

Diversified into one



Can you guess how many make up our family? If you cannot, you are not alone. We are a large family after all. We serve many markets in many places, taking a large number of products to the global marketplace. Yet, in all its diversity, Hayleys is one.

MATRYOSHKA, ALSO KNOWN AS THE RUSSIAN DOLL, IS A WOODEN DOLL WITH SMALLER DOLLS STACKED WITHIN THE BIGGER ONES. IN TRADITIONAL RUSSIAN CULTURE IT REPRESENTED THE WHOLE FAMILY WITH NUMEROUS CHILDREN AND MEMBERS OF THE HOUSEHOLD. IN CONTEMPORARY RUSSIA, PAINTING THEM REMAINS A FAVOURITE FAMILY PASTIME AND FRIENDS WOULD TYPICALLY BE ASKED TO GUESS HOW MANY DOLLS ARE CONTAINED WITHIN.

This is the annual report of ***that one company,*** *Hayleys PLC*

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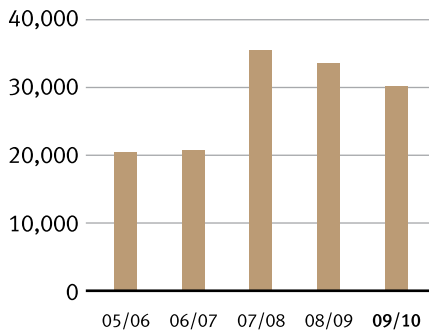
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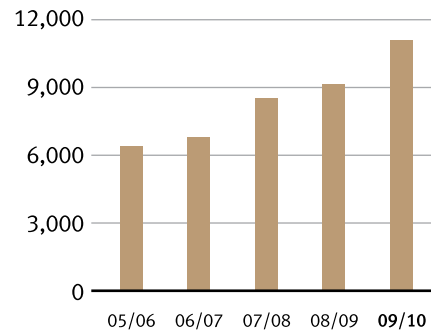
Financial Highlights

	2009/10 Rs. mn	2008/09 Rs. mn	Change %	2007/08 Rs. mn
Gross Turnover*	38,156	32,356	18	30,955
Group Turnover including associates*	43,716	45,374	(4)	53,439
Group profit before tax*	3,351	1,576	113	1,985
Group profit after tax*	2,671	1,007	165	1,521
Profit for the period	2,637	803	228	1,090
Profit attributable to equity holders of the Company	1,775	311	471	453
Dividends	300	225	33	225
Shareholders' funds	15,343	12,356	24	12,222
Company market capitalisation	16,875	6,750	150	7,331
Group market capitalisation	36,691	17,753	107	23,430
Group investments	918	1,385	(34)	1,628
Group value addition	11,103	9,155	21	8,499
Revenue to Government (Including associates)	1,523	1,239	23	2,909
Group employment (persons) (Including associates)	30,177	33,711	(10)	35,416
<i>* Continuing Operations</i>				
Per share				
Earnings (basic) (Rs.)	23.67	4.15	470	6.03
Market value (year-end) (Rs.)	225.00	90.00	150	97.75
Net assets (year-end) (Rs.)	204.58	164.74	24	162.96
Dividend (Rs.)	4.00	3.00	33	3.00
Price earnings (year-end) (times)	9.51	21.69	(56)	16.21
Ratio				
Gross profit (%)*	24.7	24.6		24.5
Interest cover (times)*	5.6	2.2		2.5
Dividend yield (%)	1.8	3.3		3.1
Current ratio (times)	1.2	1.3		1.3
<i>* Continuing Operations</i>				

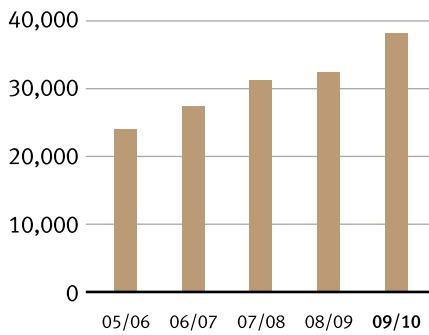
TOTAL NO OF EMPLOYEES
(Inclusive of Associates)



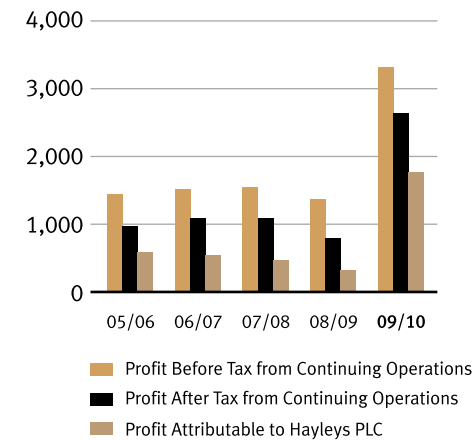
GROUP VALUE ADDITION
(Excluding Associates)
Rs. (mn)



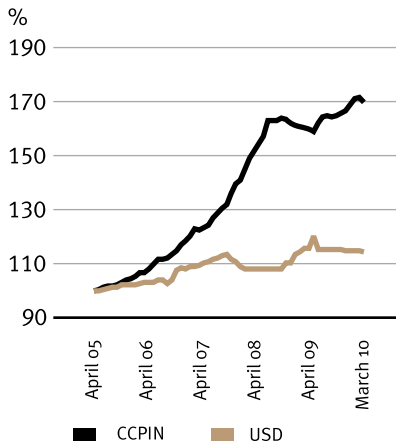
TURNOVER GROWTH
Rs. (mn)



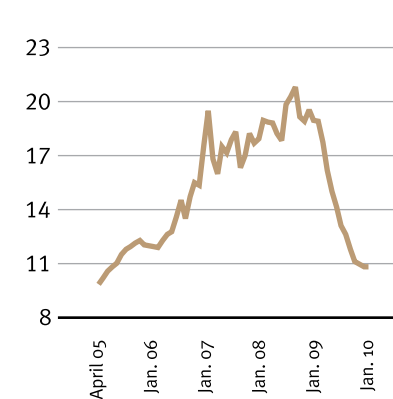
PROFIT GROWTH
Rs. (mn)



EXCHANGE RATE VS INFLATION
(All equated to 100 as at 1st April 2005)



LENDING RATES OF COMMERCIAL BANKS
(% P.A.) - AWPLR (MONTHLY)



Founded in 1878 as Chas P. Hayley & Company, Hayleys is today one of the largest Sri Lankan multinationals. It is a publicly quoted company with a portfolio of globally competitive core businesses in Global Markets & Manufacturing, Agriculture & Agri Business, Transportation & Infrastructure and Consumer Products & Leisure.

In the 58 years since its incorporation as Hayleys, it has a record of 26 scrip issues and 4 modestly-priced rights issues, together with dividend payouts averaging 25% in each of these years.

Hayleys today accounts for 2.45% of Sri Lanka's export income and carries a AA-(lka) credit rating by Fitch Ratings.

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*

Chairman and Chief Executive's Message

The Business of Hayleys is... Hayleys

*We stand at the head where leaders belong...
And forge new paths, where no one has gone...*

From Hayleys Anthem

Dear Shareholder,

We have every reason to celebrate. The triumph over terrorism of the past 30 years has ushered in the opportunity for rapid economic development and lasting peace. In the global front, the recession brought about by the financial crisis shows signs of recovery although that recovery is somewhat dampened by the financial turmoil

in some Euro Zone countries. We at Hayleys have not only posted our best results ever, but we have also strategically positioned Hayleys for a new era of growth. This new era of growth is buoyed by the power of oneness that we are building into our diversified group. We have set in motion a process of reconfiguration and realignment of our portfolio, whilst simultaneously weaving a rich tapestry of our multifaceted business. Vigorous implementation of these initiatives, as well as seeking new business opportunities, will continue into the forthcoming years. On this positive note, I take pleasure in welcoming you to the 59th Annual General Meeting of Hayleys and presenting to you the Annual Report and Audited Financial Statements for the financial year ended 31st March, 2010.

A YEAR OF ACHIEVEMENTS, PROFITS AND DIVIDENDS

In 2009/10 we launched 'World of Hayleys' outlets to showcase Hayleys in its totality.

Consolidated profit for the year under review soared to record the highest ever of Rs. 3,351 mn before tax and Rs. 2,637 mn after tax. These represent a growth of 113% and 228% respectively over the last year.

Similarly, a near six fold growth in profit attributable to equity holders of Rs. 1,775 mn was the highest ever recorded in the history of the Group, with a turnover of Rs. 38,155 mn. The Board has recommended a final dividend of Rs. 2/- per share, bringing the total to Rs. 4/-, yet again the highest ever dividend payout by the Company. All our strategies including our efforts to rationalise the investment portfolio helped us make these spectacular results. Details of these results and a review of the environment that we operated in are given in the section titled Management Review and Preview of this Report. You will note that these results are even more significant, given the multitude of challenges posed by the operating environment both locally and internationally.

INVESTMENTS

The year under review also marked the year in which Hayleys made its single largest investment to date. Hayleys invested a sum of Rs. 1.9 bn to acquire a 51.0% controlling stake in Hotel Services Ceylon PLC, the company that owns and manages the 5-star Ceylon Continental Hotel. With the acquisition of this property in the Colombo Fort having an idyllic location bordering the famous Galle Face Green and the Indian Ocean, and also with the increase in the shareholding in Hunas Falls Hotel PLC to 50.1%, Hayleys has strengthened its position in the tourism industry. Tourism is an industry with much potential. It is encouraging to note the Government's initiatives and the special emphasis given to fast track the development of this industry.

In the plantation sector a strategic investment was made to acquire a further 1/3rd shareholding of Hayleys Plantation Services (Pvt) Ltd., thereby acquiring effective control of Talawakelle Tea Estates PLC. This was done subsequent

to the Balance Sheet date. Hayleys has also increased its shareholding in Hayleys MGT from 40% to 60%, making it a subsidiary of Hayleys PLC. Thus total investment in subsidiaries doubled in the year under review.

ACCOLADES

Among the prestigious awards and recognitions in the year, I would like to highlight USAID's 2009 Global Development Alliance (GDA) Award and quote an excerpt from their citation. "A ground-breaking Private-Public Alliance between USAID and Hayleys Group has been chosen from 700 such initiatives around the world". This Sustainable Agriculture through Commercialisation (SAC) Project, launched in April 2008, has been recognised globally for the outstanding benefits that have accrued to farmers in the Eastern Province of Sri Lanka. It is expected to mobilise over 3,600 conflict-affected farmer families from different regions in the Eastern and Northern Provinces to a commercially viable and sustainable agricultural programme. This programme ensures a substantial increase in these farmer families' income and expands their economic base. This initiative having a strong CSR element to it, enhances the farmer families under our outgrower network to over 8,000. Through this project we facilitate technology transfer to farmers, and offer material inputs on credit as well as guaranteed prices for their produce.

We are also proud to state that the Annual Report of Hayleys PLC for 2007/08 was adjudged the Overall Winner at the prestigious South Asian Federation of Accountants (SAFA) Awards presented in Dhaka, Bangladesh in November 2009.

Hayleys also won the 'SAFA Best Presented Accounts Award' in the Hospitality, Health, Transport and Shipping category at this gala awards event. Meanwhile, the Hayleys Annual Report for 2008/09 won two Silver Awards in the 'Diversified Business' class at the ARC Awards in New York. These are considered the Oscars of annual reports. Hayleys won the Silver Award in the 'Overall Annual Report' category, and the Silver Award in the 'Interior Design' category. The Gold was not awarded in these two categories. Apart from these prestigious international awards, at home the Hayleys annual report 2008/09 was awarded the best in the category of diversified group companies at the competition organised by The Institute of Chartered Accountants of Sri Lanka for the best annual reports. In addition Hayleys also emerged as the overall runner up in this competition.

I am also pleased to inform you that a case study on Hayleys developed by the INSEAD business school of France, was adjudged the best case study in the Corporate Social Responsibility category in the European Foundation for Management Development (EFMD) annual case writing competition 2009.

GROUP STRATEGY

*A spirit of oneness
is being spread to every
corner of the Group...
30,177 'Haylians' are being
united under one flag...*

Hayleys operations are structured under 12 business sectors. These sectors comprising many companies enjoy a degree of autonomy in order for them to grow and develop with appropriate strategic direction from the respective sectors. The common thread running across these seemingly disparate businesses is... Hayleys. 2009/10 has been a year that we have strengthened and given new meaning to this bond, uniting as one in our passion to deliver across every sector, company, and employee of the Group. This new culture emerging in our Group is imbued with fresh thinking, renewed motivation, and aggressive management. It is a culture that consistently strives to deliver shareholder expectations, and is buoyed by a spirit of oneness which is being spread to every corner of the Group.

The 30,177 'Haylians' who are being united under one Hayley flag have now launched their Company Anthem. The high ideals woven into the Hayleys ethos is yet another of the unique factors that sets us apart. This legacy is carried forward with pride and care. We are truly motivated to deliver value to shareholders through a greater degree of industry and entrepreneurship.

Starting at the Board, every Board member has an oversight across the Group in a seamless manner. We have strengthened the core with group strategic business development, human resources, legal and treasury units. These centralised initiatives enable us to share best practices across the Group whilst also bringing in cost and process efficiencies. Taking this further, we are in the process of establishing centralised shared services operations under the name and style of Hayleys Aquila. This will initially focus

on finance and accounting to enhance efficiencies and reduce the cost of these functions by streamlining processes across the Group.

THE WORLD OF HAYLEYS

Sri Lankans have for many decades known and trusted Hayleys in varied spheres of their work and life. Farmers across the country have either been part of the vast Hayleys outgrower network or have been customers of Hayleys for their agricultural inputs. Generations of families in the hinterland of Sri Lanka have either been suppliers of raw materials to Hayleys or have been employed at its many factories and plantations. Similarly, several businesses and Government entities have been either customers of Hayleys for their industrial products, consumer products, logistics and other services, or have been suppliers to Hayleys. However, given the wide geographic and business diversification of Hayleys, few would be privy to the full range of Hayleys products and services and the many experiences Hayleys has to offer them. Thus, in 2009/10 we launched 'World of Hayleys' outlets to showcase Hayleys in its totality. Our maiden outlets were established in Colombo and Jaffna.

CHANGES TO THE BOARD

I was appointed as the Chairman and Chief Executive of Hayleys PLC and the Group in July 2009. My predecessor Mr. N.G. Wickremaratne retired from the Board after 38 years of dedicated service. I wish Mr. Wickremaratne good health and a happy and contented retirement.

We also had two Directors who have served the Group with dedication and commitment for over 25 years, retiring during the year under review. Mr. Richard Ebell who joined Hayleys in 1977 and who ultimately served as Finance Director of the Group retired in October 2009. Mr. Ananda Hettiarchchi who was the Managing Director of Haycarb PLC and associated with that company since 1983 retired in February this year. Please join me in wishing these gentlemen and their families well.

We also welcomed two new members to the Hayleys Board. Mr. W.D.N.H. Perera was appointed to the Board in July, 2009 and Mr. Sarath Ganegoda as Group Director in September, 2009. Mr. Perera is currently the Managing Director of Royal Ceramics PLC and of the Fortress Hotel PLC. He is also on the Board of several other Sri Lankan companies. Mr. Ganegoda was the Head of the Strategic Business Development Unit of Hayleys and he brings with him years of expertise in the areas of general management, strategy and finance.

WAY FORWARD

To support the genesis of the one family concept, the Board has enshrined into its investment policy, that all new investments must have full management as well as equity control.

Hayleys is uniquely poised for the emerging post-terrorism environment in Sri Lanka. It is a Group that can lay claim to so many globally competitive businesses enjoying significant global market shares. We proudly state that we have ventured into many pioneering areas and account for local value addition well in excess of Rs. 10 bn annually.

The Board is aware that the results of the year under review have set a new standard, and that the bar has been raised to a level of performance and excellence hitherto never witnessed. Naturally, our shareholders ought to be more excited about what is in store for the future.

The composition, analysis and performance of our portfolio of businesses appears in the next chapter of this Report. Operations are being streamlined to achieve optimum operational efficiency and growth. Rationalising working capital, reducing the average cost of capital across the Group and reduction of VAT outstanding are other areas that have received significant emphasis during the year under review and shall be pursued in the ensuing years as well. The policy directions of the Government with regard to interest rates and speeding up the VAT refunding process have been extremely encouraging.

Another area of special focus is on strengthening our international network of agents and customers by opening new marketing offices and developing new channels of business. I am happy to say that we are forging ahead as one team with greater focus, making it possible for hitherto underperforming sectors such as the fibre sector and the consumer sector to make dramatic turnarounds. We expect further improvement in these sectors in the ensuing years.

We are mindful of the need to expand our core businesses whilst rationalising our investment portfolio. Our portfolio strategy focuses on ensuring profitability and liquidity in the near term and stability and growth in medium to long term.

We have rearranged our business sectors for the ensuing year to include the Aviation and Leisure sector to reap its fullest potential. We expect it to emerge as a strong category that would contribute significantly to the Group's turnover and profitability and value addition in the medium to long term.

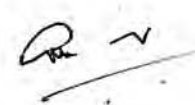
In addition to the above, new business opportunities are being explored in agriculture, transportation and logistics, power and support services for the oil and gas industry.

To support the genesis of the one family concept, the Board has enshrined into its investment policy, that all new investments must have full management as well as equity control. Existing investments that do not meet these criteria are under close scrutiny. We have already exited from some investments and increased our stake in others accordingly.

We have been consistently focusing on our fundamental strengths that have translated into growing confidence of our stakeholders. We have also not lost sight of the fact that we are value creators driven by innovation, technology and best practises; we believe in forging ahead towards building clean energy with minimal environmental pollution. When transforming strategy into action we ensure that fundamentals of accountability, transparency and good governance are adopted and we continue to invest in people and processes. These have always been our hallmarks of success.

IN CONCLUSION...

I wish to extend my sincere appreciation to my fellow Directors and colleagues of the Group Management Committee who have worked with utmost diligence to enhance value to our shareholders; and to our management team and all the employees across the Group for their unwavering dedication and passion that helped steer the Group to a record breaking year of success. I also take this opportunity to thank our local and overseas customers, agents and suppliers for their continued patronage, and our bankers for the support and confidence they have placed in us, and last but not least, our shareholders for their inspiration that drives the success of the Group.


A.M. Pandithage*Chairman & Chief Executive*

17th May 2010

Management Review and Preview

The sum of its parts of some of its parts

"The secret of being a bore is to tell everything"

- Voltaire

■ THE NATURE OF HAYLEYS

Historically independent entities of diverse nature, begin to 'walk to the same beat', whilst retaining their own character and individuality.

Hayleys PLC is one of Sri Lanka's largest multi-national business conglomerates with subsidiaries and associates in Sri Lanka as well as overseas, driving a globally competitive business portfolio spanning 12 defined sectors of enterprise. These sectors fall under the broader ambit of 4 categories - Global Markets & Manufacturing, Agriculture & Agri Business, Transportation & Infrastructure and Consumer Products & Leisure.

Whilst the constituent companies that make up Hayleys are stand alone companies in their own right, their strategy is largely influenced from the centre by Hayleys PLC.

Enacting these management processes in its role of a holding Company has brought with it challenge, opportunity and synergy to Hayleys Group, where historically independent entities of diverse nature begin to 'walk to the same beat', whilst retaining their own character and individuality.

The endeavour has been to strengthen the single core identity all enjoy as being part of Hayleys. And to maximise the synergies to be had from belonging to a single strong entity, whilst introducing prudent centralisation of hitherto decentralised functional areas.

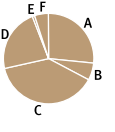
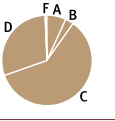
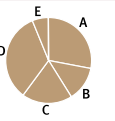
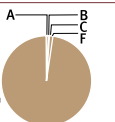




In the pages that follow we have given an analytical snapshot of the portfolio of our businesses and their highlights in pictures, numbers and words.

■ PORTFOLIO ANALYSIS

	MAIN SECTOR	SUB SECTOR	COMPANY	MARKET
 	Global Markets & Manufacturing	Fibre	Ravi Industries Rileys Group Hayleys Exports Toyo Cushion Lanka Lignocell Chas P. Hayley Co. Volanka Exports Bonterra Volanka Superfelt	95% 5%
		Hand Protection	Dipped Products and its subsidiaries (except KVPL Group)	99% 1%
		Purification	Haycarb and its subsidiaries (except Recogen)	100%
		Textiles	Hayleys MGT Knitting Mills	99% 1%
Sector Total				
 	Agriculture and Agri Business	Agri inputs	Hayleys Agro Products Hayleys Agro Fertilisers Haychem Hayleys Agro Technica Haychem Bangladesh	4% 96%
		Agri products	HJS Condiments Sunfrost Quality Seed Hayleys Agro Biotech Hayleys Agro Farms	95% 5%
		Plantations	Kelani Valley Plantations Group Talawakelle Tea Estates	100%
Sector Total				
 	Transportation and Infrastructure	Industry Inputs	Hayleys Industrial Solutions Haycolour Hayleys Lifesciences	15% 85%
		Power and Energy	Bhagya Hydro Neluwa Cascade Hydro Power TTEL Somerset Hydro Power TTEL Hydro Power Co. Recogen	100%
		Transportation	Advantis and its subsidiaries	100%
Sector Total				
 	Consumer and Leisure	Consumer Products	Hayleys Consumer Products Hayleys Consumer Marketing Hayleys Electronic Lighting Hayleys Electronics Group	100%
		Resorts	Carbotels Group and Ceylon Hotel Services	100%
Sector Total				
Group *				69% 31%

* Includes Investment & Services

Export ■ Local ■

	TURNOVER RS. MN	EBIT RS. MN	RETENTION IN THE BUSINESS RS. MN	ASSETS RS. MN	CAPITAL EMPLOYED RS. MN	ROCE	EMPLOYEES
A - Asia - 27% B - Australia - 6% C - Europe - 39% D - USA - 23% E - Africa - <1% F - Indirect Exports - < 5% 	3,530	136	126	4,937	3,146	4%	655
A - Asia - 7% B - Australia - 3% C - Europe - 59% D - USA - 30% F - Indirect Exports - 1% 	9,376	831	575	6,686	4,671	18%	850
A - Asia - 28% B - Australia - 13% C - Europe - 19% D - USA - 34% E - Africa - 6% 	5,047	701	488	3,036	2,489	28%	619
A - Asia B - Australia C - Europe F - Sri Lanka G - Indirect Exports - 99% 	5,793	546	220	5,215	4,640	12%	977
	23,746	2,214	1,409	19,874			3,101
Asia - 4% Sri Lanka - 96% 	4,471	388	115	2,683	1,308	30%	261
A - Asia - 46% B - Australia - 8% C - Europe - 37% E - Africa - 4% F - Sri Lanka - 5% 	1,423	155	133	949	977	16%	382
Indirect Export - 100%	4,948	120	88	4,091	4,838	2%	25,221
	10,842	663	336	7,723			25,864
USA - 15% Sri Lanka - 85% 	989	126	34	1,752	668	19%	79
Sri Lanka - 100%	239	108	18	615	789	14%	2
Sri Lanka - 100%	3,499	483	338	2,813	2,790	17%	745
	4,727	717	390	5,180			826
Sri Lanka - 100%	3,499	191	52	1,197	551	35%	173
Sri Lanka - 100%	867	605	595	2,611	784	77%	71
	4,365	796	647	3,808			244
A - Asia - 9% B - Australia - 3% C - Europe - 19% D - USA - 13% E - Africa - 1% F - Sri Lanka - 31% G - Indirect Exports - 24% 	43,716*	4,003	2,374	44,251	34,034	13%	30,177

* Including Equity Accounted Investees

PORTFOLIO HIGHLIGHTS IN PICTURES, NUMBERS AND WORDS

22%

GLOBAL MARKET SHARE OF
COIR AND PALMYRAH FIBRE -
BASED BRUSHES



Coir Twine

WORLD'S
LARGEST
PRODUCER
OF COIR
TWINE



Tawashi Rod

THE **FIBRE** SECTOR MANUFACTURES A DIVERSIFIED RANGE OF PRODUCTS INCLUDING BRUSHES, FLOOR COVERINGS, CURLED FIBRE, BEDDING AND CUSHIONING, EROSION CONTROL AND HORTICULTURAL 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. IT HAS MORE THAN 300 PATENTS IN ITS FAVOUR.

