport. Director, Sri Lanka Port Management & Consultancy Services. Member of the Presidential Committee on Maritime Matters. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon.

02. L.K.B. GODAMUNNE**Independent Non-Executive Director**

Appointed to the Board in 1998. Director, Haycarb and Hayleys Exports. Currently, serves as Chairman of one unlisted company. Retired as Country Director, United Nations World Food Programme in 1995. Former Secretary General and Member, Board of Directors, Mahaweli Authority of Sri Lanka.

03. M.R. ZAHEED

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 (NANCO). Serves on the National Committee on Biotechnology of the National Science Foundation. A current member of the main committee of the Ceylon Chamber of Commerce while having served as Vice-Chairman of the Imports Section, Ceylon Chamber of Commerce. Has responsibility for the Agriculture and Consumer sectors.

04. A.M. SENARATNA**Independent Non-Executive Director**

Appointed to the Board in November 2005. Currently, resides in Canada and acts as a consultant to companies globally. Previously held senior positions with Amsterdam based TNT/TPG: as a Member of the Global Business Development Board, as Vice-President Acquisitions, Vice-President and General Manager, TNT Logistics, North America and President designate TNT Indonesia. He has also been in senior/strategic roles with Celestica (former IBM Manufacturing), Ryder, Rockwell International, Canada Steamship Lines and Pepsi Cola. Holds a B.Sc. from the University of Ceylon, Colombo, and is a Certified Management Accountant (CMA Canada).

05. T.L.F.W. JAYASEKARA**Independent Non-Executive Director**

Appointed to the Board in 2006. Group Finance Director of Brandix Lanka. Previously held positions including Group Finance Director of Aitken Spence & Co. and General Manager, Deutsche Bank Sri Lanka. Fellow, The Institute of Chartered Accountants of Sri Lanka and Associate, Chartered Institute of Management Accountants, UK. Serves as Non-Executive Director of Lanka Ventures and NDB Bank.

06. J.A.G. ANANDARAJAH

Joined DPL in 1980. Director of DPL since 1989. Appointed to the Hayleys Group Management Committee in 2001 and to the Board in January 2007. Holds a B.Sc. (Hons.) Degree in Chemistry from the University of Peradeniya. Member of the Board of Management, Industrial Technology Institute, Sri Lanka. Has responsibility for the Plantations Sector including Mabroc Teas (Pvt) Ltd. and the Construction Materials Sector.

07. K.D.D. PERERA**Non-Executive Director**

Appointed to the Board in 2008. 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 & Finance. Serves as the Chairman of LB Finance PLC, The Fortress Resort PLC, Vallibel Power Erathna PLC, Vallibel Finance PLC, Greemer Water Ltd., Vallibel One Ltd. and holds directorships in his other private sector companies. Deputy Chairman of Amaya Leisure PLC and Royal Ceramic Lanka PLC. Director Sampath Bank PLC, Sri Lanka Insurance Corporation Ltd., Haycarb PLC, Hayleys MGT Knitting Mills PLC, Dipped Products PLC, Hotel Services (Ceylon) PLC, Nirmalapura Wind Power (Pvt) Ltd. and Alutec Anodising & Machine Tools (Pvt) Ltd. Member of the Board of Directors of Strategic Enterprise Management Agency (SEMA).

08. W.D.N.H. PERERA**Non-Executive Director**

Appointed to the Board in July 2009. Managing Director of Royal Ceramics Lanka PLC and The Fortress Resorts PLC, Deputy Chairman of Pan Asia Banking Corporation PLC, Director, Finance of Amaya Leisure PLC and Hotel Reefcomber PLC, Director, Asian Alliance Insurance PLC, LB Finance PLC, Vallibel Power Erathna PLC, Sathosa Motors PLC and Vallibel Finance Ltd.

09. S.C. GANEGODA

Rejoined 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 & Motor Engineering Co. 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 Group Corporate Finance, Strategic Business Development and Hayleys MGT Knitting Mills PLC.

10. H.S.R. KARIYAWASAN

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.

11. DR. HARSHA CABRAL, PC**Independent Non-Executive Director**

Dr. Harsha Cabral is a President's Counsel with twenty-four years experience in the field of Company Law, Intellectual Property Law, International Trade Law & 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 Ltd., Tokyo Super Cement Co. (Lanka) Ltd. & Fuji Cement Co. (Lanka) 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.

12. DR. K.I.M. RANASOMA

Joined on 2nd August, 2010 as an Executive Director and took over as Managing Director of DPL from April 2011. Appointed to Hayleys Group Management Committee in January and to the Board on 1st April, 2011. Former Country Chairman/Managing Director of Shell Gas Lanka Limited and Shell Terminal Lanka Limited. Holds First Class Honours Degree in Engineering from the University of Peradeniya, a Doctorate from Cambridge University, UK and a MBA with Distinction from Wales University, UK. Has responsibility for the Hand Protection Sector.



01. **A.M. PANDITHAGE**

Please refer profile in Board of Directors

02. **M.R. ZAHEED**

Please refer profile in Board of Directors

03. **J.A.G. ANANDARAJAH**

Please refer profile in Board of Directors

04. **S. C. GANEGODA**

Please refer profile in Board of Directors

05. **H.S.R. KARIYAWASAN**

Please refer profile in Board of Directors

06. **DR. K.I.M. RANASOMA**

Please refer profile in Board of Directors

07. **M.M.M. DE SILVA**

Joined Hayleys in 1983. Appointed to the Group Management Committee in 2001. Holds a B.Sc. Degree from the University of Peradeniya. Fellow, The Institute of Chartered Accountants of Sri Lanka and Associate, Chartered Institute of Management Accountants UK. Has a Postgraduate Diploma in Business Management from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Has responsibility for the Industrial Solutions Sector, for companies other than Recogen in the Power & Energy Sector and for the Fibre Sector.

08. **M.O. RABAN**

Joined Hayleys in 1970. Appointed to the Group Management Committee in 2001. Has responsibilities within the Transportation Sector.

09. **H.C.S. MENDIS**

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. Currently based in the UK and has responsibility for the marketing network of the Fibre Sector in the UK, Europe, USA, Japan and Indonesia.

10. **G.K. SENEVIRATNE**

Joined DPL Plantations in 1992 and appointed to its Board in 1995. Director of DPL since 1998. Appointed to the Group Management Committee in 2007. Chief Executive of Kelani Valley Plantations since 1994 and its Managing Director since May 2004. Past Chairman of the Planters' Association of Ceylon and former Director, Sri Lanka Tea Board, Rubber Research Board, Plantations Trust Board and the Tea Association of Sri Lanka. Has responsibilities within KVPL in the Plantation Sector.



11. **S.P. DISSANAYAKE**

Joined Hayleys in July 2007. Appointed to the Group Management Committee in the same month. Graduate in Hotel Management and awarded Honorary Membership of the Institute of Personnel Management. Is a Non-Executive Director of Hotel Services (Ceylon) PLC and Director of Hayleys Group Services (Pvt) Ltd. Prior to joining Hayleys, held several senior management positions in large private sector entities in Sri Lanka and overseas in Human Resources Management and previously in Hotel Management. Has held significant honorary and advisory positions in Human Resources and the Hotel Industry. Is a Member of the Ceylon Chamber of Commerce Steering Committee on Education and is also a Steering Committee Member of the Lanka Business Coalition (LBCH) for prevention of AIDS. Has responsibility for Group Human Resources and other Group services.

12. **R. WAIDYARATNE**

Joined Hayleys Advantis Group in 1985. Was appointed a Director to a subsidiary Company in 1996 and a Director of Hayleys Advantis Ltd. in July 2002. He was appointed as the Deputy Managing Director of Hayleys Advantis Group in January 2010. Appointed to the Hayleys Group Management Committee in February 2011. On 1st April, 2011 he was appointed Managing Director of the Hayleys Advantis Group. 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 holds an MBA from the Edith Cowan University of Western Australia. Has responsibilities within the Transportation Sector.

13. **S.J. WIJESINGHE**

Joined Hayleys in October 2008. Appointed as CEO of Civaro International at the same time. Appointed Head of the Leisure and Aviation sector in 2009. He 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 Far East and the Head Office in Colombo. Possess over 5 years experience in the Hotel industry having served as the Director, Marketing and Sales at The Lanka Oberoi.



MESSAGE FROM THE CHAIRMAN

Sustainable development is clearly a part of how we do business.

In 2010/11, we delivered solid results, invested in the company's future through major acquisitions and continued to do business in a sustainable manner. In November, we were awarded the prestigious title of Best Corporate Citizen 2010 - for the fourth time. In the midst of this period, the World of Hayleys family continued to grow larger and stronger as we met abundant challenges.

We offer value added solutions to local and international markets - we ensure sustained profits and benefits to society. Our businesses continue to improve themselves, innovating and developing into market leaders in their own right. Being a signatory to the United Nations Global Compact underlines our respect for, and commitment to international standards. We continue to be guided by these principles, which seek to promote responsible corporate citizenship to surmount challenges posed by globalisation.

However, we cannot lose our focus; in the next decade, the most successful companies will be those that live and breathe sustainability. While I am confident that our businesses have integrated sustainability into their value and supply chains, I am aware that there is more that can be done.

Our journey began with an emphasis on the environment and the communities we work with, and this will continue to be

a focus. Access to natural resources and engaging with communities we work within its paramount. However, as a responsible corporate citizen, it is our duty to introspect and to improve. One must be honest; our focus towards sustainability in everything we do still requires careful alignment. Sustainability is inbuilt - it must now be reflected through clear strategic planning across all sectors.

Thus we have set out this past year to identify the existing gaps and thereafter align our Group companies by bringing in a clear structure to address any and all sustainability issues.

Consequently, in doing this, we will improve the competitive ability of our business units. We will increase value addition, reduce our environmental impact and in the coming year we will work towards measuring the carbon footprint of the Hayleys Group across 7 diverse sectors of business and 31,000 people in order to set ourselves targets - a daunting yet surmountable task.

We are proud of our heritage and remain committed to doing sustainable business. I thank our customers, suppliers, business partners and most importantly our employees who deliver on this commitment. We are guided by our vision to be Sri Lanka's corporate inspiration, and it is the people of Hayleys who will get us there.

A.M. Pandithage

Chairman & Chief Executive

Sustainability and responsible stewardship have been ingrained in the Hayleys culture virtually from the inception of the Group 133 years ago

CONTEXT AND PERSPECTIVE

Presented within this report is a comprehensive account of Hayleys' enterprise, during the financial year 2010/11, viewed against the provisos of GRI (Global Reporting Initiative), G3 Guidelines and the United Nations' Global Compact (UNGC).

Our reporting adopts the prescribed Triple Bottom Line format - which means information and data is provided in accordance with Economic, Social and Environmental perspectives.

To avoid repetition and overlap of information within this report and other sections of our Annual Report, we have cross referred the relevant subject to relevant locations for the benefit of our readers.

Key Impacts, Risks and Opportunities Section

Sustainability and responsible stewardship have been ingrained in the Hayleys culture virtually from the inception of the Group 133 years ago.

In this vein, group companies have progressed and evolved their strategic sustainability initiatives such as the 'A home for every plantation worker' programme by the Group's plantation company, Kelani Valley Plantations; the 'Firstlight' sustainable sourcing initiative of Dipped Products PLC that gave the world its first 'Fair Trade' rubber glove; an internationally-lauded project by Hayleys Agro and USAID to stimulate a post-conflict revival of cash crop cultivation in the Eastern Province; and sustained Group-wide involvements in empowering survivors of the 2004 tsunami and the North-East conflict

These are examples of the Hayleys Group's deep-rooted commitment to responsible business - a holistic view and process that has been recognised for its unerring focus.

However, challenges are faced by the Group; the priority area of action being the development of a Sustainability Governance process.

The Group's focus on sustainability in the future would emphasise on initiatives to develop clean energy generation, and eco-friendly purification solutions. Although this focus exists, a framework to govern these processes is necessitated.

The lack of such a framework to address challenges and opportunities on a Group-wide level, which would add to synergies across all realms of Hayleys industries, limits us in what we can accomplish. Therefore a crucial task lies within the twelve months ahead - to develop and rollout a framework of Sustainability Governance within the Hayleys Group in order to address, prioritise and govern sustainability.

This framework would include the mechanism to have processes in place to address performance.

Quantifying and addressing the risks, opportunities and trends of the environment and progressive sustainability-related activities under the Hayleys umbrella is a daunting task due to the level of involvement.

In this Sustainability Report we have attempted to disclose some of the impacts of our key projects below, providing the risks and opportunities faced in each instance.

Outgrower Systems and Extension Services

The outgrower system practiced by our agriculture sector is an acclaimed backward integration venture that enhances supplier relations and provides steady income streams to farmers. However, this is not without risk, as there is high dependency on the seed paddy and planting material from the outgrowers -if the individual yield of the farmer reduces, or if the farmer sells the produce to another customer or if the yield is destroyed due to a natural disaster, the required total quantity of seed paddy is not obtained.

In the case of vegetable farmers, credit recovery and macro risks such as fluctuation in fertilizer, agro chemical and fuel prices are encountered.

The withdrawal of GSP+ to Europe affects our ability to sustain outgrower prices. However, efforts are being made to mitigate this by improving productivity.

The impacts of these risks are many. For seed paddy and planting material, there is a direct negative impact on budgeted quantity, which affects our supply chain. In the case of vegetable farmers, there are direct financial losses and reductions in supplies of raw materials for processing of finished products.

With regard to gherkins and jalapenos, to expand cultivation or to achieve expected volume targets, it is necessary to expand the outgrower network. However, the system increases farmers' income levels and improves the Company's product portfolio. It is a sustainable supply chain, and farmers have access to new and improved technologies.

Another positive aspect of our involvement with the farmer community is the reduction of environmental pollution through the introduction of safe use of low toxic eco friendly crop protection products.

The project provides supplementary income through off season crops. It is an example of an activity which commits to sustainability at a price, initially, to sustain relationships with our suppliers.

After deploying over 200 extension workers to improve farmer knowledge and productivity, there is a risk of farmers buying inputs (similar to Hayleys products) from competitors, which naturally affects the Sector's bottom line.

The positive impact of this programme is much the same as the outgrower system, with an increase in safe crop protection products, improvement of productivity and reduction of environmental pollution through low toxic eco-friendly products:

As a result of these programmes the following opportunities have been identified.

1. Development of a solid supplier network within the country for gherkins, jalapeno peppers and other fruit and vegetable. The Company has been able to introduce new agricultural produce through the network.

2. Through the improvement of farmer communication, it has opened up opportunities to introduce new products and services to the community.
3. Introduction of latest developments in the agriculture field through extension services.
4. Dissemination of new agronomic practices to improve farmer productivity via Company extension/farmer training programmes for gherkin/jalapeno out growers.
5. Alleviation of rural poverty via agriculture development in war-affected areas in the country.
6. Ability to influence national policy makers in agriculture in a larger scale.
7. Collaboration with national universities, research institutes and diploma schools through grants to conduct research to improve farmer productivity and reduce post-harvest losses and create opportunities.
8. Introduction of seed paddy has helped to market other agricultural inputs marketed by the Company.
9. Improvement of the Hayleys corporate image, which has positive impacts on farmer attitudes and relationships.

Firstlight



There were many risks in commencing the project Firstlight, and these risks continue to present themselves to the team involved in the farmer support and training and community capacity building activities.

Even though the identified beneficiaries of the project - farmers and their extended community - participated willingly and supported the team, the area was such that support services and infrastructure were inadequate. Unfortunately, this increased the time and effort required to shuttle teams from Colombo to participate in and supervise the programmes, which were extensive.

The manner of communication and interaction with farmers is looked at closely in order to prevent the risk of farmers identifying Firstlight as a subsidy, whereas the core pillars of the programme accounted for a much more engaging process at hand.

It is hoped that the number of farmers under the programme will increase by 10% in the ensuing year.



The Firstlight programme not only supports rubber farmers but also assists communities in their capacity building

The programme is a successful example of creating value at grass root level. The Firstlight project continues to be successful, as farmers who benefited from it deliver their latex to Hayleys regularly and faithfully.

In accordance with the principle established under the Firstlight programme whereby DPL allocates 5 US Cents for every pair of Firstlight gloves sold, the Company received a considerable sum of funds, which was re-invested in fertilizer and in this manner given back to the farming community. This is a prime example of successful social marketing, the benefits of which are donated to the primary levels of the supply chain in order to foster sustainability.

OUR REPORTING PARAMETERS

The content of this report falls within the period 1st April, 2010 to 31st March, 2011.

We adopt an annual reporting cycle and thus our last published Sustainability Report appeared in the Hayleys Annual Report of 2009/10.

Any inquiries or clarifications pertaining to this report may be directed to the Corporate Affairs Unit at info@cau.hayleys.com

In terms of Scope and Boundary, the report covers the performance of constituent businesses of the Hayleys Group, based in Sri Lanka. We have attempted to present all data of pertinence in a comprehensive, clear and fair manner from across all constituent companies of the Group. Where information does not reflect the performance of the entire Group, we are working diligently to improve inclusiveness and are on track to ensure continuous improvement in our reporting standards.

The report on Economic Performance has been prepared from data contained in the Group's Audited Accounts for the financial year ended 31st March, 2011. The Audited Accounts were prepared in accordance with the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards and have been audited by M/s KPMG Ford, Rhodes, Thornton and Co.

➡ We're Sri Lanka's Best Corporate Citizen... x 4!



The Ceylon Chamber of Commerce chose Hayleys PLC as Sri Lanka's Best Corporate Citizen for 2010 recognising and rewarding our amply demonstrated commitment to building true sustainability across all enterprise and the needs of the community, our business partners and all other stakeholder groups.

And this isn't first time we've won this award! In fact Hayleys has stood at the winner's podium on 4 occasions...on every occasion that we've submitted our sustainability portfolio for consideration!

As our Chairman Mr. Mohan Pandithage put it, "Sustainability and responsible stewardship have been ingrained in the Hayleys culture virtually from the inception of the Group, 133 years ago".

So, what makes for a winning recipe?

Apart from total acceptance of the Group's sustainability ethic by everyone... initiatives like 'A Home for every Plantation Worker' promoted by our Plantation Company Kelani Valley Plantations; 'Firstlight' a sustainable sourcing initiative of Dipped Products that gave the world its first 'Fair Trade' rubber gloves; an internationally-acclaimed joint project between Hayleys Agro and USAID to stimulate post-conflict revival of cash crop cultivation in the Eastern Province, and sustained Group-wide involvements in empowering survivors of the tsunami of 2004 and the North-Eastern conflict.

As a socially conscious corporate, Hayleys advocates the practice of 'hands on' rather than 'hand outs', where our interactions with stakeholders promotes valid discourse and shed light on critical issues.

Looking ahead, Hayleys is focussed on developing its sustainability thrust even further, with initiatives such as the development of clean energy generation and eco-friendly purification solutions as some of the key drivers.

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.

Our report this year is made in accordance with the GRI criteria for a Level B report.

We aim in this annual publication, to move closer year by year to full alignment with the specific format of the Global Reporting Initiative (GRI). Moreover, Hayleys PLC is currently in the process of seeking external audit and assurance for our Sustainability Supplement.

Global Markets & Manufacturing

Sector	Name of Company	Nature of Business
Fibre	Hayleys Exports PLC	Value added coir-based products
	Chas P. Hayley & Company (Pvt) Ltd.	Coir and treated rubber timber products
	Ravi Industries Ltd.	Industrial and household brushware
	Rileys (Pvt) Ltd.	Cleaning devices
	Creative Polymats (Pvt) Ltd.	Moulded rubber products
	Haymat (Pvt) Ltd.	Coir fibre mats
	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
	Super Felt (Pvt) Ltd.	Needled and thermo-bonded felt pads
	O E Techniques Ltd.	Essential Oil
	Haylex BV Group	Marketing
	Civaro NA Inc.	Marketing
Hand Protection	Dipped Products Group	General purpose and speciality rubber gloves
Purification Products	Haycarb Group	Activated Carbon
Textiles	Hayleys MGT Knitting Mills PLC	Knitted fabric
Construction Material	Alumex Group	Manufacture and Marketing of Aluminium extrusions

Agriculture

Sector	Name of Company	Nature of Business
Agriculture	Hayleys Agro Products Ltd.	Crop production and protection materials, agricultural equipment and animal health products
	Hayleys Agro Fertiliser (Pvt) Ltd.	Fertiliser
	Haychem (Pvt) Ltd.	Crop protection, household and public health chemicals
	Agro Technica Ltd.	Agricultural machinery and equipment
	Haychem (Bangladesh) Ltd.	Crop protection chemicals
	HJS Condiments Ltd.	Retailed-packed, processed vegetables
	Sunfrost (Pvt) Ltd.	Fresh/processed vegetables
	Quality Seed Company (Pvt) Ltd.	Hybrid flower seeds
	Hayleys Agro Farms (Pvt) Ltd.	Planting material
	Hayleys Agro Biotech (Pvt) Ltd.	Phyto chemicals and horticultural tissue cultural products
Plantations	Kelani Valley Plantations PLC	Processed tea and rubber
	Talawakelle Tea Estates PLC	Processed black tea
	DPL Plantations (Pvt) Ltd.	Plantation Management
	Hayleys Plantation Services (Pvt) Ltd.	Plantation Management
	Kelani Valley Green Tea (Pvt) Ltd.	Manufacture of green tea
	Kelani Valley Instant Tea (Pvt) Ltd.	Manufacture of ready to drink tea
	Mabroc Group	Marketing

Transportation & logistics

Sector	Name of Company	Nature of Business
Transportation & Logistics	Hayleys Advantis Group	Shipping agency, international freight forwarding, express freight, bunkering, husbanding and port agency, ship Chartering, ocean container repairing, conversion, and container yard operation, inland logistics, energy logistics, warehousing and third-party logistics, travel, ticketing and airline agencies

Leisure & Aviation

Sector	Name of Company	Nature of Business
Leisure & Aviation	Hotel Services (Ceylon) PLC	Hoteliering
	Hunas Falls Hotels PLC	Hoteliering
	Carbotels (Pvt) Ltd.	Hotel Investment
	Hayleys Leisure Holdings (Pvt) Ltd.	Hotel Management
	Jetwing Hotels Ltd.	Hoteliering
	Negombo Hotels Ltd.	Hoteliering
	Tropical Villas (Pvt) Ltd.	Hoteliering
	Eastern Hotels Ltd.	Hoteliering
	Millennium Transportation (Pvt) Ltd.	Airline representation
	Air Global (Pvt) Ltd.	Airline representation
	North South Lines (Pvt) Ltd.	Airline representation
	Hayleys Tours & Travels (Pvt) Ltd.	Destination Management

Power & Energy

Sector	Name of Company	Nature of Business
Industry Inputs	Hayleys Industrial Solutions (Pvt) Ltd.	Engineering and projects, power generation, pigments and industrial raw material
	Haycolour (Pvt) Ltd.	Textile dyestuff and binders
	Hayleys Life Sciences (Pvt) Ltd.	Supplying health care equipment
Power	Recogen (Pvt) Ltd.	Charcoal and power generation
	Bhagya Hydro (Pvt) Ltd.	Hydro power
	Hayleys Hydro Energy (Pvt) Ltd.	Hydro power
	Neluwa Cascade Hydro Power (Pvt) Ltd.	Hydro power
	TTEL Hydro Power Company (Pvt) Ltd.	Hydro power
	TTEL Somerset Hydro Power (Pvt) Ltd.	Hydro power
	Nirmalapura Wind Power (Pvt) Ltd.	Wind power
	Power Engineering Solutions (Pvt) Ltd.	Marketing of power generating equipment

Consumer Products

Sector	Name of Company	Nature of Business
Consumer Products	Hayleys Consumer Products Ltd.	Lighting, photo imaging, health care
	Hayleys Consumer Marketing (Pvt) Ltd.	FMCG
	Hayleys Electronics Group	Consumer durables
	Hayleys Electronics Lighting (Pvt) Ltd.	Lighting products

Investments & Services

Sector	Name of Company	Nature of Business
Investments & Services	Dean Foster (Pvt) Ltd.	Investment
	Hayleys Business Solutions International (Pvt) Ltd.	Business Process Outsourcing
	Hayleys Group Services (Pvt) Ltd.	Secretarial services
	Volanka (Pvt) Ltd.	Investment
	Volanka Insurance Services (Pvt) Ltd.	Insurance broking

PROFILING THE ORGANISATION

Details of Hayleys' corporate information appear on the inner back cover of this Annual Report. Useful information in this context is also available in the Report of the Directors appearing on page 80 of the Report.

A description of Hayleys' subsidiaries, associates, business segments and product portfolio appears on pages 8 - 9 of this Report.

AWARDS

Best Corporate Citizen 2010 Award
awarded by Ceylon Chamber of Commerce
Hayleys PLC

Agri Business Awards 2010
presented by the National Agri-Business Council

HJS Condiments Ltd.
2nd Runner-up - National Award
Gold - (Large Category) - Marketing

Sunfrost (Pvt) Ltd.
Gold - (Large Category) - Extension Services

Hayleys Agro Products Ltd.
Gold - (Medium Category) - Veterinary Care Products
Silver - (Large Category) - Farm Machinery, Equipment and Tools
Silver - (Large Category) - Extension Services
Gold - (Large Category) - Input Suppliers Agro Chemical and Fertilizer

Institute of Chartered Accountants' (ICASL)
Annual Report Awards 2010

Hayleys PLC
Joint Bronze Award - Overall Excellence in Annual Financial Reporting
Joint Gold Award - Diversified Holding (Group above 5 subsidiaries)

Hayleys Advantis Ltd.
Gold - Service Organisation category

Kelani Valley Plantations PLC
Silver - Plantation Sector

Annual Reports Awards - 2010
awarded by South Asia Federation of Accountants (SAFA)

Hayleys PLC
Certificate of Merit - Hospitality, Health, Transport and Shipping - 2009

ARC Annual Report Awards - 2010
Hayleys PLC
Silver - Overall Annual Report, Diversified Business
Silver - Interior Design, Diversified Business
Silver - Cover, Diversified Business

Vision Awards Annual Report Competition - 2009
awarded by League of American Communication Professionals

Hayleys PLC
Silver - Holding Company, Diversified Investments
Talawakelle Tea Estates PLC
Bronze

National Quality Award 2010
awarded by Sri Lankan Standards (SLSI)

Logiwiz Ltd.
Merit - Medium Business Organisation Category - Service Sector

National Business Excellence Awards 2010
conducted by National Chamber of Commerce

Lignocell (Pvt) Ltd.
2 Silver - (Medium Category) - Non-Traditional Exports Sector

Bonterra Lanka Ltd.
Bronze - (Small Category) - Non-Traditional Exports Sector
Merit - (Small Category) - Agriculture & Plantation Sector

Sri Lanka National Energy Efficiency Award 2010
awarded by Sri Lanka Sustainable Energy Authority - Ministry of Power & Energy

Hunas Falls Hotel PLC
Bronze Flame - (Medium Category)

City Food Safety High Achievers Award 2010
awarded by Colombo City Tour (ES Tours)

Ceylon Continental Hotel (Hotel Services Ceylon PLC)
Loyalty Bronze Award - First Year Anniversary 2011

Soorya Sinha Award 2010
awarded by Ministry of Industries & Commerce and Mawbima Lanka Foundation

Alumex (Pvt) Ltd.

















National Chamber of Exports 2010

Haycolour (Pvt) Ltd.
Gold - (Large Sector) - Industry

Annual Awards Night -
Forbes & Walker Tea Brokers (Pvt) Ltd.

Talawakelle Tea Estates PLC
Best Performing Regional Plantation Company 2010
- High Grown and Low Grown category

ACCREDITATION

			
ISO 9001:2008 CERTIFICATION Alumex (Pvt) Ltd. Haycarb PLC Puritas MIT Cargo (Pvt) Ltd. Logistics International Ltd. Logiventures (Pvt) Ltd. Volanka Exports Ltd. Bonterra Lanka Ltd. HJS Condiments Ltd. Haychem Ltd.	OHSAS 18000:2007 CERTIFICATION HJS Condiments Ltd.	KOSHER CERTIFICATION HJS Condiments Ltd.	TAIKI AKIMOTO 5S AWARDS HJS Condiments Ltd. Quality Seeds Co. (Pvt) Ltd.
			
ISO 14001:2004 ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATION Hayleys PLC HJS Condiments Ltd. Haychem Ltd.	NATIONAL SANITATION FOUNDATION Haycarb PLC Category NSF 42	HALAAL CERTIFICATION HJS Condiments Ltd.	AUSTRALIAN QUARANTINE AND INSPECTION SERVICE Hayleys Agro Biotech (Pvt) Ltd.
			
ISO 22000:2005 FOOD SYSTEM MANAGEMENT SYSTEM CERTIFICATION HJS Condiments Ltd.	FOREST STEWARDSHIP COUNCIL CERTIFICATION 2 Additional estates of Kelani Valley Plantations PLC Ravi Industries	FDA APPROVAL FROM USA HJS Condiments Ltd.	USDA NOP CERTIFICATION OF ORGANIC PRODUCTION METHODS HJS Condiments Ltd.
			
OMRI CERTIFICATION Lignocell Ltd.	OMRI CERTIFICATION Lignocell Ltd.	BRITISH RETAIL CONSORTIUM HJS Condiments Ltd.	ORGANIC EU CERTIFICATION OF ORGANIC PRODUCTION METHODS HJS Condiments Ltd.

GOOD GOVERNANCE

A comprehensive review of Hayleys' governance practices is contained in the Governance Report appearing on page 86 of this Report.

Engaging with Stakeholders

Hayleys has always maintained a healthy regime of interaction and dialogue with its key stakeholder groups. The chart below details these initiatives during the period under review.

Stakeholder Engagement

Shareholders

Sustainability Issues & Concerns

- Profit and growth

Process of Engagement

- Annual General meeting, which provides an opportunity to review the past year's performance and engage in discussion with the management
- Quarterly financial reports, which provide a review of current performance during the year, as do simultaneous media releases
- An open door policy, which enables shareholders to visit and obtain information from the Company Secretaries and engage in dialogue
- Web site, regularly updated
- Meetings with fund managers, share brokers and investment analysts
- Email address, provided for comments and suggestions

Employees

- Remuneration and benefits
- Career progress
- Work stimulation
- Health and safety
- Balance between professional and personal life
- Working facilities and environment

- A performance management system is being implemented facilitating transparent evaluation, dialogue and performance based remuneration and reward
- Formal meetings and less structured contact in the course of work
- '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
- 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
- Monthly meetings of Clusters
- Employee intranet, accessible to any employee with a facility to e-mail suggestions/questions
- Quarterly news letter
- Hayleys Group Recreation Club activity, which provides many opportunities for interaction and fellowship across the Group, bringing employees together regardless of rank or designation

Customers

- Product quality
- Availability
- Standard of aftercare
- Availability of aftercare

- A Customer Satisfaction Index is maintained by many of our companies
- Customer Relationship Management (CRM) enables companies to keep in touch with their customers on a regular basis
- Regular customer visits and reviews help build and maintain rapport
- Events such as Dealer and Distribution Conventions are held periodically

Business Partners

- Market share
- Profitability
- Aftercare

- Visits from principals and to principals' locations facilitate engagement
- Conventions for partners, distributors and dealers are held once a year or at regular intervals
- Robust communication systems enable continuing dialogue on product quality, marketing, customer satisfaction and problem solving
- Corporate updates on important group activities via brochures, DVDs and the like
- Website, regularly updated
- Participation at International Trade Fairs, with a view to expanding network of business partners and reach of product distribution.

ECONOMIC PERFORMANCE

Hayleys PLC has reported a turnover of Rs. 54.4 bn and profit before tax of Rs. 2.1 bn for the 12 months ending 31st March, 2011, a year in which strong performances in most business sectors were recorded.

The Blue Chip conglomerate's businesses in Agriculture, Plantations, Consumer Products and Transportation turned in significantly better results in the year concluded, while Purification Products and Hand Protection sustained performance in challenging operating conditions.

All business sectors reported healthy revenue growth in the year under review, enabling Hayleys PLC to improve its top line by a noteworthy 43 per cent or Rs. 16.4 bn over the 12 months, underscoring the sustainability of the group's business portfolio. Profit before tax during the period under review was Rs. 2.1 bn, while profit after tax stood at Rs. 1.2 bn.

The Group proposes a dividend of Rs. 4 per share reflecting the Group's continuous commitment to deliver reasonable returns to shareholders. Further, the share price of Hayleys PLC grew from Rs. 225/- as at 31st March, 2010 to Rs. 382.10 as at 31st March, 2011 with the highest recorded price crossing Rs. 415/- within the reporting period. This reflects the market's confidence in the Company. The Group continues to focus on bringing up internal efficiencies to work processes and on rationalising its investments where possible, to counter the challenges it faces.

Value Generation and Flow

The Value Addition chart which appears below details the value generation achieved by Hayleys Group for the period under review and the manner in which it has been distributed.

In similar vein, we have also provided relevant Investor information.

Group Value Addition

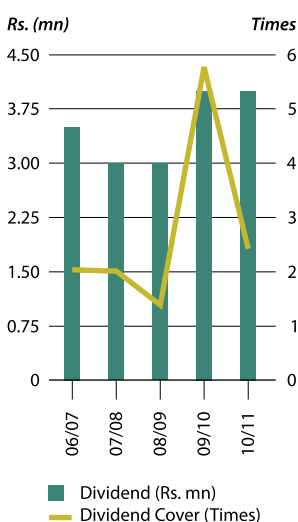
Name of Director/Spouse	2010/11 Rs. mn	2009/10 Rs. mn
Turnover	54,546	38,169
Other Income		
	54,546	38,169
Cost of materials & services bought in	(40,639)	(27,079)
	13,907	11,090

	Share %		Share %	
To Employees as remuneration	58	8,038	48	5,328
To Government revenue	19	2,601	14	1,523
of Sri Lanka	17	2,433	12	1,355
Overseas	1	168	2	168
To shareholders as dividends	2	300	3	300
To lenders of capital	10	1,328	14	1,579
Interest on borrowings		846		717
Minority interest		482		849
Retained in the business	12	1,640	21	2,374
Depreciation		1,262		964
Profit retained		378		1,410
	100	13,907	100	11,090

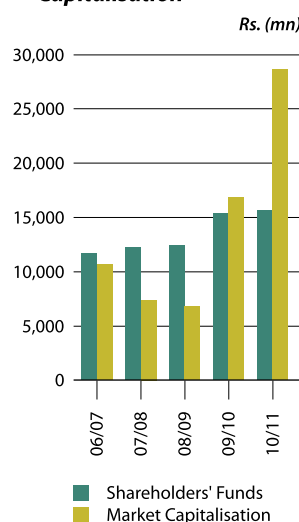
Note 1

Profit attributable to Hayleys	724,750	1,731,233
Dividend	(300,000)	(300,000)
	424,750	1,431,233
Associate share of profit	46,365	65,288
Retained profit	378,385	1,365,945

Dividend Vs Dividend Cover



Shareholders' Fund Vs Market Capitalisation



Investor Information

History of Dividends and Scrip Issues

Year ended 31st March,	Issue	Basis	No. of Shares '000	Cum. no of Shares '000	Dividend (%)	Dividend Rs. '000
1952	Initial Capital		20	20		
1953	First dividend			20	80	160
1954	Rights (at Rs. 10/-)	1:02	10	30	55	165
1955				30	50	150
1956	Bonus	5:06	25	55	32.5	179
1957	Bonus	3:11	15	70	37.5	330
1958	Bonus	3:07	30	100	20	200
1959				100	10	100
1960				100	18	180
1961	Bonus	1:02	50	150	7.5	262
1962	Bonus	1:03	50	200	15	300
1963				200	15	300
1964	Bonus	1:04	50	250	15	375
1965				250	20	500
1966				250	18	450
1967				250	15	375
1968				250	12.5	313
1969				250	15	375
1970				250	15	375
1971				250	15	375
1972				250	11	275
1973				250	11	275
1974	Bonus	1:01	250	500	11	275
1975				500	18	450
1976				500	10	442
1977				500	11	460
1978				500	15	584
1979	Bonus	1:02	250	750	15	852
1980				750	16	958
1981	Bonus	1:03	250	1,000	20	1,863
1982	Bonus	1:04	250	1,250	21	2,385
1983	Bonus	1:05	250	1,500	25	3,451
1984				1,500	27	3,774
1985				1,500	27.5	3,525
1986	Bonus	1:03	500	2,000	33	6,600
1987	Bonus	1:02	1,000	3,000	33	9,900
1988	Bonus	1:03	1,000	4,000	33	13,200
1989	Bonus	1:04	1,000	5,000	33	16,500
1990	Bonus	1:05	1,000	6,000	33	19,800
1991	Bonus	1:04	1,500	7,500	33	24,750
1992	Bonus	1:05	1,500	9,000	33	29,700
1993	Bonus	1:06	1,500	10,500	30	31,500
1994	Bonus	4:21	2,000			
	Rights (at Rs. 160/-)	1:05	2,500	15,000	30	40,500
1995	Bonus	1:05	3,000	18,000	30	54,000
1996	Bonus	1:09	2,000	20,000	30	60,000
1997	Bonus	1:10	2,000	22,000	30	66,000
1998	Bonus	1:11	2,000	24,000		
	Share Trust (at Rs. 210/-)		2,400	26,400	30	79,200
1999	Bonus	1:06	4,400	30,800	30	92,400
2000	Bonus	1:14	2,200	33,000	30	99,000
2001	Rights (at Rs. 10/-)	1:11	3,000	36,000	35	126,000
2002	Rights (at Rs. 15/-)	1:09	4,000	40,000	35	140,000
2003	Rights (at Rs. 20/-)	1:08	5,000	45,000	35	157,500
2004	Rights (at Rs. 20/-)	1:09	5,000	50,000	35	175,000
2005	Rights (at Rs. 20/-)	1:10	5,000	55,000		
	Bonus	4:11	20,000	75,000	35	262,500
2006				75,000	35	262,500
2007				75,000	Rs. 3.50 p.s.	262,500
2008				75,000	Rs. 3.00 p.s.	225,000
2009				75,000	Rs. 3.00 p.s.	225,000
2010				75,000	Rs. 4.00 p.s.	300,000
2011				75,000	Rs. 4.00 p.s.	300,000

Stock Exchange

Interim Financial Statements of the 4th Quarter, for the year ended 31st March, 2011 have been submitted to the Colombo Stock Exchange as required by the Listing Rules.

Market Value

The market value of Hayleys PLC ordinary shares was:

	2011 Rs.		2010 Rs.		2009 Rs.
Highest	415.00	(on 1st February, 2011)	240.00	(on 12th March, 2010)	150.00 (on 28th July, 2008)
Lowest	223.00	(on 1st April, 2010)	86.00	(on 07th April, 2009)	85.00 (on 11th March, 2009)
Year end	382.10		225.00		90.00

Dividend Payments

Proposed first and final dividend Rs. 4.00 per share to be declared on 29th June, 2011 and payable on 8th July, 2011 (2009/10 - Interim Rs. 2.00 and final - Rs. 2.00 per share).

Share Trading

	2011	2010	2009
No. of transactions	6,916	3,601	3,242
No. of shares traded	22,585,884	5,275,900	18,624,352
Value of shares traded (Rs.)	7,697,117,910	858,357,100	2,432,610,266

Ordinary Shareholders as at 31st March 2011

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	2,802	609,666	0.8129	36	11,102	0.0148	2,838	620,768	0.8277
1,001 - 10,000	698	2,323,057	3.0975	30	129,528	0.1727	728	2,452,585	3.2702
10,001 - 100,000	225	7,081,910	9.4425	31	889,344	1.1858	256	7,971,254	10.6283
100,001 - 1,000,000	38	10,897,531	14.5300	4	1,360,788	1.8144	42	12,258,319	16.3444
Over 1,000,000	10	51,697,074	68.9294				10	51,697,074	68.9294
	3,773	72,609,238	96.8123	101	2,390,762	3.1877	3,874	75,000,000	100.0000

Category

Individuals	3,440	42,743,549	56.9914	91	2,274,057	3.0321	3,531	45,017,606	60.0235
Institutions	333	29,865,689	39.8209	10	116,705	0.1556	343	29,982,394	39.9765
	3,773	72,609,238	96.8123	101	2,390,762	3.1877	3,874	75,000,000	100.0000

Of the issued ordinary share capital, 96.81% is held by residents of Sri Lanka.

The Implications of Climate Change

Climate change impacts the business of Hayleys in many ways and to different degrees, given the Group's highly diversified business portfolio. Thus, the management monitors the effects of climate patterns and factors in the necessary contingency measures to keep businesses operating at optimal levels.

Fibre Risks

- Short supply of the main raw material fibre and deterioration of existing fibre quality standards.
- Major raw materials are dependant on weather and price increases continuously.
- Rising cost of power and energy.

Opportunities

- Upward trend towards eco-friendly products.
- Opportunity of sourcing from other countries for low cost fibre and timber.
- Substitute products.
- Better integration of the business model with community development.

Hand Protection

Risks

- Changing weather patterns in Natural Rubber producing regions make supply forecasting difficult
- Lower supply of Natural Rubber due to crop damage as a result of flooding in rubber producing countries
- Rising oil prices vis-à-vis high cost of energy and other inputs

Opportunities

- Rising costs in other manufacturing countries

Purification Products

Risks

- Rising Cost and Increasing shortage of key raw material CS charcoal
- Development of other technologies for Purification (non-carbon related)
- Wider use of coal carbon as an substitute on availability and price

Opportunities:

- New specialised applications (eg. energy storage),
- stronger environmental and health/safety legislation,
- Climate change crisis and increasing awareness and urgency on this issue by Governments, Corporations and Public
- Emergence on Regeneration of activated carbon as an attractive business line

Agriculture

Risks

- Disruption to monsoonal rainfall patterns has financial implications for the Company.
- Disruption to weather patterns can reduce overall cultivation which in turn reduces demand for the Company's agricultural inputs.
- Increased pest resistance to traditional crop protection products
- Rural-urban migration caused by climate change lead to shortage of human resources in key cultivation areas.
- A change in rainfall pattern in Sri Lanka as well as in other rubber growing countries induces fluctuation in rubber latex pricing.
- Weather influenced changes in demand from customers for certain products such as flower seeds, lead to loss in revenue.
- Adverse climate conditions as well as crop disease could affect supplies of fruits and vegetables due to crop failures, thus affecting the financial performance of our value added agricultural exports.