5%

GLOBAL MARKET SHARE OF
INDUSTRIAL AND GENERAL
PURPOSE RUBBER GLOVES

THE **HAND PROTECTION** SECTOR MANUFACTURES GLOVES FOR DOMESTIC, INDUSTRIAL AND MEDICAL USE. IT IS A TECHNICALLY DEMANDING AND SPECIALISED INDUSTRY. IN THIS FIELD, DIPPED PRODUCTS PLC AND ITS SUBSIDIARIES ENJOY INTERNATIONAL RENOWN FOR QUALITY AND VALUE, OFFERING A COMPREHENSIVE RANGE OF PRODUCTS THAT CATER TO A VARIETY OF APPLICATIONS.



Rubber Gloves



One of our brush making factories

GLOVES SOLD IN
68
COUNTRIES

70% GLOBAL
MARKET SHARE OF COIR
TWINE FOR AGRICULTURE
AND AQUACULTURE

Pelletized Activated carbon



**WORLD'S LARGEST
MANUFACTURER OF
COCONUT SHELL-
DERIVED ACTIVATED
CARBON ACCOUNTING
FOR OVER 17% OF
GLOBAL PRODUCTION**



Our subsidiary that generates electricity from waste heat

THE **POWER & 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 TURN-KEY BASIS. TURNKEY PROJECTS THUS FAR COMPLETED BY THE DIVISION SUPPLY A TOTAL OF **9.5** MW TO THE NATIONAL GRID. THE SECTOR ALSO PRODUCES ELECTRICITY FROM WASTE HEAT GENERATED IN THE PRODUCTION OF COCONUT SHELL CHARCOAL IN AN ECO-FRIENDLY PROCESS.

THE **PURIFICATION PRODUCTS** SECTOR IS IN THE PRODUCTION AND MARKETING OF COCONUT-SHELL-BASED ACTIVATED CARBON. IT IS A PIONEER IN THE MANUFACTURE OF THIS PRODUCT AND MARKETS A RANGE OF CARBONS IN GRANULAR, PELLET AND POWDER FORM. IT ALSO HAS THE CAPACITY TO REGENERATE SPENT CARBONS. THE PORTFOLIO OF PRODUCTS INCLUDES NUMEROUS HIGH-VALUE-ADDED PRODUCTS FOR USE IN A VARIETY OF APPLICATIONS. THIS SECTOR ALSO MANUFACTURES AND MARKETS END PRODUCTS THAT UTILISE ACTIVATED CARBON AND OFFERS TURNKEY SOLUTIONS FOR AIR, WATER, EFFLUENT, SEWAGE AND SOLID WASTE TREATMENT, AS WELL AS NOISE ABATEMENT. IN ADDITION, THE SECTOR OFFERS ENGINEERING SERVICES IN THERMAL ENERGY GENERATION FROM BIOMASS.



Powder sizing of activated carbon

**PRODUCE ELECTRICITY
FROM WASTE HEAT
GENERATED IN THE
PRODUCTION OF
COCONUT SHELL
CHARCOAL IN AN ECO-
FRIENDLY PROCESS**



One of our fabric plants

OVER
10,000
MTS OF
FABRIC
PRODUCED
ANNUALLY

THE **TEXTILES** SECTOR PIONEERED KNIT FABRIC MANUFACTURING FOR INTERNATIONAL MARKETS. IT IS A LEADER IN THIS FIELD, OFFERING A WIDE RANGE OF PRODUCTS INCLUDING 100% COTTON AND 100% POLYESTER FABRIC, COTTON/POLYESTER VISCOSE, AND 'MODAL' COTTON. VARIETIES OFFERED INCLUDE SINGLE JERSEY, INTERLOCK, RIB, PIQUE, FLEECE AND POLAR FLEECE, AVAILABLE IN TEFLON COATED, CLIMATE CONTROL, MOISTURE MANAGEMENT AND OTHER FINISHES. IT ALSO INCLUDES A RANGE OF PRINTED FABRIC SUCH AS PIGMENT DISCHARGE, DISPERSE, REACTIVE AND DIGITAL PRINTING.



One of our knitting plants



Part of the fabric finishing process

ACCREDITED
FABRIC SUPPLIER
TO RENOWNED
INTERNATIONAL
BRANDS SUCH
AS MARKS &
SPENCER, NEXT,
BHS, TESCO,
SAINSBURY,
ADAMS AND
MOTHERCARE



Agency services to mainline and feeder shipping principals

10%
OF CONTAINER
THROUGHPUT
AT THE PORT
OF COLOMBO



Third party logistic services

THE **TRANSPORTATION** SECTOR OFFERS A COMPREHENSIVE RANGE OF END-TO-END LOGISTICS SOLUTIONS TO CLIENTS; FROM PACKING PERSONAL EFFECTS TO ENGAGEMENT IN NATIONAL INFRASTRUCTURE PROJECTS TO THE GLOBAL MOVEMENT OF CARGO. AGENCY SERVICES TO MAINLINE AND FEEDER SHIPPING PRINCIPALS BUSINESS ACTIVITIES FALL WITHIN THREE MAIN SEGMENTS. VIZ. INTERNATIONAL FREIGHT MANAGEMENT; MARINE SERVICES AND TERMINALS & ENGINEERING; INTEGRATED LOGISTICS SERVICES SPANNING THIRD PARTY LOGISTICS, INLAND LOGISTICS, INTERNATIONAL PROJECTS & CHARTERING AND ENERGY LOGISTICS.



Chartering solutions for bulk and heavy cargo

**MARKET LEADER IN 3RD PARTY LOGISTICS SERVICES WITH
MODERN MULTI-USER WAREHOUSING AND DISTRIBUTION
FACILITIES IN SOUTH ASIA**

90% OF THE COUNTRY'S AGRI-INPUT-SUPPLY RETAIL OUTLETS COVERED BY INLAND DISTRIBUTION NETWORK



An agricultural machine supplied by us

THE **AGRI INPUTS** SECTOR DEVELOPS & MARKETS A VARIETY OF AGRICULTURE INPUTS INCLUDING VEGETABLE SEED, SEED PADDY, SEED POTATO, CROP PROTECTION PRODUCTS, AGRICULTURE MACHINERY AND EQUIPMENT, VETERINARY PRODUCTS AND MICRO IRRIGATION SYSTEMS, AND FERTILIZER.



One of our rubber cum tea plantations



Processing of our Agri products

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. VEGETABLES EXPORTED INCLUDE PICKLED GHERKINS, SILVER-SKIN ONIONS, CHILLIES, BELL PEPPERS, JALAPENO PEPPERS AND SPANISH PEPPERS. FRUITS EXPORTED INCLUDE PINEAPPLE, PAPAYA, BANANA, MANGO, JAK FRUIT, MELON AND CASHEW IN BOTH WET AND DEHYDRATED FORM. THE SECTOR PIONEERED THE EARLY GENERATION SEED POTATO PRODUCTION AND ALSO PRODUCES HIGH QUALITY SEED PADDY FOR THE LOCAL MARKET. THE SECTOR IS ALSO BECOMING A MAJOR PRODUCER OF TISSUE CULTURE PLANTLETS IN SRI LANKA AND IS ALREADY PRODUCING FRUITS, FLOWERING, FOLIAGE AND FORESTRY PLANTLETS FOR LOCAL AS WELL AS EXPORT MARKETS.



One of our Agri products

REACH OVER
350,000
FARMERS
AND GROWERS
DIRECTLY
ISLAND-WIDE
WITH A RANGE
OF EXTENSION
SERVICES



Gherkins being processed for Export



Quality first

LARGEST FRUIT AND
VEGETABLE EXPORTER
OF SRI LANKA
ACCOUNTING FOR
43%
SHARE OF ITS EXPORTS



*Bell Peppers; one example of commercialization
of a high value vegetable crop by Hayleys*

ACCREDITED
PROCESSED-
VEGETABLES
SUPPLIER TO
MCDONALDS,
BURGER KING,
SUBWAY,
UNILEVER AND
HEINZ



Tea plucked from our own tea estates

THE **PLANTATIONS** SECTOR CONSISTS OF TWO REGIONAL PLANTATION COMPANIES, KELANI VALLEY PLANTATIONS PLC AND TALAWAKELLE TEA ESTATES PLC. THE COMPANIES TOGETHER OWN AND MANAGE 44 TEA AND RUBBER ESTATES, WITH A TOTAL EXTENT OF NEARLY 20,000 HA



Gherkins and pickled vegetables in Jars

THE **INDUSTRY INPUTS** SECTOR IS A KEY PLAYER IN THE SUPPLY OF RAW MATERIALS AND AUXILIARIES TO SRI LANKAN MANUFACTURERS OF PAINTS, RUBBER PRODUCTS, FLAVOURS, FRAGRANCES AND FOOD INGREDIENTS. A SIGNIFICANT PART OF ITS BUSINESS LIES IN THE SUPPLY OF DYES AND CHEMICALS TO THE TEXTILE INDUSTRY. THE SECTOR IS ALSO ENGAGED IN SUPPLYING AND SUPPORTING DIESEL POWER GENERATING UNITS AND ELECTRONIC SYSTEMS FOR THE CONSTRUCTION INDUSTRY; IN THESE FIELDS, THE SECTOR REPRESENTS SOME RENOWNED PRINCIPALS.



One of our power generating units

50% MARKET SHARE IN JAPAN FOR PICKLES IN JARS

RETAIL PACKED AND PROCESSED VEGETABLES EXPORTED TO 32 COUNTRIES



One of our Tea plantations

5% OF SRI LANKA'S TEA AND 4% OF ITS RUBBER PRODUCTION

MADE OUR SINGLE LARGEST INVESTMENT TO DATE WITH THE ACQUISITION OF A CONTROLLING SHARE OF THE COMPANY THAT OWNS THE 5-STAR CEYLON CONTINENTAL HOTEL IN COLOMBO



Representing premier brands of the world

THE **CONSUMER PRODUCTS** SECTOR BRINGS LEADING BRANDS FROM AROUND THE WORLD TO THE LOCAL CONSUMER. ITS PORTFOLIO COVERS AN ARRAY OF INTERNATIONAL BRANDS SUCH AS FUJIFILM, PHILIPS LIGHTING AND THE LEADING CONSUMER GOODS MANUFACTURER P&G, AMONG WHOSE BRANDS IT OFFERS SRI LANKAN CONSUMERS SUCH FAMOUS LINES AS PAMPERS, PANTENE, HEAD & SHOULDERS, PRINGLES, OLAYSKINCARE PRODUCTS AND MANY OTHERS. AN EXTENSIVE DISTRIBUTION NETWORK CARRIES THESE PRODUCTS TO CONSUMERS ACROSS THE COUNTRY.



View from Ceylon Continental

THE **RESORTS** SECTOR CATERS TO THE POTENTIAL OF THE LEISURE INDUSTRY, THE PORTFOLIO OF INVESTMENTS HELD BY THE SECTOR WAS RATIONALISED AND PLANS ARE UNDERWAY FOR FOCUSED EXPANSION OF THIS SECTOR.



Ceylon Continental Hotel

■ OPERATING ENVIRONMENT

Given the diversified nature of our portfolio, aligning our operating environment is essential. In this context we highlight some of the significant external environment factors that impact our business

In 2009, the Sri Lankan economy grew by 3.5% compared with a growth of 6% in 2008. This lower rate of growth compared with 2008, is attributable to the relatively low growth of 1.1% during the first half of the year (compared with 6.6% during the first half of 2008). This was mainly due to Sri Lanka continuing to be impacted by the spillover effects of the global economic and financial crises during the first half of the year under review.

The slowdown in the global economy negatively impacted on Sri Lanka's value added contribution in the manufacturing sub-sector, with industry output, particularly textile, wearing apparel and leather products decelerating during the first half of 2009. Our Group, nearly 55% of whose export turnover is from the US and Euro was adversely impacted due to the above mentioned conditions.

The second half of the year saw acceleration in growth helped by a recovery in the global markets. Moreover, domestically, with the significant victory achieved over terrorism that plagued the country for three decades, Sri Lanka assumed greater potential for economic development. The resulting boost in investor confidence as well as the integration of the Northern and Eastern areas into the economic mainstream contributed to the economic resurgence witnessed in the second half of 2009.

Given the diversified nature of our portfolio, prudent aligning of our operating environment is essential. In this context we highlight some of the significant external environment factors that impact our business.

1. GLOBAL ECONOMIC RECESSION

Global recovery has evolved 'better than expected' and the IMF now forecasts global growth to reach 4.2% in 2010, which is an upward revision of 0.3% from their January forecast, and is expected to reach 4.3% in 2011. Alongside growth, global trade has also shown a strong rebound, and so have capital flows. According to IMF's newly released Global Financial Stability Report, financial market conditions and stability have improved. The Group is well-poised to explore and exploit new opportunities and further strengthen its existing businesses and maintain competitiveness in this emerging scenario.

We are hopeful of a favourable outcome on the current discussions that are being held to restore concessions under the Generalised System of Preference (GSP) Plus programme.

2. EXCHANGE RATES

The Sri Lankan Rupee reflected an appreciation of 1.5% over the last year. Furthermore, the exchange rate forecasts indicate a further appreciation of the Rupee vis-a-vis the US Dollar by end 2010. The Rupee has hitherto been supported by capital flows into the debt markets and inward remittances. The volatility in the EU economies keeping the Euro from moving upwards is also a matter of concern. However, the exchange rate would also depend on the fiscal situation and the Government's measures to address the deficit. Although this would have a bearing on our predominantly export turnover the Group has taken measures to minimise such impact.

OPERATING ENVIRONMENT

3. INTEREST RATES

The Central Bank's easing of its monetary policy, in the context of reducing inflation, helped stimulate the economy in 2009. This has resulted in the cost of funds being reduced, thereby encouraging investment that would drive short-term value addition and long-term growth of the Group.

4. INCREASED COST OF MATERIALS

The intense competition to secure Coconut Shell Charcoal in Sri Lanka amidst a limited local supply base and the increasing demand for these materials for the manufacture of activated carbon and energy generation, resulted in the Group increasing its imports of this key raw material during the year under review. The resultant upward pressure on prices, poses a critical challenge for the cost effectiveness of our largest manufacturing base in Sri Lanka. In this regard our subsidiary Haycarb which is engaged in the manufacture of activated carbon, will continue to review its strategy on supply chain activity and product portfolio rationalisation to successfully address this key challenge.

5. CHALLENGES IN PLANTATION SECTOR

The Groups' Plantation sector faced many challenges during the current year. Increased competition from new producer countries, lower prices, adverse weather conditions that prevailed in the 1st half of the year and increased wages were some of the key challenges this sector has had to grapple with. However, a positive outcome of the Wage Agreement was the breakthrough achieved to introduce an incentive for productivity. The Group is mindful of the need to strengthen international competitiveness of the industry by focusing on agricultural and industrial research, product development and the promotion of Ceylon Tea as a strong brand.

6. INCREASE IN TOURISM

The end of terrorism in May 2009, saw an immediate increase in tourist arrivals. The strong momentum seen in the second half of 2009 is expected to continue, with

Central Bank forecasting the number of visitors to increase by 30% in 2010. The strong recovery in tourism has prompted international aid agencies to offer assistance to upgrade Sri Lanka's tourism infrastructure and fund capacity-building programmes-evidence that the backward integration of the tourism sector is also impacting the economy. A number of lending agencies are also expected to support in developing tourism infrastructure and this augurs well for the industry. Hayleys is well positioned to harness the prospects and opportunities emerging in this sector and become a key player in the industry.

7. DEVELOPMENT OF THE NORTH AND EAST

The North and East of the country are now being integrated into the mainstream economy, thus expanding its consumption and production bases. With an internationally renowned range of Agri inputs and Agri products the Group has comfortably reached these markets and an outlet showcasing all the products manufactured by the Group has been set up in Jaffna.

8. AGRICULTURE

During the year 2009, total value of Agriculture including tea grew by 3.2% comprising 12% of the GDP. In the exports of fruits and vegetables Hayleys emerged as the number one player with a share of 41%. Presently, Hayleys has a network of 8,000 outgrowers cultivating and supplying fruits and vegetables. The Group looks forward towards a continuation of the Government's vision to propel agriculture as a key driver of growth. Encouraging home growing, support to tea smallholders, guaranteed prices for paddy farmers have been some of the other welcome measures.

9. INCREASE OF LABOUR COST

As per capita income of Sri Lanka increases, the labour costs associated with manufacturing will inevitably rise. In such an environment, the Group will be challenged to remain competitive globally. Under this scenario it is imperative that the Group resorts to leaner manufacturing practices moving towards down stream activities and innovation.

■ GOALS

*The urgent imperative is enhancing **profitability** and maintaining optimal **liquidity***

For the short term, our attention is primarily on completing the process of re-configuration of our portfolio. Surpassing **profitability** targets while maintaining an optimal **liquidity** level will receive greater focus during this phase.

For the medium term, we are investing in growing the businesses that are a good strategic fit whilst making investments that would complement our portfolio. The focus is **growth** and **stability** during this phase.

In the long term, what we are striving for is all round **sustainability**.

Term	Goal	Indicator	Target
Short Term	Profitability	ROCE (excluding capital on land)	> 20%
	Liquidity	Operating cash flow/PAT	> 100%
		Current ratio	1.5 - 1 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%

■ STRATEGY

The overarching strategies we are employing to realise these goals are:

AT A PORTFOLIO LEVEL

- Re-deploying/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 in the previous page as well as giving Hayleys both management and equity control will be determining factors.

ACROSS THE PORTFOLIO

- Greater value addition
- Higher margin 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

In the following pages, we review our performance in 2009/10 against our goals as well as preview the outlook for the ensuing year.

■ FINANCIAL REVIEW 2009/10

The financial year 2009/10 has been the most successful year for the Group since its inception 132 years ago. Recorded profits have exceeded the Group's previous best by over Rs. 1 bn. When compared against the previous year, the increase in profit was 471%. This result has been achieved by streamlining the operations of the Group by building in efficiencies, turnaround of activities which hitherto have been underperforming and capital profits generated through a combination of strategic divestments of entities. This was evident as the Group revenues increase of 18% was mainly attributable to the inclusion of the textile sector. In an environment of depressed global market conditions and exchange rate volatility the Group has accomplished significant results. This section provides an overview of the financial performance of the Group for the year under review in this context.

Term	Goal	Indicator	Target	Achievement
Short Term	Profitability	ROCE (excluding capital on land)	> 20%	17%
	Liquidity	Operating cash flow/PAT	> 100%	98%
		Current ratio	1.5 - 1 times	1.24
Medium Term	Growth	Turnover growth - Local > (inflation)	> 6%	10%
		Turnover growth - Exports (>SLRs depreciation)	> 4%	22%*
		Capital growth (through investment)	> 13 %	32%
	Stability	External credit rating	> = AA	AA - (lka)
		Gearing	35% - 40%	34%

* Excluding Equity Accounted Investees

Profitability and Growth

TURNOVER

The Group reported a consolidated turnover of Rs. 38.1 bn for the year under review, an increase of 18% from the previous year. This increase was mainly attributable to the revenue of Hayley MGT Knitting Mills PLC being consolidated into the Group's revenue due to its acquisition during the year.

The biggest contributor to the Group's turnover in the year under review was the Hand Protection sector, which accounted for 25% of Group turnover compared to 29% in the previous year. The Purification sector which recorded an increase of 12% in turnover, was the second largest contributor to Group turnover, accounting for 13%. Other main contributors to the turnover were Agri Inputs, Consumer Products and Fibre which contributed 12%, 9% and 9% respectively. Agri Inputs and Agri Products recorded a turnover growth of 22% and 24% respectively

whilst the Power and Energy sector grew by a significant 45%. Only sector to record a marginal decline was the Transportation which recorded a decline of 6%. This was mainly due to certain divestments in the sector as well as the economic downturn which was experienced globally.

EXPORT TURNOVER

The Group's export turnover consists of turnover generated by its overseas companies and turnover generated by the Group's export companies in Sri Lanka.

Total export turnover inclusive of Associates was Rs. 28 bn as against a turnover of Rs. 29.7 bn recorded in the previous year. The European market continued to be the major overseas market for the Group, with a contribution of 34% of total export turnover, followed by the United States with a turnover of 21%.

FINANCIAL REVIEW 2009/10

The dominant currency for exports continued to be the US Dollar, accounting for 82% of total exports, followed by the Euro with 14%. The strength of the SL Rupee continued to impact on the conversion of US dollar proceeds.

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

Group EBITDA - Rs. 4,888 mn

The Group's earnings before interest, tax, depreciation and amortisation for the year increased by 40% during the year to Rs. 4,888 mn from Rs. 3,487 mn last year. The increase was primarily due to the combined impact of internal initiatives to re-align the Group's portfolio and create an internal dynamism among employees at all levels, and sector-specific efforts to make businesses exposed to the global economic downturn leaner and more competitive.

OTHER INCOME

Other income increased by 197% from Rs. 254 mn to Rs. 756 mn. The main contributing factors were the gains from disposal of equity accounted investments namely Lighthouse, Royal Heritage and Seashells which amounted to Rs. 571 mn and the negative goodwill that arose from the purchase of Hayleys MGT Knitting Mills PLC of Rs. 155 mn.

PROFIT FROM OPERATIONS

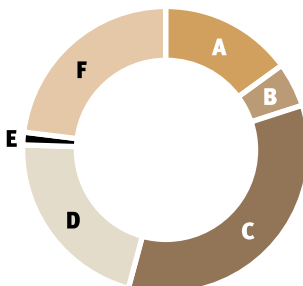
The Group achieved an operating profit of Rs. 4.0 bn before net finance costs

The Group's operating profit before finance cost from continuing operations increased by 60% from Rs. 2.5 bn to Rs. 4.0 bn. Further the overall operating profit margin increased by 35% to 10.5% from 7.75% in the previous year.

The Hand Protection sector's contribution to the Group's operating profit decreased to 21% from 25%. The sector's profit before net finance cost increased by 30% compared with the previous year. The achievement by the sector is noteworthy as in an environment of sluggish demand, following the global recession, much was achieved by management initiatives such as tighter control of working capital, closer management of foreign exchange exposure and efforts to minimise cost and consumption of energy. The DPL Thailand operation reported excellent results recording a profit before tax of Rs. 101 mn.

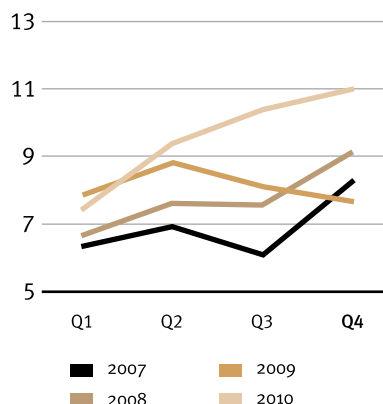
The Purification Products sector contributed 17% to the Group operating profit amounting to Rs. 696 mn compared with Rs. 447 mn in the previous year. These results were achieved through a focus on high value products, continued emphasis on superior product quality, internal initiatives to manage costs and integrated global marketing efforts.

SEGMENT BREAK DOWN OF TURNOVER
%

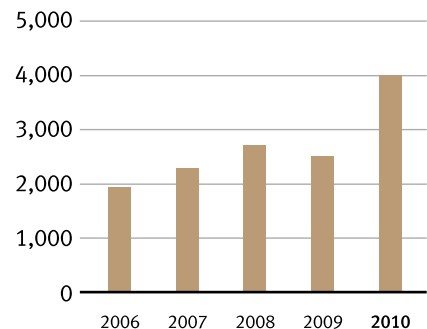


A	Asia (Excluding Sri Lanka)	15%
B	Australia	5%
C	Europe	34%
D	United States of America	21%
E	Africa	1%
F	Indirect Exports	24%

GROUP TURNOVER (QUARTER WISE)
Rs. (bn)



OPERATING PROFIT
Rs. (mn)



FINANCIAL REVIEW 2009/10

The Agri Inputs sector's contribution marginally increased to Rs. 388 mn from Rs. 382 mn. With the end of the conflict, an increase in the extent cultivated in the Northern and Eastern regions is expected and would boost demand for Agri Inputs.

The Agri Products sector made a positive contribution of Rs. 147 mn during the year compared to a negative contribution of Rs. 21 mn in the previous year. This turn around was mainly due to higher volume, reduction in raw material prices and lower interest rates.