Opportunities

- The Company has the opportunity of marketing drought resistant plant material.
- Demand for new generation, low toxic, target specific crop protection products.
- Potential for drip irrigation and better water management products.
- Increased mechanisation in agriculture. Our flower seed product portfolio diversification allows us to offer a different range of seed and planting material to the local and international market.
- Expanding cultivation of fruits and vegetables in the North and East which has favourable climatic and growing regimes for such crops.

Plantations

Risks

- Changing weather patterns
- Rising cost of wages and other inputs vis-a-vis of Ceylon tea
- Drop in production due to pressure on land to move away from tea and rubber cultivation

Opportunities

- Pursue offset plantation management
- Diversify in to rubber/oil palm/leisure projects
- Expand bought leaf operations
- Crop & land diversification
- Leverage ethical positioning
- Marketing of FSC certified rubber products
- Increase in demand arising from harsher winters in many consuming markets.
- Fall in production from other sources due to inclement weather in those locations.

Transportation & Logistics Risks

- Adverse climatic conditions can effect oil exploration activities and in turn affect the Organisation's activities
- Fluctuation of oil prices and freight rates create a risk in our bunkering business, especially when MOPS (Mean of Platts Singapore) prices come down when we have stocks previously purchased at a higher price
- Unforeseen climate changes/effects in the North Continent can cause route cancellations and deviations, forcing us to make alterations resulting in additional cost on freight.
- Due to the nature of business activities and the industry we are operating in, climate can adversely impact our businesses by curtailing operations, delaying vessel calls, inland transportation of goods, etc.

Consumer Products Risks

- Flooding due to adverse weather patterns caused disruption to regular distribution activities

Opportunities

- Adverse weather conditions which necessitate energy conservation initiatives increases demand for the Company's energy-efficient lighting solutions.

Investments & Services Risks

- Scarcity of highly attractive hydro power projects locally
- Developers' increasing tendency towards low cost, low quality machinery
- Power sector policy reforms
- Renewable energy tariff reductions

Opportunities

- Renewable energy markets overseas
- Focus on feasibility, business development activities on Wind, Solar and Bio Diesel projects
- Business Process Outsourcing

Our Employees Enjoy Defined Retirement Benefits

Hayleys offers retiring employees defined benefits, which in the year 2010/11 amounted to Rs. 3.3 bn.

Comprehensive data on this subject appears in the section-Accounting Policies, appearing on page 130 of this Report.

Financial Assistance from Government Global Marketing & Manufacturing

Several constituent companies of the Group qualified to receive relief under the Government's Export Development Reward Scheme.

Volanka Exports Ltd. received Rs. 2.5 mn for the increase of FOB turnover for their exports in the second quarter of the financial year 2008/09, comparative to the second quarter of the year 2007/08.

Lignocell Limited received Rs. 2.2 mn for the increase of FOB turnover for their exports in the second quarter of the financial year 2008/09, comparative to the second quarter of the year 2007/08.

Haycarb received assistance to the value of Rs. 10 mn from the EDRS as reward for maintaining its labour force without change in numbers, through the global recession.

Alumex enjoys duty and tax concessions to allow for the import of aluminium billets as well as for designated activities of its subsidiaries.

Agriculture

Our subsidiary HJS Condiments qualified to receive a sum of Rs. 2.5 mn under the Export Development Reward Scheme (EDRS), which is an initiative of the Government's Department of Commerce, to help qualifying exporters tide over the repercussions of the global financial crisis.

Kelani Valley Plantations PLC's unique initiative, 'A Home for Every Plantation Worker' programme has attracted various forms of assistance from both the State and donor agencies, for the improvement of living environment, health and nutrition, community capacity building and the empowerment of youth in the plantations sector. Tea and rubber re-planting also received the usual state subsidy assistance.

Rehabilitation of the road network across land under the purview of Talawakelle Tea Estates PLC also qualified for a 100% grant from the Government.



Kelani Valley Plantations' Home for Every Plantation worker programme



The Ceylon Continental has the distinction of being the first five star hotel property in Sri Lanka



World class Philips lighting system illuminates Mahinda Rajapaksa International Cricket Stadium

Transportation & Logistics

Some companies of the Advantis Group are established under BOI regulations thus entitling them for tax holidays, concessionary tax rates and exemptions from import duties on certain capital goods amongst others depending on their BOI categorisation.

Leisure & Aviation

The Ceylon Continental Hotel is currently undergoing a refurbishment programme and has received import duty concessions from the Board of Investment (BOI) for items required to be imported under this programme. For the period under review the Hotel received tax concessions to the value of Rs. 576,000/-.

Consumer Products

Hayleys Lighting a subsidiary of Hayleys Consumer provided flood lighting to Sri Lanka Cricket for the Mahinda Rajapaksa International Cricket Stadium - Sooriyawewa in connection with the World Cup 2011. The Government grant of duty-free concessions VAT & NBT helped the Company to offer a world class solution at a competitive price.

Investments & Services

Hayleys Business Solutions International (HBSI), received a Training Grant to the value of Rs. 261,000 from ICTA (the Government's Information Communication Technology Agency).

Entry Level Wage Structures Above Par

Entry level wages across most constituent companies within the Hayleys Group are consistently above par in terms of prevailing minimum wage stipulations.

Entry level wages at Agri Inputs and Agri Products, Hayleys Consumer, Haycarb, Hayleys MGT Knitting Mills, Hayleys Industrial Solutions and HBSI are all above minimum wage limits applicable in their locations and industries.

The Aviation and Destination Management units whilst being governed by the Government's Wages Board Ordinance, maintains a higher than minimum wage structure.

The wage structures of Talawakelle Tea Estates and Kelani Valley Plantations are dictated by provisions contained within the Collective Agreements prevailing between the companies and the Labour Unions.

Hotel Services (Ceylon) PLC and Hunas Falls Hotel PLC are in compliance with the Government's Wages Board regulations. Alumex too is in compliance with Wages Board regulations.

Fibre maintains entry level wage structures on par with minimum wage stipulations.

Upholding the Locally-Based Supplier

Other than for a few companies whose operations rely on raw material inputs unavailable in Sri Lanka, the majority of the Group's constituents support locally-based suppliers. Given the scope and size of Hayleys' diversified operations, this translates to very significant value generation across our local supply chain with a similarly significant impact on their economies.

The supportive data is presented sector-wise.

Global Markets & Manufacturing

Fibre spent Rs 1.5 bn during the year under review, on the produce of locally based suppliers. This constitutes 90% of its total supply intake.

Of Haycarb's total raw material input for the year under review, 60% was locally sourced. The Company's main raw material being Coconut Shell Charcoal, its policy had been to purchase 100% of its requirements from the local market. However, shortcomings in availability of material and an unfavourably high competitive environment precluded the Company from increasing local purchasing.

Alumex's key raw material is aluminium. Since this is not a locally-produced material, the Company has no choice but to import its requirements. However, it encourages the use of local manufactured items in its manufacturing process and thus reports a local procurement rate at 38.50% for the year under review.

Agriculture

The island-wide vegetable and seed paddy out grower programme of our sub sector Agri Inputs and Agri Products provides between 50 to 60% of locally produced raw materials used by these companies. Local suppliers are registered with these companies and through regular assessments for quality and performance, Hayleys supports them to achieve mutual goals.

Within the Plantations sub sector, at Talawakelle Tea Estates, Green Leaf for manufacture of Low Grown teas is procured from neighbouring smallholders. This represents 50% of the Company's low grown tea production.

At Kelani Valley Plantations, 65% of its low-grown tea is produced from Green Leaf supplied by independent local growers.

Transportation & Logistics

Within the Advantis group of companies, a near 100% rate is maintained across all companies in terms of locally-sourced inputs, the one proviso being the requirement to source for equipment and materials not available/produced locally, such as heavy transport equipment, from external markets.

Leisure & Aviation

The Ceylon Continental Hotel had a total spend, during the year under review, of Rs. 164.1 mn for Food, Beverages and other items. Of this approximately 80% was purchased locally.

Hunas Falls Hotel spent a total of Rs. 28.5 mn during the year under review, for Food Beverages and other items of which 92% was sourced locally.

Consumer Products

All labour, technical expertise and material such as cables, cement and steel were sourced locally for the entire Mahinda Rajapaksa International Cricket Stadium (MRICS) Sooriyawewa project.

Hiring Locally

This report deals with the Hayleys Group's enterprises within Sri Lanka. In that respect, from a broader perspective, the Group sources its human resource requirements from within Sri Lanka. As one considers the wide geographic footprint Hayleys possesses within Sri Lanka, 'hiring locally' takes on a more focussed meaning, in defining the number of personnel we employ from the locations we operate in and around the country. We examine this factor sector-wise.

Global Markets and Manufacturing

At Fibre, senior management sourcing from the local community stands at 60%; manual workers - 90%; Supervisory/Clerical - 90%.

Haycarb's is a specialised operation and requisite skills are not readily available in all localities within which we operate. Thus, the

proportion of senior management personnel sourced locally stands at 20%. However, Haycarb sourced 100 % of its clerical and supervisory staff and 90% of its manual workers from the local community.

MGT hires approximately 50% of their senior management locally.

Agriculture

Within the Agri Inputs and Agri Products sub sector, 80% of its requirement for Field Assistants is sourced from the localities within which we operate.

At Quality Seeds Company, which is situated at Boralanda priority is given for recruitment of senior management personnel in Badulla, Bandarawela and adjacent areas.

Within the Plantations sub sector, recruitment to the estates of Kelani Valley Plantations and Talawakelle Tea Estates is 100% local.

Transportation & Logistics

Within the Advantis Group, we take conscious effort to ensure that our work force represents the diverse ethnicities and majority of the hiring is done locally

giving opportunities to local talent. As for our foreign operations we strive to employ persons within the local area.

Leisure & Aviation

With regard to Aviation and Destination Management, our key centres of operation are in the areas of Jaffna, Katunayake and Colombo. In Jaffna, hiring locally stands at 100%; in Katunayake it is 70% and in Colombo it is 70%.

At Ceylon Continental which is a Colombo based city hotel, our local hiring stands at 40%, whilst at Hunas Falls Hotel in Kandy, local hiring is much higher at 93%, with only 7% hired from outside the Kandy District.

Consumer Products

100% local recruitment is done for Hayleys Consumer.

Investments and Services

HBSI source 100% of their senior management cadres from their locations of operations.

➡ Pressing a Button Won't Solve a Problem...Unless...

***They're on the Computers we've taken for School Kids up North!***

In the post-conflict Wanni region up North, children are trying to 'pick up the pieces' and get on with their lives. In the case of school children, they want to get back to school...to learn well enough to be gainfully and peacefully employed some day.

The Hayleys Group employees decided to help. They voluntarily donated a day's wage, which was doubled by contributions from their respective companies and the money was put towards establishing two fully-equipped computer training centres - one at Yogipuram Maha Vidyalayam at Mallavi in Mullaitivu and the other at the Poonekary Maha Vidyalayam in Kilinochchi.

The Centre at Mullaitivu was equipped with 8 new computers with UPS units, a printer, multimedia projector, wall screen, white board, flash drives and all requisite software licences. It was handed over to the school in the presence of the Governor of the Northern Province, Major General G.A. Chandrasiri.

The second Centre was set up in a building constructed by Hayleys for the Poonekary MV and consisted of 10 computers with UPS units, a printer, multi-media projector and screen, computer tables and chairs and a white board.

The cost of these projects in terms of materials and equipment exceeded Rs. 3.7 mn.

Hayleys has also offered to train two teachers to help them achieve competency as IT trainers.

Beyond Core Initiatives for Public Benefit

The Hayleys Group has invested significant resources in diverse projects, which go beyond its core business activities, and which primarily benefit the public.

In the Agriculture Sector, Hayleys has set up Regional Centres to aid technology transfer, knowledge dissemination and updates on agronomy practices and market trends, for the benefit of farmer communities in relevant localities.

Our Plantation companies Kelani Valley Plantations and Talawakelle Tea Estates have far reaching and comprehensive initiatives. They extend to the estate community at large, and include the provision of land and assistance for self-help housing projects, schools, maintenance of road networks, water projects and health and sanitation within the plantations. In addition KVPL has invested considerable resources in its branded 'A Home for Every Plantation Worker' Programme, described more fully in this segment.

In the Leisure sector, Hunas Falls Hotels leveraged its extensive eco and environmental knowledge base to conduct training for schools and educate local and foreign tourists on subjects such as the environment and global warming and other related issues that help reduce adverse impacts on the environment.

Hayleys Consumer sponsored a series of knowledge forums aimed at awareness building amongst the general public as well as key decision makers on the need to employ more efficient and conservative forms of illumination that would reduce demand on the National Grid. This is in line with National objectives.

In the Global Markets and Manufacturing sector, Haycarb as it does each year, donated Rs. 392,000 worth of activated carbon powder to all Government hospitals to aid their detoxification procedures. Haycarb also conducted a career planning workshop for

52 students from those who got through the Grade 5 Scholarship Examination with high marks from all 9 provinces of the island, selected for the National Mathematics and Science Olympiad Competition. This was a 5 day residential workshop held at Madampe. The cost of this programme was Rs. 750,000/-.

MGT maintains a ward at the Horana Base Hospital, thus easing part of the burden for upkeep from National Coffers. In addition, MGT funds a Grade 5 scholarship program for 10 students from 10 surrounding schools. This figure has been taken from the next indicator.

Alumex offers training programmes for school leavers, in tandem with several vocational training institutions, to help them find lucrative employment opportunities within the aluminium fabricating sphere.

In our Transportation and Logistics sector, Advantis Group companies have engaged in many activities beyond their core business for the public benefit; activities such as constructing a class room for the Nagalawewa School in Sigirya and contributing to Colours of Courage Cricket Tournament with proceeds going to the National Cancer Hospital, Maharagama.

Hayleys PLC also donated a Classroom Convertainer unit fabricated by a subsidiary, Logiventures Engineering to a school in the remote area of Mahavillachchiya. The value of this donation was Rs. 450,000.

Social and Economic Benefits for Many

The breadth and scope of Hayleys' enterprise yields many instances of economic and social upliftment and sustenance for a sizeable number of people of our country. In very many areas of Sri Lanka, Hayleys is a key factor in the well-being and sustenance of the wider community, a fact that we are humbled and honoured by.

Agriculturally speaking, our Seed Paddy Out Grower System afforded farmers a 25% price benefit over prevailing rates when they sold their paddy to Hayleys.

Through our Vegetable and Fruit Out-Grower System, farmers growing certain crops between their mainstream crop cultivation cycles, earned additional income that supplemented their earning capacities.

The Company's Seed Production Facility at Borlanda generated around 270 employment opportunities and annual wages amounting to Rs. 27.5 mn.

By manufacturing machinery locally, Hayleys generates an annual saving in terms of foreign exchange of US\$ 1.5 mn.

In the Leisure sector, the Hunas Falls Hotel has 93 staff on their payroll, all originating from a 20 km radius from the hotel. This is a significant factor in the economic and social well-being of people from the locality.



The classroom convertainer unit fabricated and donated to a school in Mahavillachchiya.

Also, the Hotel's local purchasing process benefits local suppliers, helping to reduce its carbon footprint.

Other benefits that flow from the hotel and tourism is the local purchasing that occurs as an adjunct to visitor interest in the local crafts and other goods and services on offer from the local community.

The Hunas Falls Hotel also conducts programmes to educate school children of the area on the environment and helps them develop their school gardens. In many instances the Hotel has a buy back scheme where it purchases plants from these school gardens and outlying village gardens and encourages tourists to join in the Hotel's environmental activities.

Whilst Hayleys Consumer encourages and promotes the hiring of manpower for the distribution operation from local communities, the corollary to this is that these local youth are trained and their abilities harnessed to make them professionals in their field, thus empowering them. Approximately 200 youth are currently employed.

Kelani Valley Plantations PLC (KVPL) has invested considerable resources in its corporate responsibility initiative 'A Home for Every Plantation Worker' Programme.

It's a broad concept with wide ranging life-style benefits for the plantation community and extends far beyond the basic provision of shelter. This initiative, encompassing four broad areas - Living Environment, Health and Nutrition, Community Capacity Building and Youth Empowerment - was launched in 2006 and its impact has extended outside the organisation as well.

Living Environment

Activities	1992-2010
New houses built (units)	1,341
Land extent granted for housing (perches)	9,535
Upgrading of workers' quarters	
- Re-roofing	7,259
- Electrification (housing units)	6,281
- General rehabilitation	489
Access roads (km)	264
Water schemes	1,155
Sanitation - new toilets (units)	7,245
Playgrounds (units)	12
Staff quarters	
- Upgraded (units)	176
Community centres	19
Field rest rooms	178
Child development centres	14
Hot water bathing spots (units)	15

Between 1992 and December 2010, under the dimension of living environment, 1,341 housing units have been constructed on 9,535 perches of estate land granted for this purpose. Two hundred and sixty-five living units were re-roofed and 189 housing units provided with electricity in 2010. 22 km of access roads within our estates were rehabilitated during the same year bringing the total done since privatisation to 264 km. These initiatives have been carried out with the collaboration of Plantation Development Project (PDP), Plantation Human Development Trust (PHDT), National Housing Development Authority (NHDA), Ministry of Estate Infrastructure Development and Road Development Authority (RDA).

Health & Nutrition

Health & nutrition	1992-2010
Dental clinics	404
Dengue awareness programmes	17
Eye clinics	901
AIDS awareness programmes	1,755
T.B. Awareness	44
Oral cancer awareness programmes	69
Provision of spectacles	2,666
Cataract removal surgery (No. of participants)	857
Logistical support (km)	751,221

In 2010, with assistance of the Government Health Department, seven Dental Clinics were organised in Halgolle, Nuwara Eliya, Edinburgh & Glassaugh Estates with 205 participants, represented by children and pregnant mothers of the above estates.

In view of serious Dengue outbreaks experienced throughout the island in 2010, as a preventive measure the Company organised 14 dengue awareness and prevention programmes in Halgolle, Robgill, Kelani, Dewalakande, Urumiwela, Battalgalla and Annfield Estates, with the assistance of Government officials, the Berendina Foundation and the estate community. Four eye clinics were conducted in Halgolle and Invery Estates for 123 participants during the year whilst HIV, T.B. awareness and Oral Cancer awareness programmes were carried out in both up-country and low-country estates. In collaboration with the International Resources for the Improvement



Hayleys is committed to education, whether it is through rebuilding a tsunami devastated school, taking IT to the North and the East, or continuing to develop and care for children amongst the communities we work within.

of Sight (IRIS), 21 cataract removal surgeries were carried out during 2010, in Oliphant, Robgill, Tillyrie, Halgolle, We Oya, Ederapola and Ganepalla Estates.

Estate-owned ambulances as well as hired vehicles travelled a total of 77,000 Km during the year, transporting estate residents to external medical facilities.

Community Capacity Building

Community capacity building	1992-2010
Alcohol prevention programmes	87
No. of borrowers taking loans from estate worker housing co-operatives	21,279
Amount (Rs.)	173,598,017
Deposits accepted (Rs.)	94,347,894
Household cash management programmes	76

Groups of differently-abled children were provided training in music and drama on Battalgalla Estate with the assistance of the Sunera Foundation. Three alcohol prevention programmes and six household cash management programmes were carried out with the participation of 182 and 137 estate residents respectively, during the year.

During the Company's Estate Worker Housing Co-operatives loaned a total of Rs. 46 mn for improvements to housing, purchase of motorcycles, traditional ceremonies and the redeeming of mortgage properties, among 3,750 borrowers. The total lent since inception increased to Rs. 173 mn. Rs. 18 mn in savings deposits were made during the year, adding to the Rs. 76 mn already in place.

Youth Empowerment

Empowerment of youth	1992-2010
Sewing classes (No. of participants)	99
English classes (No. of participants)	888
Computer classes (No. of participants)	42

Sewing classes were carried out during the year for estate youth in Ingestre and Kiriporuwa by the Sewa Lanka Foundation and AGA office of Bulathkohupitiya. English classes conducted on Ederapola, Kalupahana and Kiriporuwa Estates attracted 172 students, with 36 participating from the same estates in computer classes. 25 youth participated in special training programmes in Panawatte and Ederapola, providing skills in the manufacture of soap & candles, the production of special food mixtures and exercise books. The Industrial Development Board and International Labour Organisation were associated in these training programmes.

ENVIRONMENTAL PERFORMANCE

This segment of our report deals with the relationship Hayleys maintains with the environment - the environmental resources we use, what we release into the environment as a consequence of enterprise and similar impacts and the initiatives we have in place to safeguard dwindling resources whilst replenishing where we can.

In this segment of our report we report on key environmental aspects and impacts of the Hayleys enterprise.

Materials... Their Use and Recycling

The Hayleys Group is engaged in a wide diversity of business, and as such consumes an equally wide variety of materials. Tracking material consumption facilitates the

monitoring of material efficiency and cost of material flows.

We present data for materials consumed for the year under review, according to business segment.

Raw materials	Amount	Measurement
Acetic acid	18	MT
Allum	0.14	MT
Aluminium, magnesium, silicon	3,319	MT
Bought green leaf	1,100	MT
Bought latex	574	MT
Bought leaf	1,200	MT
Calcium chloride	167	MT
Coconut shell	20,000	MT
Coconut shell charcoal	28,500	MT
Coir fibre	25,594	MT
Coir fibre for plant media:	863	m ³
Coir pith	7,997	MT
Coir twine	131	MT
Coir yarn and jute	989	MT
Dye stuff	25	MT
Gherkin	9,000	MT
Jalapeno	202	MT
Latex for bedding and horticulture	1,425	MT
Mango	331	MT
Natural latex	6,461	MT
Palmyrah	61	MT
Papaya	104	MT
Pineapple	28	MT
Polyester powder	56	MT
Raw paddy husks:	1,463	m ³
Salt	2,000	MT



Several training programmes are carried out by the Agricultural sector to the farming community

Raw materials	Amount	Measurement
Sugar	480	MT
Synthetic latex	2,964	MT
Timber	181	MT
Wire	1,586	MT
Cotton and Polyester Yarn /Greige	9,577	MT

Associated Process Materials	Amount	Measurement
Agro chemicals (liquid)	28	m ³
Agro chemicals (powder)	152	MT
Ammonium bicarbonate	126	MT
Ammonium hydroxide	36	MT
Cartons for packaging	333	MT
Chemical fertilizers	40,000	MT
Chemicals	5,710	MT
Chromic acid	449	MT
Copper carbonate	2,176	MT
Dabco catalyst	1,156	MT
Dolomite	3,810	MT
Fertilizer	4,780	MT
Glass bottles	1,700,000	Units
Hydrochloric acid	168	MT
Isopropyl alcohol	1.2	m ³
Lubricants	10	m ³
Nickle Chloride	272	MT
Nitric Acid	45	MT
Polybags	1,619	MT
Paper sacks for tea packaging	320,085	Units
Courier packing material - documents	57,385	Units
Sterilised clay	13.5	MT
Plastic tubs	182,000	Units
Potassium hydroxide	70	MT
Pottasium sorbate	2	MT
PVC	156	MT
Re-cycled scraps	1,552	MT
Silver nitrate	3,619	MT
Sodium hydroxide	80	MT
Styrofoam boxes:	860,500	Units
Zinc sulphate	41	MT
Polythene packing	54	MT
Cardboard packing	8	MT

The Quantum of Recycled Materials used

In our Agriculture sector, Haychem recycled 1% of its granular formulation dust in every succeeding production cycle.

The component of recycled material used in every Sprayer produced by Agri Equipment is 15%.

Production of plastic barrels used to pack semi-processed gherkins incorporates 40% recycled plastic.

30% of our Corrugated Cardboard consumption, 20% of Linear Low Density Polythene (LLDPE) and 2% of our Glass Jar consumption is from recycled material.

The Fibre sector produces a felt using cotton waste sourced from garment factories. For the year under review, cotton waste consumption amounted to 1,086,015 Kgs., which is 30% of the Company's total raw material consumption

The rates for recycled material at MGT stood at 10% at Alumex - 32%; at Advantis (Fedex) - 80%.

Dipped Products reused 20% of its compound latex during the year.

Electricity and Fuel Consumed

The chart below indicates the direct energy consumption by source across the Group:

Sector Type of energy	Quantity	Units
Fibre		
Electricity consumption	4,285,147	kWh
Firewood	1,540	MT
Furnace oil	147	m ³
Diesel	11	m ³
Hand protection		
Electricity	13,515,000	kWh
Liquefied petroleum gas	199	MT
Biomass (firewood)	33,536	MT
Furnace oil	6,360	m ³
Diesel	54	m ³
Activated carbon		
Furnace oil	3,107	m ³
Auto diesel	149	m ³
Electricity	5,241,950	kWh
Textiles		
Furnace oil	4,900	m ³
Construction Material		
Furnace Oil	2,918,333	kWh
Diesel	4,752,222	kWh
Agriculture		
Electricity	1,868,083	kWh
Furnace oil	78,561,666	kWh

Sector Type of energy	Quantity	Units
Plantations		
Electricity	13,669,957	kWh
Firewood	85,612	MT
Gasoline	95	m ³
Diesel	654	m ³
Hydro Power	173,186	kWh

Transportation & Logistics

(Direct land transportation)

Electricity	use 644,692	kWh
Diesel & Petrol	458	m ³

Leisure & Aviation

Electricity	4,446,733	kWh
Liquefied Petroleum Gas	16	MT
Diesel	29	m ³

Consumer Products

Electricity	19,712	kWh
-------------	--------	-----

The chart appearing below indicates the indirect energy consumed by source by constituent companies of the Group:

Sector Type of Energy	Quantity	Units
Activated carbon		
Shell suppliers	16	m ³
Charcoal Suppliers	15	m ³
Transport Contractors	125	m ³
Agriculture		
Electricity	182,500	kWh
Plantations		
Energy	8,069,722	kWh
Leisure & Aviation		
Gas	65	MT
Furnace Oil	238	m ³
Hydro Power	1000	kWh
Firewood	89	MT
Power & Energy		
Electricity	5,066,944	kWh

Energy Saving Reduces Consumption

Across the Hayleys Group energy saving measures have been adopted and are leading to significant reductions in energy consumption.

We present these initiatives and their results, sector-wise.

Energy Saved Due to Conservation and Efficiency Improvements

Transportation & Logistics

A recent introduction of fuel efficiency measurement targets has served to improve efficiency of prime movers from 1.62km/l to 2.25km/l. Cost and energy reduction is also achieved through the reduced usage of Air-Conditioners and CFL bulbs as well as the use of Energy saving bulbs employed for yard lighting. Translucent roofing sheets make maximum use of natural light, thereby reducing the need for electricity consumption.

Leisure & Aviation

Hunas Falls Hotel

The use of a colour-coded system helps in switching lights on and off on a scheduled basis.

Electricity and Diesel consumption are controlled and monitored for wastage. The occupancy levels of the hotel are factored into control process.

The use of a card key system for each room plays a major role in reducing power wastage through the inbuilt-automated switch off system, which prevents electricity usage when rooms are unoccupied.

Other measures such as air conditioning on request have also reduced electricity consumption, leading to a saving of 42,583 kW per year.

Furthermore, 54% of bulbs used are energy savers. For the ensuing year, we envisage raising this figure to 90% at which point we estimate our power saving to reach 234,549 kWh.

Energy loss through cold rooms is mitigated through the installation of freezer curtains.

Power & Energy

An energy efficient log heating oven has replaced a traditional, more energy consuming pre-heating oven, which has yielded a saving of 1,094 GJ/ton of energy. To increase productivity, efficiency and quality, a new age oven has been installed in the plant which yields an energy saving of 911MJ/ton.

Investments & Services

The shared services sector has made an investment of Rs. 21 mn in a Document Management software programme, which will convert work processes into a paperless regime thus minimising paper usage and increasing efficiency substantially. The use of LCD monitors also ensures enhanced levels of power and energy conservation and safety.

Initiatives to utilise Energy-Efficient or Renewable Energy Based Products and Services, and Reductions in Energy Requirements as a Result of these Initiatives

Agriculture

The Agri sector has noticeably increased its efficiency and prowess through the implementation of 6 Sigma, Lean Manufacturing and Mini Company concept to each production section, which has demonstrated a reduction of energy consumption such as furnace oil and electricity by 50% and 15% respectively.

To optimise tissue culture plantlet storage, extra light needs to be provided whilst maintaining temperatures between 18 - 27C. This is achieved through a system which utilises cool air flow and reduces Air-conditioning running time by 20%.

Transportation & Logistics

Air-conditioning units are consistently adjusted to be energy efficient whilst energy efficient fluorescent lighting is estimated to save 8% energy. Waste disposal is contracted to a responsible third party whilst 2 kgs of paper each week are sent for recycling.

Leisure & Aviation

We have adopted the practice of replacing incandescent bulbs with CFL in order to achieve Power Factor correction improvement, which would reduce energy consumption significantly.

Power & Energy

In its continuous pursuit of energy saving initiatives, the sector hopes to invest in a log pre-heating furnace for the second line of the production process. The expected energy saving is estimated to be approximately 911MJ/ton.

Consumer Products

This sector deploys a marketing strategy to convey the benefits of energy efficient products.

Initiatives to Reduce Indirect Energy Consumption and Reductions Achieved

Plantations

Energy efficient machinery and equipment and awareness programmes to reduce energy wastage have been adopted by all plants and users.

Transportation & Logistics

Carpooling is encouraged as a means of reducing carbon emission. Non-compliance with fuel efficiency standards is deterred through the levy of fines for the errant, which provides a controlled environment in maintaining efficiency standards. The use of natural light has reduced electricity consumption by at least 15%.

Leisure & Aviation

LED and CFL lights have actively contributed to energy saving whilst replacement of Diesel to Gas fire has improved efficiency and reduces the release of harmful gases to the atmosphere.

Sector Type of Energy Saved	Descriptor	Quantity/ Energy Saved	Units
Purification Products			
Electricity	Due to improvements in machinery & equipment	473,400	kWh
Furnace Oil	Due to improvements in machinery & equipment	187	m ³
	Due to new method of activation	64	m ³
Agriculture			
Electricity	Shutting down electrical equipment during non operating hours	6,500	kWh
	Replacing bulbs with CFL	8,000	kWh
	Modification of plant & machinery	5,000	kWh
	Use of daylight in 80% of production facility	10%	
	Reduction in consumption	10%	
Furnace oil	Reduction in consumption	50%	
Plantations			
Diesel	Using fuel wood harvested from plantations	1,500	m ³
	Fuel switching and efficiency improvements	5,514,722	kWh
Transportation & Logistics			
Electricity	Saving on electricity	16,000	kWh
	Switching off lights when leaving workstation	200	kWh
	Saving on monthly consumption and sharing costs	8%	
Leisure & Aviation			
Electricity	A/Cs in use only on request	42,583	kWh
	Use of energy saving bulbs	142,231	kWh

Managing Water Consumption and Recycling

Hayleys is mindful of the impact that the Group's water consumption could have on the national supply, water tables and the eco-system. There is a concerted effort to use this precious resource responsibly whilst always seeking opportunities to 'recycle and return'.

As a signatory to the UNGC's CEO Water Mandate, Hayleys continues to improve the processes it employs to measure water usage and waste water discharge.

This has facilitated the cascading of best practices to all employees across our diverse range of operations and fostered mindfulness of the growing scarcity of this precious resource in our daily lives. It has helped us to continuously search for new ways to reduce usage and to recycle.

Water Sources Affected by Water Withdrawal

Kelani Vally Plantations PLC (KVPL)

With most of our plantations being located within catchment areas, KVPL is very sensitive to water usage. Both extraction and discharge of water necessarily has an impact on watersheds, mainly due to the contamination and lowering of the water table. Our Group manages over 13,500 hectares of land consisting of tea, rubber and forest which, whilst acting as a carbon sink, also prevents the erosion of topsoil and conserves ground water by minimising run off. Both tea and rubber plantations meet local environmental standards in the use and discharge of water.

In addition, KVPL is a signatory to the United Nation's Global Compact (UNGC), the CEO Water Mandate and the Caring for Climate initiatives. Our commitment to the CEO Water Mandate derives its impetus from our core values and the Senior Management has endorsed and are fully committed to the objectives and principles of the Mandate. The total water consumption by KVPL for direct operations is approximately 1,000 m³ per day.

During the year under review the following steps have been taken to minimise impact on the environment from agricultural operations;

- Preparation of a water map identifying all water sources in the estates and the repair of water distribution systems to avoid waste due to leaks or spillage.
- Adopting bush to bush fertilization and strict manual weeding in the periphery of streams & waterways, to prevent contamination of flowing water.
- Planting approximately 10,000 bamboo trees along the banks of streams to prevent soil erosion.

Agriculture

Ground water extracted, rainwater harvested and surface well are replenished naturally during subsequent rain

Plantations

Ground water extracted, rainwater harvested and surface well are replenished naturally during subsequent rain.

Hunas Falls Hotel

The Hotel sources water from a natural stream that flows through its property. Water draw off is minimal when compared with the capacity and rate of flow of the stream. Other initiatives to conserve and manage this resource are:

1. Treated water from the Sewage Treatment Plant is used for garden irrigation.
2. About 90% of the water that is used in the hotel is reused after treatment at the Plant.

3. Water storage tanks, taps and fixtures in guest rooms are checked for leakages.
4. Preventive maintenance is carried out to a planned schedule. During these checks, *inter alia*, valves and level controls of water tanks are examined for leaks.

Percentage and Total Volume of Water Recycled/Re-used

Sector	Description	Figure	Recycled Water
Fibre		12,516 m ³	–
Hand Protection	Ground water	316,000 m ³	Total volume recycled and reused - 132,000 M3/Year
	River (bowser supplies)	108,000 m ³	Recycled water as a percentage of the total water withdrawal - 24%
	Municipal	120,000 m ³	–
Purification Products	Factories	89,687 m ³	1.5 % re-used in the carbon washing process.
Textiles	Production	1,514,576 m ³	–
Construction Materials	Water from Lanka Industrial Estate Limited (Lindel)	96,155 m ³	Waste water is discharged to the nearby stream after final treatment (pH level between 5-8)
	Ground water	40,595 m ³	–
Agriculture	Public utility	151,542 m ³	30-35% of total volume is recycled at the biotech facility and the food processing facility
	Ground water	12,976 m ³	Rainwater is collected through greenhouses meeting 53.3% of the total requirement.
	Rain water and surface well	16,462 m ³	–
Transportation & Logistics		248 m ³	–
Leisure & Aviation	Tube well and municipal supply	99,188 m ³	–
	Stream water	8,646 m ³	About 90% is reused after treatment.
	Bottle water	10 m ³	–

Safeguarding Biodiversity

Of all Hayleys businesses, the segment with the largest land holding in the biodiversity context is plantations.

All our estates practice environmental responsibility in line with the overarching Hayleys Group Environmental Policy.

Biodiversity plays an important role in the day-to-day life of a plantation. Many of our estates are located and operate within areas of high biodiversity.

Over 1,000 hectares of forest reservations are located within the Company's plantation boundaries, distributed across three agro-climatic regions, namely Nuwara Eliya, Hatton - Dickoya and Yatiyantota, Bulathkohupitiya. These forest reserves have progressively

developed into unique biodiversity enclaves due to fauna and flora mutations driven by geographic isolation.

Initially, the Company undertook a comprehensive biodiversity assessment to inventorise flora and fauna within its plantation boundaries. The newly identified local nature reserve at Halgolle Estate was the major outcome of this study. During the year under review, the Company finalised management plans for future conservation in collaboration with the International Union for Conservation of Nature (IUCN). The tree planting programme, commenced on Halgolla in collaboration with the Deutsche Bank, was continued during the year under review.

At Talawakelle Tea Estates (TTEL), 5% of land extent under its purview is dedicated to biodiversity conservation measures. Habitat protection extends to areas adjacent to its estates and good agricultural practices together with sustainable agricultural policies are in place.

Rainforest Alliance provisions are also being implemented on TTEL's estates and 14 tea estates belonging to Kelani Valley Plantations have been audited and recommended for Rainforest Alliance certification. Investment on Rainforest Alliance activities on Talawakelle estates amounted to Rs. 15 mn for the year under review.

The other biodiversity hot spot is Hunas Falls Hotel in Hunnasingiriya, Kandy.

Hunas Falls Hotel is located within an area rich in biodiversity. The Hotel has a proud record of initiative in terms of nurturing the environment and safeguarding and enhancing the biodiversity around its location.

The Hotel has been engaged in reforestry programmes, wetland conservation and expansion, water conservation and erosion control whilst maintaining good environmental standards in its operations, particularly in areas such as waste management, assurance of air quality, reduction of Green House Gas (GHG) emissions and introducing environmentally friendly products, among others.

Hunas Falls operates its own butterfly garden and dragonfly garden, a mini-weather station for collection of scientific weather data and is also a centre of information for many schools that make use of the abundant eco-knowledge base available at the Hotel on their field trips etc.

For the future, the Hotel plans to extend its wetlands to attract more avifauna, extend its reforestation initiative to reach an elevation of 1200 metres, introduce a new tree trail to introduce more indigenous plants in the vicinity of the hotel, improve the collection of environmental data and thus create a data base with a view to better assessing impacts on biodiversity and increasing the frequency of awareness programmes for schools and local communities.

Monitoring Green House Gas Emission

Today the world recognises that green house gases are probably the main contributor to climate change. Given the scope of Hayleys enterprise from the more obvious agricultural and plantation interests to every other shop floor, office and Board Room, GHG emission is an important consideration in building sustainable enterprise.

Hayleys has begun to measure GHG emissions across the Group. The current paucity of data is being addressed and our future reports will see greater detail emerge.

‘Go Green’ Goes to Mount Lavinia

The Mount Lavinia beach is one of the most popular places for a seaside stroll, in Sri Lanka. Unfortunately, ‘more people’ tends to translate to ‘more litter’ and more problems keeping the environment clean.

MIT Cargo recently conducted a shoreline clean-up project at Mt. Lavinia under its ‘Go Green’ initiative and installed eight garbage bins along the popular stretch of coast to encourage visitors to keep the environment clean.

More than 75 staff members of the Hayleys Group braved inclement weather and devoted a Saturday to pick up trash and clean about one mile of beach. So well did they do that they managed to collect 110 bags of litter by the end of the project.

Arrangements were made with the Municipal Council to collect the bags with general garbage and a private company was contracted to collect the bags of plastic trash.

The Company also distributed garbage collecting bags provided by the Central Environment Authority (CEA) to nearby restaurants and hotels through the Hotel Owners, Club of Mt Lavinia. It is expected that restaurant owners will embrace good ‘environmentalism’ and do their bit to keep the beach-front clean.

MIT Cargo’s ‘Go Green’ programme comprises of four main initiatives, ‘Recycling of Polythene,’ ‘Food Waste Disposal,’ ‘Paper Collection’ and ‘Drive Green’.



Before and after: Mt. Lavinia beach

Haycarb has recorded their CO₂ levels at 29,870 MT during the review period.

Waste Generation, Management, Disposal

Hayleys maintains a very responsible stance with regard to disposal of waste material.

There were no significant spills recorded. There have been no instances where Hayleys faced sanctions or fines for non-compliance with any environmental laws or regulations.

Here is an account of activity for the year under review, sector-wise.

Global Markets & Manufacturing

At Fibre, 12,516 m³ of uncontaminated water were released to surface water systems. 8500 MT of coir fibre pith was also disposed of, part as landfill and the rest reused for Lignocell's coir pith briquettes.

At Haycarb, waste water is discharged to surface streams after treatment and complying with the Central Environmental Authority's guidelines.

At MGT, waste water is passed through a process of chemical and microbiological treatment in accordance with Central Environmental Authority stipulations for the textile industry and treated water is discharged into the Kalu Ganga river.

Sludge amounting to 1.5 to 2 tons per day was disposed of as land fill within MGT's premises.

Alumex discharged 136750 m³ of water during the year under review. Solid non-hazardous waste amounting to 695 tons was used as land fill.

DPL's waste water volume for the year was 6,480,000 m³. Process water was treated in house to exacting standards and whilst 20% of this treated water was reused by the Company, the balance was released as surface water.

The Company's solid waste for the year was disposed of as follows - Composting 54 MT, Recycling 260 MT, Recovery 60 MT, Incineration 204 MT, Land fill 108 MT and on-site storage 0.12 MT.

Agriculture

At the Agri Inputs and Agri Products, cluster 370m³ of water is disposed of through a zig zag drainage system after undergoing a purification process using Activated Carbon. Before release, the Chemical Oxygen Demand value of the water is tested for compliance.

The cluster also disposed of 150 MT of used polythene and waste paper material to contractors for recycling and reuse.

At Haychem a solid waste component of 10,000 kg is generated and disposed of by incineration.

In the Processed Vegetables sector, of 500 MT of fresh gherkin, 40% was used to produce organic manure, whilst the balance was released for use in adjacent coconut cultivations.

In the same sector a solid waste component of 600 MT was composted and disposed of at the BOI dump yard.

12 MT of Corrugated Cardboard, 2 MT of Glass and 10 MT of Polythene were sent for recycling.

At the tissue culture plantlet facility, used media are autoclaved before disposal to ensure that all harmful pathogens are destroyed. The end product thereafter is used as manure.

At our tissue culture plantlets facility - used media are autoclaved before disposal for use as manure, to ensure that all harmful pathogens are destroyed.

In the Plantations cluster, Kelani Valley Plantations disposed of 950 m³ of treated waste water from their rubber factories, per day, during the year under review.

Water used for cleaning of machinery and the plants are channelled through simple but effective waste water treatment systems, consisting of sand filters and sedimentation tanks. The treated water is regularly tested for Bio-chemical Oxygen Demand (BOD), Total Suspended Solids, pH, Grease, Oil and fecal Coliforms.

Likewise KVPL disposes of its solid waste materials responsibly via processes such as recycling, reusing and composting. The Company disposed of 2 MT of plastic cans, 2 MT of hazardous waste and incurred Rs. 1.7 mn in composting bio-degradable waste, and another Rs. 600,000 was spent on a temporary storage facility to accommodate empty chemical containers and other redundant items.

Leisure & Aviation

Ceylon Continental Hotel discharged 22,000 m³ of water into the municipal drainage system, after eliminating oil and grease.

Hunas Falls Hotel recycles and reuses 90% of its water requirement.

The Hotel also disposed of 9,800 kg of waste food material to farms. A total of 130,000 kg of waste paper, dry waste and bottles were disposed of for recycling and/or environmentally friendly disposal.

SOCIAL PERFORMANCE

This segment of our report deals with the impacts Hayleys enterprise has on the social systems within which the Group operates. 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.