With the global economy in recession, international movement of cargo by sea and air saw a steep drop. Cargo traffic along the busiest sea routes declined. Therefore, the Group's companies in the Transportation sector engaged in freight forwarding, shipping and logistics saw a reduction in demand. However, the sector was able to record a marginal increase in profits despite a reduction in revenues during the year, largely due to contribution from new activities.

The Resorts sector contributed 14% of the Group's profit from operations. This was mainly attributable to the capital profit that arose from the divestment of the equity accounted investments held in Lighthouse, Seashells and Royal Heritage hotels amounting to Rs. 571 mn.

The Textiles sector which was consolidated, as a subsidiary, into the Group's profits for the first time after the acquisition of the controlling stake in Hayleys MGT Knitting Mills PLC contributed Rs. 353 mn which was 9% of the Group's profit. Despite a decline in turnover, and a reduction in volumes due to lower-priced competition the sector was able to maintain its profitability and remained largely globally competitive. This was possible due to the reduction in the Company's cost of manufacture through a combination of lower energy costs and lean production practices.

Although the Consumer Products sector contributed only 4% towards the Group's profitability, the sector recorded an increased profitability of 153% over the comparative period last year. This was attained mainly through the profitability of P&G, Health Care and Lighting businesses.

Only the Plantation sector posted a lower result due to a mandatory wage increase of over 40% in the year under review and crop losses due to bad weather. However, this sector began turning around in the third quarter of the year and continues to perform well in the current financial year.

Liquidity

NET FINANCE COST

Interest cost on continuing operations has reduced by 37% from Rs. 1.1 bn to Rs. 0.7 bn.

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. 1,278 mn to Rs. 890 mn. The favourable exchange rate fluctuations that took place during the 1st half of the year, resulted in an exchange gain of Rs. 117 mn as opposed to a exchange loss of Rs. 93 mn which was recorded in the previous year.

Overall the Group has reduced its long-term borrowing and have capitalised on the attractive short-term lending rates.

The Group's average cost of funds reduced from 13% to 11% over the year. Further, the Group's interest cover increased to 5.6 times from 2.2 times recorded in the previous year.

EQUITY ACCOUNTED INVESTEEES

As noted previously, the Group divested its interests in Lighthouse, Royal Heritage Hotel and Seashells hotels which were 3 equity accounted investees. Further, the Group acquired shares in Hayleys MGT Knitting PLC and Hunas Falls Hotels PLC effectively making them subsidiaries to the group as opposed to being considered equity accounted investees in the previous year. These factors contributed to the reduction in total contribution from equity accounted investees.

TAXATION

The year under review saw a considerable increase in the tax charge from continuing operations. This charge was Rs. 680 mn compared to Rs. 568 mn in the previous year an increase of 20%. However, the effective tax rate for the

FINANCIAL REVIEW 2009/10

Group saw a significant decrease from 42% to 21% in the current year. The main reason for this decrease being the profitability recorded by several companies which recorded losses in the previous year. Tax exempt companies of the Group, and information on their tax holidays, are stated on pages 138 to 139.

As reported in the previous year the Group continues to carry the cost arising from delays in VAT refunds due to it.

DISCONTINUED OPERATIONS

Due to the negative effects of the global recession, the Group was forced to re-examine some of the operations in the Transportation sector. Accordingly, it was decided that our subsidiaries Civaro India (Pvt) Ltd., Civaro NA Inc, Logilink (Pvt) Ltd. and Moceti Lanka (Pvt) Ltd. and the Joint Venture Company in Fiji Civaro Fiji (Pvt) Ltd. would be discontinued. The loss of these operations for the period under review was Rs. 32.0 mn whilst total Assets amounted to Rs. 280 mn.

NON-CONTROLLING INTEREST

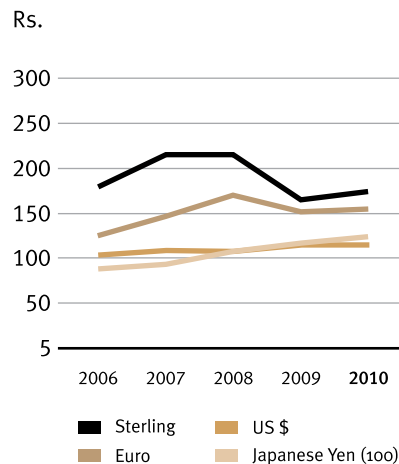
The non-controlling share of profits after tax increased by 75% to Rs. 861 mn, compared to Rs. 492 mn in the previous year. The balance between Non-Controlling interest and equity holders' shares of profit depends on the mix of companies contributing to profit and the levels of non-controlling interest in each, and this varies from one year to another. In the current year due to the acquisition of Hayleys MGT Knitting Mills PLC a portion of its profits were reflected in Non-Controlling Interest.

EXCHANGE RATES

The Sri lankan Rupee depreciated to Rs. 120.21 during the first month of the period under review. However, due to the strengthening of the external reserve positions and the enhanced economy since the end of the country's war against terrorism, the Rupee closed at Rs. 114.09 on the 31st March, 2010 to reflect an appreciation of 1.5% over 31st March 2009. Inflation averaged 8% for the same period.

The Group's interest and exchange rate strategy was based on the expectation that the interest differential between funding in US Dollars and the local currency would remain higher than the rate of depreciation of the Rupee versus the Dollar. Advantage was also taken of the forward premiums available in the US Dollar LKR market against a largely steady spot rate. Our view was validated by the outcomes: Rupee slightly appreciated during the year, while the interest differential averaged well over 8% p.a. thus enabling us to substantially reduce our finance cost. Meanwhile, G7 currencies that rose rapidly during the first half of the year plummeted in the second, causing some losses in Euro and Pound Sterling export exposures that were caught in the sharp declines in currency rates. However, these were offset to some extent by gains in import liabilities across the Group.

YEAR END EXCHANGE RATES



FINANCIAL REVIEW 2009/10

CAPITAL STRUCTURE

The Group's total borrowings increased by 22.8%

The Group's capital structure remained similar to the previous year with 1/3 of the capital being funded through the equity of shareholder and non-controlling components.

Total borrowings of the Group increased during the year by 22.8 %, from Rs. 9.2 bn to Rs. 11.3 bn. Although, there was a reduction in the long-term borrowings by 17% the short-term borrowing as at the year end increased by 36%. A contributory factor being the short-term financing arranged to fund the acquisitions of Hotel Services (Ceylon) PLC. This loan will be restructured into a long-term debt in the current financial year. The strategy of resorting to short-term borrowings was also pursued to take advantage of the reduced short-term lending rates available in the market.

The Group has both local currency borrowings and foreign currency borrowings. Long-term foreign currency borrowings are mainly in USD and Thai Baht. 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 the borrowings, both long term and short term, made by the Group's overseas companies.

A further improvement in gearing levels was seen from last year with gearing reducing from 36% to 34%.

Cash and cash equivalents, together with short term deposits, improved by 17% from Rs. 2.3 bn to Rs. 2.7 bn.

Group subsidiaries have at their disposal banking facilities including Rupee overdrafts and foreign currency borrowings. The undrawn facilities available to the Group as at 31st March, 2010 was Rs. 8.3 bn.

The Group's current ratio declined slightly from the previous year to 1.2 times as the Group had substantial short-term borrowings as at the year end.

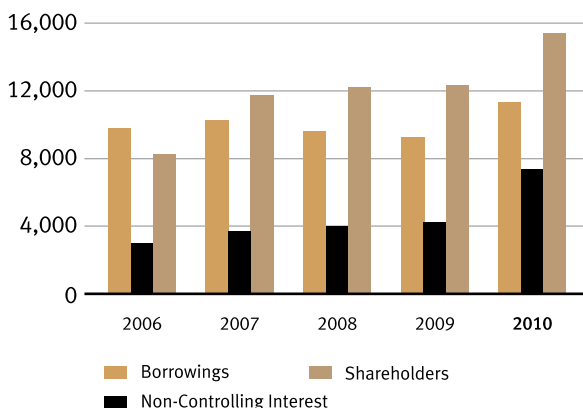
INVESTMENTS

In the year under review, Hayleys PLC saw the single largest investment in its 132-year history of the Company - the purchase of a controlling stake in Hotel Services (Ceylon) PLC that owns Ceylon Continental Hotel. The Group also increased its stake in Hunas Falls Hotels PLC thereby gaining controlling interest in the entity. This was performed in line with the Group's strategy to focus on the Tourism and Leisure sector. The Group also increased its investment in Hayleys MGT Knitting Mills PLC which is a manufacturer of knitted fabric.

Strategic investments were also made in the Plantation sector subsequent to the Balance Sheet date with the acquisition of a further one third shareholding of Hayleys Plantations Ltd., thereby acquiring effective control of Talawakelle Tea Estates PLC.

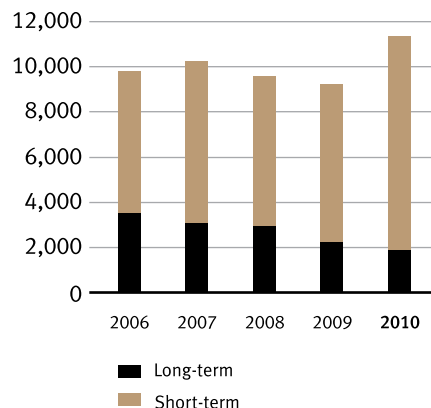
CAPITAL STRUCTURE

Rs. (mn)



BORROWINGS

Rs. (mn)



FINANCIAL REVIEW 2009/10

Due to the purchase of Subsidiaries the Group's value of fixed assets net of depreciation increased by Rs. 4.8 bn. Further, the Group revalued its land which resulted in a revaluation surplus of Rs. 1.7 bn.

CASH FLOW

Cash generated from operating activities amounted to Rs. 2.60 bn. This is an increase by 139% when compared with the previous year. There was an increase in trade and other receivables, inventory as well as trade and other debtors which impacted on cash generated from operations.

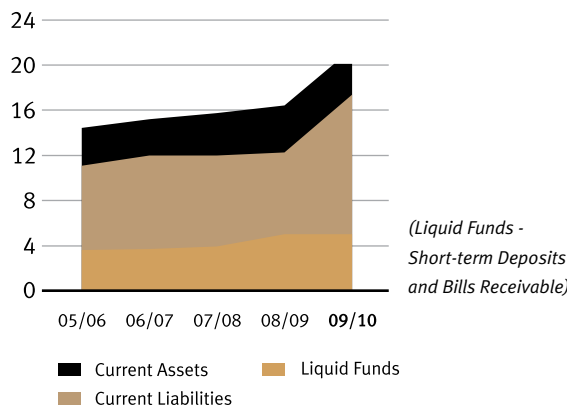
The cash outflow on interest paid reduced by 15% and cash paid on income tax increased by 6%.

Although there was an inflow of Rs. 931 mn from sale of equity accounted investees due to the acquisition of subsidiaries namely Hunas Falls Hotels PLC, Hayleys MGT Knitting Mills PLC and Hotel Services (Celyon) PLC, net cash used from investing activities was Rs. 3.6 bn including the short-term borrowings of Hayleys MGT Knitting Mills PLC amounting to Rs. 1.6 bn. This was in stark contrast to the previous year where the Group recorded a net cash inflow of Rs. 200 mn from investing activities.

Subscriptions to new loans taken by Group companies declined marginally during the year, from Rs. 496 mn to Rs. 445 mn.

WORKING CAPITAL

Rs. (bn)



Stability

PERFORMANCE MEASUREMENT

DIVIDENDS

The Company proposes a tax free final dividend of Rs. 2.00 per share. A tax free interim dividend of Rs. 2.00 per share was paid on 26th March, 2010.

However, the dividend yield has reduced substantially to 1.8% from 3.3% last year, owing to increase in the share price of the Company.

EARNINGS PER SHARE

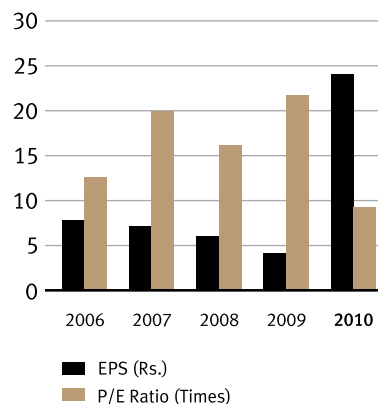
The consolidated basic earnings per share from continuing operations increased by 255% to Rs. 24.07 from Rs. 6.78. The overall basic earnings per share increased from Rs. 4.15 to Rs. 23.67. This had led to a lowering of the P/E Ratio as the share price had not reflected the same rapid increase.

PERFORMANCE OF THE SHARE

The share price of the Company at the end of the financial year stood at Rs. 225.00, an increase of 150% compared with the previous year's closing price of Rs. 90.00. The share price reached a peak of Rs. 240.00 whilst the lowest for the year was recorded at Rs. 85.00. There was a steady increase in the share price throughout the period under review depicting continued investor confidence in the Group.

EPS & P/E RATIO

Rs. / Times



FINANCIAL REVIEW 2009/10

The Net Assets per share grew by 24% to 204.78 from 164.75. Further, for the first time in the past 5 years, the year end share price at Rs. 225 exceeded the Net Assets per share thus reflecting a price to book value of 1.09 as against 0.54 in the previous year.

A total of 5,275,900 shares were traded during the year, generating a market turnover of Rs. 858.4 mn. The total Market Capitalisation as at the 31st March, 2010 was Rs. 16.875 bn which was 1.38% of the total Market Capitalisation of the Colombo Stock Exchange.

Overall market performance of the share 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 3,783 after beginning at 1,638 whilst the Milanka Price Index closed at 4,270 after beginning from 1,727.

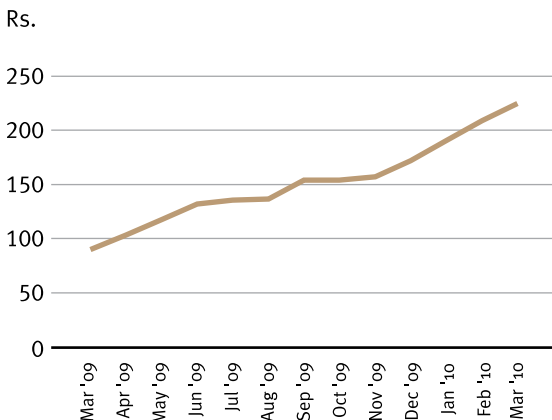
Total Shareholder Return (TSR) was a positive 154% for the financial year 2009/10 in comparison with a negative TSR of 5% in the previous financial year. The TSR reflects the total return gain to the shareholder through appreciation of the share price and dividends received during the financial year.

Return on Average Capital Employed increased from 9.4% to 13.3% in the current year. Further, Return on Equity also increased from 5% to 12% in the year under review.

VALUE ADDED

The Group operations for the year 09/10 created a total value of Rs. 11.03 bn, an increase of 21% from the previous year.

MOVEMENT OF SHARE PRICE DURING THE YEAR



Of this value addition, 48% was distributed amongst the employees of the Group whilst 14% and 12% were distributed to the Lenders of Capital and to the Government of Sri Lanka. 3% was distributed amongst the shareholders whilst the remaining 21% was retained in the business. Of this 21%, Rs. 1.4 bn was retained within the Group for re-investment in operations for future growth which reflected a substantial performance considering there was a negative contribution of Rs. 30 mn in the previous year.

FINANCIAL REPORTING

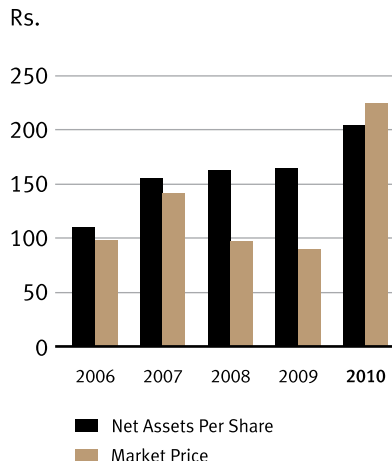
The Group is committed to adopting best practices in financial reporting and maintains a close watch on new developments in the financial reporting environment. The financial reports on pages 119 to 176 have been prepared in compliance with Sri Lanka Accounting Standards and every attempt is made to provide the reader with a clear and comprehensive understanding of these financials.

OUR ACHIEVEMENTS

The Annual Report of Hayleys PLC for 2007/08 was adjudged the Overall Winner at the prestigious South Asian Federation of Accountants (SAFA) Awards presented in Dhaka, Bangladesh in 2009.

Hayleys PLC also won the 'SAFA Best Presented Accounts Award' in the Hospitality, Health, Transport and Shipping category.

MARKET PRICE AND NET ASSETS PER SHARE



FINANCIAL REVIEW 2009/10

Meanwhile, the Hayleys Annual Report for 2008/09 won two Silver Awards in the 'Diversified Business' class at the ARC Awards in New York, considered the Oscars of Annual Reports. Hayleys won the Silver Award in the 'Overall Annual Report' category, and also took Silver in the 'Interior Design' category. The Gold was not awarded in both these categories.

The Hayleys Annual Report 2008/09 was awarded the best in the category of diversified Group companies at the competition organised by The Institute of Chartered Accountants of Sri Lanka. In addition, Hayleys also emerged as the overall Runner-up in this competition. The Annual Report was also placed third in the Corporate Social Responsibility Reporting Awards.

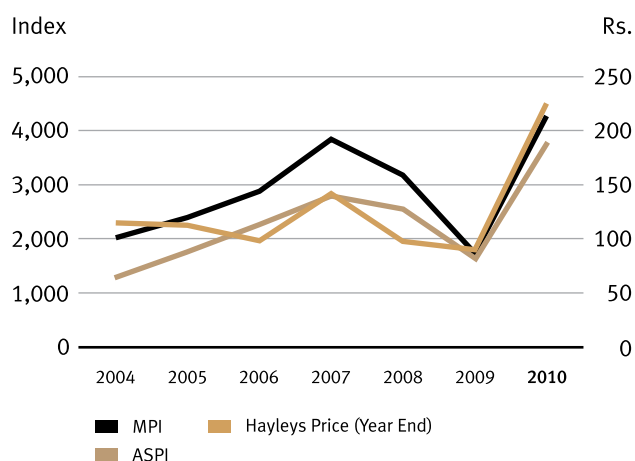
The Company continues to give high priority to timely delivery of both quarterly and annual Financial Statements. Our comprehensive reporting has enabled shareholders and other stakeholders to make a fair assessment of the Company's performance.

FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks, including foreign exchange risks, credit risks, interest rate risks, liquidity risks and investment risks. 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.

FINANCIAL STATEMENTS AT A GLANCE

(Rs. mn) Cumulative up to	2009/10				2008/09
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	
Turnover	7,493	16,871	27,167	38,156	32,356
Operating Profit	549	1,465	2,286	4,003	2,513
Profit Before Tax	346	1,099	1,176	3,351	1,576
Profit After Tax	227	817	1,300	2,672	1,007
Loss from					
Discontinued Operations	-	-	-	35	(204)
Profit for the Period	227	817	1,300	2,637	803
Profit Attributable to					
Shareholders	125	553	831	1,775	311
Shareholders' Funds	12,264	12,889	13,008	15,343	12,356
Total Assets	33,564	38,519	34,296	45,094	33,630

MOVEMENT IN SHARE PRICE INDICES

■ OUTLOOK 2010-11

Term	Goal	Indicator	Target
Short Term	Profitability	ROCE (excluding capital on land)	>20%
	Liquidity	Operating cash flow/PAT	>100%
		Current ratio	1.5 - 1 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%

We are optimistic in our view of holding true to the above goals in the ensuing year

The basis for this view in summary is:

- The economies in our export markets seem to be turning around.
- Our sectors catering to export markets have become more cost efficient, moved up the value chain, launched new high value products and services, and strengthened relationships with existing customers and forged many new customer relationships.
- We have made our largest single investment to date in tourism. This sector is poised to do well and is receiving a lot of attention and support from the Government of Sri Lanka.
- The post-terrorism environment in Sri Lanka provides opportunities for our businesses catering to the local market to make substantial headway.
- Hitherto underperforming sectors have all been turned around and they should all make significant contributions.
- We have to a large extent completed our process of exiting from the businesses that were not bringing in a worthwhile return or were not a good strategic fit in our portfolio.
- The renewed motivation across the Group, the one company spirit and the insatiable hunger to perform... should also translate to a worthwhile achievement.

In this our

nd

132 year,

*we celebrate the unified
diversity of Hayleys...*

*that serves to make us
that one company
whose “whole is
greater than the sum
of its parts”*



Sustainability Report

KEY IMPACTS, RISKS AND OPPORTUNITIES FROM AN ECONOMIC PERSPECTIVE

The global economy continued to suffer the fallout of the chaos of 2008/09 and contracted by 0.6% in 2009. Trends of diminished demand continued to affect trade and commerce worldwide.

World oil prices stabilised at US\$ 57.39 per barrel after a wild swing from the highs of July 2008 (US\$ 147.28), to the lows of December 2008 (US\$ 33.87). This fall in oil prices served to mitigate the high energy costs the country faced in the previous financial year

Sri Lanka's economy grew by 3.5% - a reduction of the 6% growth achieved in 2008/09.

Previous year's high inflation came down to single digit territory from a high of 28.2% in July 2008, for annual average inflation in 2009 to be 3.5% at year end.

The effects of global recession were to be seen across all key parameters of the local economy.

The Industrial sector grew by 4.27% as against 5.9% last year. Lowered demand due to the global recession was the key reason for this low growth.

The Agricultural sector grew 3.2%, also down from last year's 7.5%. Performance was undermined by a protracted drought in early 2008.

The Services sector grew by 3.3% down from 5.6% last year. The global downturn led to a contraction of wholesale/retail trading activities. However, domestic trade performed well with robust demand from the local consumer base. The leisure sector recorded growth, encouraged by the cessation of war and an expansion of local and foreign tourism.

Sri Lanka's export earnings declined by 17.2%. The sectors hardest hit were Industry and Agriculture.

The impact of Hayleys enterprise in economic terms is discussed in detail under the section 'Economic Performance' on page of this Report.

FROM A SOCIAL PERSPECTIVE

Hayleys' enterprise is conducted amidst diverse communities both in Sri Lanka and overseas.

The Group is mindful at all times of the impact its operations may exert on these communities and conversely, the impact community considerations may have on its business.

We are guided by the principles of the United Nations Global Compact (UNGC), which seeks to promote responsible corporate citizenship to surmount challenges posed by globalisation.

A detailed account of our interaction with society appears in the section 'Social Performance' commencing on page 55 of this Report.

FROM AN ENVIRONMENTAL PERSPECTIVE

Environmental impacts on the businesses of Hayleys, as well as those of our business on the environment, are as varied as our portfolio.

These are discussed in fuller detail under the section on 'Environmental Performance' starting on page 50 of this Report.

ORGANISATIONAL PROFILE

Details of Hayleys' corporate information appears on the inner back cover of this Report.

Details of Hayleys' subsidiaries, associates, business segments and product portfolio appear within the section 'Report Parameters' appearing from pages 36 to 38 of this Report.

AWARDS

Honorary CILT Fellowship
Mr. A M Pandithage

**National Chamber of Exporters -
NEC Export Award 2008**
Bronze Award - Large Sector, Haycolour (Pvt) Ltd.

**USAID's Global Development Alliance (GDA)
Award 2009**
Winner - Sunfrost (Pvt) Ltd.

ICS Best Customer Service Award 2009
For Specified Shipping Lanes - A Hayleys
Advantis Subsidiary

**Institute of Chartered Accountants' (ICASL)
Annual Report Awards 2009**
Hayleys PLC
Silver Award Overall Winner -
Excellence in Financial Reporting
Bronze Award -
Corporate Social Responsibility Reporting
Gold Award -
Diversified Holdings (above 5 subsidiaries)

Hayleys Advantis
Silver Award - Services Sector

Kelani Valley Plantations PLC
Silver Award - Plantation Companies Sector

**South Asian Federation of Accountants (SAFA)
Awards 2009**
Hayleys PLC

Best Annual Report - Overall Winner
Best Presented Accounts Award - Hospitality,
Health, Transport and Shipping category

Corporate Accountability Ratings 2010
Silver Ranking - Hayleys Advantis

Ceylon Specialty Tea of the Year 2009/10
Gold Award and Bronze Award, Nuwara Eliya
category - Kelani Valley Plantations PLC

**Agri Business Awards 2009 presented by the
National Agri-Business Council (NAC)**
Hayleys Agro
Gold - (Large Category) Input Supplier
Silver - (Large Category) Farm Machinery and
Equipment
Silver - (Large Category) Extension Services
Gold - (Medium Category) Veterinary Products

**National Business Excellence Awards 2009
conducted by the National Chamber of Commerce
Logiwiz**
Gold Award - Logistics and Transport Sector
Silver Award - Knowledge Integrator Category

Talawakelle Tea Estates PLC
Gold Award - Agriculture and
Plantations Sector

International ARC Awards 2009
Hayleys PLC
Silver Award - Overall Annual Report,
Diversified Business
Silver Award - Interior Design,
Diversified Business

Colombo Municipal Council
Honoured Citizen of the Year 2010
Hayleys PLC

Achieved the ECO PASSPORT from
HOHENSTEIN INSTITUTE, GERMANY, the
certification institute for OKEOTEX 100
Haycolour (Pvt) Ltd.