In this section we examine this aspect in greater detail. Our reporting is structured around the key segments of Employee Relations, Human Rights, Customer Relations and Society.

A Responsible Relationship with Our Employees

The Hayleys Group has earned the reputation of a preferred employer over the years. This reputation has been built on strong moral and ethical grounds, fairness and transparency and a willingness to share our good fortune equitably with our staff. We are committed to self development and career advancement and endeavour to reward employees for effort and productivity at above industry levels.

There is more to how Hayleys is seen by its employees. The following aspects that deal with labour practices and the offer of decent work are relevant.

Our Employee Profile**Workforce by Employment Type/Contract**

Sector/ Company	Executives & above	Clerical & Supervisory	Manual Grade	Total
Fibre	142	67	285	494
Hand Protection	210	69	1,061	1,340
Purification Products	172	55	726	953
Textiles	208	266	690	1164
Construction Material	53	108	201	362
Agriculture	162	193	283	638
Plantations	187	1,256	23,588	25,031
Transportation and Logistics	510	146	64	720
Leisure & Aviation	131	319	7	457
Power and Energy	62	24	40	126
Consumer Products	81	122	0	203
Investments and Services	119	38	6	163
Total	2,037	2,663	26,951	31,651

Retention...Turnover

Age	Executives & above		Clerical & Supervisory		Manual Grade		Total turnover by age	
	#	%	#	%	#	%	#	%
< 20	0	0.0	20	0.5	3	0.0	23	2.3
20 - 24	14	0.7	76	1.8	34	0.1	124	12.6
25 - 29	69	3.5	103	2.5	179	0.6	351	35.8
30 - 34	55	2.8	58	1.4	62	0.2	175	17.8
35 - 39	49	2.5	18	0.4	40	0.1	107	10.9
40 - 44	20	1.0	20	0.5	25	0.1	65	6.6
45 - 49	14	0.7	8	0.2	25	0.1	47	4.8
50 - 54	11	0.6	10	0.2	19	0.1	40	4.1
55 >	16	0.8	11	0.3	22	0.1	49	5.0
Total turnover by category	248	12.8	324	7.7	409	1.4	981	100.0

Turnover by Gender and Category

Gender	Executives & above	Clerical & Supervisory	Manual Grade	Total
Male	134	248	254	636*
Female	30	42	153	225*

Benefits Exclusively to Full Time Employees

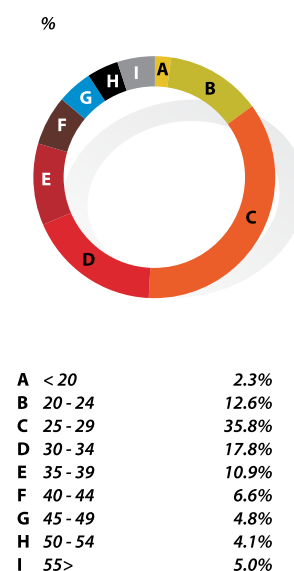
Full time employee are entitled to reimbursement of medical expenses and reimbursement of professional expenses.

Through the Group's Recreation Club: Funeral Fund, Wedding gifts, New Baby gifts and prizes for employees. Some companies also provide gifts for employees' children who obtain 8 distinctions at O'Levels, children who gain admission to Sri Lankan Universities

and long service awards for employees with service over 15 years and 25 years.

Access and Cover - Collective Bargaining Agreements

Freedom of association is a right enshrined in the Hayleys ethos. Progressing from this, all labour representation enjoys the collective bargaining process and agreements are prevalent in all relevant operating centres of the Group.

Retention Turnover

The table below is self explanatory:

Sector	Percentage of Staff Covered by Collective Agreements
Fibre	67%
Hand Protection	63%
Purification Products	41%
Plantation	99%
Agriculture	80%
Consumer Products	58%

At MGT, whilst no formalised agreement is in place, the process of collective bargaining proceeds healthily in respect of the annual salary revision process.

Period of Notice for Operational Change

Hayleys extends due notice to staff regarding impending operational changes. Due to the diversity and individual characteristics of each business cluster, such lead times may vary from one company to the next. However, the Group strictly maintains the right of the staff to receive adequate and timely notice of such moves.

Sector/ Organisation	Lead Time	Whether covered by CA
Fibre	No specified lead time under CA	–
Purification Products	2 weeks	Yes
Textiles	Minimum 1 week	–
Construction Material	2 weeks	–
Agriculture	10 Days	Yes
Leisure & Aviation	3 months	–
Consumer Products	1 month	Yes
HBSI	1 month	–

Keeping Staff Healthy and Safe

Ensuring optimum working conditions that deliver high levels of health and safety at the work place is high on the Hayleys agenda.

Several facets of this subject bear reporting on and we present the salient material hereunder.

Worker Representation on Health and Safety Committees

Sector	Percentage of Workforce Represented on Health/Safety Comts
Consumers Products	10%
Hand Protection	100%
Purification Products	26%
Textiles	52%
Agriculture:	
- Seed and planting material	100%
- Agri Inputs	35%
- Agri Products	8.50%
Transportation & Logistics	8%
Leisure & Aviation	6%
Power and Energy	5.76%

Injury, Disease, Lost Days, Absenteeism

Sector	IR	ODR (none)	AR	F (none)
Fibre	0.05%	N/A	2%	N/A
Purification Products	2%	N/A	6%	N/A
Textiles	7%	N/A		N/A
Construction Material	3%	N/A	7%	N/A
Agriculture	0.09%	N/A		N/A
Plantations	0.23%	N/A	N/A	N/A
Transportation & Logistics	0.04%	N/A	N/A	N/A
Leisure & Aviation	2%	N/A	5%	N/A

IR - Injury Rates; ODR - Occupational Disease Rate; AR - Absentee Rate; F - Fatalities

Preventive Strategies for Managing Health and Safety

Although health and safety issues do not figure in formal agreements with worker representative bodies, they are part and parcel of the regulatory framework within which all Hayleys companies operate.

Hayleys has many programmes that are active across the Group to address this issue. Here are some of those initiatives that transpired during the year under review.

At the Agri Inputs and Agri Products cluster and at Hayleys Consumer, employees are provided opportunities to attend relevant programmes on subjects such as Stress Relief Counselling and Awareness on Dengue. Annual Medical Checks are also offered.

At Hunas Falls Hotel, training is provided on food safety and health processes, Fire Fighting and First Aid.

Ceylon Continental Hotel conducts training programmes through a Health and Safety Committee which deals with subjects such as First Aid, Communicable Diseases, Staff awareness programmes on Health Issues, Hygiene Practices and Fire Fighting.

Haycarb offers employees access to several programmes on health and safety aspects conducted by medical professionals. Visiting factory inspection engineers of the Labour Department also augment input on relevant areas such as workplace safety and safe work practices.

DPL has adopted its own HIV/AIDS policy focussing on increasing awareness of this illness and dealing with stigma and discriminatory aspects. DPL is the catalyst for the Group in terms of conducting an e-mail awareness campaign both on AIDS as well as H1N1 influenza.



Relationship with Principals

Name of Principal	Duration of Relationship
Bayer CropScience	48 years
Symrise	48 years
Detia Degesch	38 years
Elementis	36 years
Lanxess Deutschland	36 years
Rheinchemie	36 years
Cabot	33 years
Philips Lighting	28 years
Allam Marine (generators)	23 years
Monsanto	23 years
Polymer Latex	18 years
Kerr McGee	18 years
Fuji Hunt Photographic Chemicals	18 years
Dow AgroSciences	18 years
Den Hartigh	18 years
Nufarm	18 years
Durst Phototechnik	17 years
Blue Cross Laboratories	15 years
Sigma Pharmaceuticals	15 years
Fuji Film	14 years
Gujarat Reclaim Rubbers	12 years
Akzo Chemicala BV	12 years
Gelita	12 years
Shangdong Weichai	12 years
Laboratories Hipra, S.A.	12 years
Volvo Penta	10 years
Namdhari Seeds	09 years
ABB	08 years
Natraj Albums	08 years
Global Hydro Energy	07 years
Bayer Material Science	07 years
Supreme Petro Chemicals	07 years
S.P. Veterinaria, S.A.	07 years
Jiangsu Wallong-Hsin	07 years
Neolait	06 years
Shimadzu	06 years
Procter & Gamble	06 years
GP Batteries	06 years
Gillette	05 years
FedEx	05 years
ICI Pakistan	02 years
Escorts Limited (Agri Machinery Group)	01 year
Boehringer Ingelheim	01 year
Nawan Laboratories	01 year
Pinnacle Technocrafts	01 year
Golden Cross Laboratories	01 year
Incepta Pharmaceuticals	01 year
Camlin	01 year
Beste Pharma	01 year

Training & Developing Employees

Training is intrinsic to the Hayleys Group. It is the bedrock upon which all skills and capacities are developed and enhanced, which in turn fuels strategy and process.

We present relevant data on this subject by business segment.

Average Hours Training Per Year

Sectors/Companies	Executive	Non-Executive	Clerical/ Supervisor	Manual Sales
Fibre	30 hours	24 hours	16 hours	
Hand Protection	28 hours	–	81 hours	15 hours
Purification Products	15 hours	1 hour	12 hours	
Textiles	9 hours	–	5 hours	3 hours
Construction Material	1 hour	1 hour	1 hour	
Agriculture	30-40 hours	40 -50 hours	150 hours	45 hours
Talawakelle Tea				
Estates PLC	40 hours	–	–	15 hours
Transportation & Logistics	8 hours	1 hour	–	–
Leisure and Aviation	4 hours	2 hours	–	–
Consumer Products	40 hours	24 hours	–	–
HBSI	64 hours	–	–	–

All training processes across the entire Hayleys Group are designed to upgrade skill levels, develop the individual, promote career advancement and pay heed to the 'life after career' aspect of every employee.

Performance and Career Development Reviews

The Employee Performance and Career Development system is widely applied across all constituent companies of Hayleys PLC. The table below shows the rate of adherence to this system amongst the sectors and companies.

Percentage of Employees Receiving Regular Performance and Career Development Reviews

Sector/Company	Rate (%)
Fibre	33
Hand Protection	100
Purification Products	65
Textiles	100
Construction Material	83
Agriculture	100
Plantations*	100
Transportation & Logistics	100
Leisure & Aviation	100
Consumer Products	100
Investments and Services	100

* Excluding plantation workers

Diversity & Equal Opportunity

The diversity within Hayleys PLC provides insight into the human capital of the organisation. The composition of our management and workforce teams using tested parameters also highlights the aspect of equal opportunity that prevails within our Group.

Ratio of Basic Salary - Men to Women

There is completely parity in terms of salary across all positions in the Group, sans any gender bias. Salary distinctions are based solely upon factors such as performance and market comparisons for the relevant skill group.

Human Rights... at Our Core

The ten principles promulgated by the Global Compact (UNGC) concerning human rights, labour, the environment and anti-corruption, have provided the foundation for every facet of Hayleys' business operations.

The Group is a signatory to these principles and their provisos are internally communicated in many ways to ensure that our 30,000 workforce stay reminded of them.

One of the key areas in the application of a responsible approach to human rights is in the signing of agreements concerning investment and procurement. All Hayleys companies are guided by international and local covenants such as the UNGC and Sri Lanka's legal and regulatory regimes in regard to safeguarding of human rights. We cascade this ethos across all supply chains.

Training Employees on Human Rights Issues

The key issues of human rights and the principles of the UNGC are presented to staff at various staff forums. The inculcation of right thinking and right action are ingrained in our people in a multitude of ways. Whilst formal human rights training in stand alone form may be limited, there is in place a continuous informal instruction and mentoring process across every company within the Hayleys Group.

Here are some highlights of the year under review.

At KVPL, training programmes on the awareness of the principles of the Global Compact and their incorporation in company strategy, were carried out by members of the senior management of the Company for all 84 company executives.

The sustainability team of KVPL's Head Office carried out three full day workshops on Ethical Business Management, with the participation of 150 executives and other members of staff.

One senior estate manager participated in a five day workshop on Labour Standards sponsored and moderated by the International Labour Organisation (ILO) and held in Turin, Italy.

A senior member of KVPL's Head Office sustainability team participated in a course, conducted over a period of two months by the Employers' Federation of Ceylon.

In addition to regulated and formal programmes, through on-going dialogue and other interactions between the estate personnel and the Head Office sustainability team, there is in place a continuous informal mentoring and instruction process.

Rights and Non-Discrimination

Hayleys PLC has not recorded a single instance of discrimination involving either internal or external stakeholders during the period under review.

No employee of Hayleys is coerced into working more than the number of hours stipulated by law.

In areas of the Group where extended working hours are required by nature of the business, a roster system is followed to ensure an equitable division of working hours for every employee.

As a responsible employer, we find the concept of child labour totally abhorrent. We do not recruit or employ the underaged.

We abide by the stipulation that no one under the age of 18 would be offered employment at any Hayleys company and we ensure that this age stipulation is practiced by others in the supply chain.

Furthermore, we have had no reported instances of violation of the rights of indigenous people.

Risk Mitigation of Workers' Rights

As reported earlier, Hayleys fully supports the right to freedom of association, collective bargaining and collective agreements.

Twelve Companies within the Group operate Collective Bargaining Agreements with four Unions. Employees are fully supported to engage in dialogue with the Company on any issues they may wish to voice and seek redress on.

We are an equal rights employer, with a functioning open-door policy and conduct all our business dealings with all stakeholder groups sans bias.

During the year in review, we have had no reported instances of violation of this ethic.

A Responsible Relationship with Our Customers

An oft repeated cliché but one that is true nevertheless is the saying, "No customers... no business". At Hayleys, interaction with our customers happens on many different planes. Fundamentally however, it begins by fashioning goods and services to suit their needs. A responsible approach assures that our goods and services meet with the highest standards of customer safety.

Listening with Purpose

To Hayleys, listening to customers is not a one way process. Perhaps dialogue would be a better description of the process we maintain with our customers, where the initial listening phase is complemented with Company input. At the end of the day, this process helps Hayleys draw an accurate picture of its customer satisfaction ratio and also helps in developing a cutting-edge portfolio of goods and services.

Here is an account of how customer feedback is captured and utilised by the Group.

➔ A VOICE THAT'S HEARD

- Presidency, Agricultural Machinery Manufacturers' Association
- Presidency, Sri Lanka Airline Cargo Association
- Presidency, Travel Agents Association of Sri Lanka
- Chairman - CIMA Sri Lanka Governance Board
- Vice-Presidency, Chartered Institute of Logistics and Transport
- Directorship, Plantation Human Development Trust
- Directorship, Sri Lanka Port Management and Consultancy Services Ltd.
- Directorship, Sri Lanka Institute of Nanotechnology (NANCO)
- Executive Committee Membership, Ceylon Association of Ships Agents
- Executive Committee Member - Industrial Association of Sri Lanka (IASL)
- Committee Member - Global Compact Local Network Ceylon (GCLNC)
- Committee Member of Main Lines and Feeders, Ceylon Association of Ships Agents
- Advisory Council Membership, Sri Lanka Freight Forwarders Association
- Advisory Council Membership, Ceylon Association of Ships Agents
- Committee Membership, Human Resources & Education Subcommittee of the Ceylon Chamber of Commerce
- Committee Membership, Lanka Business Coalition (LBCH) for prevention of AIDS
- Executive Membership, National Agribusiness Council
- Committee Membership, Industrial Association of Sri Lanka of the Ceylon Chamber of Commerce
- Committee Membership - Sri Lanka-Russia Business Council
- Committee Membership - Sri Lanka Association of Airline Representatives
- Membership, Agriculture Cluster of the National Council for Economic Development
- Membership, Presidential Committee on Maritime Matters
- Membership, Chartered Ship Brokers Association
- Membership, CSR Committee of the Ceylon Chamber of Commerce
- Member of Board of Directors - American Chamber of Commerce (AmCham)
- Secretary - Association of Licensed Bunker Operators of Sri Lanka (ALBOSL)
- Member of Executive Committee - Association of Container Transporters
- Vice-President - Ceylon Chamber of Commerce - Sri Lanka-France Business Council
- Committee Membership, Ceylon Chamber of Commerce
- Committee Membership, CropLife, Sri Lanka
- Secretary - Sri Lanka Philippine Business Council

Global Markets & Manufacturing

Fibre canvasses customer feedback annually on 18 key service aspects, through a standardised format.

For the year under review, results of this feedback showed that our customers were satisfied with the aspects of price, flexibility, documentation and overall care.

Areas that customers felt should improve were - delivery time, shipping advice procedures, quality of product and providing solutions for quality related issues more expeditiously.

AT Alumex customer surveys indicated that 57% rated the Company's dimensional qualities as 'Excellent'. The surveys ran during the period 1st April, 2010 to 28th February, 2011.

When new aluminium profiles are introduced to the market, we organise training programmes specially targeted at the key decision makers related to our industries including Engineers, Architects, Technical Officers, and so on.

Product familiarisation occurs whenever new products are introduced to the market. Likewise, training for key customer personnel relating to our trade, such as Engineers, Architects and Technical Officers, is also provided each year.

DPL conducts an annual customer survey based upon 14 criteria covering...

Haycarb conducts customer satisfaction surveys annually with the objective of further improving customer relationships. Haycarb measures customer satisfaction under the areas of (a) Communication with Customers, (b) Flexibility, (c) Quality of Products, (d) Packaging and Labelling, (e) Delivery Time and (f) Price.

During the period under review, Haycarb's customer satisfaction level was recorded as 74%.

Haycarb organised its 7th International Distributors' Conference in October 2010 in Colombo at which 20 international distributors/sole agents participated. Haycarb was able to share the technical aspects of specialized products, details of new products and its manufacturing capabilities with the participants.

Agriculture

In the Agri Inputs/Agri Products cluster, Customer Satisfaction Surveys are conducted bi-annually and a Customer Satisfaction Index is arrived at, for evaluation at quarterly review meetings. One-on-one interviews supplement this process. Issues arising from this exercise are processed expeditiously. The cluster also maintains a Reliability Index to track timely delivery of goods and services.

Transportation & Logistics

Within the constituent companies of the Advantis Group, customer surveys are carried out annually and in some instances bi-annually.

At an Advantis Freight Forwarding Company, performance against standards agreed upon with customers for the year under review had an overall achievement rate of 95%.

MIT Cargo's customer satisfaction levels for the year stood at 90%.

Consumer Products

Hayleys consumer on a periodic basis conducts market and consumer surveys using internal and external research expertise to understand consumer insights relating to its product categories. Feedback is then used to fine tune business strategy.

Keeping our Products Safe

We present an account of the efforts made to make every Hayleys product as safe and non-injurious to health as possible.

Global Markets & Manufacturing

At Haycarb, products are tailored to meet quality specifications laid down by the customer. However, at all times such specifications must comply with minimum health and safety standards prescribed by industry regulators, or exceed them.

Alumex has many inbuilt safety measures in their range. For example, its aluminium range of windows are designed to open inwards allowing for safe cleaning and maintenance, particularly in high-rise buildings.

DPL assesses health and safety impacts through various stages including development of product concept, R&D, certification, manufacturing & production, storage, distribution, supply, use & service.

Agriculture

We market a range of crop protection products which are environmentally friendly, of low toxicity and are extremely safe to use. Safe packing methodology is also used.

In-process and final product inspections of food-based products are done to meet quality standards.

Certifications obtained for such products include HACCP, ISO 9001:2008, ISO 22000:2005 which ensure the health and safety of consumers and users.

Random assessments are also conducted on how the weight factor of our line of sprayers impact users. Similar random assessments of sprayer nozzles are carried out as well.

At KVPL, product hygiene initiatives are underscored by ISO 9001:2008, ISO 22000:2005 and HACCP accreditations. In-process and final product inspections of food based products are made to meet quality standards. In the interest of employee health and safety, all KVPL employees are provided with health and safety instructions, training in handling equipment and basic first aid. All estates have access to medical centres with qualified medical staff whilst key estates have hospitals and maternity homes. Ambulances are strategically located with easy access for estate clusters whilst medical camps are conducted regularly for all plantation residents.

Talawakelle Tea Plantations PLC (TTEL) too is ISO 22000:2005 and HACCP accredited.

Consumer Products

The majority of products marketed by Hayleys Consumer (HCPL) are governed by the mandatory import inspection scheme conducted by the Sri Lanka Standards Institution. Thus, all HCPL products marketed conform to Sri Lanka Standards including meeting all international standards.

In addition, all HCPL Lighting products (CFL) comply with the Sustainable Energy Authority's Star rating with accreditation of energy stars.

There have been no instances of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services reported from any entity of the Hayleys Group.

Product & Service Labelling

Helping our customers make an informed choice when purchasing our goods and services; reassuring them that our products are safe and non-injurious or giving them the necessary information required to handle, use and consume our products; these are just some of the matters that we address each year.

The imparting of this information to customers whether it be on a product label, leaflet, media activity or by any other means, is what we are concerned with here and present by sector-wise.

Global Markets & Manufacturing

DPL has tabulated data pertaining to the applicability of certain information for inclusion in their product and service information and labelling.

Information	Yes	No
The sourcing of components of the product or service	†	
Content, particularly with regard to substances that might produce an environmental or social impact	†	
Safe use of the product or service	†	

There have been no instances of non-compliance with regulations and/or voluntary codes concerning product information and labelling reported from any company of the Hayleys Group.



➡ In Japan they Loved our 'Lovers Leap'

Pedro Estate, one of Kelani Valley Plantations PLC's premier factories won singular acclaim for its black teas at the 'Ceylon Speciality Tea of the Year 2009/10 Competition' held recently in Tokyo, under the auspices of the Japanese Tea Association and the Sri Lanka Tea Board.

An OP Grade sample from Pedro, which sells under the 'Lovers Leap' mark, received the Gold award whilst a Pekoe from the same estate won Bronze.

The price of JY 24,000 secured by the Gold award winning tea was the highest price paid for any tea sold at this event.

A panel of tea tasters from Japan, assisted by two experienced tea tasters from Sri Lanka, examined 40 varieties of tea selected from over 400 samples submitted for the competition from plantations in Nuwara Eliya, Uda Pussellawa, Dimbula, Uva, Kandy, Sabaragamuwa and Ruhuna.

KVPL's commitment to product purity, quality, process hygiene and safety is manifest in the HACCP, ISO 22000:2005 certifications the Company has secured for all its 13 black tea producing estates, as well as the Global GAP certification of all its plantations.

Agriculture

All relevant agricultural, fertilizer products and pesticides display poison warnings on pesticides, safe storage instructions on pesticides and fertilizer, safe application procedures on veterinary products and pesticides, information on antidotes in case of contamination/consumption and poison centre contact details amongst other information. The Company complies with the regulations of the FAO Code of Conduct, and those of the Department of Agriculture, the Registrar of Pesticides and other relevant Local Authorities.

The labelling on HJS Condiment's products carry information including the Net Content, Lot Identification, Production and Storage Information, 'Best Before' date and Shelf Life information.

In the case of Quality Seeds, information on Lot Number, Variety, Date of Harvest, Purity, Germination and date of expiry is provided.

Hayleys Agri Inputs and Agri Products fully comply with the plant quarantine procedures for import and export of plants. All our value added food products display the following information/details on products - Net Content, Best Before Date or

Produced Date & Shelf Life, Lot Identification, Instruction for Use, Storage Information, Nutritional Value, Energy Value.

In the case of Seed the following information is provided - Lot No, Variety, Date of Harvest, Purity, Germination, Date of Expiry.

For agricultural inputs, all safety aspects and other health requirements are included in the label in compliance with local and international regulations and standards

Plantations

The labelling on TTEL products carry the ISO Standards for Tea accreditation, the Lion logo which indicates that the pack contains pure Ceylon tea and voluntary HACCP, ISO 22000:2005 and TASL-SGS certification.

Transportation & Logistics

Hayleys Advantis complies with stipulated requirements by showing customers' and users' rights/obligations in transportation documents such as Bills of Lading, Waybills (Air and Sea), Goods Received Notes and Combined Transportation Documents as governed by relevant conventions.

All export air express shipments need to have Conditions of Contract which are stated on the back of the Air Waybill.

A Responsible Marketing Approach

Hayleys is well aware of the power of Marketing Communications to influence opinions and purchasing decisions.

Our core values underpin adherence to ethical advertising and communication practice. At the same time, all marketing and publicity activity is informed by the provisos that govern our approach to product responsibility.

In addition, many of our constituents follow requirements on marketing communication and best practices cascaded from their Principals.

There have been no instances of non-compliance with regulations and voluntary codes concerning marketing communications and related activity, reported from any company of the Hayleys Group.

There have been no complaints of breach of customer privacy and data loss. We have had no fines levied against us for non-compliance with laws and regulations concerning the provision and use of products and services.

Society

Hayleys PLC is one of Sri Lanka's largest diversified conglomerates. The impact our activities have on our stakeholder is broad-based and far reaching. We have remained and will remain mindful of the impacts of our interactions with all stakeholder Groups.

The Hayleys way has been one of effective partnering for social development rather than that which offers mere handouts.

Community

The Hayleys ethos seeks to make every impact our constituent businesses have on community life a beneficial one.

Across the Group each company abides by this core ethic.

The experiences we have in the agricultural sector clearly illustrate our approach.

Whilst accomplishing our business goals, we ensure the empowerment and development of farmer communities in the process.

The subsidiaries that form the Agri Inputs component of this business segment conduct regular farmer, training programmes and help establish farmer, clubs to propagate learning on new technologies/products leading to enhanced productivity of the farmer.

Learning on safe handling of pesticides is also provided.

Our Stance on Corruption

Hayleys espouses a zero tolerance where corruption is concerned.

We have always pursued profit-generating business within a strict framework of integrity and ethics.

Across all our companies, a code of conduct prevails within which the Group's basic values of anti-corruption are embedded. Many of our subsidiaries have extended this core value by incorporating it in their own guides, handbooks and codes.

Our Role in Public Policy

Hayleys PLC plays an active and participatory role in the public policy development domain. Ours is also a clear voice when lobbying issues of relevance.

Hayleys PLC makes no financial or in-kind contribution to political parties, politicians or related institutions.

There have been no instances of fines or sanctions levied against Hayleys for non-compliance with laws and regulations.

Drinking a Toast to Our Latest Club



The power of the spoken word has never been as evident as it is today, in a world saturated with all manner of commedia material. From the White House to the shop floor, one's ability to use words with care, logical thought progression and finesse, are a sine qua non for any person today.

Executives from across the Hayleys Group have embarked on a mission to harness the power of effective public speaking for personal and professional advancement with the formation of the Group's own Toastmasters' Club.

Affiliated to Toastmasters International the new club consists to date of 75 'speech crafters'.

The theme chosen for this the inaugural year of the Club is '**Your Speech Matters**' a theme that encapsulates the multiple paradigms in which effective articulation of ideas and views could be influential and impactful.

GRI COMPLIANCE INDEX

Index No.	Description	Report Section	Page
1.	Strategy & Analysis		
1.1	Statement from the most senior decision-maker of the Organisation	Sustainability Report	40
1.2	Description of Key Impacts, Risks & Opportunities	Sustainability Report	41
2.	Organisational Profile		
2.1	Name of the Organisation	Corporate Information	Inner Back Cover
2.2	Primary Brands, Products and/or Services	Our Portfolio of Businesses	08
2.3	Operational Structure of the Organisation	Sustainability Report	46
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	Sustainability Report	08
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	08
2.8	Scale of the Reporting Organisation	Our Portfolio of Businesses	08
2.9	Significant changes during the reporting period regarding size, structure or ownership	Major Shareholder Chairman and Chief Executive's Message	85 - 86 05
2.10	Awards received during the reporting period	Chairman and Chief Executive's Message Sustainability Report	05, 46
3.	Report Parameters		
3.1	Reporting period	Sustainability Report	43
3.2	Date of most recent previous report	Sustainability Report	43
3.3	Reporting cycle	Sustainability Report	43
3.4	Contact point for questions regarding the Report or its Contents	Sustainability Report	43
3.5	Defining Report Content	Sustainability Report	43
3.6	Boundary of the Report	Sustainability Report	43
3.7	Any specific limitations on the scope or boundary of the Report	Sustainability Report	43
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	Sustainability Report	43
3.9	Data measurement techniques and the bases of calculations	Sustainability Report	44
3.10	Explanation of the effect of any re-statement of information provided in earlier reports	Sustainability Report	43
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the Report	Sustainability Report	43
3.12	GRI Compliance Index	Sustainability Report	73
3.13	Policy and current practice with regards to seeking external assurance for the Report	Sustainability Report	44

Index No.	Description	Report Section	Page
4	Governance, Commitments & Engagement		
4.1	Governance Structure of the Organisation	Hayleys Governance	86
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Hayleys Governance	91
4.3	The number of members of the highest governance body that are independent and/or non-executive members	Hayleys Governance	105
4.4	Mechanisms for Shareholders and employees to provide recommendations or direction to the highest governance body	Hayleys Governance	99
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the Organisation's performance	Hayleys Governance	98
4.6	Processes in place for the highest governing body to ensure conflicts of interests are avoided	Hayleys Governance	103
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	Hayleys Governance	94
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	Hayleys Governance	Inner Front Cover
4.9	Procedures of the highest governance body for overseeing the Organisation's identification and management of economic, environmental, and social performance.	Hayleys Governance	40 - 72
4.10	Processes for evaluating the highest governance body's own performance	Hayleys Governance	86 - 107
4.11	Precautionary Approach	Hayleys Governance	108 - 114
4.12	Externally developed economic, environmental and social Charters and principles	Hayleys Governance	
4.13	Membership in industry/ business association	Sustainability Report	69
4.14	List of stakeholder groups engaged by the Organisation	Sustainability Report	48
4.15	Basis for identification and selection of stakeholders with whom to engage	Sustainability Report	48
4.16	Approaches to stakeholder engagement including frequency	Sustainability Report	48
4.17	Key topics and concerns raised through stakeholders engagement and the Organisation's response		48
Economic Performance			
EC1	Direct economic value generated and distributed	Sustainability Report	49
EC2	Financial implications and other risks and opportunities for the Organisation's activities due to climate change	Sustainability Report	49
EC3	Coverage of the Organisation's defined benefit plan obligations	Sustainability Report Accounting Policies	53
EC4	Significant financial assistance received from Government	Sustainability Report	53
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Sustainability Report	54

Index No.	Description	Report Section	Page
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	Sustainability Report	54
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	Sustainability Report	55
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	Sustainability Report	56
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Sustainability Report	56
Environmental Performance			
EN1	Materials used by weight or volume	Sustainability Report	58
EN2	Percentage of materials used that are recycled input materials	Sustainability Report	59
EN3	Direct energy consumption by primary energy source	Sustainability Report	59
EN4	Indirect energy consumption by primary source	Sustainability Report	59
EN5	Energy saved due to conservation and efficiency improvements	Sustainability Report	59
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	Sustainability Report	61
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Sustainability Report	61
EN8	Total water withdrawal by source	Sustainability Report	61
EN9	Water sources significantly affected by withdrawal of water	Sustainability Report	62
EN10	Percentage and total volume of water recycled and reused	Sustainability Report	62
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Sustainability Report	62
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Sustainability Report	62
EN13	Habitats protected or restored	Sustainability Report	62
EN14	Strategies, current action & future plans for managing biodiversity	Sustainability Report	62
EN15	Number of IUCN Red List Species & National Conservation List Species with habitats in areas affected by operations		
EN16	Total direct and indirect greenhouse gas emissions by weight	Sustainability Report	63
EN17	Other relevant indirect greenhouse gas emissions by weight		63
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved		63
EN19	Emissions of ozone-depleting substances by weight		63
EN20	NO, SO, and other significant air emissions by type and weight		63
EN21	Total water discharge by quality and destination	Sustainability Report	63

Index No.	Description	Report Section	Page
EN22	Total weight of waste by type and disposal method	Sustainability Report	63
EN23	Total Number of & Volume of significant spills	Sustainability Report	63
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	Not applicable	
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	Sustainability Report	62
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Management Review and Preview	24
EN27	Percentage of products sold & their packaging materials reclaimed	Not Reported	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Sustainability Report	63
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	Not Reported	
EN30	Total environmental protection expenditures and investments by type	Not Reported	
Society			
SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities including entering, operating and exiting	Sustainability Report	72
SO2	Percentage and total number of business units analysed for risks related to corruption	Sustainability Report	72
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	Sustainability Report	72
SO4	Actions taken in response to incidents of corruption	Sustainability Report	72
SO5	Public policy positions and participation in public policy development and lobbying	Sustainability Report	72
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	Sustainability Report	72
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Sustainability Report	72
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	Sustainability Report	72
Labour Practices and Decent Work			
LA1	Total workforce by employment type, employment contract, and region	Sustainability Report	64
LA2	Total number and rate of employee turnover by age group, gender, and region	Sustainability Report	65
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations		65
LA4	Percentage of employees covered by collective bargaining agreements	Sustainability Report	66

Index No.	Description	Report Section	Page
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Sustainability Report	66
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	Sustainability Report	66
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by province	Sustainability Report	66
LA8	Education, training, counseling, prevention of diseases, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Sustainability Report	66
LA9	Health and safety topics covered in formal agreements with trade unions	Sustainability Report	66
LA10	Average hours of training per year per employee by employee category	Sustainability Report	67
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Sustainability Report	67
LA12	Percentage of employees receiving regular performance and career development reviews	Sustainability Report	67
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Sustainability Report	68
LA14	Ratio of basic salary of men to women by employee category	Sustainability Report	68
Human Rights			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Sustainability Report	68
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Sustainability Report	68
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	Sustainability Report	68
HR4	Total number of incidents of discrimination and actions taken	Sustainability Report	68
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Sustainability Report	68
HR6	Measures taken to eliminate child labour	Sustainability Report	68
HR7	Measures taken to eliminate compulsory or forced labour	Sustainability Report	68
HR8	Percentage of security personnel trained in Organisation policies & Procedures on Human Rights		68
HR9	Total number of violations of rights of indigenous people and actions taken	Sustainability Report	68

Index No.	Description	Report Section	Page
Products Responsibility			
PR 1	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	Sustainability Report	70
PR 2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services	Sustainability Report	70
PR3	Type of product & service Information required by procedures and percentage of significant products and services subject to such information requirements	Sustainability Report	70
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling	Sustainability Report	70
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Sustainability Report	68
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Sustainability Report	68
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	Sustainability Report	68
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Sustainability Report	71
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	Sustainability Report	71

UNGC PRINCIPLES - GRI INDICATORS CROSS REFERENCE

Issue Areas	GC Principles	Relevant GRI Indicators
Human Rights	Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights	LA 4, LA 13, HR 4, HR 5, HR 6
	Principle 2 Businesses should make sure that they are not complicit in human rights abuses	HR 4, HR 5, HR 6
Labour	Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	LA 4, LA 5, HR 5, HR 6
	Principle 4 Businesses should uphold the elimination of all forms of forced and compulsory labor	HR 7
	Principle 5 Businesses should uphold the effective abolition of child labour	HR 6
	Principle 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation	LA 2, LA 13, LA 14, HR 4, EC 5, EC 7
Environment	Principle 7 Businesses should support a precautionary approach to environmental challenges	EN 9, EN 14
	Principle 8 Businesses should undertake initiatives to promote greater environmental responsibility	EN 1, EN 2, EN 3, EN 4, EN 5, EN 6, EN 7, EN 8, EN 10, EN 11, EN 12, EN 13, EN 14, EN 16, EN 21, EN 22
	Principle 9 Businesses should encourage the development and diffusion of environmentally friendly technologies	EN 5, EN 6, EN 10, EN 26, SO 5
Anti-Corruption	Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery	SO 4, SO 5

The Board of Directors of Hayleys PLC has pleasure in presenting their Report on the affairs of the Company together with the audited Consolidated Financial Statements for the year ended 31st March, 2011. 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 44 to 46.

The principal activities of the Group are categorised into different business groupings, i.e., Global Markets & Manufacturing, Agriculture & Plantations, Transportation & Logistics, Leisure & Aviation, Power & Energy, Consumer Products and Investments & Services. A grouping may consist of a number of sectors. The main activities of the sectors are described in the Management Review & Preview section (pages 8 to 27) of this Annual Report.

BUSINESS REVIEW/FUTURE DEVELOPMENTS

A review of the Group's business and its performance during the year, with comments on financial results and future strategic developments, is contained in the Chairman & Chief Executive's Message (pages 05 to 07) and Management Review & Preview (pages 07 to 27) sections of this Annual Report. These reports together with the Financial Statements reflect the state of affairs of the Company and the Group.

The Group in furtherance of its strategic vision acquired controlling interest in its hitherto equity accounted investee, Hayleys Plantations (Pvt) Ltd., which is the owning company of Talawakelle Tea Estates PLC.

Mabrock Teas (Pvt) Ltd., another equity invested investee, was acquired by the Group in December 2010. Hayleys PLC entered the Aluminum Extrusion industry in November 2010, with the purchase of a 60% stake in Alutec Anodising & Machine Tools (Pvt) Ltd., the holding company of the Alumex Group. These Companies are accounted as subsidiaries in the Consolidated Financial Statements, in accordance with the Sri Lanka Accounting Standards.

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 121 to 180.

AUDITOR'S REPORT

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 120

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements are given on pages 126 to 184. Changes, if any, in Group accounting policies made during the accounting period are described under Note 3 of the Accounting Policies.

GROUP TURNOVER/INTERNATIONAL TRADE

The turnover of the Group, excluding equity accounted investees, was Rs. 54.4 bn (Rs. 38.1 bn), in the year under review while turnover including equity accounted investees was Rs. 55.8 bn (Rs. 43.7 bn). 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 39 to the Financial Statements.

The Group's exports from Sri Lanka, inclusive of equity accounted investees' exports, amounted to Rs. 25.8 bn (Rs. 19.9 bn) at f.o.b. value in the year under review.

The Group's turnover from International Trade, which includes the turnover of overseas subsidiaries and equity accounted investees in addition to exports from Sri Lanka, amounted to Rs. 35.3 bn (Rs. 28.0 bn) in the year under review.

Trade between Group companies is conducted at fair market prices.

RESULTS AND DIVIDENDS

The Group's profit from continuing operations, excluding its share of profits of equity accounted investees, amounted to Rs. 2,069 mn (Rs. 3,228 mn) in the year under review. With its share of equity accounted investees' profits (net of tax), Group profit from continuing operations before taxation amounted to Rs. 2,120 mn (Rs. 3,293 mn). After deducting Rs. 904 mn (Rs. 684 mn) for taxation the profit from continuing operations was Rs. 1,216 mn (Rs. 2,609 mn). When the loss for the period from discontinued operations of Rs. 9 mn (Rs. 28 mn) and an amount of Rs. 482 mn (Rs. 850 mn) for minority interests are deducted the Group profit attributable to equity holders of the Company for the year was Rs. 725 mn (Rs. 1,731 mn). A sum of Rs. 300 mn (Rs. 300 mn) has been set aside for dividends.

The Consolidated Income Statement along with the Company's Income Statement for the year are given on page 121. Details of transfers to/from reserves in respect of the Group and the Company are shown in the Statements of Changes in Equity on page 123.

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. 4.00 per share (Interim - Rs. 2.00 and Final - Rs. 2.00) proposed to be paid to the holders of issued ordinary shares of the Company as at the close of business on 29th June, 2011. The dividend represents 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. 2,899 mn (Rs. 918 mn).

PROPERTY, PLANT & EQUIPMENT

Capital expenditure during the year, on property, plant & equipment by the Group and by the Company amounted to Rs. 2,886 mn (Rs. 899 mn) and Rs. 12 mn (Rs. 39 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 were carried out as at 31st March, 2010. 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 14 (iv) to the Financial Statements. The statement on Value of Real Estate on page 181 gives details of freehold land held by the Group.

The Group, as at 31st March, 2011 does not carry any property that requires classification as Investment Property in accordance with SLAS 40.

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 2011 amount to Rs. 14.1 bn (Rs. 13.6 bn) comprising Capital Reserves of Rs. 7.0 bn (Rs. 7.0 bn) and Revenue Reserves of Rs. 7.1 bn (Rs. 6.6 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 37 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 that 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:

Mr. K.D.D. Perera

- 2,932,100 shares were purchased during the year
- 3,318,443 shares were purchased during the year by Royal Ceramics Lanka PLC of which Mr. Perera has the controlling interest
- 546,200 shares were purchased and disposed during the year by LB Finance PLC of which Mr. Perera has the controlling interest.

Mr. W.D.N.H. Perera

- 48,100 shares were purchased and 78,100 shares were disposed during the year.

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

- 41,800 shares were purchased during the year by Mr. S.C. Ganegoda.

Hayleys - MGT Knitting Mills PLC

Mr. D.B. Weerasinghe, who held 157,311 Class B convertible non-voting shares in the Company, tendered resignation from the Board during the year.

Alutec Anodising & Machine Tools (Pvt) Ltd.

Mr. P. Dediwela was appointed to the Board during the year and he disclosed the following relevant interests in shares.

- Holds 100,000 shares of the Company.

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. 4.7 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, 2011 is Rs. 73.3 mn, which includes the value of perquisites granted to them as part of their terms of service. The total remuneration of Non-Executive Directors for the year ended 31st March, 2011 is Rs. 6.6 mn 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 2010/11 is Rs. 80 mn (Rs. 69 mn).

Directors' remuneration in respect of the Company's Subsidiaries for the financial year 2010/11 is Rs. 261 mn (Rs. 159 mn.).

CORPORATE DONATIONS

Donations by the Company amounted to Rs. 828,463/- (Rs. 439,418/-) which includes a sum of Rs. 121,000/- (Rs. 164,000/-) made to Government approved charities.

The total donation of Rs. 828,463/- exceeds the amount of Rs. 300,000/- approved by the shareholders at the last Annual General Meeting.

Ratification of the additional amount of Rs. 528,463/- will be sought at the Annual General Meeting.

Donations by the Subsidiaries amounted to Rs. 10.4 mn (Rs. 6.2 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 pages 36 and 37.

Executive Directors

Mr. A.M. Pandithage
(Chairman & Chief Executive)
Mr. M.R. Zaheed
Mr. J.A.G. Anandarajah
Mr. S.C. Ganegoda
Mr. H.S.R. Kariyawasan
(Appointed 1st June, 2010)

Non-Executive Directors

Mr. L.K.B. Godamunne*
Mr. A.M. Senaratna*
Mr. T.L.F.W. Jayasekara*
Mr. K.D.D. Perera
Mr. W.D.N.H. Perera
Dr. H. Cabral, PC* -
(Appointed, 7th February, 2011)

*Independent Non- Executive Director.