EFMD (European Foundation for Management
Development) Award for INSEAD (Institut
Européen d'Administration des Affaires)
Case Studies
Hayleys PLC

ACCREDITATIONS



ISO 9001:2000
Quality Systems Certification

- Hayleys Agro Biotech (Pvt) Ltd
- HJS Condiments Limited
- Puritas (Pvt) Ltd



ISO 9001:2008 Certification

- Hayleys MGT Knitting Mills PLC.
 - Rileys Ltd.
- Chas. P. Hayley & Co. Ltd.
- Hayleys Exports PLC
- Toyo Cushion Lanka Ltd.
 - Haychem Ltd.
- HJS Condiments Ltd.
- Dipped Products PLC and following subsidiaries were changed to ISO 9001:2008 Certification:
 - Grossart (Pvt) Ltd.
 - Venigros (Pvt) Ltd.
 - Neoprex (Pvt) Ltd.
 - Texnil (Pvt) Ltd.
 - Hanwella Rubber Products Ltd.
 - Haycarb PLC
 - Lignocell Ltd.
- Five Hayleys Advantis subsidiaries



SGS Retail Supplier Certification

- Dipped Products PLC and its subsidiaries



ISO 13485:2003 Certification for Medical Products

- Dipped Products Thailand Ltd.



German Institute for Quality Assurance and Certification

- Dipped Products PLC



Hazards Analysis & Critical Control Points (HACCP) Certification

- HJS Condiments Ltd.
- Hayleys MGT Knitting Mills PLC
 - Rileys Ltd.
- Chas. P. Hayley & Co. Ltd.
- Kelani Valley Plantations PLC



ISO 22000:2005 Food System Management System Certification

- Talawakelle Tea Estates PLC
- Kelani Valley Plantations PLC
- HJS Condiments Ltd.



OHSAS 18001 Certification

- HJS Condiments Ltd.
- Logiwiz Ltd.



FDA Approval from USA

- HJS Condiments Ltd.
- Kelani Valley Plantations PLC



ethical tea partnership

- Kelani Valley Plantations PLC

Other Accreditations



ISO 14001:2004
Environmental Management System Certification

- Hayleys MGT Knitting Mills PLC
 - Rileys Ltd.
- Chas. P. Hayley & Co. Ltd.
 - HJS Condiments Ltd.
 - Ravi Industries Ltd.
- A Hayleys Advantis Subsidiary.
 - Haychem Ltd.
- Dipped Products PLC and its following subsidiaries
 - Grossart (Pvt) Ltd.
 - Venigros (Pvt) Ltd.
 - Neoprex (Pvt) Ltd.
 - Texnil (Pvt) Ltd.
 - Hanwella Rubber Products Ltd.



CE Certifications under European Directive

- Dipped Products PLC and its subsidiaries

Sustainability Report

REPORT PARAMETERS

REPORT PROFILE

This Report covers the period 1st April, 2009 to 31st March, 2010. It has been compiled with data and performance indicators falling within the stipulated period except in the case of the section on Awards and Accreditations (page 35), which includes more recent updates.

The report has been formulated upon the reporting principles and methodology of GRI version 3 of 2006.

In view of the highly diversified nature of our business, some data presented herein may not have covered the entire Group. We are making significant headway in addressing this issue and are gradually improving our reporting.

The most recent of previous reports produced by Hayleys PLC was released on 31st March, 2009.

The Company adopts an annual reporting cycle.

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

REPORT SCOPE AND BOUNDARY

This report covers the performance of the businesses within the Hayleys Group.

The 'Triple Bottom Line' performance is reported in accordance with the criteria pertaining to Level B of the GRI guidelines.

We affirm that no stakeholder engagement has been undertaken specifically for the purposes of sustainability reporting.

The report on Economic Performance has been prepared from data contained in the Group's Audited Accounts for the financial year ended 31st March, 2010. 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 Messrs KPMG Ford, Rhodes, Thornton & Co.

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.

GLOBAL MARKETS & MANUFACTURING		
Sector	Name of Company	Nature of Business
Fibre	Chas P. Hayley & Company (Pvt) Ltd.	Coir and treated rubber timber products
	Volanka Exports Ltd.	Coir-based products and essential oils
	Haylex BV Group	Marketing
	Ravi Industries Ltd.	Industrial and household brushware
	Hayleys Exports PLC	Value added coir-based products
	Lignocell (Pvt) Ltd.	Coir fibre pith
	OE Techniques Ltd.	Essential oil
	Rileys (Pvt) Ltd.	Cleaning devices
	Haymat (Pvt) Ltd.	Coir fibre mats
	Toyo Cushion Lanka (Pvt) Ltd.	Needled and rubberised coir products
	Superfelt (Pvt) Ltd.	Needled and thermo bonded felt pads
	Creative Polymats (Pvt) Ltd.	Moulded rubber products
	PT Tulus Lanka	Coir, coir fibre, pith & related products
	Tianjing Shanglon Mattress Co. Ltd.	Rubberised coir
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
AGRICULTURE & AGRI BUSINESS		
Sector	Name of Company	Nature of Business
Agri Inputs	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
	Agri Products	Quality Seed Company (Pvt) Ltd.
Sunfrost (Pvt) Ltd.		Fresh/processed vegetables
HJS Condiments Ltd.		Retail-packed, processed vegetables
Hayleys Agro Biotech (Pvt) Ltd.		Phyto chemicals & horticultural tissue culture products
Hayleys Agro Farms (Pvt) Ltd.		Planting material
Plantations	DPL Plantations (Pvt) Ltd.	Plantation management
	Kelani Valley Plantations PLC	Processed tea and rubber
	Hayleys Plantation Services (Pvt) Ltd.	Plantation management
	Talawakelle Tea Estates PLC	Processed black tea

TRANSPORTATION & INFRASTRUCTURE		
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 Lifesciences Ltd.	Supplying health care equipment
Power & Energy	Recogen (Pvt) Ltd.	Charcoal and power generation
	Bhagya Hydro (Pvt) Ltd.	Hydro power
	Neluwa Cascade Hydro Power (Pvt) Ltd.	Hydro power
	TTEL Hydro Power Company (Pvt) Ltd.	Hydro power
	Hayleys Hydro Energy (Pvt) Ltd.	Hydro power
	TTEL Sommerset Hydro Power (Pvt) Ltd.	Hydro power
	Nirmalapura Wind Power (Pvt) Ltd.	Wind power
	Mawanana Power Company (Pvt) Ltd.	Hydro power
	Biofuels D Z (Pvt) Ltd.	Bio fuels
	Transportation	Hayleys Advantis Group
CONSUMER & LEISURE		
Sector	Name of Company	Nature of Business
Consumer Products	Hayleys Consumer Products Ltd.	Lighting, photo imaging, healthcare
	Hayleys Consumer Marketing (Pvt) Ltd.	FMCG
	Hayleys Electronics Group	Consumer durables
	Hayleys Electronics Lighting (Pvt) Ltd.	Lighting products
Hotels & Resorts	Hunas Falls Hotels PLC	Hoteliering
	Carbotels (Pvt) Ltd.	Hotel investment
	Tropical Villas (Pvt) Ltd.	Hoteliering
	Eastern Hotels Ltd.	Hoteliering
	Negombo Hotels Ltd.	Hoteliering
	Jetwing Hotels Ltd.	Hoteliering
	Hotel Services (Ceylon PLC)	Hoteliering
	Investments & Services	Hayleys Group Services (Pvt) Ltd.
Dean Foster (Pvt) Ltd.	Investment	
Volanka (Pvt) Ltd.	Investment	
Volanka Insurance Services (Pvt) Ltd.	Insurance broking	
Hayleys Business Solutions International (Pvt) Ltd.	Business Process Outsourcing	

ASSURANCE
GOVERNANCE, COMMITMENTS AND ENGAGEMENTS
Governance

Hayleys has an emancipated governance structure in place. A comprehensive review of these measures appears in the Hayleys Governance report appearing on page 90 of this Annual Report.

Commitments to External Initiatives

- Signatory to Sri Lanka Business Coalition on HIV/AIDS
- Pioneer signatory to CEO Water Mandate
- Endorser of UN Global Compact
- Member of NANCO (Sri Lanka Institute of Nanotechnology)

Stakeholder Engagement

The chart appearing below is self explanatory.

Shareholders	
Sustainability Issues & Concerns	Process of Engagement
<ul style="list-style-type: none"> ● Profit and growth 	<ul style="list-style-type: none"> ● 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	
<ul style="list-style-type: none"> ● Remuneration and benefits ● Career progress ● Work stimulation ● Health and safety ● Balance between professional and personal life ● Working facilities and environment 	<ul style="list-style-type: none"> ● 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	
<ul style="list-style-type: none"> • Product quality • Availability • Standard of aftercare • Availability of aftercare 	<ul style="list-style-type: none"> • 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	
<ul style="list-style-type: none"> • Market share • Profitability • Aftercare 	<ul style="list-style-type: none"> • 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

Group profitability grew by nearly 471% during the year 2009/10 resulting in the most successful year for Hayleys since its inception 132 years ago. Although the Group's exposure to manufacturing and to international trade posed great challenges the Group was able to overcome these through management initiatives such as tighter control of working capital, closer management of foreign exchange exposure and, efforts to minimise cost and consumption of energy. Operating profit before net finance costs from continuing operations for 2009/10 stood at Rs. 4 bn.

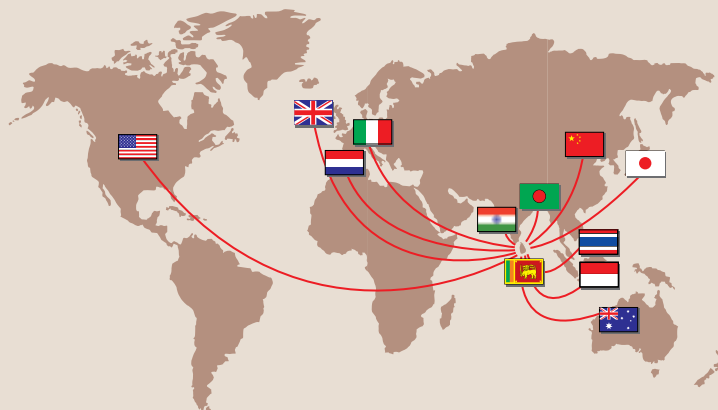
All sectors of the Group recorded a profit before tax whilst the performance of the Hand Protection, Purification

and Agri Input sectors of the Group were very heartening this year.

In this successful year, the Group proposes an increased dividend of Rs. 4 per share (2008/09 - Rs. 3 per share), reflecting the Group's continuous commitment to deliver reasonable returns to shareholders. Further, the share price of Hayleys PLC grew from Rs. 90/- as at 31st March 2009 to Rs. 225 as at 31st March 2010 thus reflecting 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.

Hayleys Overseas



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

Stock Exchange

Interim Financial Statements of the 4th Quarter, for the year ended 31st March, 2010 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:

	2010 Rs.	2009 Rs.	2008 Rs.
Highest	240.00 (on 12th March, 2010)	150.00 (on 28th July, 2008)	156.50 (on 19th April, 2007)
Lowest	86.00 (on 07th April, 2009)	85.00 (on 11th March, 2009)	95.00 (on 23rd January, 2008)
Year end	225.00	90.00	97.75

Dividend Payments

Interim dividend - Rs. 2.00 per share (free of tax) paid on 26th March, 2010 (2008/09 - Rs. 1.50 per share). Proposed final dividend Rs. 2.00 per share to be declared on 29th June, 2010 and payable on 7th July, 2010 (2008/09 - Rs. 1.50 per share).

Share Trading

	2010	2009	2008
No. of transactions	3,601	3,242	1,532
No. of shares traded	5,275,900	18,624,352	3,452,500
Value of shares traded (Rs.)	858,357,100	2,432,610,266	414,535,025

Composition of the 3,832 Shareholders as at 31st March, 2010 (2009 - 3,805)

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	2,732	592,375	0.79	26	6,924	0.01	2,758	599,299	0.80
1,001 - 10,000	718	2,351,310	3.14	32	182,834	0.24	750	2,534,144	3.38
10,001 - 100,000	239	7,434,372	9.91	28	770,861	1.03	267	8,205,233	10.94
100,001 - 1,000,000	41	12,709,446	16.95	6	1,613,572	2.15	47	14,323,018	19.10
Over 1,000,000	9	47,087,187	62.78	1	2,251,119	3.00	10	49,338,306	65.78
	3,739	70,174,690	93.57	93	4,825,310	6.43	3,832	75,000,000	100.00

Of the issued ordinary share capital, 93.57% is held by residents of Sri Lanka.

Categories of Shareholders	31.03.2010			31.03.2009		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	3,522	46,104,615	61.5	3,496	46,248,076	61.7
Institutions	310	28,895,385	38.5	309	28,751,924	38.3
	3,832	75,000,000	100.0	3,805	75,000,000	100.0

THE IMPLICATIONS OF CLIMATE CHANGE

Climate change impacts the business of Hayleys in a multitude of 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.

AN ANALYSIS OF THE NEGATIVES AND POSITIVES BY BUSINESS SECTOR

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.
- Changes in rainfall pattern in Sri Lanka as well as in other rubber growing countries induces fluctuation in rubber latex pricing.
- Weather influenced changes in customer demand 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 via crop failures thus affecting financial performance of our value added agricultural exports.

Opportunities

- The Company has the opportunity of marketing drought resistant plant material.
- Our flower seed product portfolio diversification allows us to offer a different range of seed and planting material to the local and international market.
- Our Tea Plantations have reduced fossil fuel utilisation by increasing usage of green, renewable energy (e.g. - Dendro) and embarking on its own hydro-electricity generation. This has provided the Company with the opportunity to trade in Carbon Credits.

Transportation & Logistics

Risks

- Unforeseen cessation of airline services due to climatic conditions hold adverse financial implications.
- Adverse climate conditions affect oil exploration and thus indirectly, the Company's enterprise.
- Adverse climate conditions can curtail operations, delay shipping, disrupt inland transportation of goods - in fact this can affect the gamut of Hayleys businesses.

Consumer Products

Opportunities

- Adverse weather conditions and/or the need to conserve energy increases demand for the Company's energy efficient CFL products.

OUR BENEFIT PLAN OBLIGATIONS

Coverage of Defined Benefit Plan Obligations 2009/10 amounted to Rs. 2.2 bn.

Plan details for companies excluding plantations exceed statutory requirements and are as follows:

Length of service (Years)	No. of months salary for each completed year of service
UP TO 20	1/2
20 UP TO 25	3/4
25 UP TO 30	1
30 UP TO 35	1 1/4
OVER 35	1 1/2

Plantations pay retiring gratuities as required under the Payment of Gratuity Act No. 12 of 1983 and the Indian Repatriate Act No. 34 of 1978.

FINANCIAL ASSISTANCE FROM THE GOVERNMENT Plantations

Talawakelle Tea Estates received substantial financial aid from the Public Sector for investment in measures to improve worker health, welfare and infrastructure.

The Plantation Development Project under the Ministry of Plantation Industries disbursed Rs. 27.11 mn.

Grants were also received from the State sector to fund road rehabilitation in its entirety.

Transportation & Logistics

Some companies within the Advantis Group were established under BOI regulations and are thus eligible for benefits such as Tax holidays/concessionary tax rates and exemption from import duties on capital goods among others. Some companies enjoy exemptions from exchange controls dependent on their categorisation under BOI regulations.

Agriculture

Our subsidiary HJS Condiments qualified to receive a sum of Rs. 10 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 economic crisis.

Global Markets & Manufacturing

Likewise, Dipped Products PLC was also a recipient of a Rs. 6 mn grant from the EDRS.

MARKET PRESENCE

In assessing the impact of Hayleys' enterprise from a sustainability viewpoint, it is important to examine its interactions within specific markets. The data presented hereunder serves to report on this area.

The entry level wage structures of Hayleys in all but one of its businesses are above stipulated minimum levels. The only exception - our subsidiary HJS Condiments, has its entry level wages on par with BOI stipulated levels.

Our policies and interaction with locally based suppliers is examined by business segment.

Agriculture

We follow a policy of registering local suppliers after evaluation and their performance and standards are evaluated annually thereafter.

The proportion of spending on locally based suppliers at Hayleys Agro stands at 5%.

At Quality Seed Company and Hayleys Agro Farms material are mainly sourced from local suppliers except for certain proprietary seed/planting material.

The proportion of spending or expenditure on imported material stands at 1%.

Currently at Dipped Products, approximately 20% of Field Latex is procured via DSL (DPL Small-holder's Link), which eliminates involvement of middle men.

On all our plantations, labour and resources are entirely locally obtained.

Transportation & Logistics

All the local operations of our subsidiary Hayleys Advantis utilise services offered by local suppliers unless specific requirements are not available locally.

LOCAL HIRING

Another key benefit we bring to the 'market' within which we operate, is employment. Here is a look by business segment, at the composition of our HR base and our stance towards local hiring.

Agriculture

All staff in our subsidiaries is sourced entirely from Sri Lanka.

Within the Seed Paddy Operation, we set up an outgrower system consisting of 204 farmers in the Anuradhapura and Polonnaruwa districts for the 2009 Yala season.

One of our companies, Quality Seed Company located in Boralanda, which has a total workforce of 397, has over 97% of its workforce recruited from the local community or neighbouring villages.

At other subsidiaries Hayleys Agro Technica, Hayleys Agro Fertiliser and HJS Condiments, all junior technical grade personnel are hired from the local communities where they are located, namely Ekala, Sapugaskanda and Biyagama respectively. The percentage of local hiring in each of these companies amounts to almost 90%.

Similarly on our Plantations, staff are 100% locally sourced.

Consumer

At our subsidiary Hayleys Consumer Products Ltd., all distributors and their staff are selected from the local community. Generally the youth from that village are recruited and then trained by Hayleys. In the event vacancies arise at HCPL, preference is given to these persons based upon the experience they possess at time of recruitment.

INDIRECT ECONOMIC IMPACTS

Infrastructure Investments and Services for Public Benefit

The Hayleys Group has invested significant levels of economic resources in diverse projects which are beyond core business operations, and which primarily benefit the public.

Some of the initiatives during the last financial year include the following:

During the year in review, substantial logistical support was provided to develop Sri Lanka's village road networks.

We undertook infrastructure development on our plantations on partial pro-bono basis - 40% of total costs were borne by the Company whilst the balance was funded by the state run Plantation Development Programme, via grants from the Asian Development Bank and Japanese International Cooperation Agency (JICA).

HGRC donated lighting to the National Cancer Hospital.

Haycarb refurbished the OPD buildings of Galmuruwa Hospital in Madampe and Akarama Hospital in Badalgama.

The same company also provided financial assistance towards a water supply programme for Pothuwila Suhada Mawatha, in a locality neighbouring its Madampe factory.

A number of infrastructure projects to build community capacity in rubber farming communities continue under DPL's 'Firstlight' Programme which is discussed elsewhere in this report.

Through our subsidiary Advantis a donation of agricultural equipment was made for use at the camps for Internally Displaced Persons (IDP).

Agro Technica maintains a Bus Shelter in Ekala.

A contribution of US\$ 1,000 was made towards the construction of a new Surgical Intensive Care Unit for the Cancer Hospital, Maharagama.

Advantis companies also process a large amount of project cargo destined for major infrastructure development projects in the country in areas such as water supply, sanitation, power and energy and road development among many more.

Advantis also provided warehousing facilities at concessionary rates for cargo for IDP relief handled by INGOs.

Responsible Caring...

Hayleys has an extensive range of activities in the realm of social responsibility, conducted each year by Company and staff who are ignited by a sense of caring for the well-being of the community.

Corporate Responsibility is often commonly referred to as 'making a contribution to society'. This sounds trite. However, we at Hayleys believe it is fundamental.

Over the years, our businesses have integrated CSR into their everyday operations and way of life.

This article takes a synoptic view of key initiatives for the year under review.

The Hayleys Foundation

The Hayleys Foundation was incorporated over 3 years ago to provide focus and a more structured approach to the valuable contribution Hayleys makes in the domain of CSR.

We have decided to launch the Hayleys Foundation under a new brand name that would be more inspirational and motivating and better convey what we aspire to do.

An in-house competition is underway to canvass employees' suggestions for a brand name, and later a logo.

Education

G.V.S. De Silva Primary School, Kathaluwa was a tsunami-destroyed school when Hayleys stepped in to build a brand new school for its students at a safer location. The school was handed over in May 2006.

Since handing over the school, today, apart from sponsorships of teachers and maintenance workers Hayleys maintains an abiding interest in supporting the academic advancement of its students.



The music room built by Hayleys in use

During the year under review, 19 of the schools 108 pupils passed their Grade 5 Scholarship Examination. Whilst a success rate of 17.5% may not seem much, it superseded last year's rate of 10%. At national level, the highest mark achieved by any student from any school in the island was 200, a student from this school achieved 177.

Hayleys rewards those students scoring a minimum of 170 marks with a cash reward of Rs. 10,000/- per achiever. This year, three students qualified for the award and the Company opened savings accounts in their names. Additionally, the Company purchased all their school book requirements before they moved to Grade 6.

Haycarb offered a grant of Rs. 25,000/- towards the annual symposium of the Engineering Research Unit of the University of Moratuwa. Haycarb also financially assisted the annual sessions of the Institute of Chemistry, with a contribution of Rs. 40,000/-.

Our subsidiary MGT, sponsored the donation of sets of books to libraries of 18 neighbouring schools. Among the schools that benefited were Uduwara KV, New Chathel Tamil Vidyalaya, Taxila MV, Remuna M V, Bellapitiya KV and Thebuwana MV. This project was in collaboration with the Asia Foundation. A pack consisted of 65 books on diverse subjects and on English language.

Ten scholarships were awarded to impoverished students of 10 schools located close to MGT's factory. These students had obtained the highest marks at the Grade 5 Scholarship Examination. Each student receives a monthly stipend from the Company of Rs. 2, 500/-. The total investment for the year amounted to Rs. 1.8 mn and the project will run up to 2013.

MGT has also had an ongoing relationship with the Horana Base Hospital for refurbishment of its facilities and provision of equipment and this relationship has continued unbroken for the past 15 years. For the year under review, a stock of furniture was provided at a total cost of Rs. 80,000/-.



Donation of books to Siripathy Vidyalaya

For the 3rd year in succession an educational programme was conducted for students who sat for the GCE (O/L) Examination in December 2009. The programme dealt with the subjects of Mathematics and Psychology.

Hayleys companies also facilitated educational tours, in-plant training and research opportunities for school and university students at several of our production facilities.

Agro Technica financially assisted 6 talented children of associates by sponsoring dance and speech training for them.

Agro Technica provided education for Aluminium foundrymen on the effects of lead in cast pots and pans.

Ravi Industries rewarded 3 children of employees who had qualified to enter the universities with cash awards and letters of commendation.

400 books which were all voluntary donations by the employees of Advantis companies were presented to Siripathy Vidyalyaya, a needy school in Ambalangoda, Polgasowita. The school located approximately 45 km from Colombo is situated in a rural area where 125-150 students obtain their education supported solely through Public funding and acts of charity.

Social

Kelani Valley Plantations runs the programme 'A Home for Every Plantation Worker' - it provides estate workers with housing, water sanitation... in fact a home.