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

Mr. J.D. Bandaranayake, Independent Non- Executive Director, resigned from the Board with effect from 28th January, 2011.

Dr. H. Cabral and Dr. K.I.M. Ranasoma were 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 them at the Annual General Meeting.

Messrs A.M. Senaratne and K.D.D. Perera retire by rotation and being eligible offer themselves for re-election.

Mr. T.L.F.W. Jayasekera will retire by rotation at the Annual General Meeting and does not offer himself for re-election.

Mr. L.K.B. Godamunne, will retire from the Board at the Annual General Meeting at the age of seventy-eight years.

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, M.M.M. De Silva, I. Piyasena, F.R. Alles, L.K.B. Godamunne, H.C.S Mendis, Dr. S.A.B. Ekanayake, Dr. P.C. Vermunt, A. Venugopal, Ms. M. Hirai, Ms. M. Shiraishi, B.R.M. Mendis, Ms. I. Weiland, A.T.A. Kuruppu T.D.S.H. Gunasena, J.A.M.V.D. Hout, T.G. Thoradeniya, J.A.W.M. Jayasekera, U. Prinz, T. Doemling, A.R.K. Jayawardena (J.C.A. Dahanayake), (J.W.T. Vermunt), (H.E. Wickremasuriya), (J.P. Ratnayake)

Hand Protection

A.M. Pandithage, J.A.G. Anandarajah, Dr. K.I.M. Ranasoma, S.C. Ganegoda, K.D.D. Perera, G.K. Seneviratne, N.Y. Fernando, R. Seevaratnam,

F. Mohideen, L.G.S. Gunawardena, N.A.R.R.S. Nanayakkara, J. Benoit, M. Orlando J.P. Coudert, M. Bottino, V. Rocchetti, K.A.L.S. Fernando, B.A Mahipala, D.B.K. Pathirage, R.M.T. Premaratna, T.G. Thoradeniya, (N.B. Weerasekera)

Purification Products

A.M. Pandithage, H.S.R. Kariyawasan, S.C. Ganegoda, L.K.B. Godamunne, A. M. Senaratna, R.P. Peris, K.D.D. Perera, R. Seevaratnam, Ms. M.J.A.S. Abeyratne, D.E. Ranarajah, 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

Textiles

A.M. Pandithage, S.C. Ganegoda, S. Spezza, K.D.D. Perera, M.C.D. Amalean, H.R. Peris, R. Seevaratnam, S.D. Amalean (Alternate), (D.B. Weerasinghe)

Construction Materials

A.M. Pandithage, J.A.G. Anandarajah, S.C. Ganegoda, K.D.D. Perera, R.P. Pathirana, M.L. Hirdaramani, A.A. Akbarally, S.D. Amarasinghe, D.W.P.N. Dediwela, A.J. Hirdaramani (Alternate), H.H. Abdulhusein (Alternate), T. Akbarally (Alternate), (Ms. N.A. William), (Ms. N.V. William), (K.A. Amarasinghe), (T.M.B. De Alwis), (R.L.P. Mendis), (A.N. William), (D.S. Walpola)

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, H.P. Lin, A.N.K. Perera, D. Nilaweera, S.M. Gamage, A.C. Wikramanayake, K.R. Rajapakse, T.D.S.H. Gunasena, G. Olbrechts, M. Symons, S. Kodama, A.C. Pathirage, S. Yamada, N.D. Shilling, R.J. Taylor, (N.K.A.D. De Silva), (K.S. Soh), (C.M. Thomas), (J. Behncke)

Plantations

A.M. Pandithage, J.A.G. Anandarajah, S.C. Ganegoda, G.K. Seneviratne, S.T. Gunatilleke, N.Y. Fernando, S. Siriwardana, R. Seevaratnam, F. Mohideen, Merrill J. Fernando, Malik J. Fernando, L.N. De S. Wijeyeratne, Dr. S.S.S.B.D.G. Jayawardena, Prof. U. Liyanage, M.M.M. De Silva, L.T. Samarawickrama, D.S. Seneviratne, Dr. R.D. Bandaranaike, D.J. Ambani, N.R. Ranatunge, R.M. Hanwell, N. Weeraratne, Ms. M. Perera (*Alternate*), D.C. Fernando (*Alternate*), (J.M.S. Brito), (Dr. R.M. Fernando), (A.R. Juriansz), (A. Gunasekera), (B.P.W. Jayasekera), (R.J. Perera), (C. Perera)

Transportation & Logistics

A.M. Pandithage, M.O. Raban, L.R.V. Waidyaratne, S.C. Ganegoda, A.M. Senaratna, S.R. Sadanandan, I. Saleem, Ms. E.M.C.S. Gamage, T.U.K. Peiris, R. Seevaratnam, P.L. Cumaratunga, M. Niruttan, K. Amarasekera, F.T. Salem, C.D. La Ferriere, E. Silhol, A.B. Ratnayake, T. Nakai, S. Sugishima, 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, C.N. Allis, B.P.R. Liyanage, R. Samarantunga, Ms. Y.N. Perera, M.D.D. Pieris, K. Balasundaram, Ms. M.R.P. Balendra, D.D.W. Siriwardene, D.A. Molligoda, C. Perera, M. Masri, C.I.J. Charles, A.H. Kulasinghe, J.R. Hill, K.P. Kalyan, E. Zeenny, K. Wai Chak, B.A.B. Goonetilleke, M.A.N. Perera, (H.S. Bourdillon), (H. Maniwa), (B. De P. Arnaud), (R.S. Rajah)

Industry Inputs

A.M. Pandithage, S.C. Ganegoda, M.M.M. De Silva, M.R. Zaheed, M.H. Zainudeen, P.T.S. De Silva, D. Hewageegana, L.G.C. De Silva, (N.K.A.D. De Silva)

Power & Energy

A.M. Pandithage, S.C. Ganegoda, H.S.R. Kariyawasan, K.D.D. Perera, M.M.M. De Silva, D.D.W. Siriwardene, D.S. Arangala, R.P. Peris, Y.P.A.S. Pathiratna, T.H. Aziz, B. Balaratnarajah, A.R. De Silva, V.K. Hirdaramani, R.P. Pathirana, A.A. Akbarally, M. Najmudeen

Consumer Products

A.M. Pandithage, M.R. Zaheed, S.C. Ganegoda, M.M.M. De Silva, H.J.O. Silva, A.R. Zubair, D.D.W. Siriwardena, (A.F. Saibukandu), (N.K.A.D. De Silva)

Leisure & Aviation

A.M. Pandithage, S.C. Ganegoda, K.D.D. Perera, W.D.N.H. Perera, N.J.H.M. Cooray, N.T.M.S. Cooray, V.K. Wickremasinghe, N. Wadugodapitiya, L.T. Samarawickrama, R.A.E. Samarasinghe, S.P. Dissanayake, S.J. Wijesinghe, N.J.De S. Deva-Aditya, L.N. De. S. Wijeyeratne, U.D. Gamage, Ms. R.N. Ponnambalam, M.O. Raban, J.G. Victoris, K.A.Y.P. Sumanapala, Ms. V. Jayasundera, (M.W.A.D.J.N. Wijesuriya, (B.T. Eliatamby), (M.W.A.D.J.V. Wijesuriya), (D.S. Abeyratna), (Ms. M.W.A.D.A.A.V. Wijesuriya), (S.R. Sadanandan), (L.V.R. Waidyaratna), (J.D. Bandaranayake)

Investments & Services

A.M. Pandithage, S.C. Ganegoda, M.R. Zaheed, M.M.M. De Silva, D.D.W. Siriwardene, Ms. L.Y. Pararasasegaram, S.P. Dissanayake, A.C. Wikramanayake, I. Piyasena, H.C.S. Mendis, S.T. Gunatilleke, Dr. A. Sivagananathan, S. Balasubramaniam

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 86 to 107 discusses this further.

AUDITORS

The Auditors, Messrs KPMG Ford, Rhodes, Thornton & Co., were paid Rs. 0.8 mn (Rs. 0.7 mn), and Rs. 18.4 mn (Rs. 17.5 mn) as audit fees by the Company and its Subsidiaries respectively. In addition, they were paid Rs. 0.1 mn (Rs. 0.1 mn) and Rs. 9.0 mn (Rs. 6.2 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 amounted to Rs. 10.4 mn (Rs. 9.5 mn) and Rs. 6.7 mn (Rs. 2.3 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.

A resolution proposing Messrs Ernst & Young, Chartered Accountants, to be appointed as auditors of the Company for the financial year 2011/12 and authorising the Directors to determine their remuneration will be submitted at the Annual General Meeting.

SHARE INFORMATION

Information relating to earnings, dividend, net assets, market value per share and share trading is given on pages 50 and 51.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the Balance Sheet date that would require adjustment, other than those disclosed in Note 33 to the Financial Statements on page 167.

EMPLOYMENT

The number of persons employed by the Company and its Subsidiaries at year-end was 31,651 (30,177). Employee and industrial relations are discussed in detail within the Sustainability Report.

EMPLOYEE SHARE OWNERSHIP

The Group has a number of broad-based share purchase schemes for its employees. 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.

STATUTORY PAYMENTS

The declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on page 116.

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 Environmental Performance section of the Sustainability Report on pages 58 to 64.

RELATED PARTY TRANSACTIONS

The details of related party transactions of the Company and the Group are given in Note 37 to the Financial Statements.

INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Group's systems 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 systems of internal control, 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

Directors' holdings, of ordinary shares in the Company is given below:

Name of Director	No. of Shares as at 31.03.2011	No. of Shares as at 31.03.2010
Mr. A.M. Pandithage	2,338	2,338
Mr. L.K.B. Godamunne	83,790	83,790
Mr. M.R. Zaheed	1,487	1,487
Mr. A.M. Senaratna	100	100
Mr. K.D.D. Perera - 16,943,928 (31.03.2010 - 16,071,828) SBL/Mr. K.D.D. Perera - 2,060,000 (31.03.2010 - Nil) Royal Ceramics Lanka PLC - 3,495,633 (31.03.2010 - 177,190) LB Finance PLC - 1,666 (31.03.2010 - 1,666)	22,501,227	16,250,684
Mr. W.D.N.H. Perera	11	30,011
Mr. S.C. Ganegoda	2,000	2,000

MAJOR SHAREHOLDINGS

Name of the Shareholder	No. of Shares as at 31.03.2011	%	No. of Shares as at 31.03.2010	%
1. Mr. K.D.D. Perera	16,943,928	22.59	16,071,828	21.43
SBL/Mr. K.D.D. Perera	2,060,000	2.75	-	0.00
2. Trustees of the D.S. Jayasundera Trust	8,698,017	11.60	8,698,017	11.60
3. Trustees of the Hayleys PLC - Employees Share Trust	6,855,735	9.14	6,855,735	9.14
4. Dipped Products PLC	3,536,159	4.71	3,536,159	4.71
5. Royal Ceramics Lanka PLC	3,495,633	4.66	177,190	0.24
6. Dean Foster (Private) Ltd.	2,922,413	3.90	2,922,413	3.90
7. Lanka Orix Leasing Company PLC	2,015,028	2.69	16	0.00
8. Employees' Provident Fund	1,926,273	2.57	850,773	1.13
9. M.S. Jayasundera (Deceased)	1,915,098	2.55	1,915,098	2.55
10. Hayleys Group Services Ltd. Number 2 Account	1,328,790	1.77	1,328,790	1.77
11. Mrs. M.L. Johnpulle (Deceased)	907,165	1.21	907,165	1.21
12. Mrs. P.M. Godamunne	807,447	1.08	1,107,447	1.48
13. Ceylon Desiccated Coconut & Oil Company Ltd.	719,813	0.96	719,813	0.96
14. Mrs. V. Jayasundera	660,840	0.88	906,376	1.21
15. Mr. G.M. Spittel	568,197	0.76	568,197	0.76
16. Mrs. R.N. Ponnambalam	540,315	0.72	535,815	0.71
17. Mr. A.C. Wikramanayake	502,130	0.67	502,130	0.67
18. Mrs. F.C. Phillips & Mr. R.H.S. Phillips	482,304	0.64	482,304	0.64
19. Mrs. Y.M. Spittel	465,561	0.62	465,561	0.62
20. Mrs. S.D. Wickremasinghe	440,281	0.59	440,281	0.59
Total	57,791,127	77.06	48,991,108	65.32

As at 31st March, 2011 there were 3,874 (3,832) registered shareholders. The percentage of shares held by the public, as per the Colombo Stock Exchange Rules, as at 31st March, 2011 was 48.04% (55.89%).

MANDATORY OFFER

Mr. K.D.D. Perera and Royal Ceramics Lanka PLC together with the L B Finance reached approximately 30% of the total issued capital of the Company, during the financial year and it was mandatory by the Takeovers and Mergers Code 1995 (as amended in 2003) in terms of Rule No. 31 (1) (a) to make an offer to purchase shares from the remaining shareholders.

Accordingly, Mr. K.D.D. Perera and Royal Ceramics Lanka PLC made an offer to purchase shares from the remaining shareholders at Rs. 380/- per share. The offer was closed on 22nd March, 2011 and shareholders who held 0.06% of total issued shares accepted the said offer.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the Sapphire Ballroom, Ceylon Continental Hotel, No. 48, Janadhipathi Mawatha, Colombo 01, at 3.00 p.m. on Wednesday, 29th June, 2011. The Notice of the Annual General Meeting appears on page 188.

For and on behalf of the Board,



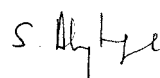
A.M. Pandithage

Chairman & Chief Executive



S.C. Ganegoda

Finance Director



Hayleys Group Services (Pvt) Ltd.

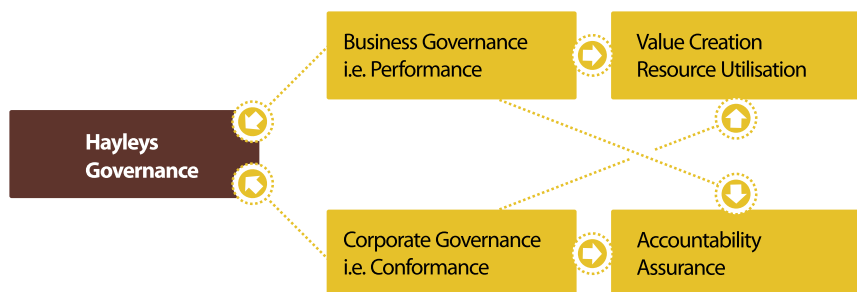
Secretaries

19th May, 2011

Comparative figures are shown in brackets.

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, customers, colleagues, suppliers and other stakeholders of the Group. One of the core values communicated within the Group is a belief that the highest standard of integrity is maintained in business.

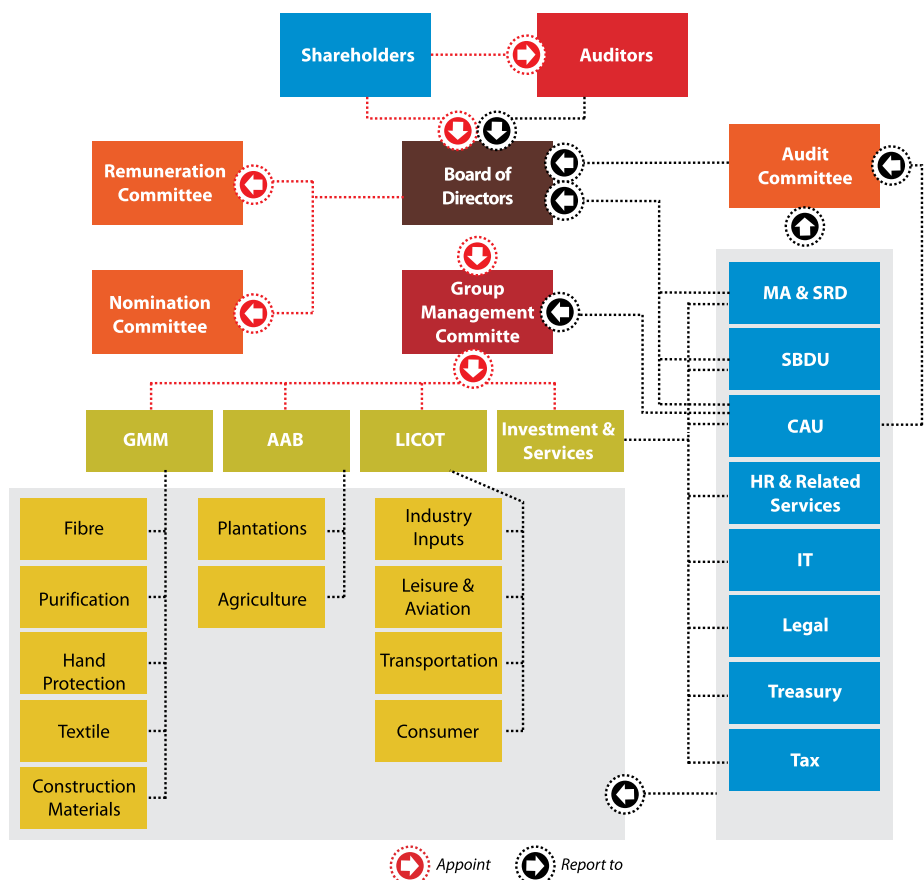
The Group's governance framework covers both corporate governance and business governance. This includes corporate governance processes that support business governance, enabling companies to focus on areas that create value in their business. We strive to achieve a balance between accountability and assurance (conformance) on the one hand and value creation and resource utilisation (performance) on the other. Thus, we believe our business governance and corporate governance complement each other, as depicted below:



CORPORATE GOVERNANCE

Conformance (corporate governance) covers issues such as Board structures, roles and processes. Performance (business governance) focuses on strategy and value creation.

Hayleys Governance Guidelines provide Directors and management with a road map of their respective responsibilities. These guidelines, which are updated periodically, detail clearly those matters requiring Board and Committee approval, advice or review. The Hayleys Governance Framework is depicted in the following diagram:



In our framework of governance, we have identified the importance of providing the Board and Hayleys Group Management Committee (HGMC) information which is comprehensible, relevant, reliable and timely in a cost effective manner. In this pursuit the Strategic Business Development Unit (SBDU) and Corporate Affairs Unit (CAU) satisfy various information needs of the Board and HGMC.

Business Governance

Business governance provides an integrated framework to help the Group focus on both the drivers of value that move the business forward and the need to ensure adequate control and oversight. An overview of our business governance is given in the following diagram:



Strategic Direction

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

These group strategies act as a catalyst for sector strategies where the HGMC 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 quantify short-term objectives.

Strategic Implementation

The main businesses of the Group are incorporated into eight clusters - Global Markets & Manufacturing, Agriculture, Plantations, Transportation & Logistics, Consumer, Leisure & Aviation, Power & Energy and Investments & 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 discussions take place at monthly HGMC meetings.

Strategic Risk

The Board in understanding current business performance strives to ensure that there is transparency around 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.

The process involved in undertaking a new project is outlined below:

- Board papers are prepared in respect of all new projects and businesses that a sector expects to embark upon and are tabled and approved by the relevant Boards.
- A project or business will be referred to the SBDU for their analysis and comments where investment is expected to exceed specified limits.
- Projects exceeding these limits are referred to the Hayleys Board with the comments/recommendations of the SBDU, before any firm engagement or financial commitment is entered into.
- Where investments relate to projects which are progressed in phases, they will be approved in principle prior to initiation and each new phase will be sanctioned before it commences.

Corporate Governance Statement

The Board of Directors have adopted a formal Corporate Governance Statement. Aspects covered in this statement include the responsibilities of the Board and the HGMC, governance processes and the authority entrusted to the HGMC. The Board will continue to adopt best practices in corporate governance and adopt them where appropriate, to better safeguard stakeholder interests.

IT Governance

We continue to give attention to shaping the Group's IT systems to meet its strategies and operational objectives. Competent and dedicated staff are deployed Group-wide to support this need.

The Group's investment in IT resources covers resources operated and managed centrally and resources deployed in the various sectors. The former includes ERP systems/other related business systems, internet, email and other collaborative services, and a Group-wide data communication system. The latter includes sector specific resources such as logistics management systems.

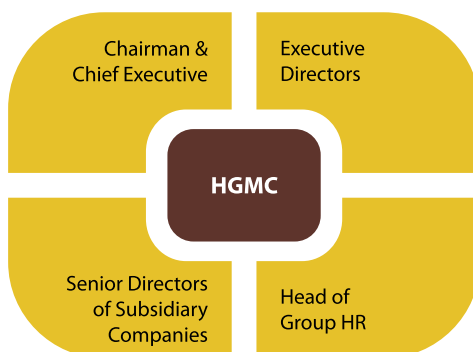
IT Value and Alignment

Investments for IT projects and systems are made after considering their suitability for the related projects. Further aspects such as cost savings, improved customer satisfaction, timely information and the balance between cost of investment and scale of operations are also taken into account when these decisions are taken.

IT Risk Management

Risks associated with Information Technology are assessed in the process of Enterprise Risk Management. Use of licensed software, closer monitoring of internet/email usage and other IT-related operations (for compliance with the Group's IT Use Policy) and the use of antivirus, firewall servers/software etc., are some of the practices in place. Business Critical Information is backed up/replicated at regular intervals and kept in secure offsite locations to meet the statutory and other relevant compliances. In addition, Business Critical Systems are duplicated as necessary for catastrophic failures.

Further insight into operational aspects of the Management Structure Hayleys Group Management Committee (HGMC)



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

HGMC members are responsible for developing strategies and action plans with respect to the sectors and/or business units they manage. HGMC members in charge of service units are responsible for the formulation of policies and strategies with respect to these units, which are subject to approval by the Board.

Strategies with respect to the sectors are presented in the annual budget planning process and are discussed and approved by the HGMC before submission to the Hayleys Board for approval.

All capital expenditure of business sectors are required to be approved by 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.

Authority Vested with the HGMC

The responsibilities of the HGMC include -

- Recruitment, remuneration and ensuring ethical conduct of all personnel
- Training and succession planning
- Negotiation with trade unions and manual/clerical personnel
- Approval of expenditure
- Supervision of financial authority
- Maintenance of safety standards
- Management of risk and following implicit and explicit guidelines set by the Group
- Safeguarding of assets and their efficient utilisation
- Providing support to the Board and the HGMC in pursuing Hayleys Group objectives and standards

While Group Companies are subject to coverage 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 periodically.

All Financial Controllers of sectors are encouraged to report to the Group Finance Director, 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 active discussion at the CFO Forum which takes place every 6 weeks so that matters are debated among the CFO's of the Group.

The Group Management Committee meets every month.

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 have been established previously and bring together representatives from the different parts of the Group. These Clusters serve as fora to communicate relevant matters, identify areas of special interest and concern and discuss these, and share and spread best practices.

CEO's Forum

The CEO's Forum chaired by the Chairman & Chief Executive is held quarterly. This Forum brings together management staff of all companies, in a setting in which information is disseminated and comments and questions relating to the Group are made, asked and answered. This Forum has seen active participation from all attendees.

CORPORATE GOVERNANCE

Corporate Governance is the accumulated rules, policies, procedures and laws affecting the way in which Hayleys PLC operates, makes decisions and develops its relationships with shareholders and the public at large.

At Hayleys PLC, Corporate Governance is the catalyst responsible for business practices, which ensures positive workplace management, marketplace responsibility, environmental stewardship, community engagement and sustained financial performance. Hayleys PLC is the Holding Company of the Hayleys Group which mainly consists of businesses which are actively controlled/managed by Hayleys.

The businesses of the Group are given under Report Parameters of the Sustainability Report on pages 40 to 72 of the Report.

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 (SEC) and The Institute of Chartered Accountants of Sri Lanka (ICASL). This reflects Hayleys's governance in following six fundamental aspects:

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

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 on pages 36 to 37. The Board of Directors of Hayleys PLC is responsible for governance of all companies which Hayleys actively manages.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
1. Board Meetings	A.1.1	Compliant	The Board meets monthly to review the performance of the Company and take strategic decisions relating to Group's direction and other matters. Ad hoc meetings are also held as necessary. These meetings enhance shareholder value and all stakeholder interests are considered in corporate decisions. Details of the meetings and attendance of the members are set out in the page 107.
2. Responsibilities of the Board	A.1.2	Compliant	The Board of Directors formulates, implements 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 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.
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.
5. Independent judgement of Directors	A.1.5	Compliant	All Directors bring independent judgement to the scrutiny of decisions taken by the Board on issues of strategy, performance, resources and business conduct.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
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 fulfil the duties as Directors of Hayleys PLC to ensure that the duties and responsibilities owed to Hayleys PLC are satisfactorily discharged. Directors dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification, and 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 wherever 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.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
8. Justification and highlighting the combining of the posts of Chairman and Chief Executive	A.2.1	Compliant	The Executive Directors and HGMC members are responsible for the businesses conducted by the Group and effectively function as CEOs of these businesses. The Group's Governance Structure together with the composition of the Board ensures effective segregation of roles and it believes that combining the two roles is more appropriate for the Group at present in order to meet shareholder objectives in a conglomerate setting.

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 implementation of decisions taken.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
9. Role of the Chairman	A.3.1	Compliant	<p>The Chairman is responsible for the efficient conduct of Board meetings and ensures, inter alia, that -</p> <ul style="list-style-type: none"> a. The effective participation of both Executive and Non-Executive Directors is secured; b. All Directors are encouraged to make an effective contribution for the benefit of the Company; c. A balance of power between Executive and Non-Executive Directors is maintained; d. The views of Directors on issues under consideration are ascertained; and e. The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders. f. The Chairman maintains close contact with all Directors and, where necessary, holds meetings with Non-Executive Directors without Executive Directors being present.

A4. Financial Acumen

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

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
10. Availability of sufficient financial acumen and knowledge	A.4	Compliant	<p>The Finance Director is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka, and a member of the Institute of Certified Management Accountants of Australia.</p> <p>The Audit Committee Chairman is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka, and member of the Chartered Institute of Management Accountants-UK.</p> <p>These members possess the necessary knowledge and competence to offer the Board guidance on matters of finance.</p>

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.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
11. Presence of Non-Executive Directors (NEDs)	A.5.1	Compliant	<p>Six out of eleven Directors are NEDs which comprise a majority of the Board as it is required by the Code since the Chairman and Chief Executive are the same person.</p> <p>The total number of Directors is based on the number as at the conclusion of 2009/10 Annual General Meeting which is as per the requirement of the code.</p> <p>Throughout the year, the Board has maintained the balance between Executive and Non-Executive Directors of the Board amidst the changes that took place.</p>
12. Independent Non-Executive Directors	A.5.2	Compliant	Four out of six 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.
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 judgement.
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>The Board believes this independence is not compromised by the shareholding held by Mr. L.K.B. Godamunne and his spouse (which they consider to be not significant) or by the period (11 years) for which he has served on the Board (which the Board believes has not affected his objectivity in the role).</p> <p>Independent Non-Executive Directors are:</p> <p>L.K.B. Godamunne</p> <p>A.M. Senaratna</p> <p>T.L.F.W. Jayasekara</p> <p>J.D. Bandaranayake (Resigned w.e.f. 28th January, 2011)</p> <p>Dr. H. Cabral PC (w.e.f. 7th February, 2011)</p>
16. Senior Independent Director	A.5.6	Compliant	Since the Chairman and Chief Executive is the same person, Mr. L.K.B. Godamunne who is a 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.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
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.
19. Recording of concerns in Board Minutes	A.5.9	Compliant	Concerns raised by the Directors during the year which could not be unanimously resolved have been duly recorded in the Board Minutes.

A.6 Supply of Information

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

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
20. Management's obligation to provide appropriate and timely information to the Board	A.6.1	Compliant	Directors are provided with monthly reports on performance, minutes of review meetings and such other reports & documents as necessary. The Chairman ensures all Directors are adequately briefed on issues arising at meetings.
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.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
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>Nomination Committee Chairman: A.M. Pandithage</p> <p>Name of Member L.K.B. Godamunne - Independent Non-Executive Director A.M. Senaratna - Independent Non-Executive Director T.L.F.W. Jayasekara - Independent Non-Executive Director K.D.D. Perera - Non-Executive Director J. D. Bandaranayake - Independent Non-Executive Director (Resigned w.e.f. 28th January, 2011)</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>

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	Following details of new Directors are disclosed on their appointment to the Colombo Stock Exchange, selected newspapers and in the Annual Report: <ul style="list-style-type: none"> a. A brief resume of the Director; b. The nature of his expertise in relevant functional areas; c. The names of companies in which the Director holds directorships or memberships in Board Committees; and d. Whether such Director can be considered 'independent'.

A.8 Re-election

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

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
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 resume to enable shareholders to make an informed decision on their election.</p> <p>The Chief Executive does not retire by rotation.</p>

A.9 Appraisal of Board Performance

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

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
26. Annual performance evaluation of the Board and its Committees	A. 9.1 A. 9.2	Compliant	<p>The Chairman and Remuneration Committee evaluates the performance of the Executive Directors .</p> <p>The Board undertakes an annual self-evaluation of its own performance and of its Committees.</p>

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
27. Disclosure of performance evaluation criteria	A.9.3	Compliant	Please refer Remuneration Committee Report on page 19.

A.10 Disclosure of Information in Respect of Directors

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

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
28. Details in respect of Directors	A.10.1	Compliant	The following information in relation to Directors is disclosed:

A.11 Appraisal of Chief Executive

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

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
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 CEO, set reasonable financial and non-financial targets which are inline with short, medium and long-term objectives of Hayleys, achievement of which should be ensured by the Chief Executive. A quarterly 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.

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 that no Director is involved in deciding his own remuneration.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
30. Establishment of the Remuneration Committee	B.1.1	Compliant	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.
30. 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. The Senior Independent Director, Mr. L.K.B. Godamunne is the Chairman of the Committee.
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>L.K.B. Godamunne - Chairman</p> <p>Name of Member</p> <p>A.M. Senaratna - Independent Non-Executive Director</p> <p>T.L.F.W. Jayasekara - Independent Non-Executive Director</p> <p>K.D.D. Perera - Non-Executive Director</p> <p>J.D. Bandaranayake - Independent Non-Executive Director (Resigned w.e.f. 28th January, 2011)</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 proposals relating to the remuneration of other Executive Directors and has 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.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
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 required quality.
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.
38. Performance-related elements of remuneration of Executive Directors	B.2.4	Compliant	Performance-based incentives have been determined by the Remuneration Committee to ensure that the total earnings of the Executive Directors are aligned with the achievement of objectives and budgets of the Group companies.
39. Executive share options	B.2.5	N/A	Presently the Group does not have Executive Share Option Schemes.
40. Executive Directors' remuneration	B.2.6	Compliant	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 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	Remuneration for NEDs reflects the time commitment and responsibilities of their role, taking into consideration market practices. NEDs are not included in share options as there is no scheme in existence.

B.3 Disclosure of Remuneration

The Code requires that the Company's Annual Report should contain a Statement of Remuneration Policy and details of Remuneration of the Board as a whole.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
43. Disclosure of Remuneration	B.3.1	Compliant	Please refer Section B.1.3 on page 97 for the members in the Remuneration Committee and Remuneration Committee Report on page 119 for the remuneration policy. Please refer page 137 for the total Directors' Remuneration.

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.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
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 hands, 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	C.1.3	Compliant	The Chairman of Hayleys PLC ensures the Chairmen of the Audit, Remuneration and Nomination Committees are available to answer questions at the AGM if so requested by the Chairman.
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 working days prior to the date of the AGM, as required by the statute, in order to provide the opportunity to all the shareholders to attend the AGM.
48. Procedures of voting at General Meeting	C.1.5	Compliant	A summary of the procedures governing voting at General Meeting is circulated to shareholders with every Notice of the General Meeting.

C.2 Major Transactions

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

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
49. Disclosure on 'major transactions'	C.2.1	Compliant	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. Transactions, if any, which materially affect the net asset base of Hayleys PLC, will be disclosed in the Quarterly/Annual Financial Statements.

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.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
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	D.1.2	Compliant	The Annual Report of the Board of Directors on the Affairs of the Company given on pages 80 to 85 covers all areas of this section.
52. Statement of Directors' and Auditor's responsibility for the Financial Statements	D.1.3	Compliant	<p>The "Statement of Directors' Responsibilities" is given on page 116.</p> <p>The "Independent Auditors' Report" on page 120 states the Auditor's responsibility.</p>
53. Management Discussion Analysis	D.1.4	Compliant	Please refer "Management Review and Preview" on pages 7 to 27.
54. Declaration by the Board on the going concern of the business	D.1.5	Compliant	Please refer page 84 of this "Annual Report of the Board of Directors on the Affairs of the Company".
55. Summon an EGM to notify serious loss of capital	D.1.6	Compliant	Reason for such an EGM has not arisen as yet but would be complied with if such 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.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
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>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 and Chief Executive and the Chairman of the Audit Committee.</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 & SRD.</p> <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 of Communication between the Head of MA & 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.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
58. Composition of the Audit Committee	D.3.1	Compliant	<p>Audit Committee consists of:</p> <p>Chairman: T.L.F.W. Jayasekara - Independent Non-Executive Director</p> <p>Name of Member</p> <p>L.K.B. Godamunne - Independent Non-Executive Director</p> <p>K.D.D. Perera - Non-Executive Director</p> <p>W.D.N.H. Perera - Non-Executive Director</p> <p>J.D. Banadaranyake - Independent Non-Executive Director (Resigned w.e.f. 28th January 2011)</p> <p>Dr. H. Cabral PC - Independent Non-Executive Director (W.e.f. 7th February 2011)</p> <p>The Manager, MA & SRD, serves as its Secretary. The Chairman and Chief Executive and Group Finance Director are invited to attend Meetings, and other Executive Directors attend meetings as required. The input of the statutory Auditors is obtained where necessary.</p> <p>The Audit Committee helps the Group achieve a balance between conformance and performance.</p>
59. Duties of the Audit Committee	D.3.2	Compliant	<p>The Audit Committee keeps under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the Auditors. Review of nature and extent of non-audit services provided by the Auditors to seek balance objectivity and independence.</p>
60. Terms of Reference of the Audit Committee	D.3.3	Compliant	<p>The Terms of Reference (please refer page 117) 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.</p>
61. Disclosures of the Audit Committee	D.3.4	Compliant	<p>Names of the members of the Audit Committee are given under Item 58 of this Code and the independence of the Auditors is disclosed on page 117 under the Section on the "External Audits" in the "Audit Committee Report" on pages 117 to 118 of this Report.</p>

D.4 Code of Business Conduct & 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.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
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 PLC adheres to established principles and practices of good Corporate Governance.

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
64. Disclosure of Corporate Governance	D.5.1	Compliant	This Report from pages 90 to 105 sets out the manner and extent to which Hayleys PLC has complied with the principles and provisions of the Code.

SHAREHOLDERS

E. Institutional Investors

E.1 Shareholder Voting

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

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
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.</p> <p>Shareholders may bring up concerns they have, either with the Chairman and 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>

E.2 Evaluation of Governance Disclosures

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

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
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.

F. Other Investors**F.1 Investing/Divesting Decision**

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
67. Individual shareholders	F.1	Compliant	Individual investors are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions. The Hayleys PLC website and websites of Listed Companies within the Group serve to provide a wide range of information on the Group.

F.2 Shareholder Voting

Corporate Governance Principles	SEC & ICASL Code Reference	Compliance Status	Hayleys' Extent of Adoption
68. Individual shareholders voting	F.2	Compliant	Individual shareholders are encouraged to participate in General Meetings of companies and exercise their voting rights.

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 conformity to CSE's Listing Rules which comprise of the following fundamental principles:

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

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys' Extent of Adoption
7.10.1(a)	Non-Executive Directors	Compliant	As at the conclusion of the immediately preceding AGM six out of eleven Directors were Non-Executive Directors. As at 31st March, 2011 six out of eleven Directors are Non-Executive Directors
7.10.2(a)	Independent Directors	Compliant	As at the conclusion of the immediately preceding AGM, four out of six Non-Executive Directors were independent. As at 31st March, 2011 four out of six Non-Executive Directors are 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 line 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 the SEC & ICASL Code table on page 93.

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys' Extent of Adoption
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. The Board believes this independence is not compromised by the shareholding held by Mr. L.K.B. Godamunne and his spouse (which they consider to be not significant) or by the period (11 years) for which he has served on the Board (which the Board believes has not affected his objectivity in the role).
7.10.3(c)	Disclosure relating to Directors	Compliant	Please refer page 36 to 37 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 resumés 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 the conclusion of the immediately preceding AGM, the Remuneration Committee comprised of four Non-Executive Independent Directors and one Executive Director. As at 31st March, 2011, Committee comprises of three Non-Executive Independent Directors and one Non-Executive Director.
7.10.5(b)	Functions of Remuneration Committee	Compliant	Please refer Item 30 of the SEC & ICASL Code table on page 97 for the details of the functions of the Remuneration Committee.
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	Compliant	Names of Remuneration Committee members are given in Item 32 of the SEC & ICASL Code table on page 97. The Report of the Remuneration Committee is given on page 119. and the remuneration paid to Directors is given in the Note 10. to the Financial Statements on page 137.

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys' Extent of Adoption
7.10.6(a)	Composition of Audit Committee	Compliant	<p>As at the conclusion of the immediately preceding AGM, the Audit Committee comprised of three Non-Executive Independent Directors and two Non-Executive Directors.</p> <p>As at 31st March, 2011, Committee comprises of two Non-Executive Independent Directors and two Non-Executive Directors.</p> <p>Chairman of the Audit Committee is an Independent Non-Executive Director.</p> <p>The Chief Executive and Finance Director attend meetings by invitation.</p> <p>Chairman of the Audit Committee is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka. Please refer page 36 for further details.</p>
7.10.6(b)	Audit Committee Functions	Compliant	Please refer Item 59 of the SEC & ICASL Code table on page 102 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 given on page 102 and the Report of the Audit Committee have been given on page 117 to 118. 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 Audit Committee and individual attendance by members are as follows:

Name	Directorship status	Board	Audit Committee
Mr. A.M. Pandithage (Chairman and Chief Executive)	Executive	15/15	–
Mr. L.K.B. Godamunne	Independent Non-Executive	15/15	4/4
Mr. J.D. Bandaranayake (Resigned w.e.f. 28th January, 2011)	Independent Non-Executive	6/10	1/3
Mr. M.R. Zaheed	Executive	15/15	–
Mr. A.M. Senaratna	Independent Non-Executive	14/15*	–
Mr. J.A.G. Anandarajah	Executive	12/15**	–
Mr. T.L.F.W. Jayasekara	Independent Non-Executive	14/15	4/4
Mr. K.D.D. Perera	Non-Executive	7/13***	0/4
Mr. W.D.N.H. Perera	Non-Executive	8/13 ***	3/4
Mr. S.C. Ganegoda	Executive	15/15	–
Mr. H.S.R. Kariyawasan	Executive	12/13	–
Dr. H. Cabral PC (w.e.f. 7th February, 2011)	Independent Non-Executive	3/3	0/0

Dr. M. Ranasoma was appointed to the Board w.e.f. 1st April, 2011)

* Mr. A.M. Senaratna participated in 10 of these meetings via conference call.

** Mr. J.A.G. Anandarajah participated in 1 of these meetings via conference call

*** Mr. K.D.D. Perera & Mr. W.D.N.H. Perera were excluded from two Board meetings as they were related parties to the transaction of those meetings.

The Hayleys Group, having a diversified business portfolio with a global presence, is exposed to a variety of risks in the course of its operations. Hayleys recognises that risk is an inherent part of business which cannot be completely eliminated. The management’s willingness to undertake and its ability to manage these risks enables it to capitalise on the opportunities that arise and would facilitate to differentiate it from similar companies. The Group takes such risks only to an extent that it adds value to the Group and its shareholders. Hayleys ethos and character are deeply entwined in this philosophy of managing risks.

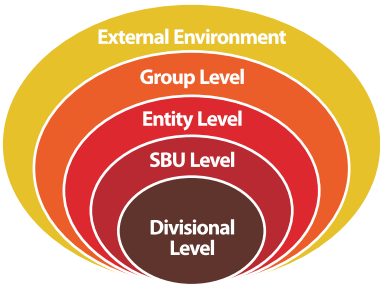
We manage risks through nurturing an environment replete with internal controls, systems and procedures. It is to be noted that a well structured and transparent enterprise risk management process facilitates the management to identify, manage and prepare for risks in an informed, controlled and transparent manner. Thus Hayleys enterprise risk management systems are designed to identify key strategic, operational, legal and regulatory and financial risks faced by the Group.

An effective risk management framework helps the Group in its attempt to achieve the optimum trade-off between risks and returns. The Group recognises

the complexity and diversity of risks that surround its operational activities, while simultaneously being cognisant of the risk and reward relationship and the limits of its risk appetite, proclivity and tolerance. An effective risk management framework can make an immense contribution in the Group's efforts to optimise the use of available capital.

The Group uses **COSO and Risk Management Industry approaches** as the conceptual framework of Enterprise Risk Management (ERM). The framework consists of identifying and profiling significant risks, modelling and measuring risk, determining the Group's risk tolerance , accepting, transferring and eliminating risk, sharing risk, measuring of performance including the benefits of risk diversification and monitoring the execution of the process. The framework enables us to direct scarce resources to the opportunities that are expected to generate maximum return whilst minimising the associated risk.

To ensure that an effective system for early identification of risks is implemented and maintained, the sub-groups, service companies and the units of the holding company have nominated persons responsible for risk management at the upper managerial level and risk management co-ordinators. Corporate Auditing is responsible for co-ordinating the identification and documentation of risk areas throughout the Group, improving 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 communicating to the Hayleys Group Management Committee (HGMC) and the Boards of Directors of the outcome of these evaluations. These findings are taken into account in the continued improvement of the Group's Risk Management System.



RISK ASSESSMENT MATRIX

PROBABILITY (P)	RISK MATRIX						
	(5) Very High	80%<p	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
	(1) Very Low	P<20%	1	2	3	4	5
			(1) Isolated	(2) SBU Level	(3) Process Level	(4) Regional/ Channel Level	(5) Enterprise Level
IMPACT							

Figure 1

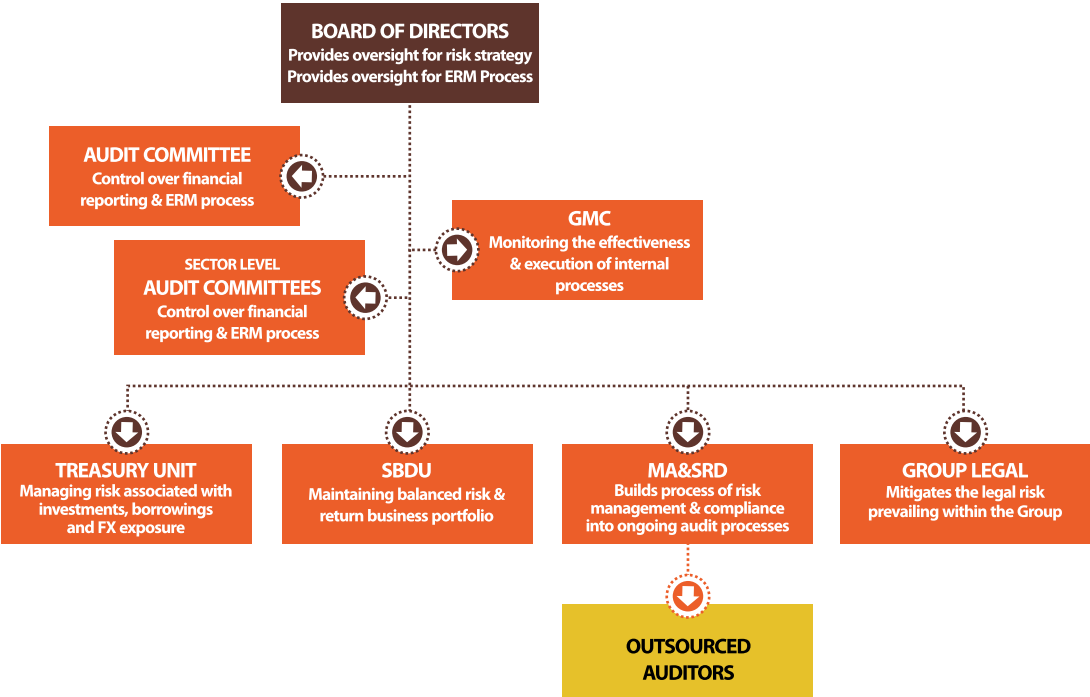
ENTERPRISE RISK MANAGEMENT PROCESS

RISK MANAGEMENT GOVERNANCE STRUCTURE

The principal aim of the Group’s risk management governance structure is to manage business and operational risks, with a view of enhancing the value of shareholders’ investments and safeguarding assets.

Management has put in place a number of key policies, processes and independent controls to provide assurance to the Board as to 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 the Audit Committee, the Sector Level Audit Committees, HGMC, the Treasury Unit (TU), the Strategic Business Development Unit (SBDU), Group Legal, Management Audit & System Review Department (MA&SRD).



SPECIFIC RISKS FACED BY THE GROUP AND MITIGATING ACTIONS

Techniques for the measurement and management of risks continued to evolve in group for the Enterprise Risk Management during the financial year 2010/11. The broad categorisation of the risk profile of Hayleys Group is depicted in the following table:

Risk Category	Risk	Effect	Strategies and Mitigating Actions	Risk Rating
Finance	Foreign Exchange Risk	Adverse movements and high volatility in foreign currency exchange rates against the Sri Lankan Rupee affects the pricing of the Group's products. This may have an impact on the profit & loss account on translation of assets/liabilities as well as lead to cash flow issues during realisation and settlement of such assets/liabilities. Any such adverse movements that occur post-original estimation can impact the profitability of a project or a particular order or transaction.	<ul style="list-style-type: none"> ● The Group manages the risk associated with foreign currency (FX) exposures by optimising the matching of foreign currency denominated assets against liabilities. Future payments of FX liabilities are ensured by matching such outflows with future FX inflows to mitigate any risk associated due to timing differences. ● Forward Exchange Rates are used to minimise any risk arising due to unfavourable exchange rate fluctuations, which would impact Group's regular import and export transactions. Best possible exchange rates are negotiated with respective banks for currency conversions by Group Treasury. ● FX inflows are matched with outflow, at Group level, in order to achieve synergy through matching. This also results in minimising the net impact due to adverse movement in currencies and also maximises the return on FX transaction. ● Exchange rate movements are constantly monitored and outlooks are developed, for currencies in which the Group carries exposure, to ensure timely actions to hedge with appropriate treasury products. Subsidiaries are also advised on hedging mechanisms and the timing of implementing same to maximise the return whilst mitigating the risk involved. ● During the year under review, the Group has taken appropriate initiatives to hedge its FX exposures successfully through forward rate bookings and SWAPS within well-defined parameters. 	High

Risk Category	Risk	Effect	Strategies and Mitigating Actions	Risk Rating
	Interest Rate Risk	Fluctuations of general market interest rates (both local and foreign currency) will result in high cost of borrowings or lower interest income and as a result it would have a direct impact on Group's profitability and shareholder wealth. Further, financial and opportunity losses may arise due to unexpected movements in market interest rates.	<ul style="list-style-type: none"> ● Market Interest rates and socio-economic circumstances are constantly monitored to allow accurate and prudent forecasts to ensure appropriate steps are taken to minimise the cost of borrowings and to maximise the return on financial investments. Group treasury ensures that best possible interest rates are obtained for borrowings and investments through continuous negotiations with Banks and financiers. ● Group has consistently maintained a lower effective interest rate compared to market rates and its peers through prudent management of its long-term and short-term borrowings by analysing the yield curve structures. The Group keeps a continuous watch on market trends that can impact its net exposure of borrowings and takes preventative measures where necessary to protect against anticipated fluctuation in rates. ● During the year under review, the Group has taken appropriate initiatives to mitigate the possible interest rate risks through restructuring part of its debts. 	High
	Liquidity Risk	Inadequate funds would lead to postponement of investments and resorting to costly funding alternatives.	<ul style="list-style-type: none"> ● Business models and working capital management is reviewed periodically to ensure cash flow alignment and to minimise dependence on external lenders for liquidity. ● Trade cycles are analysed with a view of generating liquidity from operations and thereby mitigating liquidity risk. ● The Group's bank relationships are managed with involvement of the Group Treasury to ensure access to essential credit and cash management services. 	High

Risk Category	Risk	Effect	Strategies and Mitigating Actions	Risk Rating
	Investment Risk	The future profitability of the Group is affected by the degree of realisation of expected earnings on investments.	<ul style="list-style-type: none"> ● The portfolio of ongoing activity is analysed so that it is better managed by the Group and necessary action (including divestiture) taken. ● Gaps in the business portfolio are identified and potential new areas of business identified. ● Proposals from business sectors on new investments are extensively reviewed and improved and appropriate recommendations are made to the Group management. ● Information on returns from business activity is aggregated each quarter to form an early risk warning system. 	High
	Credit Risk	The possibility of incurring bad debts and the prospect of protracted legal proceedings without assurance of satisfaction.	<ul style="list-style-type: none"> ● Credit risks are assessed, credit limits are set and credit granted is closely monitored. ● Bank guarantees and cash deposits are obtained from frequent customers to cover credit exposure, as far as is feasible. ● Export credit is insured to minimise inherent risks. 	Moderate/ High
Business	Dependence on Business Partners	A major buyer discontinuing business will adversely affect sales and profits. 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, and Transportation segments of the Group's business.	<ul style="list-style-type: none"> ● The presence of group companies overseas and a valued network of foreign and local business partners help identify the materialisation of risks and enables to take 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 could arise. 	Moderate
	Product Risk	Loss of markets for existing product range.	<ul style="list-style-type: none"> ● Accreditations are received from customers and international standards - setting bodies on products marketed. ● Product innovation is given high priority. ● The highest priority is given to closeness to customers and responsiveness to their needs. 	Moderate

Risk Category	Risk	Effect	Strategies and Mitigating Actions	Risk Rating
	Climate Change Risk	Manufacturing 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.	<ul style="list-style-type: none"> ● Building adequate inventory levels when raw materials are available. ● Sourcing from other countries as necessary and feasible. ● Geographically diversifying risks by establishing manufacturing units overseas. 	Moderate
	IT Risk	The Group depends on accurate, timely information from key computer systems to enable decision making.	<ul style="list-style-type: none"> ● 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. ● A central IT team is in place to support IT within the Group. 	Moderate
	Regulatory Risk (Socio-Economic Policies)	Loss of competitiveness of our products in the international market place due to increased costs.	<ul style="list-style-type: none"> ● Relevant issues are addressed to regulatory and other authorities and persistently canvassed with them. ● Measures are taken to maximise productivity and reduce costs, for example energy costs are mitigated by the use of alternative energy sources. ● Operations are established overseas to diversify risk. 	Moderate/ High



Financial Reports

Statement of Directors' Responsibilities	116
Audit Committee Report	117
Remuneration Committee Report	119
Independent Auditors' Report	120
Income Statements	121
Balance Sheets	122
Statements of Changes in Equity	123
Cash Flow Statements	124
Notes to the Financial Statements	126

Financial Calendar 2010/11

1st Quarter Report	5th August, 2010
2nd Quarter Report	5th November, 2010
3rd Quarter Report	7th February, 2011
4th Quarter Report	19th May, 2011
Annual Report 2010/11	3rd June, 2011
60th Annual General Meeting	29th June, 2011
First and Final Dividend Proposed	29th June, 2011
First and Final Dividend Payable	8th July, 2011

The Directors are responsible, under Sections 150 (1), 151, 152 (1) and 153 of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit & 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 the 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 of 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 dividends paid and now proposed, being satisfied based on information available to it that the Company would satisfy the solvency test after such distributions in accordance with Section 57 of the Companies Act, and have sought in respect of the dividend now proposed, certificates of solvency from the Auditors.

The External Auditors, Messrs KPMG Ford, Rhodes, Thornton & Co., re-appointed in terms of Section 158 of the Companies Act were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on page 120 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

19th May, 2011

ROLE OF THE AUDIT COMMITTEE

The role of the Committee, which has specific terms of reference, is described in the Corporate Governance at Hayleys Report on page 102.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee, appointed by and responsible to the Board of Directors, comprises three Independent Non-Executive Directors with the Group Manager, (MA&SRD) - Management Audit & Systems Review Department acting as Secretary. The Chairman & Chief Executive and the Group Finance Director attend meetings of the Committee by invitation. The Chairman of the Audit Committee is a senior Chartered Accountant.

Mr. J.D. Bandaranayake resigned from the Board with effect from 28th January 2011. Dr. H. Cabral PC, Independent Non-Executive Director was appointed to the Audit Committee with effect from 20th April, 2011. The names of the members and brief profiles of each member are given on pages 36 and 37 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

The Committee met 4 times during the year. The attendance of the members at these meetings is stated in the table on page 107.

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 the assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements. The Group's Management Audit & Systems Review Department reports on key control elements and procedures in accordance with/according to the annual plan.

Some Internal Audits are outsourced to leading audit firms in line with the 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's 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 the Group's 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

Some of the listed subsidiaries and unlisted subsidiaries have 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 the 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 actions were 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 that the Board of Directors consider proposing a change of external auditor, for the financial year ending 31st March, 2012 in accordance with accepted Corporate Governance practices.

SUPPORT TO THE COMMITTEE

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

CONCLUSION

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



T.L.F. W. Jayasekara

Chairman

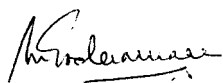
Audit Committee

19th May, 2011

The Remuneration Committee consists of Non-Executive Directors, a majority of whom are independent, and is chaired by an Independent Non-Executive Director. The Chairman & 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 & 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.

A primary objective of compensation packages is to attract and retain a highly qualified and experienced workforce, and reward performance. These compensation packages should 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.



L.K.B. Godamunne

Chairman

Remuneration Committee

19th May, 2011



KPMG Ford, Rhodes, Thornton & Co.
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka.

Tel : +94 - 11 242 6426
+94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF HAYLEYS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Hayleys PLC (the "Company"), and the consolidated financial statements of the Company and its subsidiaries (the "Group") as at March 31, 2011 which comprise the balance sheet as at March 31, 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 121 to 180 of this Annual Report.

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 - Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2011 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2011 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Opinion - Group

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at March 31, 2011 and the profit 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 members of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 153 (2) to 153 (7) of the Companies Act No. 07 of 2007.

KPMG Ford, Rhodes, Thornton & Co.

Chartered Accountants

Colombo

19th May 2011

KPMG Ford, Rhodes, Thornton & Co., a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

A.N. Fernando FCA	M.R. Mihular FCA	Ms. M.P. Perera FCA
P.Y.S. Perera FCA	C.P. Jayatilake FCA	T.J.S. Rajakarier FCA
W.W.J.C. Perera FCA	Ms. S. Joseph ACA	Ms. S.M.B. Jayasekara ACA
W.K.D.C. Abeyratne ACA	S.T.D.L. Perera FCA	G.A.U. Karunaratne ACA
Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA		

For the year ended 31st March,

	Notes	Consolidated		Company	
		2011 Rs. '000	2010 (Restated) Rs. '000	2011 Rs. '000	2010 Rs. '000
Continuing operations					
Gross turnover	6	54,399,459	38,169,336	722,381	640,463
Turnover tax		(145,601)	(44,915)	(14,727)	(12,558)
Net turnover		54,253,858	38,124,421	707,654	627,905
Cost of sales		(42,943,374)	(28,702,172)	(115,637)	(116,293)
Gross profit		11,310,484	9,422,249	592,017	511,612
Other income	7	211,605	731,412	236,074	133,303
Distribution expenses		(1,963,463)	(1,445,475)	–	–
Administrative expenses		(6,611,051)	(4,760,038)	(99,753)	(86,099)
Other expenses	8	(32,397)	(3,304)	–	(35,500)
Net finance cost	9	(846,341)	(716,829)	(273,174)	(105,350)
Share of profit of equity accounted investees (net of tax)		51,074	65,288	–	–
Profit before tax	10	2,119,911	3,293,302	455,164	417,966
Tax expense	11	(903,853)	(684,197)	(1,880)	(1,659)
Profit for the year from continuing operations		1,216,058	2,609,106	453,284	416,307
Discontinued operations					
Loss for the year from discontinued operations (net of tax)	38	(9,042)	(27,980)	–	–
Profit for the year		1,207,016	2,581,126	453,284	416,307
Attributable to:					
Equity holders of the Company		724,750	1,731,233		
Non-controlling interest		482,266	849,893		
Profit for the year		1,207,016	2,581,126		
Earnings per share					
Basic earnings per share (Rs.)	12	9.66	23.08		
Diluted earnings per share (Rs.)	12	9.66	23.08		
Earnings per share from continuing operations					
Basic earnings per share (Rs.)	12	9.78	23.51		
Diluted earnings per share (Rs.)	12	9.78	23.51		
Dividend per share (Rs.)	13	4.00	4.00		

Notes from pages 126 to 180 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

		Consolidated		Company	
		2011	2010	2011	2010
As at 31st March,		(Restated)			
	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Non-current assets					
Property, plant & equipment	14	24,445,595	19,129,109	3,837,739	3,855,528
Intangible assets	15	3,293,140	2,102,083	–	–
Investments in subsidiaries	16	–	–	5,610,679	4,313,296
Investments in equity accounted investees	16	463,647	842,947	1,960	68,960
Other long-term investments	16	703,059	689,983	291,407	278,407
Employees' share trust loan	17	492,243	494,085	492,243	494,085
Deferred tax assets	25	197,235	195,554	–	–
Total non-current assets		29,594,919	23,453,761	10,234,028	9,010,276
Current assets					
Inventories	18	8,861,777	7,822,246	1,396	1,500
Amounts due from subsidiaries	37	–	–	400,526	397,190
Amounts due from equity accounted investees	37	3,723	53,353	784	4,630
Trade and other receivables	19	12,271,870	10,421,042	37,504	37,295
Short-term investments	20	14,853	5,789	5,195	5,195
Income tax recoverable	28	170,917	149,193	5,501	3,539
Short-term deposits		1,378,314	1,042,968	–	–
Cash and cash equivalents		1,486,247	1,632,375	19,915	22,498
Assets classified as held for sale	38	15,993	287,978	–	–
Total current assets		24,203,694	21,414,944	470,821	471,847
Total assets		53,798,613	44,868,705	10,704,849	9,482,123
Equity and liabilities					
Stated capital	21	1,575,000	1,575,000	1,575,000	1,575,000
Capital reserves		6,951,296	7,047,507	3,697,729	3,697,729
Revenue reserves		7,167,295	6,592,052	1,467,864	1,164,580
Total equity attributable to equity holders of the Company		15,693,591	15,214,559	6,740,593	6,437,309
Non-controlling interest		8,197,344	7,118,790	–	–
Total Equity		23,890,935	22,333,349	6,740,593	6,437,309
Non-current liabilities					
Interest-bearing borrowings	23	4,432,620	1,901,253	1,680,000	90,000
Deferred income	24	792,867	447,050	–	–
Deferred tax liability	25	719,090	641,790	–	–
Retirement benefit obligations	26	3,323,234	2,186,369	259,857	214,672
Total non-current liabilities		9,267,811	5,176,462	1,939,857	304,672
Current liabilities					
Trade and other payables	27	8,031,337	7,503,365	120,885	133,471
Amounts due to subsidiaries	37	–	–	151,088	834,331
Amounts due to equity accounted investees	37	52,563	32,933	–	–
Income tax payable	28	399,753	214,220	–	–
Current portion of long-term interest-bearing borrowings	23	2,077,243	785,723	720,000	40,000
Short-term interest-bearing borrowings	29	10,076,389	8,650,759	1,032,426	1,732,340
Liabilities directly associated with assets classified as held for sale	38	2,582	171,894	–	–
Total current liabilities		20,639,867	17,358,894	2,024,399	2,740,142
Total liabilities		29,907,678	22,535,356	3,964,256	3,044,814
Total equity and liabilities		53,798,613	44,868,705	10,704,849	9,482,123

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

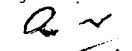


D.D.W. Siriwardene

General Manager - Finance

The Directors are responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board.



A.M. Pandithage

Chairman & Chief Executive

19th May, 2011

Notes from pages 126 to 180 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.



S.C. Ganegoda

Finance Director

For the year ended 31st March, 2011

Consolidated

	Attributable to equity holders of the Company									
	Stated Capital	Reserve on scrip issue	Revaluation reserve	Other capital reserves	Exchange fluctuation reserve	General reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April, 2009 - As previously stated	1,575,000	958,427	4,329,019	409,720	568,059	1,926,069	2,589,345	12,355,639	4,220,619	16,576,258
Prior year adjustments - Note 40 (1)	—	—	—	—	(2,490)	—	(70,528)	(73,018)	—	(73,018)
Balance as at 1st April, 2009 - Restated	1,575,000	958,427	4,329,019	409,720	565,569	1,926,069	2,518,817	12,282,621	4,220,619	16,503,240
Revaluation of assets	—	—	1,425,724	—	—	—	—	1,425,724	209,775	1,635,499
Adjustment due to changes in holding	—	133,347	6,776	1,390	—	(37,060)	37,749	142,202	(229,748)	(87,546)
Acquisition of subsidiary	—	—	—	—	—	—	—	—	2,485,360	2,485,360
Translation of foreign entities	—	—	—	—	7,779	—	—	7,779	(2,082)	5,697
Net gains/(losses) not recognised in the income statement	—	133,347	1,432,500	1,390	7,779	(37,060)	37,749	1,575,705	2,463,305	4,039,010
Transfers	—	—	(218,848)	1,952	—	238,565	(21,668)	—	—	—
Profit for the period	—	—	—	—	—	—	1,731,233	1,731,233	849,893	2,581,126
Dividends	—	—	—	—	—	—	(375,000)	(375,000)	(415,027)	(790,027)
Balance as at 31st March, 2010 - Restated	1,575,000	1,091,774	5,542,671	413,062	573,348	2,127,574	3,891,131	15,214,559	7,118,790	22,333,349
Adjustment due to changes in holding	—	(103,186)	3,687	3,288	—	7,413	37,418	(51,380)	63,559	12,179
Acquisition of subsidiary	—	—	—	—	—	—	—	—	927,475	927,475
Translation of foreign entities	—	—	—	—	(31,995)	(12,343)	—	(44,338)	(8,474)	(52,812)
Net gains/(losses) not recognised in the Income Statement	—	(103,186)	3,687	3,288	(31,995)	(4,930)	37,418	(95,718)	982,560	886,842
Transfers	—	—	—	—	—	172,816	(172,816)	—	—	—
Profit for the period	—	—	—	—	—	—	724,750	724,750	482,266	1,207,016
Dividends	—	—	—	—	—	—	(150,000)	(150,000)	(386,272)	(536,272)
Balance as at 31st March, 2011	1,575,000	988,588	5,546,358	416,350	541,353	2,295,460	4,330,482	15,693,591	8,197,344	23,890,935

Company

	Stated capital	Revaluation reserve	Other capital reserves	General reserve	Retained earnings	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April, 2009	1,575,000	2,954,023	13,226	382,087	741,185	5,665,521
Revaluation during the year	—	730,480	—	—	—	730,480
Profit for the period	—	—	—	—	416,308	416,308
Dividends	—	—	—	—	(375,000)	(375,000)
Balance as at 31st March, 2010	1,575,000	3,684,503	13,226	382,087	782,493	6,437,309
Profit for the period	—	—	—	—	453,284	453,284
Dividends	—	—	—	—	(150,000)	(150,000)
Balance as at 31st March, 2011	1,575,000	3,684,503	13,226	382,087	1,085,777	6,740,593

1. Descriptions of specific reserves are given below:

Reserve on Scrip Issue represents bonus issues made by subsidiaries and equity accounted investees.

Revaluation Reserve relates to the revaluation of property, plant & equipment.

Details of the **Other Capital Reserves** are given in Note 22 to the Financial Statements.

Exchange Fluctuation Reserve comprises all foreign currency differences arising from the translation of the Financial Statements of foreign operations.

Notes from pages 126 to 180 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Cash Flow Statements

For the year ended 31st March,

	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000 Restated	2011 Rs. '000	2010 Rs. '000
Cash flows from operating activities				
Cash generated from operations (Note A)	3,390,925	4,592,952	(117,581)	1,435,052
Retiring gratuity paid	(230,433)	(369,877)	(10,627)	(152,920)
Interest paid (including interest capitalised)	(1,209,654)	(1,032,470)	(282,265)	(112,787)
Income tax paid	(748,493)	(600,893)	(3,845)	(1,429)
Net cash inflow/(outflow) from operating activities	1,202,345	2,589,712	(414,318)	1,167,916
Cash flows from investing activities				
Purchase and construction of property, plant & equipment	(2,886,161)	(899,455)	(12,270)	(39,042)
Government grants received - capital	147,483	111,618	—	—
Proceeds from disposal of property, plant & equipment	205,558	64,977	1,469	2,120
On acquisition of right to generate hydro power	(35,769)	(3,038)	—	—
Proceeds from the sale of investments	—	90,858	1,532,393	268,727
Proceeds from the sale of equity accounted investees	22,525	931,821	—	—
Proceeds from the sale of assets held for sale	102,673	—	—	—
Proceeds from disposal of short-term investments	942,614	—	—	—
Long-term investments in Group companies and others	(13,000)	(18,636)	(1,732,261)	(2,414,134)
Short-term investments	(817,914)	—	(809,021)	—
Acquisition of subsidiaries	(2,115,321)	(3,675,413)	—	—
Interest received	166,465	173,155	9,091	7,433
Dividends received from equity accounted investees	3,120	63,290	—	—
Dividends received from non-group companies	2,120	143	405	125
Recovery of employee share trust loan	1,842	1,261	1,842	1,261
Net payments to non-controlling interest	(386,272)	(415,027)	—	—
Net cash used in investing activities	(4,660,037)	(3,574,446)	(1,008,352)	(2,173,510)
Net cash inflow/(outflow) before financing	(3,457,692)	(984,734)	(1,422,670)	(1,005,594)
Cash flows from financing activities				
Capital payment on finance lease	(29,867)	(20,126)	—	—
Debenture Redemption	(95,000)	—	—	—
Proceeds from interest-bearing borrowings	4,224,585	444,792	2,400,000	—
Repayment of interest-bearing borrowings	(1,805,292)	(1,061,808)	(130,000)	(210,000)
Dividends paid	(150,000)	(375,000)	(150,000)	(375,000)
Net cash inflow/(outflow) from financing activities	2,144,426	(1,012,142)	2,120,000	(585,000)
Net increase/(decrease) in cash and cash equivalents	(1,313,266)	(1,996,876)	697,331	(1,590,594)
Cash and cash equivalents at beginning of the year	(5,897,952)	(3,994,294)	(1,709,842)	(119,248)
Cash and cash equivalents at end of the year (Note B)	(7,211,218)	(5,991,170)	(1,012,511)	(1,709,842)

Notes from pages 126 to 180 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Net cash flows related to discontinued operations is shown in Note 38 - Discontinued Operations.

For the year ended 31st March,

	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000 Restated	2011 Rs. '000	2010 Rs. '000
A. Cash generated from operations				
Profit before tax from continuing operations	2,119,911	3,293,302	455,164	417,966
Loss before tax from discontinued operations	(9,042)	(27,924)	—	—
	2,110,869	3,265,378	455,164	417,966
Adjustments for:				
Net finance expense	846,341	741,559	273,174	105,350
Share of profits from equity accounted investees	(51,073)	(65,288)	—	—
Depreciation on property, plant & equipment	1,262,884	963,664	29,765	26,064
(Gain)/loss on the disposal of property, plant & equipment	(45,164)	(13,003)	(1,174)	(5)
Gain/loss on the disposal of short-term investments	(133,593)	—	(234,495)	(132,601)
Amortisation of surplus on acquisition	(3,761)	(130,036)	—	—
Amortisation of intangible assets	22,307	793	—	—
Dividend income	(2,120)	(143)	(405)	(125)
Net gains/(loss) on translation of foreign currency	196,849	117,756	—	—
Differences of exchange on translation of foreign entities	20,345	110,332	—	—
Provision for bad and doubtful debts	130,417	22,905	(650)	—
Provision for unrealised profit and write-down of inventories	315,716	87,002	—	—
(Gain)/loss on the disposal of subsidiary and equity accounted investees	(5,381)	(571,354)	—	—
Provision for retiring gratuity	631,772	530,762	55,812	53,784
Government grants amortised	(21,415)	(15,935)	—	—
Reversal of Provision for fall in value of investment	(177)	(933)	—	—
Impairment of assets	—	2,511	—	—
Provision for fall in value of investment	10,090	—	—	34,928
	5,284,906	5,045,970	577,191	505,361
(Increase)/decrease in trade and other receivables	(1,274,914)	(919,141)	947	71,944
(Increase)/decrease in inventories	(393,809)	(1,227,520)	104	1,753
Increase/(decrease) in trade and other payables	(225,258)	1,693,643	(695,823)	855,994
	3,390,925	4,592,952	(117,581)	1,435,052
B. Analysis of cash and cash equivalents				
Cash and cash equivalents	1,486,857	1,633,455	19,915	22,498
Short-term deposits	1,378,314	1,042,968	—	—
	2,865,171	2,676,423	19,915	22,498
Short-term interest-bearing borrowings	(10,076,389)	(8,667,593)	(1,032,426)	(1,732,340)
Cash and cash equivalents previously reported	(7,211,218)	(5,991,170)	(1,012,511)	(1,709,842)
Effect of exchange rate change	—	93,218	—	—
Cash and cash equivalents as restated	(7,211,218)	(5,897,952)	(1,012,511)	(1,709,842)

C. During the year the Group acquired property, plant & equipment with an aggregate cost of Rs. 2,886 mn of which Rs. 18 mn was acquired by means of finance leases.

ACCOUNTING POLICIES

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 is given on Inner Back Cover.

The Consolidated Financial Statements of Hayleys PLC, as at and for the year ended 31st March, 2011 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 44 to 46

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 34 to the Financial Statements are prepared for a common financial year, which ends on 31st March.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (SLASs) promulgated by The Institute of Chartered Accountants of Sri Lanka (ICASL), and with the requirements of the Companies Act No. 07 of 2007.

The Financial Statements were authorised for issue by the Directors on 19th May, 2011.

2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and accounting policies are applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements, except for the following:

- Land and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts less accumulated depreciation and impairment losses.
- Dealing securities are measured at market value.

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 32). All financial information presented in Sri Lankan Rupees have been given to the nearest thousand, unless stated otherwise.

2.4 Use of Estimates and Judgements

The preparation of Financial Statements in conformity with SLASs 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:

- Note 15 - measurement of goodwill and its impairment
- Note 26 - measurement of the defined benefit obligations
- Note 14 - impairment of property, plant & equipment
- Note 16 - impairment of investments in separate Financial Statements of Parent Company
- Note 25 - deferred tax

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.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are consistent with those used in the previous year. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group.

Certain comparative information has been reclassified to conform with the current year's presentation. In addition, the comparative income statement has been represented as if an operation discontinued during the current period had been discontinued from the start of the comparative period.

The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future, **and they do not foresee a need for liquidation or cessation of trading.**

3.1 Basis of Consolidation

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 Note 16 to the Financial Statements.

3.1.1 Acquisitions and Divestments

Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The results of subsidiaries, equity accounted investees acquired or incorporated during the period have been consolidated from the date of acquisition or incorporation, while the results of subsidiaries, equity accounted investees disposed, have been accounted up to the date of disposal.

3.1.2 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'.

3.1.3 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.

3.1.4 Equity Accounted Investees

Equity accounted investees are those entities in which the Group has significant influence, but not control, over financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Equity accounted investees are accounted for using the equity method. The Consolidated Financial Statements include the Group's share of income and expenses 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.

3.1.5 Transactions Eliminated on Consolidation

Intra-group balances, 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.

3.2 Foreign Currency

3.2.1 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 to the functional currency at the exchange rate ruling at that date. Foreign currency differences arising on retranslation are recognised in profit and loss. 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.

3.2.2 Financial Statements of Foreign Entities

The results and financial position of all Group entities that have a functional currency other than the Sri Lanka Rupee are translated into Sri Lankan Rupees as follows:

- assets and liabilities for each Balance Sheet presented, including goodwill and fair value adjustments arising on the acquisition of a foreign entity, are translated at the closing rate at the reporting date;
- income and expenses are translated at the average exchange rate for the period.

All resulting exchange differences are recognised in the foreign currency translation reserve within equity. When a foreign entity is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is recognised in profit and loss.

3.3 Assets and Bases of their Valuation

3.3.1 Property, Plant & Equipment

3.3.1.1 Recognition and Measurement

Items of property, plant & equipment are measured at cost or at fair value in the case of land less accumulated depreciation and accumulated impairment losses if any.

3.3.1.2 Owned Assets

The cost of property, plant & equipment includes expenditure that are 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. 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.

A revaluation of land is done when there is a substantial difference between the fair value and the carrying amount of the land, and is undertaken by professionally qualified valuers.

Increases in the carrying amount on revaluation are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same individual asset are charged against revaluation reserve directly in equity. All other decreases are expensed in profit and loss.

3.3.1.3 Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3.3.1.4 Subsequent Costs

The cost of replacing part 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.

3.3.1.5 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.

3.3.1.6 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. 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 - 40 years
Software	-	03 - 05 years
Plant & machinery	-	05 - 20 years
Vessels	-	04 - 06 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.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

3.3.2 Intangible Assets

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably in accordance with SLAS 37 - 'Intangible Assets'. Accordingly, these assets are stated in the Balance Sheet at cost less accumulated amortisation and accumulated impairment losses.

3.3.2.1 Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities of the acquired entity. Negative goodwill arising on an acquisition represents the excess of the Group's interest in the fair value of the assets and liabilities acquired over the cost of acquisition. Negative goodwill is recognised immediately in profit and loss.

After the control of an entity is obtained, changes in ownership interest that do not result in a loss of control are accounted as equity transactions and gain or loss from these changes are not recognised in profit and loss.

Goodwill arising on an acquisition of a minority interest in a subsidiary, represents the excess of the cost of the additional investment over the carrying amount of the interest in the net assets, acquired at the date of exchange.

Goodwill is tested annually for impairment and is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

3.3.2.2 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.

3.3.2.3 Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit and loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit and loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

3.3.2.4 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.

3.3.2.5 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.

3.3.2.6 Amortisation

Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, 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 years

3.3.3 Investments

3.3.3.1 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 initially measured at its cost including related transaction costs and is therefore carried at its cost less any accumulated depreciation and any accumulated impairment losses.

3.3.3.2 Long-Term Investments

Quoted and unquoted investments in shares held on long-term basis are measured at cost.

In the Parent company's Financial Statements, investments in subsidiaries and Equity Accounted Investees are carried at cost less impairment losses under the Parent Company's accounting policy for long-term investments.

Provision for impairment is made when in the opinion of the Directors there has been a decline which is other than temporary in the value of the investment.

3.3.3.3 Short-Term Investments

Short-term investments are measured at the lower of cost and market value on an aggregate portfolio basis, with any resultant gain or loss recognised in profit and loss.

3.3.4 Current Assets

Assets classified as current assets on the Balance Sheet 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.

3.3.5 Inventories

Inventories are measured at the lower of cost and net realisable value. The general basis on which cost is determined is:

- 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 an appropriate share of production overhead based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

3.3.6 Trade and other Receivables

Trade and other receivables are stated at their estimated realisable amounts.

3.3.7 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.

3.3.8 Impairment

The carrying amounts of the Group's 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, recoverable amounts are estimated at each reporting date or more frequently, if events or changes in circumstances indicate that they might be impaired.

3.3.8.1 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.

3.3.8.2 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.

3.3.9 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 continuing use are classified as assets held for sale. Immediately before classification as assets held for sale, the assets (or components of a disposal group) are measured 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 costs to sell.

An impairment loss on initial recognition as held for sale, and subsequent gains and losses on re-measurement are recognised in profit and loss. Gains in excess of any cumulative impairment loss are not recognised.

3.3.10 Discontinued Operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is represented as if the operation had been discontinued from the start of the comparative period.

3.4 Liabilities and Provisions

Liabilities classified as current liabilities on the Balance Sheet are those which fall due for payment on demand or within one year from the reporting sheet date. Non-current liabilities are those balances that fall due for payment later than one year from the reporting sheet date.

All known liabilities have been accounted for in preparing the Financial Statements.

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 expense in profit and loss as incurred.

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 SLAS 16 - 'Employee Benefits Costs'. 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 26. 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 SLAS 16 (Revised 2006) - 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 years of service
up to 20	1/2
20 to 25	3/4
25 to 30	1
30 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

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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 Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

3.4.6 Trade and Other Payables

Trade and other payables are stated at their cost.

3.4.7 Capital Commitments and Contingencies

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

3.5 Income Statements

For the purpose of presentation of the income statement, the function of expenses method is adopted, as it represents fairly the elements of Company performance.

3.5.1 Turnover

Hayleys PLC's gross turnover comprises dividends received from Group companies, commission and rent income. The net Group turnover excludes turnover taxes and trade discounts. The gross turnover represents the invoiced value of goods and services to customers outside the Group.

3.5.2 Revenue

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. The stage of completion is assessed by reference to surveys of work performed.

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 the disposal of investments held by the Group are recognised in profit and loss.

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. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

3.5.3 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.

3.5.3.1 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.

3.5.3.2 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.

3.5.3.3 Financing Income and Expenses

Finance income comprises interest income on funds invested, and gains on translation of foreign currency. Interest income is recognised in profit and loss as it accrues.

Finance expenses comprise interest payable on borrowings and losses on translation of foreign currency. The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.5.3.4 Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, when it is recognised in equity.

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.

Deferred tax is recognised using the Balance Sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.

3.6 General

3.6.1 Events Occurring after the Balance Sheet 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 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 with SLAS 32 - 'Plantations'.

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.

3.7.1 Property, Plant & Equipment

3.7.1.1 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.

3.7.1.2 Limited Life Land Development Cost (Immature/Mature Plantations)

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter-planting and fertilisation etc., incurred between the times of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct cost plus attributable overheads, including interest attributable to borrowings utilised to finance immature plantations.

Permanent impairments to land development costs are charged to the Income Statement in full or reduces to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

The expenditure incurred on perennial crop (Tea/Rubber) fields which come into bearing during the year, has been transferred to mature plantations.

3.7.1.3 Infilling Cost

The land development cost incurred for infilling has been capitalised with the relevant mature field only when it increases the expected economic future benefits from that field. Infilling costs that are not capitalised are recognised in profit and loss as an expense as incurred.

3.7.1.4 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:

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.

3.7.1.5 Leased Assets

Leasehold rights are amortised in equal annual amounts over the shorter of the remaining lease periods and the useful lives as follows:

Description	Years
Bare land	53
Improvements to land	30
Mature plantations	30
Buildings	25
Machinery	15

3.7.2 Borrowing Costs

Borrowing costs incurred in respect of 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.

3.7.3 Inventories**3.7.3.1 Nurseries**

At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

3.7.3.2 Produce Stocks

Produce stocks manufactured up to the Balance Sheet date and sold since then, until the time of preparation of the Financial Statements are valued at since realised price. The balance stocks are valued at the estimated selling price. The prices are net of all attributable expenses relating to the public auction.

3.7.4 Grants

A grant is recognised in the Financial Statements initially as deferred income when there is a reasonable assurance that it will be received and the conditions attached to it are complied with.

Grants that compensate the Group for expenses incurred are recognised in profit and loss on a systematic basis in the same 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 related asset.

3.8 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.

3.9 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segmental information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

The activities of the segments are described on pages 08 to 27 in the Hayleys Management Review & Preview section. Segmentation has been determined based on the activities of the companies or the sector into which the products or services are sold (e.g. activated carbon is segmented as Purification Products).

The Group transfers products from one geographic region for resale to another. The geographical analysis of turnover is by location of customer and of profits by location of the office in which the business is recorded.

Inter-segment transfers are based on fair market prices. Segment results, assets and liabilities 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

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 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 3.3.8. The basis of determining the recoverable amounts of cash-generating units and key assumptions used are given in Note 15.

4.2 Income Taxes

The Group is subject to income taxes in numerous jurisdictions. The Group recognises liabilities for anticipated tax based on estimates of taxable income. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4.3 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 26. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

4.4 Impairment of Property, Plant and 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.

5. EFFECT OF ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE:

The following Accounting Standards have been issued by the The Institute of Chartered Accountants of Sri Lanka to be effective for the financial periods beginning on or after 1st January, 2012.

- Sri Lanka Accounting Standard - SLAS 39 on 'Share-based Payment'
- Sri Lanka Accounting Standard - SLAS 44 on 'Financial Instruments; Presentation'
- Sri Lanka Accounting Standard - SLAS 45 on 'Financial Instruments; Recognition and Measurement'
- Sri Lanka Accounting Standard - SLAS 46 on 'Financial Instruments; Disclosures'

Following the convergence of Sri Lanka Accounting Standards with International Reporting Standards with the International Financial Reporting Standards, all existing Sri Lanka Accounting Standards will be prefixed as SLFRS or LKAS which refer to Sri Lanka Accounting Standards to IFRS or IAS, respectively. The Council of The Institute of Chartered Accountants of Sri Lanka has mandate all specified business enterprises to adopt these new Accounting Standards effective for financial periods beginning on or after 1st January, 2012.

Disclosure requirement under SLAS 10.30 and 10.31 have been exempted by the ICASL and therefore all differences and impacts arising from the new Standards are not presented in these Financial Statements.

The impact of the above requirements has not been quantified as exempted by the ICASL.

6. TURNOVER**A. Industry Segment Turnover**

	Consolidated	
	2010/11 Rs. '000	2009/10 Rs. '000
Fibre	4,582,981	3,470,321
Hand Protection	11,700,036	9,376,342
Purification Products	6,325,897	5,047,169
Textiles	6,543,378	3,828,512
Construction Materials	1,383,288	—
Agri Products	1,342,216	1,349,915
Agri Inputs	6,064,420	4,470,543
Plantations	4,662,038	2,447,365
Transportation & Logistics	4,734,997	3,512,131
Leisure & Aviation	924,677	—
Consumer	3,799,838	3,497,853
Power & Energy	353,687	144,022
Industry Inputs	1,932,772	989,219
Investments & Services	49,233	35,944
	54,399,459	38,169,336

B. Geographical Segment Turnover

	Consolidated	
	2010/11 Rs. '000	2009/10 Rs. '000
Asia (excluding Sri Lanka)	3,884,955	3,859,438
Australia	1,507,992	1,266,631
Europe	10,475,258	8,696,588
United States of America	7,489,029	5,493,531
Africa	885,337	348,911
Indirect Exports	9,590,363	5,912,927
Sri Lanka	20,566,525	12,591,310
	54,399,459	38,169,336

C. Gross Turnover

	Company	
	2010/11 Rs. '000	2009/10 Rs. '000
Dividend Income	560,665	505,434
Rent Income	161,716	135,029
	722,381	640,463

7. OTHER INCOME

	Consolidated		Company	
	2010/11 Rs. '000	2009/10 Restated Rs. '000	2010/11 Rs. '000	2009/10 Rs. '000
Government grants amortised	21,415	15,935	–	–
Income from investments - quoted - short term	2,120	143	405	125
Change in fair value of short-term investments	171	941	–	572
Gain/(loss) on disposal of property, plant & equipment	45,164	13,003	1,174	5
Gain/(loss) on disposal of investments - long term	–	–	100,902	132,601
- short term	133,593	–	133,593	–
- equity accounted investees	5,381	571,354	–	–
Negative goodwill on acquisition of subsidiaries	3,761	130,036	–	–
	211,605	731,412	236,074	133,303

8. OTHER EXPENSES

	Consolidated		Company	
	2010/11 Rs. '000	2009/10 Rs. '000	2010/11 Rs. '000	2009/10 Rs. '000
Provision for fall in value of long-term investments	10,090	–	–	35,500
Impairment of capital work-in-progress	–	2,511	–	–
Amortisation of intangible assets	22,307	793	–	–
	32,397	3,304	–	35,500

9. NET FINANCE COST

	Consolidated		Company	
	2010/11 Rs. '000	2009/10 Rs. '000	2010/11 Rs. '000	2009/10 Rs. '000
A. Finance Income				
Interest income	(166,465)	(173,155)	(9,091)	(7,437)
B. Finance Cost				
Interest on long-term loans	370,475	258,595	116,407	39,314
Interest on short-term loans	807,724	730,304	165,858	73,473
Interest on finance leases	31,455	18,841	–	–
Net losses/(gains) on translation of foreign currency	(196,849)	(117,756)	–	–
Total finance costs	1,012,806	889,984	282,265	112,787
Net finance costs	846,341	716,829	273,174	105,350

10. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

Profit before tax from continuing operations is stated after charging all expenses including the following:

	Consolidated		Company	
	2010/11 Rs. '000	2009/10 Rs. '000	2010/11 Rs. '000	2009/10 Rs. '000
Directors' emoluments	341,040	227,600	79,902	68,908
Auditors' fees (includes overseas subsidiaries)				
Audit services				
- KPMG Ford, Rhodes, Thornton & Co.	18,648	17,521	800	675
- Other auditors	10,487	9,501	—	—
Non-audit services				
- KPMG Ford, Rhodes, Thornton & Co.	9,062	6,172	47	83
- Other auditors	6,697	2,311	—	—
Depreciation on property, plant & equipment	1,262,885	953,388	29,766	26,064
Donations	11,181	6,622	828	439
Provision for bad and doubtful debts & bad debts written off	130,417	20,212	—	—
Provision for unrealised profit and write-down of inventories	315,716	60,547	—	—
Staff cost (i)				
Defined contribution plan cost	658,017	429,833	28,679	23,097
Defined benefit plan cost	629,775	530,586	55,812	53,784
Other staff cost (excluding defined contributions & defined benefits)	6,028,218	4,331,420	230,555	183,602
Staff training & development	26,230	16,846	3,601	2,369
Legal fees	24,086	15,559	—	—
Operating leases	133,377	139,666	—	—

(i) The number of employees employed are given on page 65.