During the year under review preliminary work has commenced on 30 new housing units on Panawatte Estate which will increase the number of new units, since acquisition of the Company to 1,341. In addition, 105 living units were upgraded; 766 toilets were constructed; 232 houses received electricity; 34.25 kms of road giving access to houses were rehabilitated by resurfacing.

This year too, HGRC sponsored and, helped in organising the sports meet of the Chitra Lane School for the special child for the fifth consecutive year.

Haycarb organised 2 blood donation campaigns at their factories in which 167 donors contributed to the National Blood Bank.

Agro Technica constructed a shrine room at an Elders Home in Ekala.

Hayleys Group Recreation Club (HGRC) organised a blood donation campaign at Hayleys' Head Office at which 100 donors contributed to the National Blood Bank.

In recognition of the contributions made via the annual blood donations held by Hayleys throughout many decades, The National Blood Transfusion Service of Sri Lanka awarded a trophy this year.

Field visit of "Firstlight" Moneragala district rubber farmers to KVPL's - Panawatta Estate - Yatiyantota, for a training on development of a rubber nursery



Health

Haycarb donated 50,000 bottles each containing 50 gms of Activated Carbon to the Health Ministry to be used in the treatment of victims of poisoning.

'Firstlight'... A Brightening Light

Unique in many ways... but rooted firmly in sustainable development. This is the initiative begun several years ago and continued today, by Dipped Products PLC working with over 3,000 smallholder rubber farmers around the country.

'Firstlight' is an initiative to help these farmers realise their full potential, provide them a fair price for the latex they harvest and to educate and empower them with other inputs that will develop their livelihood and living standards.

This is a truly inclusive partnership in which both parties gain the benefits of producing the finest rubber products from ethically sourced latex, which alone opens many world markets to us.

For the year under review, DPL worked assiduously to better the lot of farmers, youth and the community.

Here are some of these initiatives:

Community Capacity Building in Moneragala and Kalutara Districts

We established 'Panthiya' a Pre-school in Matugama in the Kalutara District. We also developed a playground for the school.

The Company also provided a play area for the Wagama Primary School in Bibile.

At the Kekulu and Nakkala Pre-schools, DPL provided furniture, whilst students also received uniforms and school bags.

We also developed a Pre-school at Mailagastenne.

At Wegamana Maha Vidyalaya we set up drinking water facilities, whilst at four other schools in Moneragala, we provided volleyball training camps for their students.

Students of Tenwatte Maha Vidyalaya in Nakkala received 5S Training as did those from Maligatenne Maha Vidyalaya, Badlakumbura and Wegama Maha Vidyalaya, Bibile.

We also conducted HIV/AIDS educational programmes for school children at Tenwatte and Maligatenne Maha Vidyalayas in an extension of the programme DPL has embraced for its workforce.

Farmer Support in Moneragala

During the year under review, DPL carried out the second phase of farmer training on use of fertiliser, replanting and harvesting techniques.

The Company also made arrangements to provide insurance policies to farmers of the area.

The second phase of our programme to assist Plant Nurseries got under way.

DPL distributed latex collecting cups amongst the farmers.

In the spirit of fostering a rounded existence, the Company sponsored sports for the second year in succession within the district.

INDIRECT ECONOMIC IMPACTS

Many of our subsidiaries through their enterprise stimulate indirect economic opportunities across the communities they operate in.

Our Seed Paddy Outgrower System enables farmers to enjoy a 25% price benefit when they sell their seed paddy to the Company.

Using locally manufactured agro-machinery instead of imports yields an annual saving of US\$ 1.5 mn in foreign exchange for the Sri Lankan economy.

Hayleys Agro, in sponsoring Wap Magul ceremonies, helps to motivate farmers to increase agricultural activity, often developing fallow and neglected land, which ultimately supports national agricultural initiatives.

Another subsidiary ATL, in manufacturing agricultural machinery locally, helps to save US\$ 1.5 mn each year in foreign exchange for the Group.

Outsourcing of support services such as house keeping, security and maintenance in the localities provides the benefit of promoting small scale enterprise whilst generating employment. This is in addition to income generation from wages to employees engaged in the core business of the Company.

Dipped Products contributes close upon Rs. 300 mn per annum, to rural economies located in proximity to its 6 factories.

ENVIRONMENTAL PERFORMANCE MATERIALS

The Hayleys Group is engaged in a wide variety 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.

- Dolomite - 1950 MT
- Glass Bottles - 1.6 mn units
- Poly bags - 1.5 MT
- Cartons - 333 MT
- Brass - 42 Tons
- Stainless Steel 51 Tons
- Rubber - 3.8 Tons
- Paper - 1.65 Tons
- Coir Fibre - 964 m³
- Raw Paddy Husk - 145 m³
- Bought Latex - 617,242 Kg
- Bought Leaf - 5,163,694 Kg
- Gherkins - 11,000 Tons
- Papaya - 146 Tons
- Jalapeno - 27 Tons
- Sugar - 480 Tons
- Vinegar - 490,000 Litres
- Salt - 1,200 Tons
- Glass Jars - 7.6 million
- Polythene Pouches - 1.9 mn/47 Tons
- Natural Latex- 7.1 mn kg
- Synthetic Latex - 1.5 mn kg
- Chemicals - 4.3 mn kg
- Packing Materials - 1.3 mn kg
- Yarn consumed (by cost) - US\$ 23,508,182
- Dyes and Chemicals consumed (by cost) - US\$ 6,287,503
- Packing material - 68,100 units
- Paper - size A4 - 467 reams (Pkts)
- Petrol - 18,522 Litres

The Group also has in place programmes to recycle material.

Data is presented by business segment.

Agriculture

We recycle all Scrap Brass used for Sprayer units.

Forty percent of paddy husk residue is recycled.

Global Markets & Manufacturing (Textiles)

Eighty percent of all Fabric delivering PVC tubing is recycled.

Our subsidiary DPL reuses an estimated 20% of its compounded latex.

Forty percent of coir fibre residue is recycled.

Transportation & Logistics

At our subsidiary Fedex, 77% of all packing material is recycled.

In the Marine & Engineering sector, 39% of the rigging used by our subsidiaries comes from recycled material.

Associated Process Materials	Quantity	Units
Brass scrap	42	Tons
Cartons	70	MT
Cardboard cartons	263	Tons
Chemicals	4,355,768	Kg
Cost of dyes and chemicals	6,287,503	Rs.
Cost of yarn consumed	23,508,182	Rs.
Dolomite	1950	MT
Glass bottles	1.6	Mn
Glass Jars	7.6	Mn
Packing materials	1,294,661	Kg
Paper	1.65	tons
Poly bags	1.5	MT
Rubber	3.8	tons
Stainless steel	51	tons
Pouches	1.9	Mn

ENERGY**Direct Energy Consumption by Primary Energy Source**

Sector Type of Energy	Quantity	Units
Agri Inputs		
Electricity		
Fertilizer:	56,225	kWh
ATL:	223,770.3	kWh
Haychem:	160,000kwh	kWh
Agri Products		
Electricity	973,888.89	kWh
Fuel wood	775	GJ
Furnace oil	14,700	GJ
Textiles		
Electricity	17,643,967	kWh
Hand Protection		
Electricity	11,311,781	KWh
Biomass (Firewood)	33,842,888	Kg
Furnace oil	3,331,204	Lt
Gas	172,989	Kg
Activated Carbon		
Electricity	10,807,518.33	kWh
Electricity produced through waste heat		
Furnace oil	2,502,860	kWh
Diesel	3,202,430	Litres
Industrial kerosene oil	926,111	Litres
Activated Carbon Consumption	117,410	Litres
Spent Activated Carbon consumption (Recycled Usage)	170	MT
Fibre		
Electricity	1,342	MT
Electricity	3,236,349	kWh
Firewood	1,300,115	kg
Furnace oil	279,638	Lt
Plantations		
Electricity	11,347,149	kWh
Diesel	44,878	Lt
Firewood	72,256	m3
Transportation & Logistics (Direct land transportation)		
Electricity	1,053,378	kWh
Diesel	158,920	Lt

Indirect Energy Consumption by Primary Source

Agro Technica is the only company to record a significant consumption of indirect energy with 4,810 kWh.

Initiatives to Reduce Indirect Energy Consumption and Returns on Energy Efficiency

Several initiatives were taken during the year under review, by Hayleys companies to effect energy savings and generate energy to meet some of our requirements and reduce dependency on the national resources. These initiatives are presented by business segment.

Agriculture

The use of a fuel wood fired gasification unit at our subsidiary HJS Condiments has helped reduce dependence on fossil fuel by 775 GJ.

Work is proceeding on two hydro power projects, with each expected to generate 1.4 MW of power on our Edinburgh and We Oya Plantations. This investment is geared to provide returns on energy efficiency, which will be recorded by the year 2011.

Hayleys' companies in this sector have equipped all offices in peripheral areas with communication systems that significantly reduces the need for employees from Colombo to visit these locations.

Other measures such as Common Courier Services and a Slip Transfer System to remit monies to Out Growers have also reduced staff travel.

Power conservation during non-working hours at our Haychem facility yielded a saving of 5% on the energy bill.

Transportation & Logistics

The use of energy efficient fluorescent lighting at Hayleys Advantis has yielded a saving of 8% on overall electricity consumption. These and other energy saving measures including reduced usage of air-conditioning and car pooling have also contributed to reducing indirect energy consumed.

Air-conditioning is temperature regulated and time belt controlled.

The Company's warehouse complexes maximise the use of natural lighting and control the ambient temperature within these facilities.

Hayleys Advantis uses web based tele-conferencing facilities that contribute to decreasing frequency of overseas travel.

Global Markets & Manufacturing

The use of translucent roofing material in sections of Hayleys MGT’s factory maximises use of natural lighting.

Hayleys MGT now generates 83% of its total requirement of steam through the use of a fuel wood fired system as opposed to one utilising fossil fuel.

WATER

Hayleys is mindful of the impact that the Group’s water usage 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’.

Having been a signatory to the UNGC’s (United Nation’s Global Compact) CEO Water Mandate since June 2007, Hayleys has improved 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.

Total Water Withdrawal by Source

	2010	2009	2008
Total water withdrawn per day (m ³)	6,031	8,159	8,400

Excludes plantations, fibre and activated carbon

Recycling/Reusing Water

Our subsidiary Agro Technica Ltd. recycles 6% of its water consumption.

The Quality Seed Company Ltd., and Hayleys Agro Farm collect 50.06% of their requirements through rain water harvested from the roofs of their greenhouses. Rain water which falls on these roofs is directed into tanks using pipes. The total volume of rain water harvested was 16,020 m³ during the year under review.

HJS Condiments recycled 49 m³ of water during the year.

BIODIVERSITY

Many of our subsidiaries are located and operate within areas of high biodiversity.

The Business Segment with the largest land holding in this context is Agriculture, more specifically our Plantations Sector.

There was no discharge of water or waste to any water bodies in an area of high bio diversity.

Whilst all our estates practice environmental responsibility in line with the over arching Hayleys Group Environmental Policy, our achievements in the line of protecting and nurturing biodiversity may best be illustrated by the mini-case study presented on the following page.

EMISSIONS, EFFLUENTS AND WASTE

All Hayleys constituent companies comply with the stipulations of the Central Environmental Authority in respect of standards to be met under this subject.

The stringent measures in place at all our locations ensure that we often exceed stipulated standards. With allowances for scale and scope, the overall performance of Sri Lankan industry in this regard would compare very favourably with the more industrialised nations of the world.

Total Water Discharge by Quality and Destination

During the year under review, Hayleys stepped up efforts to enhance its water treatment and disposal processes to reduce even further any impact such environmental activity may have.

Following are the results of our activities during the year, by business segment:

Agriculture

At Haychem the total output of 328 m³ of waste water was initially stored in stainless steel storage tanks. It was then put through a process of purification using activated carbon. Their CCD values were then checked and the water disposed through a zig zag drainage system into the national drainage system.

Hayleys Fertiliser does not use water for its blending plant or for any of its other operations. It is only used for human consumption (bathing). This waste water is sent to the LINDEL waste water pit where it is treated chemically and naturally and then tested before sending into the national drainage system.

Hayleys Agro Fertilizer produces 80 m³, of waste water a year.

The processed waste water of our subsidiary HJS Condiments achieved the following parameters this year - Temperature : < 40°C; Total Suspended Solid: > 500 mg/litre; COD: < 600 mg/litre; Ph Levels: 6 - 8.5; Chloride content: < 900 mg/litre or ppm.

Global Markets and Manufacturing

Our subsidiary DPL releases 1,500 m³ of processed waste water per day into approved waterways. This waste water always conforms to approved environmental standards.

Our subsidiary Hayleys MGT treats and discharges its waste water component in strict compliance with local discharge requirements. For the year in review, 1,221,000 cubic metres of water was discharged in this manner.

Waste Disposal by Type, Weight & Method

Our constituent companies produce a variety of waste material and dispose of them in a responsible manner. These efforts are governed by a common ethos and are rooted in common standards and practice.

Following are the details of waste disposal by business segment:

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.

Agriculture

During the year, our Fertiliser subsidiary disposed of 50 MT of polythene through recycling and 80 mt of WPP bags through reuse.

Haychem disposed of 10,000 kg of waste material through incineration.

At Quality Seed Co. and Agro Farms, 40 mt of dried plant material was incinerated whilst 7 MT of paddy waste was channelled back to paddy fields as compost.

Tea refuse from plantations under Talawakelle Tea Estates was put back into the field as compost.

At HJS Condiments, waste disposal took place as follows:

Of a total of 127,000 m³, of liquid waste, 30% was recycled (38,100 m³) and the balance (88,900 m³) was treated in an equalisation tank before being disposed of, through the BOI common sewage treatment plant, thus adhering to stipulated standards of liquid waste disposal.

In terms of solid waste (perishable), 630 MT was composted and sent back to the fields.

Twenty metric tonnes of polythene were recycled, whilst 50 MT of cardboard and 8 MT of glass were recycled.

Global Markets & Manufacturing

Waste from DPL comprised - Scrap Product - 650 Kg; Sludge - 400 Kg; Polythene - 32 Kg; Porcelain Debris - 12 Kg and Scrap Iron - 28 Kg.

PRODUCTS AND SERVICES

Hayleys has consistently been pro-active in monitoring its products and services with a view to minimising the adverse impact they could have on the environment. Many companies are ISO 14001:2004 certified and as such control their impact on the environment.

Relevant information is presented by business segment.

Agriculture

Hayleys promotes pest and disease management regimes that significantly lower the use of chemical options.

Hayleys' range of crop protection products is environmentally friendly with low toxicity levels. They are specially formulated to be dust free and can be deployed in much lower dosages than other products in the market.

Soil/media fertility is measured to ascertain optimum levels of fertiliser to be deployed.

Elevated Initiative

Twenty-seven estates spanning 13,000 hectares of land, spread over the three agro-climatic regions of Nuwara Eliya/Dickoya and Yatiyantota/Bulathkohupitiya, under almost equal extents of tea and rubber - this constitutes the Kelani Valley Plantations (KVPL) portfolio.

Of this land extent, over 1,000 hectares comprise natural forest reserve.

The portfolio spans properties situated from low country elevations of 30 m to 460 m to up country high elevations of between 1,200 m and 1,700 m, above mean sea level.

Biodiversity is rich across all elevations, with a high proportion of endemic flora and fauna.

KVPPLC has a range of initiatives in force, to protect the environment.

Good agricultural practices are in place, which often exceed the stipulations of the Tea and Rubber Research Institutes. This has helped the Company gain GLOBAL GAP certification for all its estates.

Employing buffer zones near waterways, avoiding the use of agro chemicals where possible, carrying out bush to bush fertilising systems to avoid washed off fertiliser acting adversely on the eutrophication of catchment areas, terracing, growing cover crops and employing field banks to prevent soil erosion are some of the many initiatives we take.

Another good example is to be found in KVPPLC's Halgolle Estate - established in 1920 by the British as a coffee plantation. Today, Halgolle grows tea and rubber.

Situated in the Yatiyantota area, Halgolle Estate is home to exotic flora and fauna and its topography consists of natural hill crest formations within its 1,196 hectare extent, which have been preserved by the Company in their natural state.

During the year under review, KVPL in collaboration with Deutsche Bank, Sri Lanka planted 7 hectares of bare land in the Wewelthalawa Division of Halgolle Estate with indigenous forest flora.

Apart from the flora and fauna identification project that is conducted throughout all KVPL estates, the Company in collaboration with the International Union for Conservation of Nature (IUCN) has mounted a detailed biodiversity research project to identify and conserve rare and endangered species of flora and fauna.



Global Markets & Manufacturing

The commissioning of a new biomass-fuelled steam generator at Hayleys MGT Knitting Mills will generate savings of Rs. 10 mn per month on furnace oil at current prices and earn Carbon Credits for the Hayleys Group's cotton and synthetic fabric manufacturing business by significantly reducing its emissions into the atmosphere.

Currently the largest wood-fired steam boiler in Sri Lanka, the Rs. 170 mn twin-chamber fluidised bed boiler at this factory generates 20 tons of steam per hour for the plant's dye house, and replaces four of five furnace oil powered steam generating boilers at the complex.

Reverting to renewable energy sources represents a true win-win proposition for Hayleys MGT Knitting Mills. While MGT reduces its carbon footprint and saves money on Furnace Oil they also have generated a new earning opportunity for suppliers of fuel wood in the area. The bio-mass boiler is therefore an important milestone for Hayleys MGT.

Hayleys MGT has commenced cultivation of *Gliricidia sepium* on two acres of land and has set aside another five acres as a pilot project to involve villagers in the vicinity of its factory as out-growers of this fast-growing legume, to supply the new boiler's fuel wood needs. The Company's factory at Narthupana Estate straddles the established fuel wood supply route from Matugama to Ratnapura making purchase of additional needs of wood convenient and cheaper. The ash produced by burning the wood will be used as fertiliser on the *Gliricidia* plantation.

Geo textiles and Bio Fibre Woven Geo textiles are used in soil erosion control applications. Compressed coir fibre encased in coir netting is used in stream bank stabilisation. Coir fibre stitched with polypropylene or jute between netting are used in erosion control applications.

Hayleys has not transported any waste deemed hazardous.

Transportation and Logistics

Hayleys Advantis partners eco-friendly suppliers; we continue to utilise bamboo floored containers in some of our shipping operations

TRANSPORT

Overall

We spend over Rs. 7 mn each year on maintaining services such as waste water purification, daily waste management, and incineration of waste material.

For the year in review, Hayleys Agro has invested a sum of Rs. 350,000/- on testing materials in compliance with State regulations concerning crop protection.

SOCIAL PERFORMANCE

We are aware of the impacts our businesses have on the social systems within which we operate. We have been committed to their 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 Human Rights, Labour Practices, Product Responsibility and Society.

HUMAN RIGHTS

The ten principles promulgated by the United Nations 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 it is internally communicated in many ways to ensure that our 30,000 workforce stay reminded of it.

Investment & Procurement Practices

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.

Employee Training Hours on Human Rights

The Hayleys Group inculcates issues and components concerning Human Rights within many relevant training programmes offered to all staff. Although, structured training on HR is limited in number of hours, respect for human rights is part of the Company ethos and is well articulated by company heads at their quarterly meetings and briefings. The UNGC principles displayed in factory premises help reinforce recall amongst employees of these precepts.

In this Report, we highlight specific training offered within the business segments.

Recently, the Hayleys Group signed on with the Sri Lankan Business Coalition on HIV/AIDS, which seeks to raise work place awareness on the HIV/AIDS virus as well as to reduce the stigma and discrimination towards those living with the disease. Awareness and training is due to begin soon. Human rights is an aspect of this project.

DPL has been a success story in terms of implementation and culture change effected and Hayleys PLC would be drawing on their expertise and experiences in the coming years.

Global Markets & Manufacturing

During the year, 310 hours of training provided at Hayleys MGT on subjects within the realm of worker rights.

Agriculture

5 Key Plantation Executives at different levels of the Organisation were given 8 hours training on ILO Labour Rights/Human Rights requirements by the EFC.

Rights and Non-Discrimination

Employees across all entities of the Hayleys Group enjoy complete freedom of association.

An extremely healthy and vibrant process of dialogue and engagement amongst all stakeholders in this regard ensures that the rights and voice of the worker are heard at all times.

We have had no reported instances of violations of the rights of indigenous people.

There are twelve companies within the Group which have Collective Bargaining Agreements with four Unions while those employees not covered by the Collective Agreements, engage in active dialogue with the Company with the Unions representing them. While most of the manual workers are represented by Unions, a few who are not, nevertheless engage in vibrant dialogue. The Company is in the process of renewing the Collective Agreement with clerical and supervisory staff which is due to be signed soon.

Hayleys espouses a 'zero tolerance' approach to discrimination in any form. 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.

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 under-aged and verification of age at time of recruitment ensures strict adherence to this principle.

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.

Society

With businesses that are widespread, the impact our activities has 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 mere handouts.

Relationships with Principals

Name of Principal	Duration of Relationship
Bayer CropScience	47 years
Symrise	47 years
Detia Degesch	37 years
Elementis	35 years
Lanxess Deutschland	35 years
Rheinchemie	35 years
Cabot	32 years
Philips Lighting	27 years
Allam Marine (generators)	22 years
Stamford (alternators)	22 years
Monsanto	22 years
Polymer Latex	17 years
Kerr McGee	17 years
Fuji Hunt Photographic Chemicals	17 years
Dow AgroSciences	17 years
Den Hartigh	17 years
Nufarm	17 years
Durst Phototechnik	16 years
Blue Cross Laboratories	14 years
Sigma Pharmaceuticals	14 years
Fuji Film	13 years
Gujarat Reclaim Rubbers	11 years
Akzo Chemicala BV	11 years
Gelita	11 years
Shandong Weicha	11 years
Laboratories Hipra, S.A.	11 years
Namdhari Seeds	08 years
ABB	07 years
Natraj Albums	07 years
Global Hydro Energy	06 years
Bayer Material Science	06 years
Supreme Petro Chemicals	06 years
S.P. Veterinaria, S.A.	06 years
Shimadzu	05 years
Procter & Gamble	05 years
GP Batteries	05 years
Neolait	05 years
Gillette	04 years
FedEx	04 years
ICI Pakistan	01 year
Nawan Laboratories	< 01 year
Pinnacle Technocrafts	< 01 year
Golden Cross Laboratories	< 01 year
Incepta Pharmaceuticals	< 01 year
Beste Pharma	< 01 year

HAYLEYS AGRO... AND THE FARMER IN THE EAST

A HELPING HAND TO RAISE PRODUCTIVITY

Targets - 5000 Tons of Gherkin; 100,000 bushels of seed paddy by 2011

During the year under review, Hayleys Agro launched a programme partnering farmers of the Eastern Province to help them grow gherkins and seed paddy to targeted levels. We understood that, on their own initiative this would have been a tall order.

So, we lent muscle - we signed MOUs and Purchase Agreements with the Akkaraipattu Seed Producers Society and gherkin farmers of the region under the provisos of which the Company would introduce new technology and provide training and best practices to improve production and quality levels.

We also put in place a buy-back arrangement which assures farmers of consistent and equitable prices for their produce. The Company also agreed to contribute to capacity building, provide assistance in the areas of post harvest handling and access to market and set up a seed paddy processing unit in the Eastern Province.

Hayleys Agro plans to work with 2,500 gherkin farmers and 800 paddy farmers in this regard.

From the financial perspective, the Company expects to generate a cumulative farmer income of Rs. 100 mn from gherkins and Rs. 75 mn from seed paddy.

Community

It is a given at Hayleys that we strive to make every impact our businesses make on aspects of community life, a beneficial one. Here are some of them.

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 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.

An impact assessment of our seed paddy operation on the community has been completed.

Exit costs for our hybrid flower seed business were also compiled.

Our subsidiary HJS Condiments has contributed to Sri Lanka's agricultural and scientific education at tertiary level by providing internships and research, infrastructure and funding, whilst sharing knowledge, for specific projects.

SUNFROST WINS GLOBAL AWARD FROM USAID

A ground breaking Private-Public Alliance (PPA) between the Hayleys Group and the United States Agency for International Development (USAID) has been chosen from 700 such initiatives from around the world to receive USAID's Global Development Award 2009.

The US Government singled out this partnership to exemplify how US Government foreign assistance can be maximised through greater engagement with the private sector.

This accolade rewards Hayleys spirit of fostering commercial agriculture in the Eastern Province.

The pilot project initiated in 2008 saw Hayleys Agro introducing the cultivation of gherkins, jalapeno peppers, and pineapples to selected locations. The Company also facilitated technological transfers to the farmers and provided a guaranteed price buy-back scheme as well.

At the end of the pilot project, the 160 participating farmers earned an average of Rs. 45,000 per acre as additional net income for the 2 month crop cycle, which was a substantial supplement to subsistence farming.

The success of the pilot project has led to a new alliance between Hayleys and USAID. Under the Sustainable Agriculture through Commercialisation (SAC) Project, 3,600 conflict affected farmers from different areas of the Eastern Province will be linked to a commercially viable, sustainable agricultural programme that ensures substantial increases in farmer income.

Through this new project, Hayleys expects to purchase farmer produce valued at Rs. 575 mn thus ensuring an increase of almost 50% in net income per farmer by the year 2012.

Hayleys PLC, Hayleys Agro Farms (Pvt) Ltd. and Sunfrost Ltd. collectively will invest Rs. 323 mn whilst USAID will provide a grant of Rs. 113 mn to get the project underway.

SUNFROST... GHERKING

Sunfrost Ltd., a Hayleys PLC subsidiary is Sri Lanka's sole exporter of gherkins. Its product is a preferred choice of top franchises such as McDonalds, Burger King and consumer brands such as Heinz.

Sunfrost supplies 50% of the Japanese pickled gherkin market.

Currently Sunfrost works with over 6,000 out grower gherkin farmers in Sri Lanka.

Corruption

This is another area where a zero tolerance ethic prevails at Hayleys.

We have always pursued profit generating business within a strict framework of integrity and ethics. This is the reason why Hayleys has never and will never resort to any practice such as the giving of baksheesh or 'greasing palms'.

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.

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.

Total value of financial and in-kind contributions to political parties, politicians, and related institutions

Hayleys has always held a policy of not making financial or in-kind contributions to political parties, politicians and related institutions.

Monetary value of significant fines and total number of non-monetary sanctions for non compliance with laws and regulations

There have been no instance of fines or sanctions with regard to non-compliance with laws & regulations.

A STRONG VOICE

- Presidency, Agricultural Machinery Manufacturer's Association
- Presidency, Sri Lanka Air Line Cargo Association
- Chairmanship, Subcommittee on Documentation and Information Technology, Ceylon Association of Ships Agents
- Vice Presidency, Exporters Association of Sri Lanka
- Vice Presidency, Chartered Institute of Logistics and Transport
- Directorship, Plantation Human Development Trust
- Directorship, Sri Lanka Port Management and Consultancy Services Ltd
- Directorship, Coconut Development Authority
- Directorship, Sri Lanka Institute of Nanotechnology (SLINTEC)
- Management Committee Membership, Sri Lanka Shippers' Council
- Executive Committee Membership, Ceylon Association of Ships Agents
- Executive Committee Membership, Sri Lanka Freight Forwarders Association
- Advisory Council Membership, Ceylon Association of Ships Agents
- Committee Membership, Sri Lanka Association for Manufacturers & Exporters of Rubber Products
- Committee Membership, Human Resources & Education Sub-committee of the Ceylon Chamber of Commerce
- Committee Membership, Sri Lanka-New Zealand Business Council of the Ceylon Chamber of Commerce
- Executive Membership, National Agribusiness Council
- Committee Membership, Industrial Association of Sri Lanka of the Ceylon Chamber of Commerce
- Membership, Board of Management of Industrial Technology Institute
- 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

PRODUCT RESPONSIBILITY

While some of Hayleys' key products are manufactured to safeguard the health and safety of people across the globe such as those in our range of hand protection and activated carbon which purifies our water, our other products and services are crafted whilst keeping in mind the health and safety of customers, fulfilling their rights in terms of product information and labelling and quality assurance.

Our pursuit of responsibility begins with responsible strategy, building in safety, quality, social and environmental consciousness and ethics whilst ensuring the protection of human rights across all processes - from manufacturing through marketing, to consumption and more.

Here are some of the key initiatives of the year by business segment.

Customer Health and Safety

Agriculture

Hayleys Agro markets 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.

Agro Technica Ltd. conducts random assessments on how the weight factor of its sprayers impact users. Similar random assessments of sprayer nozzles are carried out as well.

Our Talawakelle Plantations estates have had their produce classified as a food by the WIFO. Also HACCP and ISO accreditations are being sought for 8 estates. These developments assure that their products conform to the highest standards, assuring customer health and safety.

Similarly our Kelani Valley Plantations company is HACCP and ISO 22000:2005 certified. Adherence to the Food Safety Management System ensures product safety and quality in terms of the consumer.

HJS Condiments is also an ISO 22000:2005 accredited company.

Transportation and Logistics

Hayleys Advantis is pursuing Health and Safety certification for its operations. It is modelling its developing health and safety regime along the lines of the Occupational Health & Safety Advisory Services (OHSAS) system.

Logiwiz Ltd. a constituent of the Advantis family was certified with OHSAS 18001:2007.

Life cycle stages in which health and safety impacts of products and services are assessed for improvement

Some companies assess each requirement when undertaking orders, while others are guided by certified procedures.

Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services

We have had no fines levied against us for non-compliance with laws and regulations concerning the provision and use of products and services.

Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

There has been no complaint of breach of customer privacy and data loss.

AN ACCOUNT OF THE HAYLEYS' RELIEF EFFORT FOR IDP'S

Life after Strife... it MUST get Better!

War in Sri Lanka exacted a terrible toll on people from all walks of life. One year on, relief and rebuilding work is going on apace - yet there are people displaced from their homes... trying to rebuild shattered lives and livelihoods...many of them with nowhere to call home.

The more fortunate call them IDPs - Internally Displaced Persons.

The problem touched the Hayleys psyche the minute it began taking shape in March 2009.

Here's an account of what we have accomplished in bringing solace to the people who have been affected.

Volunteering employees who gave up their weekends to make at least a trip a month to the Manik Farm IDP Camp area during April-December 2009 displayed a passion that remained undiminished, by perhaps the longest stretches of travel that they may have ever undertaken in Sri Lanka, and on road conditions that were much to be desired at the time.

This is true heartspeak... these are images and impressions that reside within the 'corporate psyche' of the entire Hayleys Group. They will remain there until we make a prosperous future for the people of these areas.

Under Phase 1 of our work, back in 2009, among our contributions was to design, build and donate a mobile water treatment plant for the Menik Farm. This was a skid mounted unit which was recently re-located and installed in Muthiyankattuwa in the Mankulam area, where most of the displaced families have been resettled. This Mobile Water Treatment System is capable of treating 50,000 litres of water per day and is used to purify to safe drinking standards, the water supplied by the Water Supply & Drainage Board from the Malwathu Oya.

Funds for the construction of the treatment plant were provided by the Hayleys Group and One Sri Lanka Foundation, an organisation committed to developing and implementing humanitarian projects focused on strengthening community values and rehabilitating families and victims of the war.

Another area in which we used our inherent skills and business expertise to help out was when we supplied seed and planting materials free of charge to IDP Camps - Farmers have an opportunity to cultivate vegetables and

reap the harvest for their day-to-day purposes. Excess could be sold to supplement their income

Under Phase 2, Hayleys set up a Relief Fund for the displaced, which accommodated voluntary employee donations of a days wage each, which was matched by their respective employer companies. The Fund stands at Rs. 4 mn today.

In line with Hayleys CSR inclination to support education, and just as we did in the aftermath of the tsunami of 2004, (see page 47 on details for Kathalawa School) we decided to utilise these funds to develop educational facilities in these impoverished areas, which will help the younger generation get back on their feet.

The Hayleys team decided to establish 2 computer labs in two schools in the Kilinochchi District. The close rapport our volunteers built up with military and administrative authorities during the period of interim relief to camps in 2009 helped in identifying needs and locations for an education project.

The Poonakari Maha Vidyalaya in Pooneryn: used to have a student population of 700 in 2005. After it reopened in January 2010, barely 200 arrived for classes. Given the location of this school, Hayleys is confident that once established, the computer lab will prove a boon to neighbouring schools in time to come thus widening its reach.

Yogapuram Central: is in the Thirukkai area and is in much better shape than Poonakari since relief efforts have reached the area and displaced persons were settled in this area well before Pooneryn.



Product and Service Labelling

Group companies abide by requirements to convey as much product information as possible through product labelling.

Here is a look at this aspect across business segments.

Agriculture

Hayleys Agro Products displays 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 TTE's 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 and TASL-SGS certification.

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.

Transportation and 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.

Customer Satisfaction:

Keeping a finger on the pulse in terms of customer satisfaction is central to Hayleys' enterprise. The information below is by business segment.

Hayleys Agro and Agro Technica both source customer feedback. Agro conducts periodic customer satisfaction surveys. Agro Technica has completed a survey on its sprayers during the year in review, receiving a 99% customer satisfaction rating.

Constituent companies of Hayleys Advantis have comprehensive customer satisfaction surveys in place. Average satisfaction rating for all companies stood at 86.5% for 2009/10.

During customer surveys in the course of the year under review, DPL rated 73%.

Marketing Communication

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.

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

LABOUR PRACTICES AND DECENT WORK

Hayleys PLC is an equal opportunity employer, respecting the individual and his/her rights to free and fair employment with opportunity to build a career of lucrative longevity.

Our remuneration and benefits are fair and competitive. Wages are above stipulated minimum levels.

The Group also ensures the employee's right to freedom of association and maintains a transparent and open door culture.

Our infrastructure, plant and equipment are set within an environment that promotes and protects the health and safety of all workers.

GROUP HR INITIATIVES IN SERVICE TO OUR EMPLOYEES

During the year under review, Hayleys' Group HR division introduced several measures to help serve our employees better.

These initiatives help to enhance human relations by fostering supportiveness, career advancement, transparency and fairness whilst making the Hayleys Group of Companies a great place to work.

TALENT MANAGEMENT AND SUCCESSION PLANNING

This programme commenced in November 2008.

As an outcome, individual development initiatives were identified for all 226 members of our Talent Pool, which have been directed to the Group Management Committee for ratification and implementation via individual HR Managers and Group HR.

PERFORMANCE MANAGEMENT SYSTEM AND HRIS GO ON-LINE

We have implemented these systems and to date 95% of Group companies can access them on-line. The balance companies are expected to follow during the ensuing financial year.

THE HAY METHOD

Job evaluation can be a judgmental process. HAY Job Evaluation Methodology, officially known as the Hay Guide Chart-Profile Method of Job Evaluation, is used to minimise subjectivity and make the procedure as objective as possible.

The Hay guide charts have been in existence since 1951 and have been used in over 5,000 different organisations worldwide including Fortune 500 companies.

JOB BANDING

The process of Job Banding was introduced to scientifically evaluate and compare jobs to ascertain levels and ranking that are fair and equitable. The process will then aid pay and grading differentials.

It allows the Group to establish job groupings, or job bands, that aid career mapping, talent development and management of remuneration among other benefits, whilst affording employees with greater degrees of transparency, an unbiased focus on job exigencies over personal considerations, better understanding of the organisational 'fit' and one's career path and a better understanding of the rationale for differences in pay and benefit levels.

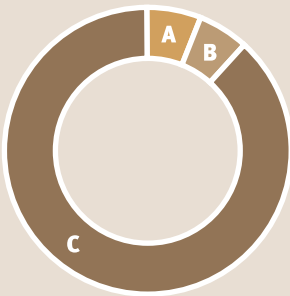
The process yields well founded job descriptions for all employees, a well structured and adaptable organisational structure and a transparent and equitable system to deliver remuneration and staff grading.

Employment

Total Workforce by Employment Type/Contract

The data appearing in tabulated form below is self-explanatory.

TOTAL WORKFORCE BY EMPLOYMENT TYPE/CONTRACT
%



- A Executive 6%
- B Clerical, Supervisory, Drivers, Office Aides 6%
- C Manual 88%

Contract vs Permanent

Contract employees (recorded)	955
Permanent (recorded)	29,280

Number/Rate of Employee Turnover – by Age/Gender

In general, staff turnover within the Hayleys Group is low, which bears testimony to our standing as an employer of choice.

Agriculture

Staff turnover at Hayleys Agro for the year in review was on average, 0.02.

Staff turnover at Quality Seeds and Agro Farms was 1.7% (3 of 177 employees).

Staff Turnover at HJS Condiments for the year in review stood at 23.

HJS Condiments

Age Analysis of Employees who left in 2009	%
21-30	83
31-40	17

HJS Condiments

Employee Turnover by Gender	No.
Male	9
Female	14

MGT

Employee Turnover by Age Group	AVG T O %
18-25 yrs	23
26-30 yrs	87
31-35 yrs	27
36-40 yrs	27
41-45 yrs	13
46-50 yrs	–
51-55 yrs	45
56-60 yrs	–

Employee Turnover by Gender	No.
Male	9
Female	1

Advantis

Age Group	Number of Leavers		Number of Employees		AVG T O %
	2009 (Executive)	2009 (Non-Executive)	2009 (Exec.)	2009 (Non-Executive)	
< 20	0	0	7	1	0
20 - 24	14	35	97	108	24.81
25 - 29	14	23	98	105	18.93
30 - 34	7	8	101	44	9.97
35 - 39	5	6	101	36	8.27
40 - 44	9	1	31	18	21.74
45 - 49	4	2	32	14	14.29
50 - 54	2	1	6	11	20
55 >	1	3	3	5	53.33

DPL

Current Executive Employees by Age	No.
24-30	38
31-40	67
41-50	44
51-55	16
55-60	10
	175

DPL Thailand

Employee Turnover by Gender	
Male	125
Female	246
Turnover%	0.661

DPL Thailand

Employee Turnover by Age Group	%
18-20	6
21-30	42
31-40	36
41-50	14
51-55	1
56 and above	1
	100

Benefits Exclusively to Full Time Employees

Full time employees 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.

Manpower Strength	As at 31.03.2010
Directors Executives & Confidential Secretaries	1,721
Clerical, Supervisory & Minor Staff	2,245
Manual Grades	26,211
	30,177

Professional/Academic Qualifications of Executives	No.
Agriculture	209
Engineering	81
Accountancy	88
Marketing	69
Business Management	53
Information Technology	48
Law	6
Shipping	36
Degree - Science	127
Degree - Humanities	3
Master's in Business Administration	60
Others	139
Total	919

MIT ... POLE POSITION ON THE 'GO GREEN' INITIATIVE

MIT Cargo together with the Central Environment Authority (CEA) recently conducted a seminar for Hayleys Group employees. As a pioneering element of the 'Go Green' initiative, this event aimed to stimulate other Group companies to follow suit in adopting green environmental practices and to gain vital awareness of the threats to the environment.

MIT Cargo's 'Go Green' programme comprises four main initiatives, i.e. 'Recycling of polythene,' 'Food waste,' 'Paper collection' and 'Drive Green'. The Company also plans to introduce several more elements to the programme in the future.

Under its 'Recycling of Polythene' project, MIT Cargo hands over all polythene waste to the KIOSK operated by the Colombo Municipal Council for recycling purposes. The Company delivers polythene waste to this centre three times a week.

Our 'Food Waste' project channels this material to a contractor who processes this into animal feed and used thus on a daily basis. Food separation for recycling happens at the lunch room through the efforts of staff.

MIT Cargo is currently planning to introduce the same practices to other Hayleys Group premises at Foster Lane and Union Place as well.

Collecting of all paper waste in the Company premises under the 'Paper collection' initiative has been already extended to other Hayleys Group companies with all paper being sent for recycling.

Under the 'Drive Green' programme that was conducted in March this year, together with Clean Co Lanka (Pvt) Ltd., all company vehicles have been tested for emissions and issued with certificates of compliance.

Minimizing polythene usage in the office premises, saving electricity by switching off lights when leaving the work place, conducting awareness programmes on garbage separation at the Mahabodhi School and the distribution of plants and seeds, display of awareness posters and banners in key locations, stickers advocating minimal power consumption on personal computer monitors and the distribution of printed materials on Eco- Friendly practices among schools, are some of the other eco-friendly initiatives undertaken by the Company.

It seems that a few individuals, taking simple steps can make a difference.



Labour/Management Relations
Percentage of Employees covered by Collective Bargaining Agreements

We present the relevant data by business segment.

Agriculture

At Hayleys Agro, 80% of office employees have such cover.

At Quality Seeds and Agro Farms, 2% of all employees have such cover.

At Talawakelle Tea Estates, 100% of the workforce has such cover.

At Kelani Valley Plantations, 99% of all employees have such cover.

Global Markets & Manufacturing

At Hayleys MGT, though no collective agreement is in force, collective bargaining is encouraged and takes place.

**HAYLEYS BUSINESS SCHOOL...
 A VALUE CENTRE**

In the past Hayleys Business School (HBS) was a renowned centre of learning not only for the Group but for many non-Hayleys companies as well.

Thus from April, 2009, HBS has discontinued its outside training regime and instead, realigned its role to one of support for the Learning and Organisational development needs of the Group. Based on a lean management model HBS, which continues as a brand in its own right, will now function as an extension of Group HR.

Over the next two years, HBS will focus on Competitiveness Improvement, Capacity Building and Organisational Development.

Apart from its wide curriculum of core subjects, HBS also imparts consultancies on the Kaizen and 5S methodologies.

Hayleys follows well planned strategies that allow for adequate time in regard to implementing operational change. Often, such periods of notice are incorporated within worker's agreements.

Hayleys Agro stipulates 10 working days for such change and this is incorporated within workers' collective agreements.

Kelani Valley Plantations have included such periods of notice within collective agreements for non-executive staff.

DPL provides 3 months minimum notice.

Occupational Health and Safety

Constituent companies of the Hayleys Group pay strict attention to regulatory stipulations concerning this subject, and ensure that health and safety issues are minimised and stringent standards maintained, often by seeking certification such as ISO, HACCP, and OHSAS.

Some have voluntarily signed onto programmes such as the Rain Forest Alliance Certification by Kelani Valley Plantations, whilst others have formed health and safety departments or committees.

Hayleys has a good record in terms of maintaining staff health and well being. Thus, in terms of man hours/days lost and absenteeism due to work related factors, incidences have been negligible.

At Hayleys Advantis, during the year in review, one injury was reported with 5 man days lost.

At DPL, approximately 100 days were lost due to accidents and injuries in its operations in Sri Lanka and Thailand.

Hayleys MGT - 10.24% (No. of Injuries X 100)/No. of employees

Keeping the Hayleys family healthy and aware of possible danger from serious disease is an important Group objective. Here are some of the initiatives we undertook last year, across the business segments.

THE HAYLEYS GROUP RECREATION CLUB (HGRC)

This is a pivotal body for employees where recreation, welfare, social services and many other aspects of work life meet.

During the year in review, the HGRC organised many programmes for the benefit of our employees.

Captured in brief, some of the main employee oriented activities were - the Annual New Year Pola in April at the Head Office, a 'Kadala Dansala' again at our Head Office during the Vesak season 2009, a Quiz Night, the annual All-Night Pirith Ceremony and multi religious ceremonies to invoke blessings on the Company, 'Re-bounce 2009' the annual get-together of the Group, Children's Christmas party, Christmas Carol event, Children's Singing competition, Karaoke competition and a full calendar of sporting events.

The HGRC is an informal but vital channel for staff motivation which it fosters through an intensive calendar of activity each year.



Agriculture

At Hayleys Agro, programmes on Dengue prevention are ongoing.

In compliance with ISO requirements, Hayleys Agro Fertilizer conducts a programme on Dengue prevention every quarter.

At HJS Condiments, training programmes were carried out during the year on reproductive health issues - STI/HIV/AIDS, and awareness was raised on Dengue prevention among other issues using banner displays.

Transportation and Logistics

As an annual occurrence, Hayleys Advantis conducts fire drills and instructional programmes on safe driving. Dengue awareness programmes are also conducted.

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.

Training and Education

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.

Agriculture

KVP PLC Training

Following training programmes have been carried out:

- For Operational workers - Agricultural Operations - Plucking, Tapping and Spraying (Covering the GLOBAL G.A.P. and FSC requirements)
- Food Safety Management System(FSMS) - Good Manufacturing Practices, Hygienic Practices, Safety Issues .etc. (covering the ISO 22000:2005 and HACCP)
- Red Cross - Safety Issues
- For Staff - FSMS, GLOBAL G.A.P., Rain Forest Alliance, FSC, Accounting packages, Computer awareness, Secondary Language Programmes
- For Executives - NIPM Diploma and Certification Programmes
 - FSMS, GLOBAL GAP, Rain Forest Alliance, FSC & Computer Awareness

Training and Education

Hayleys Agro

Executives	30 - 40 hours
Clerical/Supervisory/Sales Representative	40 - 50 hours
Manual	10 - 20 hours

HJS Condiments

Executive Staff (Formal training)	25.0 hrs
Supervisory & Clerical Staff (Formal training)	25.0 hrs
Industrial Staff (Formal training)	25.0 hrs

In addition to the above 16 hours of training was recorded for Hayleys Agro Fertilizer field officers during the period under review.

Transportation and Logistics

At Hayleys Advantis during the year, a total of 222.02 training hours for Executives and 90.3 training hours for non-executive grades were recorded.

Global Markets and Manufacturing

At Hayleys MGT, a total of 11 hours of training were recorded for Executives, 5 for clerical and 3 for manual grades.

Delivering Skills Management/Lifelong Learning

Most Hayleys subsidiary companies provide training opportunities that initially impart the skills necessary for employees to fulfil short-term objectives and thereafter prepare them for career advancement until retirement.

These training opportunities are provided locally and, where relevant, at overseas locations. Training is drawn from internal as well as external sources, dependant on need and in-house resource capabilities.

Data on Employees Performance and Career Development Reviews

100% All employees of the Hayleys Group receive performance and career development reviews, which are accompanied by training opportunities to re-skill or hone existing skills to desired levels.

Diversity and Equal Opportunity

The diversity within an organisation provides insight into the human capital of the organisation. The composition of its management team and workforce team using tested parameters also highlight the aspect of equal opportunity.

HR SHORT TAKES

Here are some HR snippets from around the Group, for the year under review.

HAYCARB

- Signed Collective Agreement for Madampe and Badalgama Factories with Ceylon Mercantile Union for a period of 2 years from 1 January 2010.
- Nine Worker Improvement Team (WIT) meetings held. WIT consists of 2 worker representatives from each operating section and the management team of the factory. This is a top-down, bottom-up process of engagement that helps to address worker issues and Company issues in tandem.
- Public lectures at Madampe were on the topics - Productivity, Ethics for Personal Development, Civil Laws and Society and Role of Citizens in Environmental Protection.

ADVANTIS

- Non-recurring Cost of Living payment scheme replaced by performance based increment scheme. The new system will attract EPF, ETF, Overtime and Gratuity which the former scheme did not.
- Restructuring process highlights focus on four main sectors - International Freight Management, Marine Services/Terminal & Engineering, Integrated Logistics and Support Services.
- In line with the move to integrate and align administrative functions with Hayleys Group, the HR administration of Advantis was transferred to Group HR of Hayleys PLC.

BECOMING AN ANTHEM... THAT ONE COMPANY

In the far flung business that is Hayleys, it is often difficult to 'pull all the strands together'... have everyone 'walking to the same beat'.

Plans and blueprints... seminars and get-togethers all have their place and value.

But throughout history the power of a tune... some lyrics and a rhythmic pattern has been unparalleled and has touched people across all divides in united appreciation.

In dwelling upon the 'one Hayleys' concept the Group's Corporate Communications Unit approached well known Sri Lankan music personalities to put together a corporate anthem for Hayleys.

The anthem that has emerged includes trilingual content to reach all, with lyrics that touch the Hayleys psyche and a tune and rhythm that is infectious. It is meant to inspire and lift morale and motivation to feel good about self, work and Hayleys.