11. TAXATION**A. Tax Expense**

	Consolidated	
	2010/11 Rs. '000	2009/10 Rs. '000
Income tax on current year profits		
Hayleys PLC	1,880	1,659
Subsidiaries	802,758	644,415
	804,638	646,074
(Over)/under provision in respect of previous years	1,024	(5,299)
Irrecoverable ESC	7,277	4,398
	812,939	645,173
Origination/(reversal) of temporary differences		
Hayleys PLC	—	—
Subsidiaries	5,339	(27,835)
	5,339	(27,835)
Tax on dividend income	85,575	66,859
	85,575	66,859
Tax expense	903,853	684,197

B. Reconciliation of Accounting Profit with Income Tax Expense

	Consolidated		Company	
	2010/11	2009/10 Restated	2010/11	2009/10
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit before tax	2,119,911	3,293,302	455,164	417,966
Share of profit of equity accounted investees	(51,074)	(65,288)	–	–
Intra-group adjustments	999,863	1,202,119	–	–
	3,068,700	4,430,134	455,164	417,966
Disallowable expenses	3,304,556	1,927,933	122,004	132,229
Tax deductible expenses	(2,241,470)	(1,474,962)	(41,150)	(178,997)
Tax exempt income	(3,277,601)	(2,621,273)	(795,565)	(638,121)
Tax loss b/f	(3,686,758)	(3,268,484)	(804,542)	(525,760)
Adjustment of tax loss b/f	146,886	(101,675)	(17,396)	(7,189)
Tax loss c/f	4,404,579	3,686,758	1,086,340	804,542
Taxable income	1,718,891	2,578,431	4,855	4,670
Income tax @ 35%	488,817	320,212	1,852	1,634
Income tax @ 15%	116,840	128,818	–	–
Income tax at other tax rates	192,493	191,962	–	–
Social Responsibility Levy	6,488	4,771	28	25
Income tax on current year profit	804,638	646,074	1,880	1,659
(Over)/under provision in respect of previous years	1,024	(5,299)	–	–
Irrecoverable ESC	7,277	4,398	–	–
	812,939	645,173	1,880	1,659
Origination and reversal of temporary differences	5,339	(27,835)	–	–
Tax on dividend income	85,575	66,859	–	–
Tax expense	903,853	684,197	1,880	1,659
Effective tax rate (%)	44%	21%	0%	0%

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 35% during 2010/11.

1. Tax Exemptions**1 A. In terms of the Inland Revenue Act**

- Following companies are eligible to five-year tax holidays ending 31st March, 2011 in terms of Section 16 of the Inland Revenue Act No. 10 of 2006 as amended, on profits from agriculture:

Hayleys Exports PLC

Volanka Exports Ltd.

Chas. P. Hayley & Company (Pvt) Ltd.

Lignocell (Pvt) Ltd.

Kelani Valley Plantations PLC

Talawakelle Tea Estates PLC

Sunfrost (Pvt) Ltd.

HJS Condiments Ltd.

Agro Farms Ltd.

Mabroc Teas (Pvt) Ltd.

- Income earned by Alutec Anodising and Machine Tools (Pvt) Ltd. is exempt from income tax until March 31, 2012 in terms of Section 17 (1) and Section 17 (2) (a) (ii) of the Inland Revenue Act No. 10 of 2006.
- Income earned by Hayleys Industrial Solutions (Pvt) Ltd. from projects undertaken outside Sri Lanka is exempt from income tax under Section 13 of the Inland Revenue Act No. 10 of 2006.
- Foreign dividends received is exempt from income tax in terms of Section 10 of the Inland Revenue Act.

1 B. In terms of BOI Agreements

Companies enjoying Tax Holidays under BOI Law are as follows:

Hanwella Rubber Products Ltd.	10 year tax holiday ending 31st March, 2011
Feltex (Pvt) Ltd.	5 year tax holiday ending 31st March, 2011
Hayleys MGT Knitting Mills PLC	15 year tax holiday ending 31st March, 2011
Kelani Valley Green Tea (Pvt) Ltd.	5 year tax holiday ending 31st March, 2011
Recogen Ltd.	10 year tax holiday ending 31st March, 2016
Bhagya Hydro Power (Pvt) Ltd.	5 year tax holiday ending 31 March, 2012
Kalupahana Power Company (Pvt) Ltd.	5 year tax holiday ending 31 March, 2012
Neluwa Cascade Hydro Power (Pvt) Ltd.	5 year tax holiday ending in 31st March, 2014
Logiwiz NW (Pvt) Ltd.	5 year tax holiday ending 31 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
Texnil (Pvt) Ltd.	10 year tax holiday ending 31 March, 2013
Civaro International Ltd.	5 year tax holiday ending 31st March, 2012
Hayleys Agro Biotech (Pvt) Ltd.	8 year tax holiday is yet to commence
Moceti International (Pvt) Ltd.	5 year tax holiday ending in 31st March, 2013
Hayleys Business Solutions (Pvt) Ltd.	5 year tax Holiday is yet to commence
Alco Industries (Pvt) Ltd.	5 years tax holiday would expire in 2014/15

1 C. Exemptions outside Sri Lanka

Haycarb Holdings Bitung Ltd.	Indefinitely
Dipped Products (Thailand) Ltd.	8 years up to 31st December, 2012 and thereafter taxed at half corporate tax rate for a further period of five years.

2. Concessionary Tax Rates

2 A. In terms of the Inland Revenue Act

In terms of Sections 46, 51, 56 and 59 of the Inland Revenue Act No. 10 of 2006 as amended, the profits of companies listed below enjoy a concessionary tax rate of 15%.

Haycarb PLC	Profits from qualifying export
Haycolour (Pvt) Ltd.	Profits from qualifying export
Super Felt (Pvt) Ltd.	Profits from qualifying exports
Creative Polymat (Pvt) Ltd.	Profits from qualifying exports & indirect exports
Ravi Industries Ltd.	Profits from qualifying exports & indirect exports
Rileys (Pvt) Ltd.	Profits from qualifying exports & indirect exports
Haymat (Pvt) Ltd.	Profits from qualifying exports & indirect exports
Toyo Cushion Lanka (Pvt) Ltd.	Profits from qualifying exports & indirect exports
Logiventures (Pvt) Ltd.	Profits from qualifying exports
Puritas Ltd.	Profits from qualifying exports
Lanka Orient Express Lines Ltd.	Profits from transshipment
DPL Plantations (Pvt) Ltd.	Profits from agriculture
Hayleys Plantation Services (Pvt) Ltd.	Profits from agriculture

Global Holidays (Pvt) Ltd.	Profits from promotion of tourism
Clarion Shipping (Pvt) Ltd.	Profits from transshipment
NYK Lines Lanka Ltd.	Profits from transshipment
Hayleys Tours & Travels (Pvt) Ltd.	Profits from promotion of Tourism
Hotel Services (Ceylon) PLC	Profits from promotion of tourism
Hunas Falls Hotels PLC	Profits from promotion of tourism

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 period indicated:

Dipped Products PLC	15% for a further period of 10 years up to Y/A 2018/2019
Grossart (Pvt) Ltd.	15% for a further period of 10 years up to Y/A 2019/2020
Logiwiz Ltd.	20% indefinitely
Neoprex (Pvt) Ltd.	15% for a further period of 10 years up to Y/A 2017/2018
Logistics International Ltd.	15% for 20 years up to 2016/2017
Bonterra Ltd.	15% for 20 years up to 2015/2016

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.	30.9%
Eurocarb Products Ltd.	28%
Haycarb Holding Australia (Pty) Ltd.	30%
Magic Soil (Pty) Ltd.	30%
Carbokarn Co. Ltd.	30%
ICO Guanti SpA	27.5%
CK Regen System	30%
Haylex BV Group	28%
Civaro NA Inc	30%

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	
	2010/11	2009/10 (Restated)
Profit attributable to equity holders of the Company (Rs. '000)	724,750	1,731,233
Weighted average number of ordinary shares (i)	75,000,000	75,000,000
Basic/Diluted earnings per share (Rs.)	9.66	23.08

Continuing Operations

Profit attributable to ordinary shareholders (Rs. '000)	733,609	1,763,364
Weighted average number of ordinary shares (i)	75,000,000	75,000,000
Basic/Diluted earnings per share (Rs.)	9.78	23.51

Discontinued Operations

Profit attributable to ordinary shareholders (Rs. '000)	(8,859)	(32,132)
Weighted average number of ordinary shares (i)	75,000,000	75,000,000
Basic/Diluted earnings per share (Rs.)	(0.12)	(0.43)

(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

	Consolidated	
	2010/11 Rs. '000	2009/10 Rs. '000
Interim paid Rs. nil per share (2009/10 - Rs. 2/- per share)	—	150,000
First and Final proposed Rs. 4/- per share (2009/10 - Rs. 2/- per share)	300,000	150,000
Total dividends	300,000	300,000
Dividend per ordinary share (Rs.)	4.00	4.00

- (i) The dividends represent re-distribution of dividends received by the Company and are therefore not subject to the 10% tax deduction.
- (ii) The Directors have recommended a Rs. 4/- per share first and final dividend for the year ended 31st March, 2011 to be approved at the Annual General Meeting on 29th June, 2011.

14. PROPERTY, PLANT & EQUIPMENT**A. Consolidated**

	Land	Mature/ immature plantations	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Total	Total
<i>As at 31st March,</i>							2010/11	2009/10 (Restated)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost or Valuation:								
Gross book value								
At the beginning of the year	7,161,959	2,072,729	5,459,272	10,673,207	424,052	1,507,010	27,298,229	18,405,022
Revaluation surplus	—	—	—	—	—	—	—	1,635,499
On acquisition of subsidiary	533,646	1,883,677	904,431	1,435,185	168,209	100,350	5,025,498	6,493,110
Additions	246,413	474,272	597,706	793,694	127,466	194,688	2,434,239	1,124,204
Transfers to assets held for disposal	—	—	—	—	—	—	—	(270,125)
Disposals	—	(129,317)	(6,384)	(53,716)	(42,934)	(41,750)	(274,101)	(210,154)
Effect of movements in foreign exchange rates	(1,723)	—	2,590	7,203	(13,012)	(2,268)	(7,210)	120,673
At the end of the year	7,940,295	4,301,361	6,957,615	12,855,573	663,781	1,758,030	34,476,655	27,298,229
Depreciation:								
At the beginning of the year	119,752	446,937	1,018,754	5,420,116	283,949	1,146,404	8,435,911	5,582,331
On acquisition of subsidiary	93,960	315,075	102,331	518,453	129,765	73,894	1,233,478	1,986,061
Charge for the year	21,949	91,860	165,110	782,776	66,888	134,302	1,262,885	963,664
Transfer to assets held for disposal	—	—	—	—	—	—	—	(15,196)
On disposals	—	—	(5,612)	(39,071)	(35,518)	(33,507)	(113,708)	(158,188)
Effect of movements in foreign exchange rates	—	—	1,471	21,401	(15,786)	(1,662)	5,448	77,239
At the end of the year	235,661	853,872	1,282,054	6,703,675	429,298	1,319,431	10,824,014	8,435,911
Net book value at 31st March,	7,704,634	3,447,489	5,675,561	6,151,898	234,484	438,599	23,652,640	18,862,318
Capital work-in-progress							792,955	266,791
Carrying value							24,445,595	19,129,109

B. Company

	Freehold Land	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Total	Total
<i>As at 31st March,</i>	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	2010/11 Rs. '000	2009/10 Rs. '000
Cost or Valuation:							
Gross book value							
At the beginning of the year	3,691,480	131,490	40,987	18,359	171,666	4,053,982	3,297,355
Revaluation surplus	—	—	—	—	—	—	730,480
Additions	—	600	—	—	12,512	13,112	37,402
Disposals	—	—	—	(574)	(464)	(1,038)	(11,255)
At the end of the year	3,691,480	132,090	40,987	17,785	183,714	4,066,056	4,053,982
Depreciation:							
At the beginning of the year	—	42,789	34,999	8,254	120,060	206,102	189,178
Charge for the year	—	1,923	1,728	3,557	22,557	29,765	26,064
On disposals	—	—	—	(574)	(170)	(744)	(9,140)
At the end of the year	—	44,712	36,727	11,237	142,447	235,123	206,102
Net book value at 31st March,	3,691,480	87,378	4,260	6,549	41,267	3,830,933	3,847,880
Capital work-in-progress						6,806	7,648
Carrying value						3,837,739	3,855,528

C. Carrying Value

	Consolidated		Company	
<i>As at 31st March,</i>	2010/11 Rs. '000	2009/10 Rs. '000	2010/11 Rs. '000	2009/10 Rs. '000
At cost	15,438,881	10,834,888	146,259	164,048
At valuation	6,594,370	6,594,370	3,691,480	3,691,480
On finance leases	2,412,344	2,052,839	—	—
	24,445,595	19,129,109	3,837,739	3,855,528

(i) Total borrowing cost capitalised to-date amounts to Rs. 162.6 mn (2009/10 - Rs. 162.6 mn).

(ii) Group property, plant & equipment includes capitalised finance leases and leasehold rights on land. The carrying amount of these assets is:

	Consolidated			
	Cost	Accumulated depreciation/ amortisation	Carrying value	Carrying value
<i>As at 31st March,</i>	Rs. '000	Rs. '000	2011 Rs. '000	2010 Rs. '000
Land	620,852	204,732	416,120	268,782
Mature/immature plantations	2,284,455	500,233	1,784,222	1,625,792
Buildings	241,175	88,027	153,148	112,309
Machinery & stores equipment	81,164	49,497	31,667	24,512
Motor vehicles	63,880	36,693	27,188	21,445
Total	3,291,527	879,182	2,412,344	2,052,839

(iii) Unexpired lease periods of land:

Kelani Valley Plantations PLC - 36 years

HJS Condiments Ltd. - 89 years/82 years/24 years

Talawakelle Tea Estates PLC - 34 years

(iv) Amounts by which values have been written up in respect of land revalued by independent qualified valuers are indicated below, together with the last date of revaluation:

As at 31st March, Company	Location	Written up by	
		2011 Rs. '000	2010 Rs. '000
Hayleys PLC	Deans Road and Foster Lane, Colombo 10 (31.03.2010)	3,684,503	3,684,503
Volanka (Pvt) Ltd.	Ekala (31.03.2010)	416,468	416,468
	Galle (31.03.2010)	27,096	27,096
		443,564	443,564
Chas P. Hayley & Co. (Pvt) Ltd.	Galle (31.03.2010)	212,800	212,800
Dipped Products PLC	Kottawa (31.03.2010)	80,105	80,105
	Weliveriya (31.03.2010)	53,204	53,204
Venigros (Pvt) Ltd.	Weliveriya (31.03.2010)	33,900	33,900
Palma Ltd.	Gonawala (31.03.2010)	27,958	27,958
		195,167	195,167
Haycarb PLC	Badalgama and Madampe (31.03.2010)	70,570	70,570
	Wewelduwa (31.03.2010)	64,822	64,822
Recogen (Pvt) Ltd.	Badalgama (31.03.2010)	18,256	18,256
		153,648	153,648
Lignocell (Pvt) Ltd.	Kuliyapitiya (31.03.2010)	21,340	21,340
Carbotels (Pvt) Ltd.	Elkaduwa (31.03.2010)	96,322	96,322
Haychem (Pvt) Ltd.	Kottawa (31.03.2010)	55,914	55,914
Haycolour (Pvt) Ltd.	Kalutara (31.03.2010)	22,706	22,706
Hayleys Electronics Ltd.	Malabe (31.03.2010)	88,803	88,803
Hayleys Exports PLC	Ekala (31.03.2010)	180,413	180,413
Hayleys Advantis Group	Welisara and Kelaniya (31.03.2010)	468,756	468,756
Ravi Industries Ltd.	Ekala (31.03.2010)	89,250	89,250
Volanka Exports Ltd.	Welipenna (31.03.2010)	6,492	6,492
Rileys (Pvt) Ltd.	Galle (31.03.2010)	135,608	135,608
Toyo Cushion Lanka (Pvt) Ltd.	Katana (31.03.2010)	45,126	45,126
Sunfrost (Pvt) Ltd.	Alawwa (31.03.2010)	12,478	12,478
Hayleys MGT Knitting Mills PLC	Neboda (31.03.2010)	16,433	16,433
Hayleys Electronics Lighting (Pvt) Ltd.	Hokandara (31.03.2009)	4,047	4,047
		5,933,370	5,933,370
Revaluation reserve attributable to non-controlling interest		(547,564)	(547,564)
Share of revaluation reserves of equity accounted investees		150,089	150,089
		5,535,895	5,535,895
Adjustment due to change in holding		10,463	6,776
		5,546,358	5,542,671

- (v) Land owned by the Group other than those mentioned above has been stated at cost as the appreciation in value is insignificant. Further information is provided on page 181. There are no tax implications or tax liabilities pertaining to revaluation of land.
- (vi) Subject to disclosure in Note 8 - Other expense, there has been no permanent impairment of property, plant & equipment which requires a provision.
- (vii) Property, plant & equipment with a carrying value of Rs. 4,196 mn and Rs. nil have been pledged as security for term loans obtained. The details are shown in Note 23.
- (viii) The carrying value of revalued land given above, had the said land been included at cost, would amount to Rs. 661 mn (Rs. 661 mn - 31st March, 2010) for the Group and Rs. 7 mn (Rs. 7 mn - 31st March, 2010) to the Company.
- (ix) The cost of the fully depreciated Property, Plant & Equipment which are still in use at the Balance Sheet date is as follows.

	Rs.'000
Buildings	6,613
Machinery & equipment	292,054
Furniture, fittings & office equipment	573,819
Motor vehicles	35,942

D. Capital Expenditure Commitments

The approximate amounts of capital expenditure approved by the Directors as at 31st March, 2011 were: Capital expenditure contracted for which no provision is made in the Financial Statements - Rs. 145 mn (Rs. 39 mn - 31st March, 2010). Capital expenditure approved by the Directors but not contracted for - Rs. 1,025 mn (Rs. 1,581 mn - 31st March, 2010).

15. INTANGIBLE ASSETS

	Development cost Rs. '000	Right to generate hydro power Rs. '000	Consolidated		Total
	Rs. '000	Rs. '000	Leasehold right Rs. '000	Goodwill Rs. '000	Rs. '000
Cost					
At beginning of the year	—	35,796	1,153,746	1,051,309	2,240,851
On acquisition of subsidiary	—	29,396	—	1,151,753	1,177,592
Addition	35,772	—	—	—	39,329
At end of the year	35,772	65,192	1,153,746	2,203,062	3,457,772
Amortisation					
At beginning of the year	—	2,672	—	136,095	138,767
On acquisition of subsidiary	—	3,557	—	—	3,557
Amortisation charge for the year	—	2,753	19,555	—	22,308
At end of the year	—	8,982	19,555	136,095	164,632
Carrying Value					
31st March 2011 (ii)	35,772	56,210	1,134,191	2,066,967	3,293,140
31st March 2010 - (Restated)	—	33,124	1,153,746	915,213	2,102,083

- (i) Additions of right to generate hydro power represent the amounts paid to purchase exclusive rights to generate hydro power.

Goodwill on acquisition of subsidiaries represents that arising from the acquisition of equity in Alutec Anodising & Machine Tools (Pvt) Ltd. & Mabroc Teas (Pvt) Ltd. Further details given in Note 35.

- (ii) The aggregate carrying amount of goodwill allocated to each unit is as follows:

Dipped Products PLC	-	Rs.	97 mn
Dipped Products Group Companies	-	Rs.	49 mn
Advantis Group Companies	-	Rs.	98 mn
Haycarb Group Companies	-	Rs.	63 mn
Hunas Falls Hotels PLC	-	Rs.	8 mn
Hotel Services (Ceylon) PLC	-	Rs.	633 mn
Alutec Anodising & Machine Tools (Pvt) Ltd.	-	Rs.	902 mn
Alumex (Pvt) Ltd.	-	Rs.	82 mn

- (iii) There has been no permanent impairment of intangible assets that requires a provision. Methods used in estimating recoverable amount is given below:

The recoverable value of the Dipped Products PLC, Hunas Falls Hotels PLC, Hotel Services (Ceylon) PLC and Alutec Anodising Machine Tools (Pvt) Ltd. unit was based on fair value less cost to sell and other was 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 the inflation
Discount rate	-	Average market borrowing rate adjusted for risk premium
Margin	-	Based on current margin and business plan

- (iv) Remaining amortisation period of Rights to Generate Hydro Power.

Remaining amortisation period	Carrying amount (Rs. '000)
120 months	5,693
141 months	3,174
180 months	47,343
Total	56,210

- (v) Group has recognised an intangible asset in respect of operating leases acquired from the acquisition of Hotel Services (Ceylon) PLC, since terms of operating lease is favourable relative to market terms. Leasehold rights of the land has been revalued as of 31st March, 2010 by an independent qualified valuer at Rs. 1,313,086,051/-.

Intangible asset from the leasehold right is the revalued value of the land over the present value of future lease rentals to be paid.

Remaining leasehold period - 58 years.

The leasehold rights of the land has been revalued as of 31st March, 2011 by the same independent qualified valuer at Rs. 1,329,829,949/-.

16. INVESTMENTS

A. The Group consolidates as subsidiaries, its investments in Dipped Products Group, Volanka Group, Toyo Cushion Lanka (Pvt) Ltd., HJS Condiments Ltd., Carbokarn Ltd. and Dean Foster (Pvt) Ltd. Hayleys Plantations Services (Pvt) Ltd. in terms of Paragraph 13 (b) of SLAS 26 on Consolidated Financial Statements and Accounting for Investments in Subsidiaries, as in the opinion of the Directors the Group is able to govern the financial and operating policies of the said companies.

B. Company Investment in Subsidiaries

As at 31st March,	% Holding		No. of Shares			Value Rs. '000		
	2011	2010	2011	Movement	2010	2011	Movement	2010
Investee								
Quoted investments								
Haycarb PLC (Rs. 3,127 mn)	68	68	20,125,103	—	20,125,103	47,203	—	47,203
Hayleys Exports PLC (Rs. 237 mn)	65	65	5,200,000	—	5,200,000	3,575	—	3,575
Dipped Products PLC (Rs. 2,877 mn)	41	41	24,776,080	—	24,776,080	363,612	—	363,612
Hayleys MGT Knitting Mills PLC (Rs. 1,002 mn)	57	57	28,138,452	—	28,138,452	569,153	—	569,153
Hunas Falls Hotels PLC (Rs. 0 mn)	0	1	—	(71,200)	71,200	—	(3,599)	3,599
Hotel Services (Ceylon) PLC (Rs. 1,542 mn)	38	51	66,762,690	(22,997,310)	89,760,000	1,408,629	(485,222)	1,893,851
						2,392,173	(488,820)	2,880,993
Unquoted investments								
Hayleys Photoprint Ltd.	100	100	6	—	6	—	—	—
Haytech Marketing Ltd.	100	100	14,365	—	14,365	—	—	—
Haylex BV	100	100	1,000	—	1,000	25,733	—	25,733
Hayleys Textile Services Ltd.	100	100	41	—	41	—	—	—
Chas P. Hayley & Co. Ltd.	100	100	999,920	130	999,790	698	25	673
Ravi Industries Ltd.	85	85	10,767,526	30,899	10,736,627	15,077	875	14,201
Hayleys Agrocure Ltd.	100	0	104,338	104,338	—	—	—	—
Hayleys Group Services Ltd.	100	100	10,000	—	10,000	100	—	100
Hayleys Electronics Ltd.	98	98	951,850	—	951,850	95,687	—	95,687
Dean Foster (Pvt) Ltd.	49	49	5,882,351	—	5,882,351	9,904	—	9,904
Hayleys Advantis Ltd.	92	91	33,502,557	336,590	33,165,967	323,875	16,936	306,939
Volanka Exports Ltd.	3	3	91,113	500	90,613	1,669	17	1,652
Sunfrost (Pvt) Ltd.	5	5	423,300	—	423,300	4,233	—	4,233
Rileys (Pvt) Ltd.	11	11	2,500,000	—	2,500,000	10,334	—	10,334
XIL Industries Ltd.	99	99	2,662,601	—	2,662,601	53,818	—	53,818
Volanka Ltd.	46	46	6,440	—	6,440	23,107	—	23,107
Toyo Cushion Lanka (Pvt) Ltd.	17	16	1,168,548	53,421	1,115,127	11,577	1,476	10,101
Hayleys Engineering Ltd.	100	100	11,990	—	11,990	—	—	—
Hayleys Produce Marketing Ltd.	100	100	250,000	—	250,000	2,532	—	2,532
Carbotels (Pvt) Ltd.	75	75	27,578,769	—	27,578,769	308,004	—	308,004
HJS Condiments Ltd.	8	7	989,168	24,023	965,145	10,418	340	10,078
Hayleys Plantation Services (Pvt) Ltd.	33	0	6,700,002	6,700,002	—	67,000	67,000	—
Hayleys Agro Products Ltd.	96	96	18,775,719	66,162	18,709,557	242,814	2,348	240,466
Hayleys Consumer Products Ltd.	98	98	19,187,555	20,027	19,167,528	248,725	84	248,641
Hayleys Industrial Solutions (Pvt) Ltd.	100	100	38,748,400	19,019,700	19,728,700	387,484	190,197	197,287
Hayleys Business Solutions International (Pvt) Ltd.	100	0	10,000,000	10,000,000	—	100,000	100,000	—
Hayleys Leisure Holdings (Pvt) Ltd.	100	0	2,000,000	2,000,000	—	20,000	20,000	—
Alutec Anodising & Machine Tools (Pvt) Ltd.	60	0	1,200,010	1,200,010	—	1,386,905	1,386,905	—
						3,349,694	1,786,203	1,563,490
Company investment in subsidiaries (at cost)						5,741,866	1,297,383	4,444,483
Provision for fall in value of investment made by the Company								
Hayleys Electronics Ltd.						(95,687)	—	(95,687)
XIL Industries Ltd.						(35,500)	—	(35,500)
Company investment in subsidiary						5,610,679	1,297,383	4,313,296

(i) Countries of incorporation of overseas subsidiaries are given in Note 16 F on page 153.

C. Company/Group Investment in Equity Accounted Investees

As at 31st March,		% Holding		No. of Shares		Value Rs. '000			
		2011	2010	2011	Movement	2010	2011	Movement	2010
Investor	Investee								
Quoted investments									
Hayleys PLC	Hayleys MGT Knitting Mills PLC								213,762
	Transfer to subsidiaries								(213,762)
Unquoted investments									
Hayleys PLC	Quality Seed Co. Ltd.	23	23	588,000	—	588,000	1,960	—	1,960
	Hayleys Plantation Services Ltd.		33				67,000		67,000
	Transfer to Subsidiaries						(67,000)	(67,000)	
	World Call Telecommunications Lanka (Pvt) Ltd.	26	26	2,700,000	—	2,700,000	27,000	—	27,000
							28,960	(67,000)	95,960
Company investment in equity accounted investees (at cost)					—		28,960	(67,000)	95,960
Provision for impairment of investments									
Worldcall Telecommunications Lanka (Pvt) Ltd.					—		(27,000)	—	(27,000)
Carrying value of Company investment in equity accounted investees					—		1,960	(67,000)	68,960
Quoted investments									
Carbotels (Pvt) Ltd.	Hunas Falls Hotels PLC (Rs. 89 mn)		47		—	2,746,797		—	47,981
	Transfer to subsidiaries				—	(2,746,797)		—	(47,981)
Haychem (Pvt) Ltd.	Hayleys MGT Knitting Mills PLC (Rs. 24 mn)		2		—	848,774		—	5,900
	Transfer to subsidiaries				—	(848,774)		—	(5,900)
Hayleys Advantis Group	Hayleys MGT Knitting Mills PLC (Rs. 34 mn)		2		—	1,231,230		—	7,700
	Transfer to subsidiaries				—	(1,231,230)		—	(7,700)
Unquoted investments									
Haycarb PLC	Quality Seed Co. Ltd.	6	6	147,000	—	147,000	490	—	490
Carbotels (Pvt) Ltd.	Jetwing Hotels Ltd.	40	40	20,000	—	20,000	21,217	—	21,217
	Tropical Villas (Pvt) Ltd.	40	40	4,137,720	—	4,137,720	41,805	—	41,805
	Eastern Hotels (Rs. 100/- each)	47	47	186,744	—	186,744	26,117	—	26,117
	Negombo Hotels Ltd. (Rs. 100)	30	30	60,000	—	60,000	127,794	—	127,794
Haychem (Pvt) Ltd.	Quality Seed Co. Ltd.	20	20	500,000	—	500,000	5,000	—	5,000
Hayleys Photoprint Ltd.	World Call Telecommunications Lanka (Pvt) Ltd.	3	3	300,000	—	300,000	3,000	—	3,000
Hayleys Advantis Group	Logiwiz Fiji (Pvt) Ltd.	49	49	88,199	—	88,199	6,532	—	6,532
	NYK Logistics & Kusuvara Lanka (Pvt) Ltd.	30	30	195,000	—	195,000	1,950	—	1,950
	Mountain Hawk Investment Company Ltd.	50	50	750,000	—	750,000	7,500	—	7,500
Kelani Valley Plantations PLC	Mabroc Teas (Pvt) Ltd.	—	40	3,600,000	—	3,600,000	48,000	—	48,000
	Transfer to Subsidiaries	—		(3,600,000)	—	—	(48,000)	—	—
Toyo Cushion Lanka (Pvt) Ltd.	Tianjing Shanglong Mattress Co. Ltd.	—	24	—	(181,391)	181,391	—	(18,647)	18,647
Volanka Exports Ltd.	Tianjing Shanglong Mattress Co. Ltd.	—	10	—	(78,000)	78,000	—	(8,064)	8,064
	PT Tulus Lanka Coir Industries	45	45	(164,250)	—	164,250	17,776	—	17,776
Hayleys Exports PLC	Tianjing Shanglong Mattress Co. Ltd.	—	10	—	78,000	78,000	—	—	7,941
Hayleys Industrial Solutions (Pvt) Ltd.	TTEL Hydro Power Company (Pvt) Ltd.	—	49	(3,366,300)	—	3,366,300	33,663	—	33,663
	Transfer to Subsidiaries	—		(3,366,300)	3,366,300	—	(33,663)	(33,663)	—
	TTEL Somerset Hydro Power (Pvt) Ltd.	—	49	2,940,000	—	2,940,000	29,400	—	29,400
	Transfer to Subsidiaries	—		(2,940,000)	(2,940,000)	—	(29,400)	(29,400)	—
							259,181	(60,374)	404,896
							259,181	(60,374)	404,896
							288,141	(175,374)	500,856
	Provision for fall in value of investment								
	PT Tulus Lanka Coir Industries						(17,776)	(17,776)	—
Group investments in equity accounted investees (at cost)							270,365	(193,150)	500,856

As at 31st March	Consolidated					
	Investment at Cost		Share of Post Acquisition Profit/(Loss) & MI Adj.		Net Assets	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Hayleys Plantation Services (Pvt) Ltd.	—	67,000	—	198,391	—	265,391
Quality Seed Co. Ltd.	7,450	7,450	(18,796)	40,229	28,883	47,679
Carbotels Equity Accounted Investees	216,933	216,933	75,646	100,189	392,768	317,122
World Call Telecommunications Lanka (Pvt) Ltd.	30,000	30,000	—	(30,000)	—	—
NYK Logistics & Kusuvara Lanka (Pvt) Ltd.	1,950	1,950	5,941	14,914	22,805	16,864
Mabroc Teas (Pvt) Ltd.	—	48,000	—	44,201	—	92,201
Logiwiz Fiji (Pvt) Ltd.	6,532	6,532	(8,699)	13,858	11,691	20,390
Mountain Hawk Investment Company Ltd.	7,500	7,500	—	—	7,500	7,500
Tianjing Shanglong Mattress Co. Ltd. - China	8,064	34,652	(17,143)	(17,509)	—	17,143
TTEL Hydro Power Company (Pvt) Ltd.	—	33,663	—	(15,343)	—	18,320
TTEL Somerset Hydro Power (Pvt) Ltd.	—	29,400	—	(1,185)	—	28,215
PT Tulus Lanka Coir Industries	17,776	17,776	(2,031)	—	10,091	12,122
	288,141	500,856	4,918	347,745	473,738	842,947
Transferred to other long-term investments	—	—	—	—	(10,091)	—
Group investment in equity accounted investees	288,141	500,856	4,918	347,745	463,647	842,947

(i) Summarised financial information of equity accounted investees.

The following information has not been adjusted for Group share:

As at 31st March,	2011 Rs. '000	2010 Rs. '000
Assets and liabilities		
Total assets	1,915,167	8,654,668
Total liabilities	(596,273)	(3,730,118)
Net assets	1,318,894	4,924,550
For the year ended 31st March,	2011 Rs. '000	2010 Rs. '000
Revenue and profit		
Total revenue	820,598	4,844,585
Total profit after tax	222,572	41,855

(ii) The Company has neither contingent liabilities nor capital commitments in respect of its equity accounted investees.

(iii) The Group has not recognised the following shares of its losses in respect of its equity investments, since Group has no (further) obligation in respect those losses beyond its investments.

As at 31st March,	Cumulative		For the year	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
World Call Telecommunications Lanka (Pvt) Ltd.	(32,094)	(27,755)	(4,339)	(5,690)
	(32,094)	(27,755)	(4,339)	(5,690)

(iv) Countries of incorporation of overseas equity accounted investees are given in Note 16 F on page 153.

D. Other Long-Term Investments

As at 31st March, Investor	Investment	Consolidated	
		2011 Rs. '000	2010 Rs. '000
Hayleys PLC	Unquoted investments		
	4,215,000 shares in Prudentia Investment Corporation Ltd. (31.03.10 - 4,215,000)	42,150	42,150
	Provision for fall in value of investments in Prudentia Investment Corporation Ltd.	(42,150)	(42,150)
	24,940,613 shares in AES Kelanitissa (Pvt) Ltd. (31.03.10 - 24,940,613)	249,407	249,407
	4,200,200 shares in Sri Lanka Institute of Nanotechnology (Pvt) Ltd. (31.03.2010 - 2,900,000)	42,000	29,000
	Company investments in other long-term investments	291,407	278,407
	Quoted investments		
Dipped Products PLC	Hayleys PLC 3,536,159 (31.03.10 - 3,536,159 ordinary shares) (Rs. 1,351 mn)	156,101	156,101
Hanwell Rubber Products Ltd.	Royal Ceramics 1,100 (31.03.10 - 1,100 shares) (Rs. 0.1 mn)	3	3
Dean Foster (Pvt) Ltd.	2,922,413 shares - Hayleys PLC (31.03.10 - 2,922,413) (Rs. 1,117 mn)	214,000	214,000
Toyo Cushion Lanka (Pvt) Ltd.	232,737 shares - Hayleys PLC (31.03.10 - 232,737) (Rs. 89 mn)	11,370	11,370
Volanka Exports Ltd.	183,275 shares - Hayleys PLC (31.03.10 - 183,275) (Rs. 70 mn)	17,431	17,431
		398,905	398,905
	Unquoted investments		
DPL Plantations Ltd.	255,000 shares in Wellassa Rubber Company Ltd. (31.03.2010 - 255,000)	2,550	2,550
Hayleys Advantis Group	600,000 shares in Unit Trust (Rs. 6 mn) (31.03.2010 - 600,000 Shares)	6,000	6,000
	26,071 shares in SLAFFA Cargo Services Ltd. (31.03.2010 - 26,071 Shares)	357	357
Haycarb Group	1,000 shares in Placer Pacific (Pty) Ltd. - Aus. \$ 5 each	51	126
	2,000 shares in Ariadne Australia Ltd. - Aus. \$0.50 each	6	6
	Magic Soils (Pty) Ltd. - Bonds	37	32
Hayleys Industrial Solutions (Pvt) Ltd.	350,000 shares in Hydro Trust Lanka (Pvt) Ltd.	3,500	3,500
Rileys (Pvt) Ltd.	15,101,498 shares in Onril (Pvt) Ltd.	45,645	45,645
	Impairment in value of long-term investment	(45,645)	(45,645)
Hotel Services (Ceylon) PLC	Ceylon Hotels Corporation (100,000 Shares)		100
Chas P. Hayley & Co. (Pvt) Ltd.	5,000 shares in Chas Fibre (Pvt) Ltd. - Indian Rupees 10 each	123	
Lignocell (Pvt) Ltd.	5,000 shares in Chas Fibre (Pvt) Ltd. - Indian Rupees 10 each	123	
Volanka Exports Ltd.	165,250 shares in PT Tulus Lanka Coir Industries	10,091	
	Provision for fall in value of investments	(10,091)	
		12,748	12,671
		411,653	411,576
		703,059	689,983

- (i) PT Tulus Lanka Coir Industries (Indonesia) , in which Volanka Exports Ltd. holds a 45% stake was incorporated in the Consolidated Financial Statements as an Equity Accounted Investee up to 31st March, 2011. Taking into consideration that the Company has no business operations and in the absence of business relationship with the 55% shareholder in PT Tulus Lanka Coir Industries , the Group no longer considers it has any significant influence in respect of this Company. The investment is therefore, from the date stated , not treated as an Equity Accounted Investee but included under the category of other long-term investments in the Consolidated Financial Statements. This incorporates full provision for this investment and other exposures carried in respect of the Company.
- (ii) In the opinion of the Directors the net realisable value of unquoted investments other than those investments for which provisions have been made are higher than their cost.
- (iii) Amounts stated within brackets correspond to fair values as at 31st March, 2011, of quoted investments and investments in unit trusts. In the opinion of the Directors any reduction in fair value below cost is considered to be of temporary nature.