Quality Seed Co. Ltd. & Agro Farms

	Male	Female
Executive	13	03
Clerical/Supervisory	7	12
Manual (Permanent)	11	126
Other Technical Contract	14	186

Kelani Valley Plantations

Gender	Staff	Workers
Male	583	6,345
Female	180	7,155
Total	763	13,500

Age Group	Staff & Workers
<30	3,147
30-50	8,456
>50	2,648
Total	14,251

HJS Condiments

Gender	%
Male	63
Female	37

Race	%
Sinhalese	98.50
Muslims	1.50

Age Group	%
< 20	3
21 - 30	65
31 - 40	18
41 - 50	11
50 >	3

MGT

Employment Type	No.
Executive Grade	174
Clerical, Supervisory & Allied Grade	212
Manual Grade	435

TTEL

Employment Type	No.
CEO	11
Executives	10
Plantation Managers	17
Deputy Assistant Managers	29
Secretaries	2
Staff	491
Minor Staff	5
Labour	10,584

Hayleys Advantis**Total Workforce by Employment Type**

Employment Type	No.
Executive	544
Non Executive	274
Drivers	54
Office Aides	63
Group	935

Total Workforce by Employment Contract

Contract	151
Permanent	784

Fibre

Employment Type	No.
Executive	155
Clerical & Supervisory	71
Manual	374
Total	600

Hayleys PLC

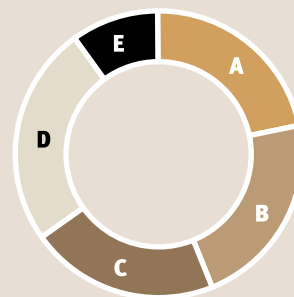
Employment Type	No.
Executive Grades	
Permanent Employees	94
Contract Employees	9
Total	103

Non-Executive Grades

Permanent Employees	41
Contract Employees	2
Total	43

AGE ANALYSIS OF EXECUTIVES

%



A <30	22%
B 30-35	22%
C 36-40	21%
D 41-50	25%
E >50	10%

DPL Thailand

Ethnicity of Total Workforce		%
Thai	339	91
Myanmar	26	7
Sri Lankan	5	1
Indian	1	1
Total	371	100

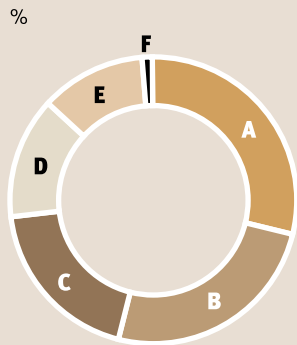
Ratio of Basic Salary - Men to Women

There is complete parity in terms of salary across all positions in the Group, sans any gender bias.

Name	Staff Assistant		Executives		Assistant Manager		Manager		General Management	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Basic Salary Ratio	44 : 56		53 : 47		48 : 52		47 : 53		57 : 43	

The disparity shown here is not based on gender difference but is due to other factors such as differences in service periods, levels of responsibility and/or qualifications.

SERVICE ANALYSIS OF EXECUTIVES



A	<5	29%
B	5-10	25%
C	11-15	19%
D	16-20	14%
E	21-30	12%
F	>30	1%

GRI COMPLIANCE INDEX

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
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		2002 C	C+	B	B+	A	A+
		<i>In Accordance</i>					
Mandatory	Self Declared						
	Third Party Checked						
Optional	GRI Checked		Report Externally Assured		Report Externally Assured		Report Externally Assured

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 9, LA 13, HR 4, HR 5, HR 6, SO 5
	Principle 2 Businesses should make sure that they are not complicit in human rights abuses	HR 4, HR 5, HR 6, SO 5
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, SO 5
	Principle 4 Businesses should uphold the elimination of all forms of forced and compulsory labor	SO 5, HR 7
	Principle 5 Businesses should uphold the effective abolition of child labour	HR 6, SO 5
	Principle 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation	LA 2, LA 13, LA 14, HR 4, SO 5, EC 5, EC 7
	Principle 7 Businesses should support a precautionary approach to environmental challenges	EN 9, EN 14, EN 26, SO 5
Environment	Principle 8 Businesses should undertake initiatives to promote greater environmental responsibility	EN 1, EN 2, EN 3, EN 4, EN 5, EN 6, EN 8, EN 10, EN 11, EN 12, EN 13, EN 14, EN 15, EN 16
	Principle 9 Businesses should encourage the development and diffusion of environmentally friendly technologies	EN 5, EN 6, EN 10, EN 26, SO 5
	Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery	SO 4, SO 5, SO 9

Hayleys is **that one company**
that can lay claim to creating well over

Rs. 10 billion

in value addition annually



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

The Board of Directors of Hayleys PLC have pleasure in presenting their Report on the affairs of the Company together with the audited Consolidated Financial Statements for the year ended 31st March, 2010. 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 37 to 38.

The principal activities of the Group are categorised into 4 main business groupings, i.e., Global Markets & Manufacturing, Agriculture & Agri Business, Transportation & Infrastructure and Consumer & Leisure. Each grouping consists of a number of sectors. The main activities of the sectors are described in the Management Review & Preview section (pages 10 to 19) of this 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 5 to 8) and Management Review & Preview (pages 9 to 32) 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 July 2009, acquired controlling interest in its hitherto Equity Accounted Investee, Hayleys MGT Knitting Mills PLC. It also acquired a 51% controlling stake in Hotel Services (Ceylon) PLC, in March 2010. The Group increased its shareholding in Hunas Falls Hotel PLC during the year, resulting in the hotel company becoming a Subsidiary. The Group successfully completed the mandatory offers made, as per the Company Take-overs & Mergers Code, in respect of the former acquisitions while the Hunas Falls Hotels offer will close by third week of May 2010. Hayleys MGT Knitting Mills PLC, Hotel Services (Ceylon) PLC and Hunas Falls Hotels PLC are accounted as

subsidiaries in the consolidated Financial Statements, in accordance with the Sri Lanka Accounting Standards.

In December 2009, the Company sold its investment in AIG Hayleys Investment Holdings (Pvt) Ltd. The Group, during 2009/10, also divested its holdings in Lighthouse Hotels PLC, Seashells Hotels Ltd and Royal Heritage Hotel (Pvt) Ltd. These hotel companies, prior to their disposal were Equity Accounted Investees of the Group.

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 119 to 176.

AUDITOR'S REPORT

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 118.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements are given on pages 124 to 133. Changes 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. 38.1 bn (Rs. 32.4 bn), in the year under review while turnover including Equity Accounted Investees was Rs. 43.7 bn (Rs. 45.3 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. 19.9 bn (Rs. 20.6 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. 28.0 bn (Rs. 29.7 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. 3,286 mn (Rs. 1,460 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. 3,351 mn (Rs. 1,576 mn). After deducting Rs. 680 mn (Rs. 569 mn) for taxation the profit from continued operations was Rs. 2,672 mn (Rs. 1,008 mn). When the loss for the period from discontinued operations of Rs. 35 mn (Rs. 204 mn) and an amount of Rs. 862 mn (Rs. 492 mn) for non-controlling interest are deducted the Group profit attributable to equity holders of the Company for the year was Rs. 1,775 mn (Rs. 311 mn). A sum of Rs. 150 mn (Rs. 112.5 mn) has been paid as an interim dividend while a further sum of Rs. 150 mn (Rs. 112.5 mn) has been set aside for proposed dividends.

The Consolidated Income Statement along with the Company's Income Statement for the year are given on page 119. 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 121.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 7 of 2007 for both the interim dividend paid in March 2010 and the final dividend proposed. A solvency certificate was obtained from the Auditors in respect of the interim dividend and one has been sought in respect of the final dividend of Rs. 2.00 per share proposed to be paid to the holders of issued ordinary shares of the Company as at the close of business on 29th June, 2010. This dividend together with the interim dividend of Rs. 2.00 (Rs. 1.50) per share results in a total dividend of Rs. 4.00 (Rs. 3.00) per share. The dividends represent a redistribution of dividends received by the Company and therefore will not be subject to the 10% tax deduction otherwise applicable.

GROUP INVESTMENT

Group capital expenditure during the year on property, plant & equipment and investments, other than investments in Subsidiaries, amounted to Rs. 918 mn (Rs. 1,385 mn).

PROPERTY, PLANT & EQUIPMENT

Capital expenditure during the year, on property, plant & equipment by the Group and by the Company amounted to Rs. 899 mn (Rs. 1,304 mn) and Rs. 39 mn (Rs. 14 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 to the Financial Statements. The statement on Value of Real Estate on page 177 gives details of freehold land held by the Group.

The Group, as at 31st March, 2010 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, 2010 amount to Rs. 13.8 bn (Rs. 10.8 bn) comprising Capital Reserves of Rs. 7.0 bn (Rs. 5.7 bn) and Revenue Reserves of Rs. 6.7 bn (Rs. 5.1 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. 7 of 2007, maintains an Interests Register. Particulars of entries in the Interests Register and in the Interests Registers of Subsidiaries who 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. 7 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 who have relevant interests in the shares of the respective Companies have disclosed their shareholdings and any acquisitions/disposals to their Boards, in compliance with Section 200 of the Companies Act.

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

Messrs W.D.N.H. Perera and S.C. Ganegoda became Directors of the Company on 23rd July, 2009 and 24th September, 2009 respectively and disclosed to the Board of their relevant interests in shares of the Company as follows:

- 30,011 shares held by Mr. W.D.N.H. Perera
- 2,000 shares held by Mr. S.C. Ganegoda

71,200 shares were purchased and disposed during the year by Royal Ceramics Lanka PLC of which Mr. K.D.D. Perera has the controlling interest.

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.

Hayleys - MGT Knitting Mills PLC:

- Mr. S. Spezza became the sole owner of Shantiro Proprietary Ltd., Australia, which has 1,170,848 shares in Hayleys-MGT Knitting Mills PLC.

Directors appointed during the year have disclosed their interests in shares, held at the time of their appointment, as follows:

Hayleys - MGT Knitting Mills PLC:

- Mr. K.D.D. Perera - 1,000 shares
- Mr. K.D.D. Perera - 21.43% holding in Hayleys PLC which has 28,138,452 shares in Hayleys - MGT Knitting Mills PLC.

Hayleys Exports PLC:

- Mr. M.M.M. de Silva - 1,411 shares; Mr. S.C. Ganegoda - 608 shares

Haycarb PLC:

- Mr. S.C. Ganegoda - 1,815 shares
- Mr. K.D.D. Perera - 21.43% holding in Hayleys PLC which has 20,125,103 shares in Haycarb PLC

Hunas Falls Hotels PLC:

- Mr. S.C. Ganegoda - 2,000 shares

Ravi Industries Ltd.:

- Mr. M.M.M. de Silva - 2,100 shares

Toyo Cushion Lanka (Pvt) Ltd.:

- Mr. M.M.M. de Silva - 4,227 shares

Hayleys Advantis Ltd.:

- Mr. A.B. Ratnayake - 41,690 shares

Insurance & Indemnity: The Company has obtained a Corporate Guard insurance policy from Chartis Insurance Ltd. providing world wide cover to indemnify all past, present and future Directors and Officers (D & O) of Hayleys PLC and its Subsidiaries at a premium of Rs. 4.3 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, 2010 is Rs. 62.6 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, 2010 is Rs. 6.3 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 2009/10 is Rs. 69 mn. (Rs. 75 mn).

Directors' remuneration in respect of the Company's Subsidiaries for the financial year 2009/10 is Rs. 159 mn (Rs. 154 mn.).

CORPORATE DONATIONS

Donations by the Company amounted to Rs. 439,418/75 (Rs. 247,000/-) which includes a sum of Rs. 164,000/- (Rs. 175,000/-) made to Government approved charities.

The total donation of Rs. 439,418/75 exceeds the amount of Rs. 300,000/- approved by the shareholders at the last Annual General Meeting. Ratification of the additional amount of Rs. 139,418/75 will be sought at the Annual General Meeting.

Donations by the Subsidiaries amounted to Rs. 6.2 mn (Rs. 4.1 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 178 to 179.

Mr. A.M. Pandithage* (*Chairman & Chief Executive*)

Mr. L.K.B. Godamunne**

Mr. J.D. Bandaranayake**

Mr. M.R. Zaheed *

Mr. A.M. Senaratna**

Mr. J.A.G. Anandarajah*

Mr. T.L.F.W. Jayasekara**

Mr. K.D.D. Perera ***

Mr. W.D.N.H. Perera*** (*Appointed. 23rd July, 2009*)

Mr. S.C. Ganegoda* (*Appointed 24th September, 2009*)

*. Executive Director; **. Independent Non-Executive Director;

***. Non-Executive Director

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

Mr. N.G. Wickremeratne who served as Chairman & Chief Executive retired on 30th June, 2009 and Mr. A.M. Pandithage succeeded him as Chairman & Chief Executive with effect from 1st July, 2009.

Messrs P.S.P.S. Perera and R.A. Ebell, Executive Directors, resigned from the Board with effect from 30th April, 2009 and 31st October, 2009 respectively.

Mr. A. Hettiarachchy, Executive Director, retired from the Board with effect from 06th February, 2010.

Mr. W.D.N.H. Perera and Mr. S.C. Ganegoda were appointed to the Board since the last Annual General Meeting and 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 J.D. Bandaranayake and M.R. Zaheed retire by rotation and being eligible offer themselves for re-election.

Notice has been given pursuant to Section 211 of the Companies Act No. 7 of 2007 of the intention to propose an ordinary resolution for re-election of Mr. L.K.B. Godamunne, notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act.

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, M.M.M. De Silva, I. Piyasena, F.R. Alles, L.K.B. Godamunne, H.C.S Mendis, Dr. S.A.B.Ekanayake, J.C.A Dahanayake, J.W.T. Vermunt, Dr. P.C. Vermunt, A. Venugopal, H.E. Wickremasuriya, J.P. Ratnayake, Ms. M.Hirai, Ms. M. Shiraishi, B.R.M.Mendis, Ms. I. Weiland, A.T.A Kuruppu, T.D.S.H. Gunasena, S.C. Ganegoda, J.A.M.V.D. Hout, T.G. Thoradeniya, (N.G. Wickremeratne), (P.S.P.S. Perera), (M.N. Fernando), (R.A. Ebell), (R.R.I. Fonseka), (H.P.L. Fernando), (J. Schoemaker), (C.D. Weiland),(T.J. Otten).

HAND PROTECTION

A.M. Pandithage, J.A.G. Anandarajah, G.K. Seneviratne, N.Y. Fernando, N.B. Weerasekera, 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. Premarathna, S.C. Ganegoda, T.G. Thoradeniya, (N.G. Wickremeratne), (Dr. W.S.E. Fernando), (R.K. Witanachchi),(R.A. Ebell).

PURIFICATION PRODUCTS

A.M. Pandithage, H.S.R. Kariyawasan, R.P. Peris, L.K.B. Godamunne, A.M. Senaratna, R. Seevaratnam, 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, S.C. Ganegoda, Ms. M.J.A.S. Abeyratne, D.E. Ranaraja, K.D.D. Perera, M.S.P. Udaya Kumar, B. Balartnarajah, (N.G. Wickremeratne), (A. Hettiarachchy), (P.S.P.S. Perera), (R.A. Ebell), (Dr. Y.M. Weerasuriya), (J.T.D. Ratnatunga), (R.O. Connelly).

TEXTILES

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

AGRI INPUTS

A.M. Pandithage, M.R. Zaheed, M.M.M De Silva, U.E.R. Gangoda, Ms. J. Dharmasena, N.K.A.D. De Silva, H.P. Lin, K.S. Soh, C.M. Thomas, J. Behncke, A.N.K. Perera (Alt. to A.M. Pandithage), S.C. Ganegoda, D. Nilaweera, L.K.B. Gadamunne, (N.G. Wickremeratne), (R.A. Ebell).

AGRI PRODUCTS

A.M. Pandithage, M.R. Zaheed, A.C. Wikramanayake, T.D.S.H. Gunasena, G. Olbrechts, M. Symons, S. Kodama, A.C. Pathirage, S. Yamada, (N.G. Wickremeratne), (M.N. Fernando).

PLANTATIONS

A.M. Pandithage, J.A.G. Anandarajah, G.K. Seneviratne, S. Siriwardana, A. Gunasekera, B.P.W. Jayasekera, R. Seevaratnam, F. Mohideen, R.J. Perera, Dr. R.D. Bandaranaike, D.J. Ambani, N.Y. Fernando, S.C. Ganegoda, L.T. Samarawickrama, (N.G. Wickremeratne), (Dr. W.S.E. Fernando), (S. Balasubramaniam), (R.A. Ebell) (Alt. to A.M. Pandithage), (M.R.S. Ganapathy).

INDUSTRY INPUTS

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

POWER & ENERGY

A.M. Pandithage, R.P. Peris, M.M.M. De Silva, D.S. Arangala, Y.P.A.S. Pathiratna, T.H. Aziz, B. Balaratnarajah, A.R. De Silva, S.C. Ganegoda, H.S.R. Kariyawasan, D.D.W. Siriwardene, (N.G. Wickremeratne), (R.P.S. Wickramasinghe), (R.A. Ebell).

TRANSPORTATION

A.M. Pandithage, M.O. Raban, S.R. Sadanandan, L.R.V. Waidyaratne, A.M. Senaratna, I. Saleem, Ms. E.M.C.S. Gamage, T.U.K. Peiris, P.L. Cumaratunga, M. Niruttan, K. Amarasekera, F.T. Salem, C.D. La Ferriere, H.S. Bourdillon, E. Silhol, B. De P. Arnaud, A.B. Ratnayake, H. Maniwa, T Nakai, S. Sugishima, M.G. Gomez, S.I. Ramakrishnan, L.B. Culas, S.N. Wickremesooriya, K.L.C. Fernando, R.W.P. Polonowita, S.J. Wijesinghe, C.N. Allis, B.P.R. Liyanage, R. Samaratunga, Ms. Y.N. Perera, M.D.D. Pieris, K. Balasundaram, Ms. M.R.P. Balendra, R.S. Rajah, D.D.W. Siriwardene, D.A. Molligoda, C. Perera, M. Masri, C.I.J. Charles, A.H. Kulasinghe, S.C. Ganegoda, R. Seevaratnam, J.R. Hill, K.P. Kalyan, (N.G. Wickremeratne), (R.A. Ebell), (N.P. Kodikara), (Ms. K.M.A.T. Ganegoda), (Q.B. Williams), (P.S. Gunawardena), (C.H. Pieres).

CONSUMER PRODUCTS

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

RESORTS

A.M. Pandithage, N.J.H.M. Cooray, N.T.M.S. Cooray, V.K. Wickremsinghe, N. Wadugodapitiya, S.C. Ganegoda, L.T. Samarawickrama, R.A.E. Samarasinghe, S.J. Wijesinghe, M.W.A.D.J.N. Wijesuriya, B.T. Eliatamby, M.W.A.D.J.V. Wijesuriya, N.J. De S. Deva-Aditya, D.S. Abeyratna, Ms. M.W.A.D.A.V. Wijesuriya, (N.G. Wickremeratne), (A. Hettiarachchy), (R.A. Ebell) (J.W.M.J.P.K. Ratnayake).

INVESTMENTS, INFORMATION TECHNOLOGY & SERVICES

A.M. Pandithage, D.D.W. Siriwardene,
Ms. L.Y. Pararasasegaram, S.C. Ganegoda,
A.C. Wikramanayake, I. Piyasena, H.C.S Mendis,
(N.G. Wickremeratne), (R.A. Ebell), (M.N. Fernando).

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance rules laid down under the Listing Rules of the Colombo Stock Exchange. The Hayleys Governance section on pages 90 to 102 discusses this further.

AUDITORS

Messrs KPMG Ford, Rhodes, Thornton & Co, Chartered Accountants, are deemed reappointed, in terms of Section 158 of the Companies Act No. 7 of 2007, as Auditors of the Company.

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

The Auditors, Messrs. KPMG Ford, Rhodes, Thornton & Co., were paid Rs. 0.7 mn (Rs. 0.6 mn), and Rs. 17.5 mn (Rs. 14.6 mn) as audit fees by the Company and its Subsidiaries respectively. In addition, they were paid Rs. 0.1 mn (Rs. 0.7 mn) and Rs. 6.2 mn (Rs. 6.8 mn), by the Company and its Subsidiaries respectively, for non-audit-related work which consisted mainly of tax consultancy services.

In addition to the above, Group companies, both local and overseas, engage other audit firms. Audit fees and payments relating to non-audit work in respect of these firms amount to Rs. 9.5 mn (Rs. 9.8 mn) and Rs. 2.3 mn (Rs. 0.7 mn) respectively.

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

SHARE INFORMATION

Information relating to earnings, dividend, net assets, market value per share and share trading is given on pages 2 and 43.

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 166.

EMPLOYMENT

The number of persons employed by the Company and its Subsidiaries at year-end was 19,289 (20,173). The number of people employed by Associate companies at year-end was 10,888 (13,538.).

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 114.

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 Issues section of the Sustainability Report on pages 50 and 51.

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 31.03.2010	No. of Shares as at 01.04.2009
Mr. A.M. Pandithage	2,338	2,338
Mr. L.K.B. Godamunne	83,790	83,790
Mr. J.D. Bandaranayake	27,261	27,261
Mr. M.R. Zaheed	1,487	1,487
Mr. A.M. Senaratna	100	100
Mr. K.D.D. Perera	16,250,684	16,250,684
Mr. W.D.N.H. Perera (appointed w.e.f. 23.07.2009)	30,011	62,512
Mr. S.C. Ganegoda (appointed w.e.f. 24.09.2009)	2,000	2,000
Total	16,397,671	16,430,172

MAJOR SHAREHOLDINGS

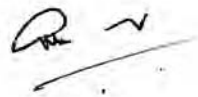
Name of the Shareholder	No. of Shares as at 31.03.2010	%	No. of Shares as at 31.03.2009	%
1. Mr. K.D.D. Perera	16,071,828	21.43	16,071,828	21.43
2. Trustees of the D.S. Jayasundera Trust	8,698,017	11.60	8,698,017	11.60
3. Trustees of the Hayleys PLC - Employees Share Trust	6,855,735	9.14	6,855,735	9.14
4. Sri Lanka Insurance Corporation Ltd - Life Fund	4,651,700	6.20	4,651,700	6.20
5. Dipped Products PLC	3,536,159	4.71	3,536,159	4.71
6. Dean Foster (Pvt) Ltd.	2,922,413	3.90	2,922,413	3.90
7. Promar Overseas SA	2,251,119	3.00	2,251,119	3.00
8. Mr. M.S. Jayasundera	1,915,098	2.55	1,915,098	2.55
9. Hayleys Group Services (Pvt) Ltd. Number 2 Account	1,328,790	1.77	1,328,790	1.77
10. Mrs. P.M. Godamunne	1,107,447	1.48	1,107,447	1.48
11. Sri Lanka Insurance Corporation Ltd. - General Fund	919,651	1.23	919,651	1.23
12. Mrs. M.L. Johnpulle (Deceased)	907,165	1.21	907,165	1.21
13. Mrs. V. Jayasundera	906,376	1.21	1,017,476	1.36
14. Employees Provident Fund	850,773	1.13	1,185,873	1.58
15. Ceylon Desiccated Coconut & Oil Company Ltd.	719,813	0.96	719,813	0.96
16. Mr. G.M. Spittel	568,197	0.76	568,197	0.76
17. Mrs. R.N. Ponnambalam	535,815	0.71	537,815	0.72
18. Mr. A.C. Wikramanayake	502,130	0.67	502,130	0.67
19. Mr. N.K.A. De Silva (Deceased)	487,005	0.65	487,005	0.65
20. Mrs. F.C. Phillips & Mr. R.H.S. Phillips	482,304	0.64	482,304	0.64
TOTAL	56,217,535	74.96	56,665,735	75.55

As at 31st March, 2010 there were 3,832 (3,805) registered shareholders. The percentage of shares held by the public, as per the Colombo Stock Exchange Rules, as at 31st March, 2010 was 55.89% (55.82%).

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 Tuesday, 29th June, 2010. The Notice of the Annual General Meeting appears on page 188.

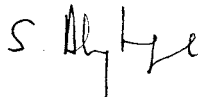
For and on behalf of the Board



A.M. Pandithage
Chairman & Chief Executive



S.C. Ganegoda
Finance Director



Hayleys Group Services (Pvt) Ltd.
Secretaries

17th May, 2010

Comparative figures are shown in brackets.