E. Inter-Company Shareholdings

As at 31st March,		% Holding		No. of Shares	
		2011	2010	2011	2010
Investor	Investee				
Agro Technica Ltd.	Sunfrost (Pvt) Ltd.	1	1	75,000	75,000
Chas P. Hayley & Co. Ltd.	Toyo Cushion Lanka (Pvt) Ltd.	2	2	169,267	169,267
	Hayleys Electronics Ltd.	2	2	14,975	14,975
	Lignocell (Pvt) Ltd.	100	100	12,000,000	12,000,000
Dean Foster (Pvt) Ltd.	Volanka (Pvt) Ltd.	28	28	3,920	3,920
	Hayleys Advantis Group	1	1	488,369	488,369
	Chas P. Hayley & Co. (Pvt) Ltd.	0	0	80	80
Dipped Products PLC	Palma Ltd.	100	100	4,000,000	4,000,000
	Grossart (Pvt) Ltd.	100	100	4,200,000	4,200,000
	Venigros (Pvt) Ltd.	100	100	8,000,000	8,000,000
	Feltex (Pvt) Ltd.	100	100	1,500,000	1,500,000
	DPL Plantations (Pvt) Ltd.	100	100	10,100,000	10,100,000
	Neoprex (Pvt) Ltd.	100	100	4,000,000	4,000,000
	Dipped Products (Thailand) Ltd.	99	99	3,700,290	3,700,290
	Texnil (Pvt) Ltd.	100	100	7,500,000	7,500,000
	ICO Guanti SpA (Italy)	55	55	1,100,000	1,100,000
	Hanwella Rubber Products Ltd.	70	70	6,090,000	6,090,000
	Kelani Valley Plantations PLC	71	71	24,200,000	24,200,000
Haycarb PLC	Dipped Products PLC	7	7	4,068,746	4,068,746
	Eurocarb Products Ltd. (UK) (£1 - each)	100	100	100,000	100,000
	Haycarb Holdings Australia (Pty.) Ltd. (Aus \$ 1 - each)	100	100	150,000	150,000
	Carbotels (Pvt) Ltd.	25	25	9,290,341	9,290,341
	Carbokarn Co. Ltd. (100 Baht, 72% paid-up)	50	50	250,000	250,000
	Puritas (Pvt) Ltd.	100	100	700,000	700,000
	Recogen (Pvt) Ltd.	100	100	15,000,000	15,000,000
	Kinetics (Pvt) Ltd.	100	100	4,088,367	4,088,367
	Haymark Inc. (Texas, USA)	100	100	stocks	stocks
	Haycarb Holdings Bitung Ltd.	100	100	1,400,000	1,400,000
	PT Mapalus Makawanua Charcoal Industry (IDR 1,000,000)	2	2	707	707
	Ulracarb (Pvt) Ltd.	100	—	1	—
	PT Mapalus Makawanua Charcoal Industry (IDR 1,000,000)	83	83	30,830	30,830
	Haychem Bangladesh Ltd.	100	100	10,000	10,000
	HJS Condiments Ltd.	2	2	309,374	309,374
Hayleys Agro Products Ltd.	Agro Technica Ltd.	93	93	2,329,900	2,329,900
	Haychem (Pvt) Ltd.	100	100	4,400,000	4,400,000
	Hayleys Agro Fertilizers (Pvt) Ltd.	100	51	5,000,000	2,549,999
	Hayleys Agro Farms (Pvt) Ltd.	100	100	1,500,000	1,500,000
	Hayleys Agro Bio-tech (Pvt) Ltd.	100	100	7,500,000	7,500,000
Hayleys Electronics Ltd.	Hayleys Electronics Manufacturing (Pvt) Ltd.	100	100	500,000	500,000
	Hayleys Electronics Retailing (Pvt) Ltd.	100	100	17,600,000	17,600,000
	XIL Industries Ltd.	0	0	5,898	5,898

As at 31st March,		% Holding		No. of Shares	
		2011	2010	2011	2010
Hayleys Exports PLC	Sunfrost (Pvt) Ltd.	6	6	500,000	500,000
	Eco Fibres (Pvt) Ltd.	100	100	1,500,000	1,500,000
	Toyo Cushion Lanka (Pvt) Ltd.	15	15	1,015,602	1,015,602
	Bonterra Lanka Ltd.	50	50	803,400	803,400
	Rileys (Pvt) Ltd.	34	34	7,750,000	7,750,000
	HJS Condiments Ltd.	12	12	1,561,607	1,561,607
Hayleys Industrial Solutions (Pvt) Ltd.	Haycolour (Pvt) Ltd.	100	100	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
	Biofuels DZ (Pvt.) Ltd.	100	100	20,002	20,002
	Hayleys Lifesciences Ltd.	100	100	3,000,002	3,000,002
	Mawanana Power Company (Pvt.) Ltd.	100	100	320,002	320,002
	Nirmalapura Wind Power (Pvt) Ltd.	100	100	920,002	920,002
	TTEL Hydro Power (Pvt) Ltd.	49	—	3,366,300	—
	TTEL Summerset Hydro Power (Pvt) Ltd.	49	—	2,940,000	—
Hayleys Hydro Energy (Pvt) Ltd.	Neluwa Cascade Hydro (Pvt) Ltd.	100	100	11,910,002	11,910,002
Hayleys Plantation Services (Pvt) Ltd.	Talawakelle Tea Estates PLC	75	75	17,750,000	17,750,000
Talawakelle Tea Estates PLC	TTEL Hydro Power (Pvt) Ltd.	51	—	3,519,000	—
	TTEL Summerset Hydro Power (Pvt) Ltd.	51	—	3,060,000	—
Hayleys Advantis Group	Sunfrost (Pvt) Ltd.	1	1	50,000	50,000
Ravi Industries Ltd.	Rileys (Pvt) Ltd.	54	54	12,250,000	12,250,000
	Dipped Products PLC	1	1	567,000	567,000
	Ravi Marketing Services Ltd.	100	100	10,000	10,000
Rileys (Pvt) Ltd.	Haymat (Pvt) Ltd.	54	54	216,000	216,000
	Creative Polymats (Pvt) Ltd.	100	100	5,000,000	5,000,000
Toyo Cushion Lanka (Pvt) Ltd.	Dean Foster (Pvt) Ltd.	2	2	235,294	235,294
	Super Felt (Pvt) Ltd.	100	100	4,679,998	4,679,998
Volanka (Pvt) Ltd.	Dipped Products PLC	8	8	4,873,640	4,873,640
	Sunfrost (Pvt) Ltd.	87	87	6,945,000	6,945,000
	Toyo Cushion Lanka (Pvt) Ltd.	21	21	1,455,832	1,455,832
	HJS Condiments Ltd.	42	42	5,528,362	5,528,362
	Dean Foster (Pvt) Ltd.	49	49	5,882,353	5,882,353
	Volanka Exports Ltd.	95	95	2,900,000	2,900,000
	Volanka Insurance Services (Pvt) Ltd.	100	100	59,000	59,000
Volanka Exports Ltd.	OE Techniques Ltd.	100	100	10,000	10,000
Kelani Valley Plantations PLC	Kalupahana Power Co. (Pvt) Ltd.	60	60	1,800,000	1,800,000
	Kelani Valley Green Tea (Pvt) Ltd.	51	51	1,020,000	1,020,000
	Kelani Valley Instant Tea (Pvt) Ltd.	75	75	2,250,000	2,250,000
	Mabroc Teas (Pvt) Ltd.	100	—	9,000,000	—
Hayleys Consumer Products Ltd.	Hayleys Consumer Marketing (Pvt) Ltd.	100	100	3,500,000	3,500,000
	Hayleys Electronics (Lighting) (Pvt) Ltd.	100	100	600,000	600,000
Carbotels (Pvt) Ltd.	Hunas Falls Hotels PLC	50	49	2,824,820	2,746,797
	Hotel Services (Ceylon) PLC	13	—	23,000,000	—

F. Countries of Incorporation of Overseas Subsidiaries and Equity Accounted Investees

Countries of incorporation of companies incorporated outside Sri Lanka are stated in brackets against the Company names.

Haychem (Bangladesh) Ltd. (Bangladesh), PT Mapalus Makawanua Charcoal Industry (Indonesia), Haycarb Holdings Bitung Ltd. (BVI), Eurocarb Products Ltd. (UK), Haycarb Holdings Australia (Pty) Ltd. (Australia), Magic Soil (Pty) Ltd. (Australia), Haymark Inc. (USA), Carbokarn Ltd. (Thailand), Haylex BV Group (Netherlands, Japan & UK), Dipped Products (Thailand) Ltd. (Thailand), CK Regen Systems Co. Ltd. (Thailand), ICO Guanti SpA (Italy), Tianjing Shanglong Mattress Co. Ltd. (China), PT Tulus Lanka Coir Industries (Indonesia), Logiwiz Logistics India (Pvt) Ltd. (India), Civaro Freight India (Pvt) Ltd. (India) and Logiwiz Fiji (Pvt) Ltd. (Fiji), Civaro NA Inc. (USA)

17. EMPLOYEES' SHARE TRUST LOAN

The Hayleys PLC Employees' Share Trust (administered by the Senior Partner of Messrs Julius & Creasy, Attorneys-at-Law, the Senior Partner of Messrs Ernst & Young, Chartered Accountants and a Non-Executive Director of Hayleys PLC) 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.

<i>As at 31st March,</i>	Consolidated/Company	
	2010/11 Rs. '000	2009/10 Rs. '000
At beginning of the year	494,085	495,346
Recovery during the year	(1,842)	(1,261)
At end of the year	492,243	494,085

The market value of the shares held by the Trust as at 31st March, 2011 was Rs. 2,620 mn (31st March, 2010 - Rs. 1,531 mn).

18. INVENTORIES

<i>As at 31st March,</i>	Consolidated		Company	
	2010/11 Rs. '000	2009/10 (Restated) Rs. '000	2010/11 Rs. '000	2009/10 Rs. '000
Raw materials & consumables	3,525,230	2,510,610	1,396	1,500
Produce stocks	878,133	285,956	—	—
Work-in-progress	716,906	1,637,153	—	—
Finished goods	3,820,294	3,602,402	—	—
Goods-in-transit	262,031	188,787	—	—
	9,202,593	8,224,908	1,396	1,500
Provision for unrealised profit and write-down of inventories	(340,816)	(402,662)	—	—
	8,861,777	7,822,246	1,396	1,500

(i) The carrying amount of inventories pledged as security for bank facilities obtained amounted to Rs. 1,741 mn (31st March, 2010 - Rs. 1,593 mn).

(ii) Inventory carried at net realisable value as at 31st March, 2011 amounted Rs. 115 mn (31st March, 2010 - Nil).

19. TRADE AND OTHER RECEIVABLES

As at 31st March,	Consolidated		Company	
	2010/11 Rs. '000	2009/10 Rs. '000	2010/11 Rs. '000	2009/10 Rs. '000
Trade receivables	7,271,845	6,839,712	—	—
Provision for bad and doubtful debts	(784,994)	(654,577)	—	—
	6,486,851	6,185,135	—	—
Bills receivable	2,409,518	2,322,488	—	—
Advances made under employee share ownership schemes	3,701	6,149	1,058	—
Other debtors, payments in advance, deposits and employee loans (i)	3,371,800	1,907,270	36,446	37,295
	12,271,870	10,421,042	37,504	37,295

(i) No loans have been given to the Directors of the Company.

As at 31st March,	Consolidated		Company	
	2010/11 Rs. '000	2009/10 Rs. '000	2010/11 Rs. '000	2009/10 Rs. '000
(ii) Currency-wise Analysis of Trade and Other Receivables				
Rupees	9,793,357	4,373,078	37,504	37,295
Australian Dollars	175,953	82,345	—	—
Pounds Sterling	205,654	150,546	—	—
United States Dollars	1,688,683	3,267,612	—	—
Euro	179,423	2,143,623	—	—
Thai Baht	131,834	216,352	—	—
Indian Rupees	—	81,952	—	—
Other	96,967	105,535	—	—
	12,271,870	10,421,042	37,504	37,295

20. SHORT-TERM INVESTMENTS

As at 31st March,		No. of Shares	2010/11 Rs. '000 Fair Value	2010/11 Rs. '000 Cost	2009/10 Rs. '000 Cost
Investor	Investee				
Hayleys PLC	Aitken Spence Hotel Holdings PLC	16	11	1	1
	ACL Cables PLC	127,260	11,962	2,088	2,088
	Asiri Hospitals PLC	1,270	10	1	1
	Blue Diamond Jewellery Worldwide PLC	60	0	2	2
	Central Industries PLC	3,000	865	321	321
	Ceylinco Insurance Co. PLC	76	55	2	2
	Ceylon Cold Stores PLC	84	63	2	2
	Eagle Insurance Co. PLC	49	15	2	2
	DFCC Bank PLC	169	57	19	19
	Kelani Tyres PLC	8,600	903	214	214
	Lanka Orix Leasing Co. PLC	152	181	8	8
	Lanka Tiles PLC	14	2	—	—
	National Development Bank PLC	10,365	3,566	1,691	1,691
	Seylan Bank PLC	90	7	3	3
	Three Acre Farms PLC	18,100	3,077	841	841
			20,776	5,195	5,195
	Provision for fall in value of investment				—
	Company short-term investments		20,776	5,195	5,195

As at 31st March,					
Investor	Investee	No. of Shares	2010/11 Rs. '000 Fair Value	2010/11 Rs. '000 Cost	2009/10 Rs. '000 Cost
Dean Foster (Pvt) Ltd.	ACL Cables PLC	4,120	387	24	24
	Asiri Hospital PLC	270	2	—	—
	Bairaha Farms PLC	900	361	18	18
	Blue Diamond Jewellery Worldwide PLC	13	—	—	—
	Central Industries PLC	900	86	24	24
	Nation Lanka PLC	1,300	14	12	12
	Eagle Insurance Co. PLC	30	9	1	1
	Kelani Tyres PLC	2,000	105	11	11
	Lanka Orix Leasing Co. PLC	3,280	392	10	10
	Three Acre Farms PLC	2,000	336	91	91
	Vanik Incorporation PLC - Voting	7,500	6	124	124
	- Non-voting	5,000	4	50	50
	- Debentures	4,000	16	400	400
			1,720	765	765
Provision for fall in value of investments			—	—	(171)
Mabroc Teas (Pvt) Ltd.	Sampath Bank PLC - Quoted	566	163	34	
	Cambron Exports (Pvt) Ltd. - Unquoted	50,000	500	500	
	Mabroc International (Pvt) Ltd. - Unquoted		732	732	
	Mabroc Japan Co. - Unquoted		4,567	4,567	
	Vanik Incorporation PLC - Debentures	600	60	60	
	Seylan Bank PLC - Debentures	3,000	3,000	3,000	
			9,022	8,893	594
Group short-term investments			31,517	14,853	5,789

21. STATED CAPITAL

As at 31st March,		Company	
		2011 Rs. '000	2010 Rs. '000
Issued & fully-paid - ordinary shares of Rs. 10/- each			
At beginning of the year	- 75,000,000 (1st April, 2009 - 75,000,000)	1,575,000	1,575,000
At end of the year	- 75,000,000 (31st March, 2010 - 75,000,000)	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.

22. OTHER CAPITAL RESERVES & RETAINED EARNINGS**A. Other Capital Reserves**

	Capital profit on redemption of debentures	Fixed asset replacement reserve	Capital reserve on sale of property, plant & equipment	Capital redemption reserve fund	Debenture redemption reserve fund	Reserve on amalgamation	Legal reserve	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Consolidated								
Balance as at 1st April, 2009	109	11,578	57,250	29,979	1,049	300,772	8,983	409,720
Changes in equity holding	—	—	—	704	—	686	—	1,390
Transfers	—	—	—	—	—	—	1,952	1,952
Balance as at 31st March, 2010	109	11,578	57,250	30,683	1,049	301,458	10,935	413,062
Changes in equity holdings	—	12	—	2,619	—	657	—	3,288
Transfers	—	—	—	—	—	—	—	—
Balance as at 31st March, 2011	109	11,590	57,250	33,302	1,049	302,115	10,935	416,350

Company

Balance as at 1st April, 2009	109	11,750	320	—	1,047	—	—	13,226
Balance as at 31st March, 2010	109	11,750	320	—	1,047	—	—	13,226
Balance as at 31st March, 2011	109	11,750	320	—	1,047	—	—	13,226

B. Retained Earnings

	Consolidated		Company	
As at 31st March,	2010/11 Rs. '000	2009/10 Rs. '000	2010/11 Rs. '000	2009/10 Rs. '000
Holding Company	1,085,777	782,493	1,085,777	782,493
Subsidiaries	3,244,705	2,960,762	—	—
Equity Accounted Investees	—	147,876	—	—
	4,330,482	3,891,131	1,085,777	782,493

23. INTEREST-BEARING BORROWINGS

	Consolidated		Company	
As at 31st March,	2010/11 Rs. '000	2009/10 Rs. '000	2010/11 Rs. '000	2009/10 Rs. '000
A. Total Non-Current Interest-Bearing Borrowings				
Finance lease obligations	523,285	382,545	—	—
Debentures	40,000	40,000	—	—
Long-term loans	3,869,334	1,478,708	1,680,000	90,000
Total Non-current interest-bearing borrowings	4,432,620	1,901,253	1,680,000	90,000

	Consolidated		Company	
As at 31st March,	2010/11 Rs. '000	2009/10 Rs. '000	2010/11 Rs. '000	2009/10 Rs. '000
B. Current Portion of Interest-Bearing Borrowings				
Finance lease obligations	29,732	14,785	—	—
Debentures	—	—	—	—
Long-term loans	2,047,512	770,937	720,000	40,000
Total current portion of interest-bearing borrowings	2,077,243	785,722	720,000	40,000

As at 31st March,	Consolidated	
	2010/11 Rs. '000	2009/10 Rs. '000
C. Finance Lease Obligations		
At beginning of the year	740,108	767,202
New leases obtained	34,933	8,497
	775,041	775,699
On acquisition of subsidiary	283,695	3,376
Repayments	(61,321)	(38,967)
At end of the year	997,415	740,108
Finance charges unamortised	(444,396)	(342,778)
Net lease obligations (i)	553,019	397,330

As at 31st March,	Consolidated	
	2010/11 Rs. '000	2009/10 Rs. '000
D. Currency-wise Analysis of Finance Lease Obligations		
Rupees	536,566	383,649
Thai Baht	—	—
Taka	16,453	13,681
	553,019	397,330

As at 31st March,	Consolidated	
	2010/11 Rs. '000	2009/10 Rs. '000
E. Analysis of Finance Lease Obligations by Year of Repayment		
Finance lease obligations repayable within 1 year from year-end		
Gross liability	55,871	35,428
Finance charges unamortised	(26,140)	(20,643)
Net lease obligations repayable within 1 year from year-end (i), (ii)	29,732	14,785
Finance lease obligations repayable between 1 and 5 years from year-end		
Gross liability	147,186	107,363
Finance charges unamortised	(82,535)	(65,737)
Net lease obligations (i), (ii)	64,651	41,626
Finance lease obligations repayable after 5 years from year-end		
Gross liability	791,094	597,739
Finance charges unamortised	(332,460)	(256,819)
Net lease obligations (i), (ii)	458,634	340,920
Net lease liability repayable later than 1 year from year-end	523,285	382,545

(i) Kelani Valley Plantations PLC

The original lease rentals had been amended with effect from 18th June, 1996 to an amount substantially higher than the previous nominal lease rental of Rs. 500/- per estate per annum.

The basic rental payable under the revised basis was Rs. 19,598,000/- per annum. This amount is to be inflated annually by the Gross Domestic Product (GDP) deflator in the form of contingent rent.

This lease agreement was further amended on 1st August, 2002 freezing annual lease rental at Rs. 25,839,041/- from 18th June, 2002'. Hence, the GDP deflator adjustment has been frozen at Rs. 6,241,041/- per annum until 17th June, 2008. Thereafter it will be inflated annually by GDP deflator.

According to the ruling given by The Urgent Issues Task Force (UITF) of The Institute of Chartered Accountants of Sri Lanka, the amount stated in the accounts have been adjusted to reflect the following:

1. Future liability on annual lease payment of Rs. 19,598,000/- would continue until year 2045. The net present value of this liability at 4% discounting rate (as recommended by UITF) would result in a liability of Rs. 362,854,124/-.
2. Net present value of Rs. 362,854,124/- is represented by gross liability of Rs. 676,131,000/- (Rs. 19,598,000/- x 34 ½ years) and interest in suspense of Rs. 313,277,238/-.
3. The charge to the Income Statement during the current period is Rs. 66.8 mn (2009 - Rs. 21.1 mn).

(ii) Talawakelle Tea Estates PLC

The lease of the estates was amended, with effect from 22nd June, 1996 to an amount substantially higher than the previous lease rental of Rs. 500/- per estate per annum. The rental payable under the revised basis is Rs. 7.225 mn per year and to be inflated annually by the Gross Domestic Product (GDP) deflator, and is in the form of a contingent rental. This lease agreement was further amended with effect from 22nd June, 2002, to provide relief to the Company by freezing the lease rental at 2002 level for a period of 5 calendar years, from the fiscal years 2003/2004 to 2007/2008. In 2010, lease agreement was reverted back to the previous agreement with retrospective effect from 2008/2009.

As at 31st March,	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
f. Debentures				
At beginning of the year	40,000	40,000	—	—
Acquisition of Subsidiary	95,000	—	—	—
Exchange difference	—	—	—	—
Repayments during the year	(95,000)	—	—	—
At end of the year	40,000	40,000	—	—
Transferred to current liabilities (repayable within one year)	—	—	—	—
Repayable after one year	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 Hydro Power Project capital requirements. These debentures are redeemable/convertible to preference shares on or after 31st March, 2011.

As at 31st March,	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
G. Currency-wise Analysis of Debentures				
Rupees	40,000	40,000	—	—
	40,000	40,000	—	—

As at 31st March,	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
H. Analysis of Debentures by Year of Repayment				
Long-term loans repayable between 1 and 2 years from year-end	—	—	—	—
Long-term loans repayable between 2 and 5 years from year-end	40,000	40,000	—	—
Long-term loans repayable later than 5 years from year-end	—	—	—	—
	40,000	40,000	—	—

As at 31st March,	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
I. Long-Term Borrowings				
At beginning of the year	2,249,646	2,616,943	130,000	340,000
On acquisition of subsidiary	1,222,580	334,940	—	—
Transferred liabilities directly associated with assets classified as held for sale	—	(113,300)	—	—
Exchange difference	25,327	28,079	—	—
New loans obtained (iii)	4,224,585	444,792	2,400,000	—
	7,722,138	3,311,454	2,530,000	340,000
Repayments	(1,805,292)	(1,061,808)	(130,000)	(210,000)
At end of the year	5,916,847	2,249,646	2,400,000	130,000
Transferred to current liabilities (repayable within one year)	(2,047,512)	(770,937)	(720,000)	(40,000)
Repayable after one year	3,869,334	1,478,708	1,680,000	90,000

(iii) Toyo Cushion Ltd., DPL Group, HJS Condiments Ltd., Advantis Group, Haycarb Group and HISL Group have obtained loans during the year amounting to Rs. 25 mn, 702 mn, 137 mn, 165 mn 326 mn and 150 mn respectively.

As at 31st March,	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
J. Currency-wise Analysis of Long-Term Borrowings				
Rupees	4,509,134	1,353,913	2,400,000	130,000
United States Dollars	613,831	400,098	—	—
Euro	161,974	61,380	—	—
Thai Baht	631,908	434,255	—	—
	5,916,847	2,249,646	2,400,000	130,000

As at 31st March,	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
K. Analysis of Long-Term Borrowings by Year of Repayment				
Long-term loans repayable between 1 and 2 years from year-end	1,731,742	858,297	753,000	40,000
Long-term loans repayable between 2 and 5 years from year-end	1,705,430	519,710	927,000	50,000
Long-term loans repayable later than 5 years from year-end	432,162	100,701	—	—
	3,869,334	1,478,708	1,680,000	90,000

L. Long-Term Borrowings Repayable after One Year

Company	Lender/rate of interest (p.a.)	31.03.2011 Rs. '000	31.03.2010 Rs. '000	Repayment	Security
Hayleys PLC	DFCC (AWPLR - 1%)	350,000	90,000	Repayment over 6 years	None
	HNB (AWPLR - 1%)	1,330,000		Repayable in 10 half-yearly instalments	None
Company Total		1,680,000	90,000		
HJS Condiments Ltd.	NDB (8.79%)	3,300	6,900	60 monthly instalments starting from March 2008 till February 2013	Mortgage over land, building and plant & machinery
	BOC (6.5%)	4,067	6,448	60 monthly instalments starting from February 2009 till January 2014	Mortgage over plant & machinery
	Sanyo Food (5%)	—	57,045	8 Quarterly instalments starting May 2010 till February 2012	None
Venigros (Pvt) Ltd.	NDB (6.5%)	4,624	15,924	Monthly instalments ending August 2012	Mortgage over, heater at Weliveriya
Kalupahana Power Co. (Pvt) Ltd.	NDB (AWDR + 4%)	22,000	42,264	Quarterly instalments ending March 2013	Mortgage over heater at Weliveriya
ICO Guanti SpA	BNL (6.5%) (Euro 100,000)	9,236	20,458	Monthly instalments ending July 2011	None
	Alessandria Financing 1.95% (Euro 1 mn)	134,823	—	Repayment over 2 years as per agreed schedule	None
Dipped Products (Thailand) Ltd.	Thai Military Bank Public Company Limited (MLR - 1% - 2 Yrs) (MLR - next 3 Yrs)	124,592	255,758	Monthly instalments ending June 2011	Mortgage over land, building & machinery
	HSBC - Thailand (4.78%)	—	14,680	Monthly instalments ending March 2011	Corporate guarantee for THB 30.9 mn from Dipped Products PLC
	HSBC - Thailand (Baht 92,403,715)	305,452	—	Monthly instalments ending July 2015	Mortgage over land, building and machinery and a corporate guarantee for US\$ 4 mn from Dipped Products PLC
Kelani Valley Plantations PLC	NDB (9.51%)	7,518	12,025	Monthly instalments ending August 2013	Primary mortgage over the leasehold rights of Panawatta and Pedro Estates
	NDB (9.51%)	10,748	15,194	Monthly instalments ending May 2014	
	NDB (6.5%)	6,000	10,500	Monthly instalments ending April 2013	
	NDB (AWPLR - 5.15%)	—	79,000	Monthly instalments ending December 2011	
	Seylan Bank (AWPLR+0.25%)	18,126	22,962	Monthly instalments over 10 years, ending October 2015	Primary mortgage over leasehold rights of Robgill and Fordyce Estates
	DFCC Bank (9.42%)	56,933	68,133	Monthly instalments ending January 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%)	13,249	17,792	Monthly instalments ending November 2014	
	DFCC Bank (9.64%)	62,857	74,286	Monthly instalments ending June 2017	
	DFCC Bank (6.5%)	17,809	22,899	Monthly instalments ending June 2015	
	DFCC Bank (6.5%)	6,669	8,338	Monthly instalments ending, December 2015	
	DFCC Bank (6.5%)	4,507	6,587	Monthly instalments ending February 2014	

Company	Lender/rate of interest (p.a.)	31.03.2011 Rs. '000	31.03.2010 Rs. '000	Repayment	Security
Toyo Cushion Lanka (Pvt) Ltd.	Commercial Bank PLR + 2%	3,930	6,252	48 monthly instalments from September 2009	Mortgage over land & buildings
	HNB PLR + 2%	4,180	6,459	48 monthly instalments from September 2009	Mortgage over stocks and debtors
	NDB Bank 15.5%	—	5,365	48 monthly instalments from April 2009	Mortgage over stocks and debtors
	PLR + 4%	14,202	—	48 monthly instalments	Concurrent negative pledge
Haycarb PLC	Commercial Bank (LIBOR + 4%)	—	13,679	Monthly instalments over 5 years, commencing September 2006	Floating charge over assets of the Company
Haycarb Holding Bitung Ltd.	Commercial Bank (LIBOR + 4%)	—	13,875	Monthly instalments over 5 years, commencing 2006/07	Corporate guarantee given by Haycarb PLC
Recogen (Pvt) Ltd.	DFCC (6.5%)	12,500	22,500	Equal monthly instalments over 5 years, commencing 2008/09	Corporate guarantee by Haycarb PLC
Rileys Ltd.	NDB Bank 16%	2,680	11,800	33 monthly instalments from August 2009	Mortgage over land & Corporate guarantee from Volanka Ltd. Mortgage over land
Sunfrost (Pvt) Ltd.	NDB (6.5%)	—	250	Equal monthly instalments over 4 years from May 2007	Mortgage over land
Hayleys Advantis Group	HNB - (AWPLR 1.5%)	—	3,700	Repayment over 2 years commencing from June 2008, as per agreed schedule	Corporate guarantee
	BOC - (AWPLR - 0.5% AWPR + 1%)	—	69,500	Repayment over 6 years commencing from May 2008, as per agreed schedule	Mortgage over land & building
	Pramuka Bank + 17%	—	936	Bank is not in operation	Corporate guarantee
	BOC (12%)	—	52,500	Repayment over 3 years commencing from February 2010, as per agreed schedule	None
	HSBC (LIBOR + 4%)	9,205	3,803	Repayment over 3 years commencing from February 2010, as per agreed schedule	1,702,000 shares of DPL
Neluwa Cascade Hydro Power (Pvt) Ltd.	NTB - (3m TB + 1.3%)	80,000	120,000	Quarterly repayments from March 2009 to September 2014	Secondary Mortgage Bond for Rs. 83.3 mn over project assets of TTEL Hydro Power (Pvt) Ltd. Secondary Mortgage Bond of Rs. 40.7 over the Assets of Bhagya Hydro Power (Pvt) Ltd.
Hayleys Industrial Solutions (Pvt) Ltd.	Sampath Bank (16%)	—	86,201	Agreed 48 monthly instalments commencing from January 2010	None
	NDB Bank (AWPLR + 1.99%)	131,250	—	Agreed 48 monthly instalments commencing from 31st October, 2011	Secondary Mortgage Bond for Rs. 83.3 mn over project assets of TTEL Hydro Power (Pvt) Ltd. Secondary Mortgage Bond of Rs. 40.7 over the Assets of Bhagya Hydro Power (Pvt) Ltd. Secondary Mortgage Bond over leasehold rights of Property of Bhagya Hydropower (Pvt) Ltd.
Bhagya Hydro Power (Pvt) Ltd.	Sampath Bank (AWDR + 5%)	22,214	22,625	95 monthly instalments commencing September 2007	Mortgage over land & building
	Seylan Bank (AWDR + 5%)	12,642	22,782	95 instalments commencing September 2007	
Hayleys Agro Biotech (Pvt) Ltd.	Sampath Bank (AWPLR + 2%)	—	5,366	54 monthly instalments ending, June 2013	Corporate guarantee

Company	Lender/rate of interest (p.a.)	31.03.2011 Rs. '000	31.03.2010 Rs. '000	Repayment	Security
Hayleys MGT Knitting Mills PLC	HSBC-6 months LIBOR + 1.75%	—	44,142	42 Monthly instalments	None
	Commercial Bank - 6.5%	—	10,715	71 Monthly instalments of US\$ 2,545 (Rs. 280,000/-)	Primary mortgage over machinery
	Commercial Bank - 6.5%	—	22,383	96 Monthly instalments of US\$ 2,886 (Rs. 312,500/-)	Corporate guarantee
	Commercial Bank 1 month LIBOR + 5%	75,759	82,641	48 Monthly instalments of US\$ 25,000 each.	Mortgage over Machinery
	Bank of Ceylon - 6%	59,462	—	42 Monthly Instalments of US\$ 31,250 each	Primary mortgage over machinery
	HSBC- 1 month	65,421	—	48 Monthly instalments of US\$ 31,250 each	None
Haycolour Ltd.	DFCC (9.75%)	3,840	—	Monthly instalments over 5 years	
TTEL Somerset	HNB (AWDR + 4%)	66,314	—	12 Monthly instalments commencing from December 2008 repayable within 7 years	Mortgage over buildings & machinery and estate equipment
TTEL Hydro Power	Sampath Bank (AWDR + 4%)	115,766	—	12 Monthly instalments commencing from January 2010 repayable within 8 years	Mortgage over buildings & machinery and estate equipment
Talawakelle Tea Estates PLC	National Development Bank	340,562	—	Monthly instalments commencing from January 2011	Primary mortgage over leasehold rights of Somerset, Great Western, Holyrood, Logie and Dessford Estates
	Sampath Bank (AWDR + 4%)	140,217	—	Monthly instalments commencing from April 2011	Primary mortgage bond for Rs. 46 mn over leasehold rights of Deniyaya Estate & Primary mortgage over stock for Rs. 45 mn
					Primary mortgage over leasehold rights to the value of Rs. 30 mn of Clarendon Estate
					Secondary mortgage over leasehold rights to the value of Rs. 20 mn of Deniyaya Estate
					Primary mortgage over leasehold rights of Mattakelle Estate for Rs. 100 mn
					Primary mortgage bond for Rs. 10.6 mn over 3 numbers of hot water generators - Barewell, Holyrood and Great Western Estates
	Commercial Bank	4,115		Monthly instalments commencing from September 2011	Concurrent mortgage over stock in trade and debtors for Rs. 100 million and additional mortgage over stocks and debtors for Rs. 50 mn
					Primary mortgage over selected vehicles
					Primary mortgage bond for Rs. 13 mn over 2 numbers of hot water generators - Radella and Wattagoda Estates
					Primary mortgage bond for Rs. 14 mn over 2 numbers of hot water generators - Logie and Dessford Estates
Ravi Industries	HNB 4.25%	5,976	—	Quarterly end date November 2014	None

Company	Lender/rate of interest (p.a.)	31.03.2011 Rs. '000	31.03.2010 Rs. '000	Repayment	Security
Volanka Ltd.	DFCC 4%	95,000	—	One year grace period Loan repayment start date from January 2012	Mortgage over land
Alutec Anodising & Machine Tools (Pvt) Ltd.	Commercial Bank 6.5% + AWPLR	18,412	—	2007 April to October 2014	Mortgage over machinery
Alutec Extrusions (Pvt) Ltd.	Commercial Bank 6.5% + AWPLR	56,776	—	28/11/2010 to 28/11/2013	Mortgage over property, debts, stock and corporate guarantee
Alumex (Pvt) Ltd.	LOLC 6.5% + AWPLR	32,292	—	30/6/2010 to 30/6/2016	Mortgage over property
Alumex (Pvt) Ltd.	Commercial Bank 1% + AWPLR	4,108	—	48 monthly instalments	Mortgage over property
Hotel Services (Ceylon) PLC	Bank of Ceylon - 6%	—	4,043	12 Monthly Instalments from April 2010 (Rs. 1,697,000)	None
		3,869,334	1,478,708		

24. DEFERRED INCOME*As At 31st March,*

	Consolidated	
	2011 Rs. '000	2010 Rs. '000
A. Grants (i)		
At the beginning of the year	447,049	349,758
Grants received during the year	147,484	111,618
Acquisition of subsidiaries	219,749	1,608
Amortised during the year	(21,415)	(15,935)
At end of the year	792,867	447,049

- (i) Grants were received by the Plantation Sector from the Plantation Reform Project, Plantation Human Development Trust and Ministry of Community Development for workers' welfare facilities, reforestation of watersheds and other infrastructure facilities and by the Purification Products Sector, through the Ceylon Chamber of Commerce, under the promotion of Eco-Efficient Productivity Project.

25. DEFERRED TAXATION*As at 31st March,*

	Consolidated	
	2011	2010
	Rs. '000	(Restated) Rs. '000
A. Deferred Tax Asset		
At the end of the year (see Note 25.B)	197,235	195,554
B. Deferred Tax Liability		
At the beginning of the year (Net)	446,236	82,807
Acquisition of subsidiaries	104,992	393,389
Exchange gain/(loss)	4,263	(1,399)
Reversal of revaluation	(38,975)	—
Transfer from Income Statement (Net)	5,339	(28,561)
At the end of the year	521,855	446,236
Deferred tax asset	197,235	195,554
	719,090	641,790

C. Net deferred tax liabilities are attributable to the following as at 31st March, 2011.**Deferred tax assets**

Tax effect of defined benefit obligation	317,386
Tax effect of tax loss carried forward	59,856
Tax effect of provisions	31,023
Others	2,924
	411,189

Deferred tax liabilities

Tax effect of property, plant & equipment	933,043
Net deferred tax liabilities	521,855

D. Deferred tax liability of Rs. 25 mn (2009/10 - Rs. 29.7 mn) arising in the Company has been offset against the deferred tax asset arising from the carried forward losses of the Company.**26. RETIREMENT BENEFIT OBLIGATIONS***As at 31st March,*

	Consolidated		Company	
	2011	2010	2011	2010
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Present value of unfunded gratuity	3,396,909	2,312,855	259,857	222,578
Total present value of the obligation	3,396,909	2,312,855	259,857	222,578

Provision for Retiring Gratuity

At the beginning of the year	2,186,369	1,916,401	214,672	313,808
Amortisation of transitional liability	47,307	42,161	2,635	2,635
On acquisition of subsidiary	735,631	109,083	—	—
Exchange difference	(105)	—	—	—
Benefits paid by the plan	(230,433)	(369,877)	(10,627)	(152,920)
Current service costs	274,274	146,495	10,927	9,107
Interest cost	242,563	327,560	24,484	48,652
Actuarial (gains)/losses	67,628	14,546	17,766	(6,610)
	3,323,234	2,186,369	259,857	214,672

As at 31st March,	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2009 Rs. '000
The expense is recognised in the following line items in the Income Statement				
Cost of sales	14,864	30,525	—	323
Administrative expenses	616,907	500,237	55,812	53,461
	631,771	530,762	55,812	53,784

Amortisation of Transitional Liability

Amortisation for the year	47,307	42,162	2,635	2,635
Amounts to be amortised in the future	79,179	126,486	5,271	7,906

SLAS 16 (Revised 2006) 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.

According to the transitional provisions of SLAS 16 (Revised 2006), the Group can recognise the difference between the liability at transition and the liability that would have been recognised at the date of transition under the Group's new accounting policy over five years on a straight-line basis.

The Group's and Company's retirement benefit obligation would have been Rs. 2,751 mn (2009/10 - Rs. 1,991 mn) and Rs. 200 mn (2009/10 - 192 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 129, or the Indian Repatriate Act No. 34 of 1978.

27. TRADE AND OTHER PAYABLES

As at 31st March,	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Trade payables	3,200,412	2,800,545	—	—
Bills payable	1,284,092	1,209,457	—	—
Other payables including accrued expenses (i)	3,422,832	3,436,152	76,083	101,061
Unclaimed dividends	124,001	57,211	44,802	32,410
	8,031,337	7,503,365	120,885	133,471

(i) Includes provision for warranties amounting to Rs. 41 mn (31st March, 2010 - Rs. 38 mn).

As at 31st March,	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
(ii) Currency-Wise Analysis of Trade and Other Payables				
Rupees	6,855,756	5,397,079	120,885	133,471
Australian Dollars	—	38,640	—	—
Pounds Sterling	11,552	25,252	—	—
United States Dollars	1,136,012	861,837	—	—
Euro	4,643	840,859	—	—
Thai Baht	4,800	196,799	—	—
Indian Rupees	14,553	26,623	—	—
Other	4,021	116,277	—	—
	8,031,337	7,503,365	120,885	133,471

28. INCOME TAX

As at 31st March	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
A. Income Tax Recoverable				
At the end of the year (See Note B)	170,917	149,193	5,501	3,539
B. Income Tax Payable				
At the beginning of the year	65,027	(50,033)	(3,539)	(3,768)
Subsidiaries' - Parent taxation on current year's profit	804,638	646,074	1,880	1,659
Tax on discontinued operations' - current year's profit	—	56	—	—
Write back of ESC previously written down	7,277	4,398	—	—
(Over)/under provision in respect of previous years	1,024	(5,299)	—	—
Tax on dividend	85,575	66,859	—	—
Acquisition of subsidiary	15,219	1,009	—	—
Exchange gain/(loss)	(1,431)	2,881	—	—
Payments made during the year	(748,493)	(600,870)	(3,842)	(1,429)
Net income tax payable/(recoverable)	228,836	65,027	(5,501)	(3,539)
Income tax recoverable	170,917	149,193	(5,501)	(3,539)
At the end of the year	399,753	214,220	—	—

29. SHORT-TERM INTEREST BEARING BORROWINGS

As at 31st March,	Consolidated		Company	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Rupees	3,802,455	3,994,060	1,032,426	1,732,340
Australian Dollars	5,151	31,505	—	—
Pounds Sterling	7,808	—	—	—
United States Dollars	5,015,629	3,659,791	—	—
Euro	977,859	708,519	—	—
Thai Baht	228,760	250,490	—	—
Maldivian Rufiya	—	6,394	—	—
Bangladesh Taka	38,727	—	—	—
	10,076,389	8,650,759	1,032,426	1,732,340

30. CONTINGENT LIABILITIES AND COMMITMENTS**A. Contingent Liabilities and Commitments**

Contingent liabilities as at 31st March, 2011 on account of bills discounted amounted to Rs. 1.4 mn (31st March, 2010 - Rs. 1 mn) in respect of Sunfrost Ltd.

The contingent liability as at 31st March, 2011 on guarantees given by Hayleys PLC, to third parties amounted to Rs. 111.2 mn (31st March, 2010 Rs. 111.6 mn). Of this sum Rs. 111.2 mn (Rs. 111.6 mn - 2009/10) and Rs. nil (Rs. nil - 2009/10) relate to facilities obtained by subsidiaries and equity accounted investees respectively. Details of other guarantees are given in Note 23 to the Financial Statements.

B. Commitments

- (i) In terms of the 'Equity Support Agreement' entered into in respect of the AES Power Project, Hayleys PLC has provided:
A Standby Letter of Credit of US\$ 20,000 for the guarantee fees payable by AES Kelanitissa (Pvt.) Ltd., under an agreement with the Asian Development Bank.
- (ii) In terms of the operating lease agreement entered into, minimum future lease payments payable over the next financial year are Rs. 27 mn and Rs. nil for the Group and Company respectively.

31. FOREIGN CURRENCY TRANSLATION

The principal exchange rates used for translation purposes were:

	Average		As at 31st March,	
	2010/11	2009/10	2011	2010
United States Dollar	112.14	115.13	110.46	114.09
Australian Dollar	106.32	98.73	114.17	104.43
Pounds Sterling	174.52	183.94	177.86	171.98
Thai Baht	3.60	3.42	3.64	3.52
Bangladesh Taka	1.60	1.67	1.52	1.65
Euro	148.42	162.71	156.15	152.91
Indian Rupee	2.47	2.44	2.48	2.54

32. FUNCTIONAL CURRENCY

The Group's functional currency is Sri Lankan Rupee, except in the following subsidiaries and associates where the functional currency is different as they operate in different economic environments.

Company	Functional Currency
Hayleys MGT Knitting Mills Ltd.	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
Magic Soils (Pty) Ltd.	Australian Dollars
Haymark Inc.	USD
Carbokarn Ltd.	Thai Baht
Haylex BV Group	Euro & Yen
Dipped Products (Thailand) Ltd.	Thai Baht
CK Regen Systems Co. Ltd.	Thai Baht
ICO Guanti S.p.A.	Euro
Tianjing Shenglong Mattress Co. Ltd.	Yuan
PT Tulus	Rupiah
Civaro Fiji (Pvt) Ltd.	Fiji Dollars
Civaro Freight India (Pvt) Ltd.	Indian Rupees
Hayleylines Ltd.	USD
Logiwiz Logistics India (Pvt) Ltd.	Indian Rupees
Civaro NA Inc	USD

33. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the Balance Sheet date which would require adjustments to or disclosure in the Financial Statements.

34. COMPANIES WITH DIFFERENT ACCOUNTING YEARS

The Financial Statements of Worldcall Telecommunications Lanka (Pvt) Ltd., Tianjing Shenglong Mattress Co. Ltd., Hayleys Plantation Services (Pvt) Ltd., Haylex BV Group, Talawakelle Tea Estates PLC, Haychem Bangladesh Ltd., Kelani Vally Plantations PLC, Carbokarn Co. Ltd. Haycarb Holdings Australia Group, Haymark Inc., PT Mapalus Makawanua Charcoal Industry, Haycarb Holdings Bitung Ltd., ICO Guanti S.p.A. and Dipped Products (Thailand) 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 SLAS 26 on 'Consolidated Financial Statements and Accounting for Investment in Subsidiaries'.

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES**A. Acquisition and Disposal of Subsidiaries**

The acquisition had the following effect on the Group's assets restated and liabilities

	2010/11 Acquisitions of Hayleys Plantation Services Ltd. Rs '000	2010/11 Acquisitions of TTEL Somerset Rs '000	2010/11 Acquisitions of TTEL Hydro Power Rs '000	2010/11 Acquisitions of Alumex Group Rs '000	2010/11 Acquisitions of Mabroc Teas (Pvt) Ltd. Rs '000	2009/10 Acquisitions of Hotel Services (Ceylon) PLC Restated	2009/10 Acquisitions of Hayleys MGT Knitting PLC Restated
Property, plant & equipment	2,403,733	186,038	266,955	853,028	142,511	1,522,124	3,098,413
Value of lease rentals	–	–	–	–	–	1,153,746	–
Intangible assets	134,310	11,878	13,961	81,664	–	–	–
Investments	65,790	–	–	–	15,800	100	–
Inventories	305,899	–	–	443,356	212,183	10,900	1,118,751
Trade and other receivables	226,567	2,593	11,473	281,546	115,238	30,854	1,260,094
Short-term investments	–	–	–	–	124,159	–	–
Borrowings	(899,620)	(95,968)	(142,225)	(344,254)	(317,927)	(24,412)	(313,904)
Retirement benefit obligations	(684,910)	–	–	(49,677)	(12,580)	(6,760)	(99,394)
Deferred Income	(219,749)	–	–	–	–	–	–
Deferred tax liability	(9,851)	(4,606)	(8,122)	(79,951)	(2,460)	(206,313)	(185,096)
Trade and other payables	(273,161)	(61,611)	(103,758)	(290,943)	(43,386)	(60,088)	(700,260)
Income tax payable	(434)	–	–	(14,358)	(427)	–	–
Net identifiable assets and liabilities	1,048,574	38,324	38,284	880,411	233,111	2,420,151	4,178,605
Share of net assets accounted under equity accounted investees	(265,391)	3,228	8,706	(362,227)	(60,276)	–	(1,140,683)
Non-controlling interest	(577,182)	(28,215)	(18,320)	–	–	(1,210,986)	(1,086,290)
Investments	–	(30,600)	(35,190)	–	–	–	–
Dividend	(20,876)	4,495	(193)	12,119	–	–	–
Goodwill/(negative goodwill) acquired/loss on disposal	(11,946)	1,297	3,481	902,470	33,310	633,436	(130,036)
	173,179	(11,471)	(3,232)	1,432,773	206,145	1,842,602	1,821,595

B.

Satisfied by

Cash consideration	173,179	(11,471)	(3,232)	1,432,773	206,145	(1,842,602)	1,821,595
Analysis of cash and cash equivalents on acquisition of subsidiary							
Cash consideration	(280,000)	–	–	1,386,908	(212,000)	(1,893,850)	210,205
Short-term borrowings	76,193	11,471	3,232	(90,610)	(11,149)	(530)	1,612,818
Cash at bank and in hand acquired	30,628	–	–	44,751	17,004	5,779	1,428
	(173,179)	11,471	3,232	(1,432,773)	(206,145)	(1,842,602)	(1,821,595)

C. During the first quarter, Hayleys PLC obtained controlling interest in Hayleys Plantation Services through the acquisition of shares through its subsidiary Dipped Products PLC.

D. During the third quarter, Hayleys PLC acquired 1.9 mn shares in Alutec Anodising & Machine Tools (Pvt) Ltd. (Alumex Group) and subsequently disposed of 700,000 shares. This resulted in a gain of Rs. 133 Mn in the Company and Group Income Statements, in the third quarter. The Group continues to hold 60 % of Alumex Group.

E. Kelani Valley Plantations PLC acquired balance 60% shares of Mabroc Teas (Pvt) Ltd. in the third quarter.

F. There were no disposal of subsidiaries during the current financial year.

36. ACQUISITION AND DISPOSAL OF EQUITY ACCOUNTED INVESTEEES

The equity accounted investees disposed of was Tianjing Shanglong Mattress Co. Ltd. and details of shareholding given in Note 16 to the Financial Statements.

	2010/11 Disposal of Tianjing Rs. '000	2009/10 Disposal Rs. '000
Share of net assets disposed	17,142	360,469
Profit on disposal	5,381	571,352
	22,523	931,821
Satisfied by:		
Cash consideration	22,523	931,821

There was no acquisition of equity accounted investees during the financial year.

37. RELATED PARTY TRANSACTIONS**A. Parent and Ultimate Controlling Party**

The 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.

(iii) Other Transactions with Key Management Personnel

(a) The names of Directors of Hayleys PLC, who are also Directors of subsidiary and equity accounted investees are stated on page 82 and 83.

(b) Details of Directors and their spouses' share holdings are given in Annual Report of the Directors on the Affairs of the Company on page 84 and 85.
There were no other transactions with key management personnel other than those disclosed in Note 37 to these statements.

(c) The undermentioned Directors of Hayleys PLC, have leased the following residential premises to the undernoted companies in the Group:

Lessor	Premises	Lessee	Monthly Rental Rs.
A.M. Pandithage	No. 11/3, Sri Sunandarama Road, Kalubowila, Dehiwela.	Hayleys PLC	5,000
M.R. Zaheed	No. 20/66, Fairfield Gardens, Colombo 08.	Hayleys Consumer Ltd.	2,400
J.A.G. Anandarajah	No. 66B/7, Sri Maha Vihara Road, Dehiwela.	Dipped Products PLC	2,826
S.C. Ganegoda	No. 28, Campbell Place, Dehiwela.	Hayleys PLC	2,500

(d) Mr. J.D. Bandaranayake who resigned as a Director on 28th January, 2011 and Mr. K.D.D. Perera who was a Director as at 31st March, 2011, were also Directors of Sampath Bank PLC. The Companies within the Group have carried out transactions in the ordinary course of business with Sampath Bank PLC during the year, details are as follows:

Group (Rs. mn)

Sampath Bank PLC

Nature of the facility	Banking facility amount	Outstanding amount as at 31st March, 2011	Interest and other charges incurred during the year
Overdraft facility	275.0	50.5	14.2
Short-term loans & import loans	468.2	25.9	6.5
LC facility	370.0	136.6	4.6

Company

Hayleys PLC does not have any banking facility with Sampath Bank PLC

- (e) Dr. Harsha Cabral PC who was a Director as at 31st March, 2011, is also a Director of Union Bank of Colombo Ltd. The Companies within the Group have carried out transactions in the ordinary course of business with Union Bank of Colombo Ltd. during the year. Details are as follows:

Group (Rs. mn)

Union Bank of Colombo Ltd.

Nature of the facility	Banking facility amount	Outstanding amount as at 31st March, 2011	Interest and other charges incurred during the year
Overdraft facility	25.0	11.5	1.5
Short-term loans & import loans	130.0	0.1	0.1

Company

Hayleys PLC, does not have any banking facility with Union Bank of Colombo Ltd.

C. Transactions with Subsidiaries and Equity Accounted Investees

Relationships with subsidiaries and equity accounted investees are explained in note 16 and also under Group Companies in pages 44 to 46 Business segment classification is also given under Group companies.

- (i) Companies within the Group engage in trading transactions under normal commercial terms and conditions.
- (ii) Hayleys PLC provides office space to its subsidiaries and equity accounted investees and charges rent. In addition, the Company incurs common expenses such as on export shipping, secretarial, data processing, personnel and administration functions. Such costs are allocated to subsidiaries and equity accounted investees. During the year, payments were made to Group companies for the supply of goods and services. Details are given below:

Business segment	2010/11 Rs. '000			2010/11 Rs. '000		
	Subsidiaries			Equity accounted investees		
	Rent	Common expenses	Purchase of goods and services	Rent	Common expenses	Purchase of goods and services
Fibre	8,818	74,280	243	—	—	—
Hand protection	15,734	71,380	—	—	—	—
Purification products	18,370	52,804	125	—	—	—
Textiles	3,570	31,194	—	—	—	—
Agri inputs	12,458	28,325	—	—	—	—
Agri products	941	14,499	—	1,201	4,303	—
Plantations	11,448	10,644	267	—	—	—
Industry inputs	13,230	37,832	102	—	—	—
Power & energy	7	1,701	—	—	—	—
Transportation & logistics	40,187	50,961	4,257	—	—	—
Consumer products	15,588	25,598	454	—	—	—
Resorts	2,049	3,791	3,322	—	32	—
Investments & services	1,830	1,835	8,158	—	—	—
Total	144,229	404,846	16,929	1,201	4,335	—

Business segment	2009/10 Rs. '000			2009/10 Rs. '000		
	Subsidiaries			Equity accounted investees		
	Rent	Common expenses	Purchase of goods and services	Rent	Common expenses	Purchase of goods and services
Fibre	4,088	57,644	1,066	—	—	—
Hand protection	13,988	57,601	—	—	—	—
Purification products	14,279	40,923	245	—	—	—
Textiles	3,108	25,200	—	—	—	—
Agri inputs	13,396	24,137	—	—	—	—
Agri products	280	13,013	9	959	5,435	—
Plantations	4,400	3,212	108	5,006	9,628	10
Industry inputs	7,321	19,568	223	—	—	—
Power & energy	—	1,298	—	—	371	—
Transportation & logistics	30,003	48,826	10,442	—	—	—
Consumer products	12,694	19,213	182	—	—	—
Resorts	—	2,336	20	14	895	—
Investments & services	2,717	4,431	10,531	—	—	—
Total	106,272	317,403	22,827	5,979	16,329	10

Details of inter company balances are given below:

Company

Business segment	2010/11 Rs. '000			2009/10 Rs. '000		
	Receivable	Subsidiaries	Equity accounted investees	Receivable	Subsidiaries	Equity accounted investees
		Payable	Receivable		Payable	Receivable
Fibre	32,783	—	—	10,359	—	—
Hand protection	33,987	—	—	17,962	—	—
Purification products	11,699	—	—	9,483	—	—
Textiles	8,812	—	—	24,229	—	—
Agri inputs	9,668	—	—	7,516	—	—
Agri products	2,665	—	751	3,013	—	642
Plantations	4,941	—	—	1,498	—	3,149
Industry inputs	41,563	(0)	—	75,301	(0)	—
Power & energy	2,203	—	27	2,577	—	819
Transportation	14,830	—	—	9,334	—	—
Consumer products	236,939	(18,637)	—	235,811	(18,618)	—
Resorts	131	(68,192)	6	(0)	(762,076)	21
Investments & services	267	(64,260)	—	107	(53,637)	—
Total	400,526	(151,088)	784	397,190	(834,331)	4,630

Group

Business segment	2010/11 Rs. '000		2009/10 Rs. '000	
	Receivable	Equity accounted investees	Receivable	Equity accounted investees
		Payable		Payable
Fibre	—	—	—	—
Hand protection	—	—	—	—
Purification products	—	—	—	—
Textile	—	—	—	—
Agri inputs	—	—	191	(30,916)
Agri products	—	(51,947)	—	—
Plantations	—	—	—	—
Industry inputs	—	—	—	(1,715)
Power & energy	—	—	47,682	—
Transportation	292	(485)	850	(181)
Consumer products	—	(131)	—	—
Resorts	—	—	—	—
Investments & services	3,431	—	4,630	(121)
Total	3,723	(52,563)	53,353	(32,933)

- (iii) Details of guarantees given in respect of related parties are given in Note 30 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) Hayleys PLC disposed 23 mn ordinary shares of its holding in the Hotel Services (Ceylon) PLC to Carbotels (Pvt) Ltd., a subsidiary of Hayleys PLC on 16th November, 2010 for a total consideration of Rs. 583 mn.
- (viii) There are no related parties or related party transactions other than those disclosed in Note 37 to the Financial Statements.

38. DISCONTINUED OPERATIONS/ASSETS HELD FOR SALE

	Consolidated	
	2010/11 Rs. '000	2009/10 Rs. '000
Revenue and Expenses from Discontinued Operations		
Gross turnover	5	81,477
Turnover tax	—	—
Net turnover	5	81,477
Cost of sales	(4)	(31,628)
Gross profit	1	49,849
Other income	—	(156)
Distribution expenses	(977)	6,660
Administrative expenses	(8,066)	(59,547)
Net finance cost	—	(24,730)
Loss before tax from discontinued operations	(9,042)	(27,924)
Tax expense	—	(56)
Loss for the year from discontinued operations	(9,042)	(27,980)
Earnings per share		
Basic earnings per share (Rs.)	(0.12)	(0.43)
Diluted earnings per share (Rs.)	(0.12)	(0.43)

Loss before tax from discontinued operations is stated after charging all expenses including the following:

	Consolidated	
	2010/11 Rs. '000	2009/10 Rs. '000
Audit services	—	370
Non-audit services	—	—
Depreciation of property, plant & equipment	—	10,276
Staff cost (i)		
Defined contribution plan cost	—	1,190
Defined benefit plan cost	—	176
Other Staff cost (excluding defined contributions & defined benefits)	6,365	24,648
Provision for bad and doubtful debts & bad debts written off	(102)	2,693
Rental on operating leases	—	7,400
Legal/litigation fees	—	112

As at 31st March	Consolidated	
	2011 Rs. '000	2010 Rs. '000
Assets and Liabilities of Discontinued Operations		
Assets Classified as Held for Sale		
Property, plant & equipment	10,117	262,929
Inventories	1,302	–
Trade and other receivables	3,964	23,969
Cash in hand and at bank	610	1,080
Total assets	15,993	287,978
Liabilities Directly Associated with Assets Classified as Held for Sale		
Trade and other payables	2,370	41,760
Current portion of long-term interest-bearing borrowings	212	113,300
Short-term interest-bearing borrowings	–	16,834
Total liabilities	2,582	171,894
Cash Flow Related to Discontinued Operations		
Net cash flows from operating activities	–	27,564
Net cash flows from investing activities	–	(6,024)
Net cash flows from financing activities	–	(11,700)
Net cash flows from discontinued operations	–	9,840

Industry Segment Information

For the year ended 31st March,	Transportation & Logistics		Consumer Products		Discontinued Operations	
	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000	2011 Rs. '000	2010 Rs. '000
Turnover						
Total	–	91,521	5	3,375	5	94,896
Intra Group	–	–	–	–	–	–
External	–	91,521	5	3,375	5	94,896
Segment results	–	(7,310)	(9,042)	(2,176)	(9,042)	(9,486)
Inter segment adjustments	–	–	–	–	–	–
Profit before net finance cost	–	(7,310)	(9,042)	(2,176)	(9,042)	(9,486)
Net finance cost	–	(24,730)	–	–	–	(24,730)
Profit before tax	–	(32,040)	(9,041)	(2,176)	(9,041)	(34,216)
Depreciation	–	10,276	–	–	–	10,276
Impairment of assets	–	–	–	–	–	–
Amortisation of intangible assets	–	–	–	–	–	–
Total assets (excl. equity accounted investees)	5,247	279,978	10,746	8,000	15,993	287,978
Non-interest bearing liabilities						
Trade and other payables	2,852	41,760	–	–	2,852	41,760

39. INDUSTRY SEGMENT INFORMATION

For the year ended 31st March, In Rs. '000	Fibre		Hand Protection		Purification Products		Textile		Agri Inputs		Agri Products		Plantation	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Turnover														
Total	4,582,981	3,470,321	11,700,036	9,376,342	6,325,897	5,047,169	6,543,378	3,828,512	6,064,420	4,470,543	1,342,216	1,349,915	5,373,208	2,860,997
Intra Group													(711,172)	(413,632)
External	4,582,981	3,470,321	11,700,036	9,376,342	6,325,897	5,049,179	6,543,378	3,828,512	6,064,420	4,470,543	1,342,216	1,349,915	4,662,036	2,447,365
EBIT Segment results	(122,722)	150,553	454,677	834,741	643,009	696,884	(678,859)	269,912	650,340	388,679	70,730	147,399	632,390	16,064
Inter segment adjustments														
Profit before net finance cost	(122,722)	150,553	454,677	834,741	643,009	696,884	(678,859)	269,912	650,340	388,679	70,730	147,399	632,390	16,064
Net finance cost	(26,071)	(13,706)	(85,585)	(86,110)	38,728	(30,033)	(138,569)	(103,297)	(46,452)	(82,387)	(33,298)	(56,315)	187,238	(46,671)
Share of profit of equity accounted investees	(2,030)	(5,068)	(31,925)				–	49,794	–	(21,888)	(18,847)	–	19,169	(2,461)
Profit before tax	(150,823)	131,779	337,166	748,631	681,737	666,852	(817,428)	216,409	603,888	284,404	18,585	91,084	464,321	(33,068)
Depreciation	74,981	78,941	285,794	268,959	95,117	96,687	227,529	149,409	28,032	23,428	48,240	44,749	230,494	141,504
Impairment of assets														
Amortisation of Intangible Assets	–		–		–		–		–		–		–	
Total assets (excluding equity accounting investees)	5,337,001	4,937,410	7,729,730	6,686,066	3,803,398	3,036,338	4,596,872	5,215,120	3,420,706	2,682,808	872,051	948,765	7,955,323	4,091,216
Investment in equity accounted investees	10,091	29,265	–		–		–		–		28,883	47,679	–	357,592
Capital expenditure	186,944	57,277	697,848	194,124	222,116	50,702	395,434	357,342	50,853	40,222	154,333	73,154	83,415	197,733
Non-Interest bearing Liabilities														
Deferred taxation	23,716	26,214	162,540	15,120	12,651	6,607	152,728	–	188,646	–	5,310	6,900	–	120,836
Retirement benefit obligations	294,492	266,961	1,015,796	274,039	85,739	77,816	150,558	122,568	114,943	104,297	40,021	34,496	921,487	744,198
Trade and other payables	370,812	363,532	1,643,951	1,205,969	448,463	410,351	427,737	833,901	1,410,648	1,070,244	78,268	195,446	763,212	367,562
Cash Flow														
Segment cash flows from operating activities	(399,613)	107,423	209,247	803,464	440,261	493,468	(542,435)	1,527	169,578	350,831	59,808	33,597	856,060	378,544
Segment cash flows from investing activities	(259,336)	(200,513)	(1,374,951)	(465,344)	(320,333)	35,204	(278,741)	(2,046)	(130,512)	2,045	(97,532)	(226,561)	(490,383)	19,321
Segment cash flows from financing activities	53,075	(44,799)	87,490	(196,904)	(241,235)	(230,577)	897	(2,569)	(81,682)	(110,701)	(20,743)	(121,587)	(432,580)	(149,488)

Industry Inputs		Power & Energy		Transportation		Consumer Products		Leisure and Aviation		Investments & Services		Construction Materials		Non-segment Adjustments		Group Total	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
1,932,772	989,219	353,687	144,022	4,734,997	3,512,131	3,799,838	3,497,853	924,677	—	49,233	675,395	1,383,288				55,110,629	39,222,419
			—								(639,451)					(711,170)	(1,053,083)
1,932,772	989,219	353,687	144,022	4,734,997	3,498,712	3,799,838	3,497,853	924,677	—	196,222	35,944	1,383,288		—		54,399,459	38,169,336
29,150	119,769	182,148	49,044	558,144	472,674	236,779	178,720	124,195	565,678	16,533	54,724	136,763		(18,099)		2,915,178	3,944,841
																—	—
29,150	119,769	182,148	49,044	558,144	472,674	236,779	178,720	124,195	565,678	16,533	54,724	136,763		—		2,915,178	3,944,841
(40,116)	(74,328)	(68,960)	(44,405)	22,036	17,977	(44,187)	(101,762)	42,198	3,498	(268,071)	(99,288)	(10,755)		(18,099)		(846,341)	(716,826)
—		—	(5,035)	9,061	11,011	—		75,646	38,935	—	—	—				51,074	65,288
(10,966)	45,441	113,188	(396)	589,241	501,662	192,592	76,958	242,039	608,111	(251,538)	(44,564)	126,008		—		2,119,911	3,293,302
2,994	3,585	33,776	17,939	85,494	106,217	3,727	5,683	81,407		35,119	26,563	30,180		(18,099)		1,262,884	963,664
																—	—
—		2,753	793	—				19,555				—				22,308	793
823,492	1,751,707	1,177,898	615,001	3,736,312	2,813,069	1,229,511	1,196,754	2,401,858	2,610,819	10,365,949	7,666,179	1,402,139		1,500,177		53,334,967	44,025,758
—		—	46,537	41,996	44,752	—		392,768	317,122	—		—		(10,091)	—	492,243	842,947
5,343	4,201	138,453	12,311	246,057	73,739	15,023	1,275	906		60,262	45,721	30,180				2,287,163	1,107,801
																—	—
—	—	69,102	23,615	20,558	16,300	—	—	166,706	207,567	25,000	29,985	80,780				719,090	641,790
56,773	59,357	454	—	272,382	245,382	27,705	25,253	31,335	9,689	283,219	222,313	28,328				3,323,234	2,186,369
142,406	810,022	220,480	49,793	974,344	1,304,070	556,812	667,211	354,931	74,178	198,737	151,087	440,537				8,031,337	7,503,366
																—	—
230,845	(220,527)	(31,789)	49,634	591,542	258,848	79,680	190,050	399,993	—	(403,596)	433,977	104,256		(558,494)	414,695	1,202,345	2,589,172
(284,987)	(458,086)	(598,745)	(12,685)	(52,540)	(59,904)	7,665	387	(577,343)	961,583	(995,215)	(3,167,847)	(188,043)		981,009	484,121	(4,660,037)	(3,574,446)
320,390	259,040	636,925	69,800	(436,950)	(166,396)	(15,058)	(2,358)	(154,633)	171,305	2,114,549	(486,908)	85,932		233,051	167,477	2,144,426	(1,012,142)

B. Secondary Segments (Geographical Segments)

(i) Geographical segment turnover (see Note 6 on page 135)

(ii) Geographical segment results

	Consolidated	
	2010/11 Rs. '000	2009/10 Rs. '000
Sri Lanka	2,192,211	3,243,982
Australia	37,561	38,618
Thailand	206,831	255,234
Bangladesh	42,055	36,546
Japan	29,384	22,409
India	(24,820)	(13,898)
Indonesia	43,742	61,533
Continental Europe	253,290	250,971
United Kingdom	119,226	106,869
United States of America	15,700	621
	2,915,178	4,002,884
Non-segment expense	—	—
	2,915,178	4,002,884

(iii) Geographical segment assets and capital expenditure

	Consolidated			
	Total Assets		Capital Expenditure	
	2010/11 Rs. '000	2009/10 Rs. '000	2010/11 Rs. '000	2009/10 Rs. '000
Sri Lanka	45,867,916	38,039,181	1,128,871	1,050,248
Australia	225,174	245,553	8,413	15
Thailand	3,030,667	2,948,119	119,760	36,534
Bangladesh	127,107	116,445	2,047	11,157
Japan	239,717	214,815	971	971
India	123,009	139,800	6,288	6,288
Indonesia	503,764	614,294	—	10,555
Continental Europe	2,760,903	1,408,530	3,788	3,788
United Kingdom	271,167	193,183	7,374	4,480
United States of America	185,543	105,839	304	168
	53,334,967	44,025,758	1,296,816	1,124,204
Investment in equity accounted investees	463,647	842,947		
	53,798,614	44,868,705	1,296,816	1,124,204

40. PRIOR YEAR ADJUSTMENTS

The Consolidated Financial Statements have been restated in accordance with Sri Lanka Accounting Standard 10 - Accounting Policies, Changes in Accounting Estimates and Errors, (Revised 2005) to reflect the following adjustments:

1. Hayleys MGT Knitting Mills PLC, a subsidiary of Hayleys PLC, operating under a BOI agreement had its statutory income from business being exempted for a period of 15 years ending 31st March, 2011. The Company in selecting the basis of payment for income tax after the expiration of the tax exemption period has not considered correctly and previously not provided for deferred taxation due to an error. Accordingly, the Company has adopted the Sri Lanka Accounting Standard 14 - 'Income Taxes' (Revised 2005) from the current financial year and provision has been made for deferred tax accordingly.

The deferred tax liability of Rs. 189 mn has been adjusted in the retained earnings of Hayleys MGT and the relevant impact of the restatement has been taken into the Hayleys PLC Consolidated Financial Statements as follows:

(Rs. '000)	08/09
Origination and reversal of temporary differences	(176,497)
Attributable to Hayleys PLC	(70,528)
Exchange loss	(2,490)

Hayleys MGT Knitting Mills PLC became a subsidiary of Hayleys PLC during the second quarter of 2010, and the negative goodwill on the acquisition was restated as follows and the resulting restated net identifiable assets and liabilities is given in note 37 to the Financial Statements.

(Rs. '000)	
As per Annual Report published for 2010	155,332
Impact of the deferred tax for 2010 of the restatement	25,296
As per Annual Report published for 2011	130,036

2. Hotel Services (Ceylon) PLC, a subsidiary of Hayleys PLC, had all its property, plant & equipment except motor vehicles, revalued as at 31st March, 2009 by an independent valuer, and the values incorporated to the books as at that date. However, on 3rd May, 2011 the valuer informed the Chairman of the Company in writing that the valuation had been inadvertently overstated and withdrew the valuation report dated 27th March, 2009. Accordingly, the revaluation surplus amounting to Rs. 1,451 mn was reversed. Based on valuations of property, plant & equipment except motor vehicles as at 31st March, 2010, by another independent valuer, a revaluation surplus of Rs. 1,036 mn was taken in as at the acquisition date as fair value of the net identifiable assets and liabilities of Hotel Services (Ceylon) PLC. The resulting restated net identifiable assets and liabilities is given in Note 37 to the Financial Statements.

Comparative information in the Consolidated Financial Statements have been restated as follows:

(Rs. '000)	Property, Plant & Equipment	Goodwill on acquisition
As per Annual Report published for 2010	19,482,097	479,486
Impact of restatement of fair value of net identifiable assets and liabilities	(352,988)	153,950
As per Annual Report published for 2011	19,129,109	633,436

3. Impact on the deferred tax liabilities resulting from restatements of Hayleys MGT Knitting Mills PLC and Hotels Services (Ceylon) PLC is as follows:

(Rs. '000)	Deferred Tax Liabilities
As per Annual Report published for 2010	504,269
Restatement of Hayleys MGT Knitting Mills PLC	188,645
Restatement of Hotel Services (Ceylon) PLC	(51,125)
As per Annual Report published for 2011	641,789

4. Toyo Cushion Lanka (Pvt) Ltd. and Rileys Ltd., subsidiaries of Hayleys PLC, adjusted errors amounting Rs. 26 mn in the work-in-progress balance brought forward in the retained earnings of respective companies and accordingly the relevant impact of the restatement has been taken into the Hayleys PLC.

Consolidated Financial Statements is as follows:

(Rs. '000)	Inventories
As per Annual Report published for 2010	7,848,702
Impact of the error in WIP	26,456
As per Annual Report published for 2011	7,822,246

As at 31st March, 2011

Ownership	Location	Extent (in Acres)	Market Value Rs. mn
Hayleys PLC	Colombo	6.11	3,692
Subsidiaries			
Carbotels (Pvt) Ltd.	Kandy	42.44	98
Volanka (Pvt) Ltd.	Ekala	15.80	417
	Galle	1.20	66
Ravi Industries Ltd.	Ekala	6.08	88
Rileys (Pvt) Ltd.	Ekala	3.80	152
Chas P. Hayley & Company (Pvt) Ltd.	Galle	4.06	229
Toyo Cushion Lanka (Pvt) Ltd.	Katana	3.50	63
Volanka Exports Ltd.	Nattandiya	7.20	9
Hayleys Exports Group	Ekala	6.56	180
	Kuliyapitiya	3.00	7
Lignocell (Pvt) Ltd.	Madampe	7.03	14
	Kuliyapitiya	3.52	13
Sunfrost (Pvt) Ltd.	Alawwa	5.18	39
Haychem (Pvt) Ltd.	Kottawa	5.00	56
Hayleys Electronics Ltd.	Malabe	2.28	112
Hayleys Advantis Ltd.	Welisara	11.00	338
	Kelaniya	7.75	367
Haycolour (Pvt) Ltd.	Kalutara	4.43	23
Haycarb PLC	Madampe	25.95	53
	Wewelduwa	2.45	72
	Badalgama	12.88	31
Recogen (Pvt) Ltd.	Badalgama	10.84	26
Dipped Products PLC	Kottawa	8.40	96
	Weliveriya	8.19	57
Palma Ltd.	Gonawela	1.82	29
Venigros (Pvt) Ltd.	Weliveriya	7.09	40
Bhagya Hydro (Pvt) Ltd.	Gomala Oya	2.11	2
Hayleys Agro Products Ltd.	Dambulla	4.35	6
Hunas Falls Hotels PLC	Kandy	19.88	20
Hayleys MGT Knitting Mills PLC	Horana	34.80	249
Neluwa Cascade Hydropower (Pvt) Ltd.	Neluwa	2.45	5
Alumex Group of Companies	Makola	7.37	224
Total		294.52	6,880
Equity Accounted Investees			
Eastern Hotels Ltd.	Trincomalee	23.47	75
Negombo Hotels Ltd.	Negombo	2.53	285
Tropical Villas (Pvt) Ltd.	Beruwela	2.50	184
		28.50	544
Total		323.02	7,424

Year ended 31st March	10-Year Compound Growth (%)	2011 ** Rs. '000	2010 ** Rs. '000	2009 ** Rs. '000	2008 ** Rs. '000
Results					
Group turnover	20	54,399,459	38,169,336	32,442,999	31,326,583
Profit before taxation	8	2,119,911	3,293,302	1,374,638	1,554,720
Taxation	16	(903,853)	(684,197)	(571,236)	(464,946)
Profit after tax	5	1,216,058	2,609,106	803,402	1,089,774
Non-controlling interest	4	(482,266)	(849,893)	(492,464)	(637,151)
Profit attributable to Hayleys PLC	2	724,750	1,731,233	310,938	452,623
Funds Employed					
Stated capital***	3	1,575,000	1,575,000	1,575,000	1,575,000
Capital reserves	20	6,951,296	7,047,507	5,697,166	5,954,623
Revenue reserves	13	7,167,295	6,592,052	5,083,473	4,692,428
Shareholders' funds	14	15,693,591	15,214,559	12,355,639	12,222,051
Minority interest	15	8,197,344	7,118,790	4,220,619	3,986,239
Borrowings (both short- and long-term)	19	16,586,253	11,337,734	9,232,776	9,600,416
	17	40,477,189	33,671,083	25,809,034	25,808,706
Assets Employed					
Non-current assets	18	29,594,919	23,453,761	17,215,706	17,625,669
Current assets	16	24,203,694	21,414,944	16,414,322	15,732,377
Current liabilities net of borrowings	19	(8,486,234)	(7,922,413)	(5,317,991)	(5,391,701)
Provisions	19	(4,042,323)	(2,828,159)	(2,153,244)	(1,906,595)
Deferred income	21	(792,867)	(447,050)	(349,759)	(251,044)
Capital Employed	17	40,477,189	33,671,083	25,809,034	25,808,706
Cash Flow					
Net cash inflow/(outflow) from operating activities		1,202,345	2,589,712	1,082,097	1,841,624
Net cash inflow/(outflow) from investing activities		(4,660,037)	(3,574,446)	200,631	(751,827)
Net cash inflow/(outflow) from financing activities		2,144,426	(1,012,142)	(892,834)	(687,588)
Increase/(decrease) in cash and cash equivalents		(1,313,266)	(1,996,876)	389,894	402,209
Key Indicators					
Earnings per share (basic) (Rs.)		9.66	23.08	4.15	6.03
Net assets per share (Rs.)		209.25	202.86	164.74	162.96
Market price per share (Rs.)		382.10	225	90	97.75
% change in market price (after adjusting for scrip issues)		70	150	(7.9)	(31.2)
% change in All Share Price Index		94	127	(36)	(9)
Return on average shareholders' funds (%)		5	13	3	4
Return on average capital employed (%)		8	13.3	9.4	11
Price earnings ratio (times)		40	9.75	21.7	16.2
Interest cover (times covered)		3.5	5.6	2.1	2.5

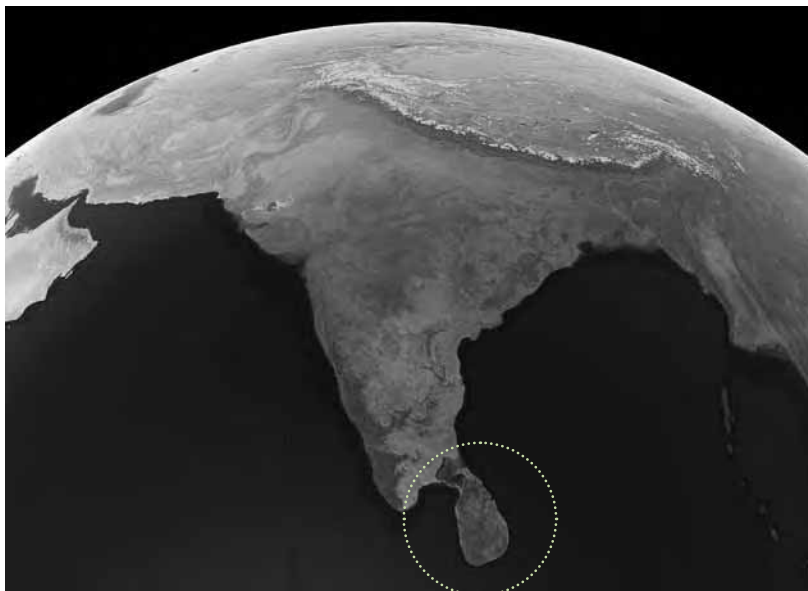
** Includes results of discontinued operations.

*** 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.

	2007 Rs. '000	2006 Rs. '000	2005 Rs. '000	2004 Rs. '000	2003 Rs. '000	2002 Rs. '000
	27,584,626	24,011,798	19,445,441	15,503,450	12,509,780	10,895,507
	1,521,915	1,448,558	1,837,232	1,337,700	1,246,353	1,017,700
	(432,631)	(468,127)	(427,861)	(276,559)	(277,626)	(242,961)
	1,089,284	980,431	1,409,371	1,061,141	984,745	774,739
	(555,719)	(394,170)	(634,984)	(401,789)	(360,024)	(337,660)
	533,565	586,261	774,387	659,352	608,703	437,079
	1,575,000	1,575,000	+1,575,000	+++1,475,000	+++1,375,000	+++1,275,000
	5,457,476	2,466,637	2,253,637	2,054,681	1,520,054	1,299,674
	4,667,992	4,215,591	4,110,588	3,578,426	2,995,943	2,402,942
	11,700,468	8,257,228	7,939,225	7,108,107	5,890,997	4,977,616
	3,704,926	2,967,915	2,868,478	2,899,028	2,549,315	2,366,528
	10,235,592	9,781,034	8,113,582	5,493,388	3,737,764	3,492,061
	25,640,986	21,006,177	18,921,285	15,500,523	12,178,076	10,836,205
	17,005,585	12,957,290	11,932,426	9,655,743	7,523,269	6,803,060
	15,214,288	14,496,109	12,538,508	9,504,855	7,824,077	6,614,491
	(4,832,001)	(4,895,234)	(4,193,374)	(2,422,279)	(2,099,047)	(1,586,677)
	(1,541,717)	(1,360,003)	(1,185,246)	(1,092,694)	(947,932)	(848,812)
	(205,169)	(191,985)	(171,029)	(145,102)	(122,291)	(145,857)
	25,640,986	21,006,177	18,921,295	15,500,523	12,178,076	10,836,205
	408,821	216,967	1,095,244	419,206	89,434	814,385
	(843,422)	(1,650,184)	(3,016,839)	(1,721,816)	(846,674)	(714,875)
	(1,153,882)	768,153	1,638,736	680,486	(92,049)	(105,970)
	(1,588,483)	(665,064)	(282,859)	(622,124)	(849,289)	(6,460)
	7.11	7.82	10.37	8.89	8.83	6.34
	156.01	110.10	106.35	95.79	85.50	72.24
	142.00	98.50	112.50	115.00	125.00	121.00
	44.2	(12.9)	44.3	(4)	16.2	72.4
	23	29	36	74	20	46
	5	7	10	10	11	9
	11	10	14	12	14	14
	20.0	12.6	10.8	12.9	14.1	19.1
	3.4	2.5	5.2	5.2	5.1	3.8



KEY STATISTICS

Population (2009): 20.45 mn

Land Area: 65,610 Sq km

Languages: Sinhalese, Tamil and English

Per capita GDP (2010): US\$ 2,399

Maximum Corporate Tax Rate (2011): 28%

Currency (2011): Sri Lankan Rupee (approx. LKR 110.00: US\$ 1.00)

BACKGROUND

Sri Lanka lies in a strategic position at the Southern tip of the Indian subcontinent, at a mid-point along key shipping routes between the 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 telecommunications, finance, transport, construction and leisure dominating the economy. In 2010, the per capita income reached US\$ 2,399 and the IMF upgraded Sri Lanka to Middle Income Country status.

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. Elections held in January and April 2010, secured power for the ruling coalition and the Budget presented in November 2010 laid out a medium-term economic policy framework. The prevailing political stability and policy certainty has created a positive investment climate both for Sri Lankan firms and potential foreign investors. This 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 largely 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 plans to open its first expressway in 2011 connecting Colombo to the Southern Province, and in the medium term will have expressways connecting Colombo to the hill capital Kandy and the airport. The national railway network is being modernised to enable high-speed rail and new routes are also being created. The Colombo Port is being expanded to cater to larger vessels and to increase its capacity, as is the primary airport in Katunayake. A new airport is being built in the South. Several new power projects are under construction, ranging from coal power to hydro and wind power. Sri Lanka also began oil exploration off its North-West coast, with drilling commencing in 2011. 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 1000 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 educational institutions at primary, secondary and tertiary levels. In addition to public sector education, students have access to gaining professional qualifications through several local and international institutions. The country has the world's second highest pool of CIMA members outside the UK, making Sri Lanka attractive for outsourcing financial sector professionals.

Along with investments in infrastructure the Government has outlined a medium-term economic policy framework in the National Budget of 2011. This emphasises private sector-led growth, with reduced taxes on corporate (maximum 35% reduced to 28%) and personal incomes (maximum 35% reduced to 24%), promotion of international trade and a simplified tax structure. Improved revenue collection and lower defence 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.

The overall policy thrust of the Government can be summarised as a 'five hub' strategy, where the Government hopes to position Sri Lanka as a regional hub in the following areas:

- Shipping
- Aviation
- Energy
- Knowledge
- Commerce and Finance

ECONOMIC CLIMATE

Sri Lanka's economy is dominated by the services sector (59% of GDP), followed by industry (29% of GDP) and agriculture (12% of GDP). Recent economic growth has been broad based with all three sectors growing significantly in 2010. Whilst Sri Lanka found itself in an uncertain global economic environment since 2009, the domestic economy has enjoyed a peace dividend that has resulted in high growth (8% in 2010), low unemployment (4.9% by September 2010), historically benign inflation (annual average 6.2% in March 2011), strong external reserves (around US\$ 6.6 bn equivalent to around 6 months of imports), declining interest rates, and an improving fiscal position on the back of structural reforms and an IMF Stand By Arrangement (projected budget deficit of 6.8% of GDP for 2011 and 5.2% for 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%. More recently, the economy has bounced back from the global economic crisis, with trade increasing rapidly since the second half of 2010. In the final quarter of 2010, exports grew at above 20% each month and exports in the first month of 2011 grew by 72% year on year. The financial sector has also performed well with the banking sector achieving strong results in 2010/11 and the Colombo Stock Exchange was ranked as the second best performing stock market in the world in 2010 by Bloomberg. Market capitalisation reached LKR 2.2 trillion by the end of December 2010 and the All Share Price Index grew by 96% during the year.

Sri Lanka is strategically positioned in relation to the emerging global economic powerhouses. India and Sri Lanka have a 11-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 'five 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.

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.

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Basic earnings per share

Profits attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

Borrowings

All interest bearing liabilities.

Capital employed

Total equity, minority interest and interest bearing borrowings.

Capital reserves

Reserves identified for specific purposes and considered not available for distribution.

Cash equivalents

Liquid investments with original maturity periods of three months or less.

Contingent liability

A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.

Credit rating

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Current ratio

Current assets divided by current liabilities.
A measure of liquidity.

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.

Dividends

Distribution of profits to holders of equity investments.

Dividend cover

Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

Dividend yield

Dividend per share as a percentage of the market price. A measure of return on investment.

EBITDA

Abbreviation for earnings before Interest, tax, depreciation and amortisation.

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.

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.

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.

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.

Current service cost

Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost

Is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

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.

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.

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.

Notice of Meeting

Hayleys PLC

Company No. PQ 22

NOTICE IS HEREBY GIVEN that the Sixtieth Annual General Meeting of Hayleys PLC will be held at the Sapphire Ballroom, Ceylon Continental Hotel, No. 48, Janadhipathi Mawatha, Colombo 01 on Wednesday, 29th June, 2011 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, 2011, with the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Dr. H. Cabral, who has been appointed by the Board, since the last Annual General Meeting, a Director.
4. To re-elect Dr. K.I.M. Ranasoma, who has been appointed by the Board, since the last Annual General Meeting, a Director.
5. To re-elect, Mr. A.M. Senaratna, who retires by rotation at the Annual General Meeting, a Director.
6. To re-elect, Mr. K.D.D.Perera, 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 2011/12.
8. To ratify sum of Rs. 528,463/- donated to charities in excess of the sum approved by the shareholders for the financial year 2010/11.
9. To appoint Messrs Ernst & Young, Chartered Accountants as Auditors of the Company for the year 2011/12 and to authorise the Directors to determine their remuneration.
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 27th June, 2011.*
- (ii) *It is proposed to post ordinary dividend warrants on 8th July, 2011 and in accordance with the rules of the Colombo Stock Exchange the shares of the Company will be quoted ex-dividend with effect from 30th June, 2011.*

By Order of the Board

HAYLEYS PLC

HAYLEYS GROUP SERVICES (PRIVATE) LIMITED

Secretaries

Colombo

23rd May, 2011

Form of Proxy

Hayleys PLC
Company No. PQ 22

I/We*
of
being a shareholder/shareholders* of HAYLEYS PLC hereby appoint,

1.
of or
failing him.
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 Sixtieth Annual General Meeting of the Company to be held on Wednesday, 29th June, 2011 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, 2011, 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 Dr. H. Cabral, 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 Dr. K.I.M. Ranasoma, who has been appointed to the Board since the last Annual General Meeting, a Director -	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. A.M.Senaratna, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Mr. K.D.D.Perera, 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 2011/12.	<input type="checkbox"/>	<input type="checkbox"/>
8. To ratify sum of Rs. 528,463/- donated to charities in excess of the sum approved by the shareholders for the financial year 2010/11.	<input type="checkbox"/>	<input type="checkbox"/>
9. To appoint Messrs Ernst & Young, Chartered Accountants as Auditors of the Company for the year 2011/12 and to authorise the Directors to determine their remuneration.	<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 2011.

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

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 27th June, 2011.
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

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

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

Please direct any queries about the administration of shareholdings to the Company Secretaries.

Investor relations

Please contact the Corporate Affairs Unit
Telephone: (94 11) 2627611
E-mail: info@cau.hayleys.com

Internet

www.hayleys.com

Hayleys PLC
Hayley Building, P.O. Box 70,
No. 400, Deans Road, Colombo 10,
Sri Lanka.

www.hayleys.com



This Annual Report is Carbon Neutral

This Hayleys PLC Annual Report has been produced by Smart Media - The Annual Report Company whose greenhouse gas emissions resulting from the writing, designing, photography, production, project management, usage of paper and printing are offset using verified carbon offsets.



The
ANNUAL REPORT
Company

www.smart.lk



www.carbonfund.org