Hayleys is **that one company** with many

Globally

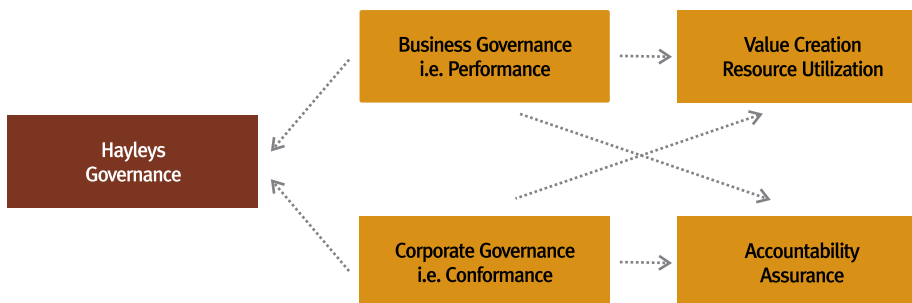
competitive businesses



Hayleys Governance

Hayleys is committed to doing what is right in its business and places a greater emphasis on the quality of its profits. In practice, this means that everyday we strive to uphold the trust our stakeholders; shareholders, customers, employees, communities and Government Authorities have placed in us, by being ethical and transparent in the continuing pursuit of our Vision and Mission and practice of our Values.

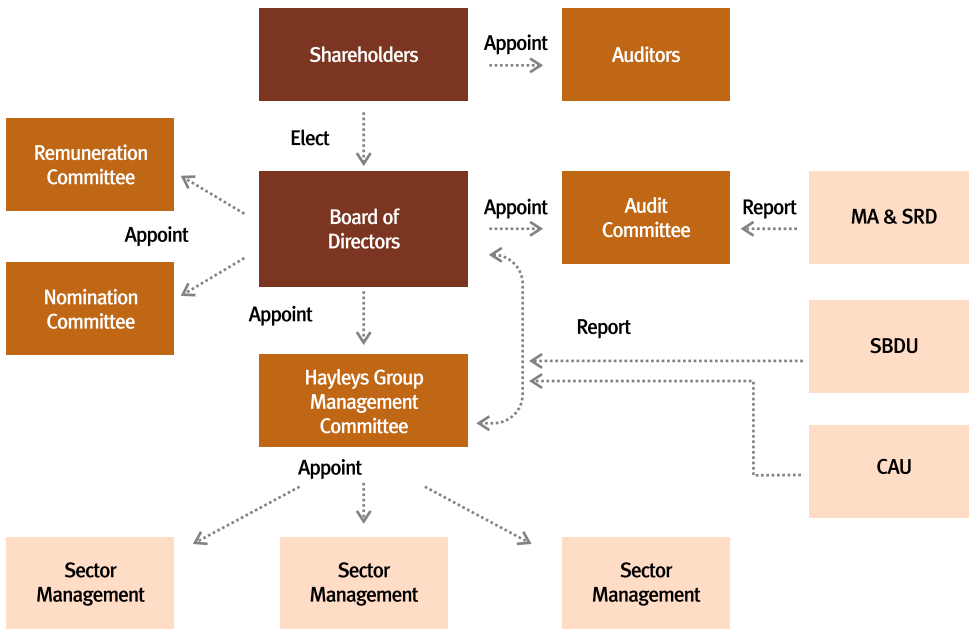
The Group's governance framework covers both corporate governance and business governance. It includes corporate governance processes that support business governance, enabling companies to focus on areas that create value in their business. We strive to achieve a balance between accountability and assurance (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:



Conformance (corporate governance) covers issues such as Board structures, senior management roles and processes. Performance (business governance) focuses on strategy and value creation.

CORPORATE GOVERNANCE

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 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. Critical information needs to be presented in such a way that it receives attention. The Strategic Business Development Unit (SBDU) and Corporate Affairs Unit (CAU) satisfy various information needs of the Board in a comprehensive manner.

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 revisited as necessary during the year.

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 annual budgeting process documents sector strategies and near-term objectives.

The sectors are required to align their strategies with the Group and Sector/Company Key Performance Indicators (KPIs).

Strategic Implementation

The main businesses of the Group operate under four clusters - Global Markets & Manufacturing, Agriculture & Agribusiness, Transportation & Infrastructure and Consumer & Leisure.

The achievement of targets through implementation of strategies formulated, current performance and the short-term outlook are reviewed at HGMC meetings which are held monthly. Further, focused discussions take place at monthly cluster 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 intends to embark upon and these are tabled and approved by the relevant Boards.
- A project or business is referred to the SBDU for their analysis and comments where investment is expected to exceed specified limits.
- Projects exceeding these limits is 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 are approved in principle prior to initiation and each new phase is sanctioned prior to commencement.

CORPORATE GOVERNANCE

Hayleys PLC is the Holding Company of the Hayleys Group. The Group consists of businesses which are actively managed by Hayleys and a few passive investments. However, Hayleys will seek greater influence in strategic direction of the businesses in which it has hitherto taken the role of a passive investor.

The businesses of the Group are given under Report Parameters on pages 37 to 38 of the Report.

We set out below the Corporate Governance practices adopted and practised by Hayleys against the background of the Code of Best Practice on Corporate Governance issued by 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.

THE BOARD OF DIRECTORS

The Board of Directors of Hayleys PLC is responsible for governance of all companies which Hayleys actively manages.

Composition and Attendance at Meetings

The Board consisted of ten Directors at the end of the year under review: the Chairman & Chief Executive (Executive), three other Executive Directors and six Non-Executive Directors. These Directors are named below and are profiled on pages 178 and 179 of this Report.

Shareholders were advised of the retirements/resignations of Mr. N.G. Wickremeratne, Mr. A. Hettiarachchy, Mr. P.S.P.S. Perera and Mr. R.A. Ebell, and with brief biographical information provided, on the appointments of Mr. W.D.N.H. Perera and Mr. S.C. Ganegoda.

The Board met monthly as a matter of routine. Ad hoc meetings were also held as necessary. During the year under review the Board met on 18 occasions. The attendance at these meetings was:

Name of Director	Executive/ Non-Executive	Attendance
Mr. A.M. Pandithage (Chairman & Chief Executive) (w.e.f. 01.07.2009)	Executive	18/18 *
Mr. N.G. Wickremeratne (Chairman & Chief Executive) (Retired on 30.06.2009)	Executive	4/5
Mr. R.A. Ebell (Resigned on 31.10.2009)	Executive	9/10
Mr. L.K.B. Godamunne	Non-Executive	16/18
Mr. P.S.P.S. Perera (Resigned on 30.04.2009)	Executive	2/2
Mr. J.D. Bandaranayake	Non-Executive	13/18
Mr. A. Hettiarachchy (Retired on 06.02.2010)	Executive	12/15
Mr. M.R. Zaheed	Executive	17/18
Mr. A.M. Senaratna	Non-Executive	17/18 **
Mr. J.A.G. Anandarajah	Executive	17/18 ***
Mr. T.L.F.W. Jayasekara	Non-Executive	16/18
Mr. K.D.D. Perera	Non-Executive	15/18
W.D.N.H. Perera (w.e.f. 23.07.2009)	Non-Executive	10/12
S.C. Ganegoda (w.e.f. 24.09.2009)	Executive	9/9

* Mr. A.M. Pandithage participated in 1 of these meetings via conference call.

** Mr. A.M. Senaratna participated in 9 of these meetings via conference call.

*** Mr. J.A.G. Anandarajah participated in 1 of these meetings via conference call.

Responsibilities of the Board

The Board is responsible to:

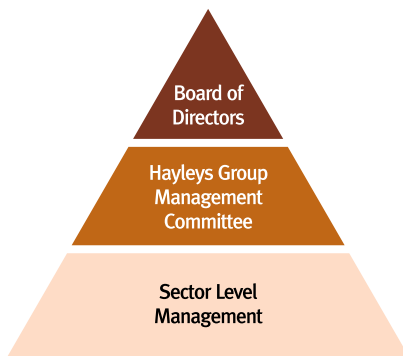
- Enhance shareholder value.
- Ensure all stakeholder interests are considered in corporate decisions.
- Formulate and communicate business policy and strategy to assure sustained growth, and monitor its implementation.
- Approve any change in the Group's business portfolio and sanction major investments and disinvestments in accordance with parameters set.
- Ensure Executive Directors have the skills/knowledge to implement strategy effectively, with proper succession arrangements in place.
- Ensure effective remuneration, reward and recognition policies are in place to ensure employee commitment and motivation.
- Set and communicate values/standards, with adequate attention being paid to accounting policies/practices.
- Ensure effective information, control, risk management and audit systems are in place.
- Ensure compliance with laws.
- Ensure that ethical standards are in place.
- Approve annual budgets and monitor performance against these.
- Adopt annual and interim results before these are published.

Inter alia, Directors:

- Must bring independent judgment to bear and consider foremost the interests of the Company as a whole.
- Must stay abreast of developments in management practice, the global and domestic economic developments and other matters relevant to the Company.
- May convey concerns to the Chairman, or if that is not appropriate to the Hayleys' Director designated as Senior Independent Director, or if that is not appropriate to a senior Non-Executive Director, if and when a need arises.

- d. May, where necessary and with the concurrence of the Chairman or the Hayleys' Senior Independent Director, consult and consider inputs from 'experts' in relevant areas.
- e. Should declare their interests in contracts under discussion at a Board meeting, and refrain from participating in such discussion.
- f. Possessing 'price-sensitive' information concerning the Company should not trade in the Company's shares until such information has been adequately disseminated in the market.

For strategy implementation the Board has set up a two tier management structure under which the Hayleys Group Management Committee operates at a level below the Board and is responsible for implementing the policies and strategies approved by the Board.



The Hayleys Group Management Committee (HGMC) comprises the Chairman & Chief Executive, three Executive Directors, six senior Directors of subsidiary companies and the Head Group Human Resources. HGMC members are responsible for the management of sectors assigned to them. Their names and profiles appear on pages 180 and 181 of this report.

Company Secretary

The services and advice of the Company Secretary is made available to Directors as necessary. The Company Secretary keeps the Board informed of new laws, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board.

Chairman & Chief Executive

Though the functions of Chairman and Chief Executive are vested in one person, the management structure established within the Group ensures this does not compromise the effective practice of Corporate Governance in the Group. The Executive Directors and HGMC members are responsible for the businesses conducted by the Group and effectively function as CEOs of these businesses.

Mr. L.K.B. Godamunne, Non-Executive Director functioned as the Senior Independent Director throughout the year. The Senior Independent Director is the Director to whom concerns can be conveyed if a need arises.

The Group's Governance structure detailed above, together with the composition of the Board ensures effective segregation of roles and that no one individual has unfettered powers of decision making and execution.

Chairman's Role

The Chairman is responsible for the efficient conduct of Board meetings and ensures, inter alia, that:

- 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.

The Chairman maintains close contact with all Directors and, where necessary, holds meetings with Non-Executive Directors without Executive Directors being present.

Board Balance

The composition of the Executive and Non-Executive Directors (the latter comprise a majority of the Board) satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange. 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 (10 years) for which he has served on the Board (which the Board believes has not affected his objectivity in the role).

The balance of Executive and Independent Non-Executive Directors on the Board ensures no individual Director or small group of Directors dominate Board discussion and decision making.

Financial Acumen

The Board includes two senior Chartered Accountants, who possess the necessary knowledge and competence to offer the Board guidance on matters of finance. One of them serves as Finance Director and the other as the Chairman of the Audit Committee.

Supply of Information

Directors are provided with monthly reports on performance, minutes of review meetings and such other reports and documents as are necessary. The Chairman ensures all Directors are adequately briefed on issues arising at meetings.

The minutes, agenda and papers required for Board meeting are provided in advance to facilitate its effective conduct.

Appointments to the Board

New appointments are made on the recommendation of the Nomination Committee. The Nomination Committee is responsible for the nomination of a Chairman & Chief Executive and these appointments are subject to approval by the Board.

Nomination Committee

Chairman: A.M. Pandithage

Name of Member
A.M. Pandithage - <i>Chief Executive</i>
L.K.B. Godamunne - <i>Independent Non-Executive Director</i>
J.D. Bandaranayake - <i>Independent Non-Executive Director</i>
A.M. Senaratna - <i>Independent Non-Executive Director</i>
T.L.F.W. Jayasekara - <i>Independent Non-Executive Director</i>
K.D.D. Perera - <i>Non-Executive Director</i>

The Nomination Committee annually assess Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands faced by the Company. The findings of such assessment are taken into account when new Board appointments are considered

The Board believes it is appropriate for the Chairman & Chief Executive to chair this committee and that the composition of the committee ensures its balance.

Re-election of Directors

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 reappointment by the shareholders at that meeting.

The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment/reappointment. Retiring Directors are generally eligible for re-election.

The Chief Executive does not retire by rotation.

DIRECTORS' REMUNERATION

Remuneration Procedure

The composition of the Remuneration Committee satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange. The Remuneration Committee consists of:

Remuneration Committee

Chairman: L.K.B. Godamunne

Name of Member
L.K.B. Godamunne - <i>Independent Non-Executive Director</i>
J.D. Bandaranayake - <i>Independent Non-Executive Director</i>
A.M. Senaratna - <i>Independent Non-Executive Director</i>
T.L.F.W. Jayasekara - <i>Independent Non-Executive Director</i>
K.D.D. Perera - <i>Non-Executive Director</i>

The Remuneration Committee decides on the remuneration of Executive Directors and sets guidelines for the remuneration of the management staff within the Group. This Committee is chaired by the Senior Independent Director, Mr. L.K.B. Godamunne.

Disclosure of Remuneration

The Remuneration Committee's Report appears on page 117.

The total of Directors' Remuneration is reported in Note 10 to the Financial Statements.

RELATIONS WITH SHAREHOLDERS

The Notice of Meeting is included in the Annual Report. The Notice contains the Agenda for the AGM as well as instructions on voting, including appointment of proxies. A Form of Proxy is enclosed with the Annual Report. The period of notice prescribed by the Companies Act No. 7 of 2007 has been met.

Constructive use of the Annual General Meeting

The active participation of shareholders at the Annual General Meeting is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders.

The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are relevant to the Company. The AGM is also used to adopt the financial statements for the year.

Major Transactions

There have been no transactions during the year under review which fall within the definition of 'Major Transactions' in terms of the Companies Act.

Communication with Stakeholders

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.

Shareholders may bring up concerns they have, either with the Chairman & Chief Executive or the Group's Secretarial Department as appropriate.

The Hayleys PLC website and websites of Listed Companies within the Group serve to provide a wide range of information on the Group.

Institutional Shareholders

Discussions are held with Institutional Investors, involving the Chairman and other Executive Directors where appropriate. 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.

Price Sensitive Information

Due care is exercised with respect to share price sensitive information.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board places great emphasis on complete disclosure of financial and non-financial information within the bounds of commercial reality, and on the adoption of sound reporting practices. Financial information is disclosed in accordance with the Sri Lanka Accounting Standards. Revisions of existing accounting standards and adoption of new standards are carefully monitored and awareness programmes are held covering finance staff in the Group.

The Annual Report includes descriptive, non-financial content through which an attempt is made to provide stake holders with information to assist them make more informed decisions.

The Statement of Directors' Responsibilities for the Financial Statements is given in page 114 of this Report.

Management Report

A comprehensive coverage of key initiatives undertaken during the year, external impacts, sector performances, achievements and future outlook, awards won and certifications received is available in the Management Review and preview (page 9 to page 32) and Awards & Accreditations (page 35) sections of this Report.

The Financial Review (page 24 to page 31) in this Report provides an analysis of the Group's performance during the financial year.

The Board confirms there is an ongoing process for identifying, evaluating and managing significant risks. This process has been in place through the year under review. The potential risks, both internal and external, faced by the Group and actions instituted for mitigating the same are reported in the Risk Management section (page 104 to page 110) of this Report.

Workplace practices and specific environmental, social and ethical aspects are dealt with in the Sustainability Report in pages 34 to 79. The Board strives to protect shareholder value and provide a return in keeping with the market. The Sustainability Report's Economic Performance section on pages 42 to 43 gives further details on these aspects.

Going Concern

The Directors, after conducting 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.

Internal Controls

The Board is responsible for the Group's internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It covers all controls, including financial, operational and compliance control and risk management. It is important to state, however, that any system can ensure only reasonable, and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time.

The Group's Management Audit & System Review Department (MA & SRD) plays a significant role in assessing the effectiveness and successful implementation of existing controls and strengthening these and establishing new controls where necessary. The MA & SRD's reports are made available to the Chairman & Chief Executive and the Chairman of the Audit Committee.

The Group also obtains the services of independent professional accounting firms other than the statutory auditors to carry out internal audits and reviews to supplement the work done by the MA & SRD.

The Board has reviewed the effectiveness of the system of financial controls for the period up to the date of signing the accounts.

Audit Committee

An Audit Committee was established in 1992. The Committee consists entirely of Non-Executive Directors and is chaired by Mr. T.L.F.W. Jayasekara. The Group Manager, MA & SRD, serves as its Secretary. The Chairman & Chief Executive and 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.

The Audit Committee helps the Group achieve a balance between conformance and performance.

Audit Committee consists of:

Audit Committee

Chairman: T.L.F.W. Jayasekara

Name of Member
T.L.F.W. Jayasekara - <i>Independent Non-Executive Director</i>
L.K.B. Godamunne - <i>Independent Non-Executive Director</i>
J.D. Bandaranayake - <i>Independent Non-Executive Director</i>
K.D.D. Perera - <i>Non-Executive Director</i>
W.D.N.H. Perera - <i>Non-Executive Director</i>

During the year under review, the committee met on 4 occasions, the attendance at these meetings are reported in 'Audit Committee Report' in page 115 of this Report

The Committee is empowered to examine any matter relating to the Financial Reporting systems of the Group, and its external and internal audits. Its duties *inter alia* include the detailed review of Financial Statements, internal control procedures, accounting policies and compliance with applicable accounting standards.

It reviews the adequacy of systems in place for compliance with relevant legal, regulatory and ethical requirements and Company policies.

The Audit Committee recommends the appointment and fees of the External Auditors, having considered their independence.

The Audit Committee Report appears on Page 115 to page 116 of this Report.

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 support its strategies and meet its objectives. 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 an ERP system and internet and e-mail services catering to most sectors in the Group, and a Group - wide data communication system. The latter includes sector specific resources such as logistics management systems.

IT Value and Alignment

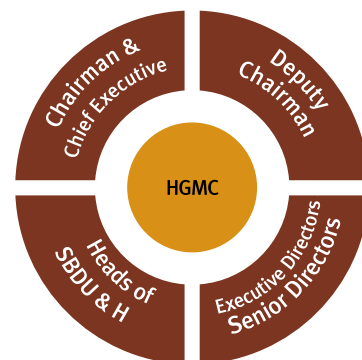
Investments in IT projects and systems are made after consideration is given to their suitability for the related projects. Further aspects such as cost savings, improved customer satisfaction, timely information and the balance between cost of investment and scale of operations are also taken into account 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 (commonly Microsoft products), closer monitoring of internet usage (for compliance with the Group's IT Use Policy) and mail server operations and the use of antivirus and firewall software, are some of the practices in place.

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 in respect of 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 in respect of the sectors and/or business units they manage. HGMC members in charge of service units are responsible for the formulation of policies and strategies in respect of these units, which are subject to approval by the Board.

Strategies in respect of 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 discipline of all personnel
- Training and succession planning
- Negotiation with trade unions and manual and clerical personnel
- Approval of expenditure
- Supervision of financial authority
- Maintenance of safety and ethical standards
- Management of risk and following implicit and explicit guidelines set by the Group
- Safeguarding assets
- Avoiding deterioration of value through aging or obsolescence where applicable
- 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 from time to time.

All Financial Controllers of sectors are required to report in writing to the Finance Director on a quarterly basis, bringing to his notice any significant aspect of risk or concern regarding the business activities of their sector and the Financial Statements submitted by them. This reporting may be more frequent if circumstances warrant it.

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

The Group Management Committee meets every month.

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.

Levels of compliance with the CSE's Listing Rules - Section 7.10, Rules on Corporate Governance are given in the following table:

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.1 (a)	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executive Directors	Compliant	As at the conclusion of the immediately preceding AGM, five out of twelve Directors were Non-Executive Directors. As at 31st March, 2010 six out of ten Directors are Non-Executive Directors
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher, should be Independent	Compliant	As at the conclusion of the immediately preceding AGM, four out of five Non-Executive Directors were Independent. As at 31st March, 2010 four out of six Non-Executive Directors are Independent
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format	Compliant	
7.10.3 (a)	Disclosure relating to Directors	The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report	Compliant	Please refer page 84 and 95
7.10.3 (b)	Disclosure relating to Directors	The basis for the Board to determine a Director is Independent when the criteria specified for Independence is not met	Compliant	Given in page 95 under the heading of Board Balance
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Compliant	Please refer page 178 and 179
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief résumé of new Directors appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the Exchange	Compliant	Brief resumes of Mr. W.D.N.H. Perera and Mr. S.C. Ganegoda have been provided to the Colombo Stock Exchange

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Please refer page 117 of this Report
7.10.5 (a)	Composition of Remuneration Committee	Shall comprise Non-Executive Directors a majority of whom will be independent	Compliant	The Committee consists of five Non-Executive Directors, four of whom are Independent
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors	Compliant	Please refer 'Remuneration Procedure' in page 117 of this Report
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out: a. Names of Directors comprising the Remuneration Committee b. Statement of Remuneration Policy c. Aggregated remuneration paid to Executive and Non-Executive Directors	Compliant Compliant Compliant	Please refer page 96 Please refer page 117 Please refer page 136
7.10.6	Audit Committee	The Company shall have an Audit Committee	Compliant	Names of the members of the Audit Committee are stated on page 98
7.10.6 (a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent	Compliant	Audit Committee consists of three Independent Non-Executive Directors and two Non-Executive Directors
		A Non-Executive Director shall be appointed as the Chairman of the Committee	Compliant	Chairman of the Audit Committee is an Independent Non-Executive Director
		Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings.	Compliant	The Chief Executive Officer and Finance Director attend meetings by invitation
		The Chairman of the Audit Committee or at least one member should be a member of a professional accounting body	Compliant	Chairman of the Audit Committee is a Chartered Accountant

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.6 (b)	Audit Committee Functions	<p>Functions shall include:</p> <p>a. Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards</p> <p>b. Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.</p> <p>c. Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards</p> <p>d. Assessment of the independence and performance of the External Auditors</p> <p>e. Make recommendations to the Board pertaining to appointment, reappointment and removal of External Auditors, and approve the remuneration and terms of engagement of the External Auditors.</p>	Compliant	The terms of reference of the Audit Committee have been agreed by the Board
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	<p>a. Names of Directors comprising the Audit Committee</p> <p>b. The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination</p> <p>c. The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions</p>	<p>Compliant</p> <p>Compliant</p> <p>Compliant</p>	<p>Please refer page 98</p> <p>Please refer Audit Committee Report on page 98</p> <p>Please refer Audit Committee Report on page 115</p>

Hayleys is **that one company**
that has grown primarily

Organically



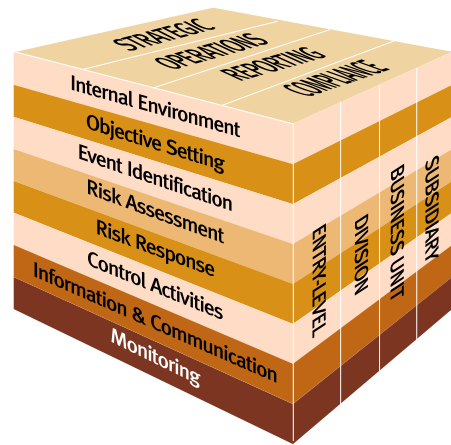
Risk Management

The Hayleys Group, a diversified Group with global operations, is exposed to a great variety of risks in the course of its international business. It is our willingness to take an entrepreneurial risk that enables us to exploit opportunities as they arise. We therefore calculatedly take risks, as long as they are reasonable and can be managed and controlled, and bear such risks if they are expected to create value for the Group.

Risk arises in all our business activities and cannot be completely eliminated; however, we work to manage risk through controlling our internal environment. Hayleys recognises that risk remains as an intrinsic component of doing business; however, structured and transparent enterprise risk management processes facilitate management to identify, manage and prepare for risks in an informed, controlled and transparent manner. Hayleys' enterprise risk management systems are therefore designed to identify key strategic, operational, legal and regulatory, and financial risks, facing the Group.

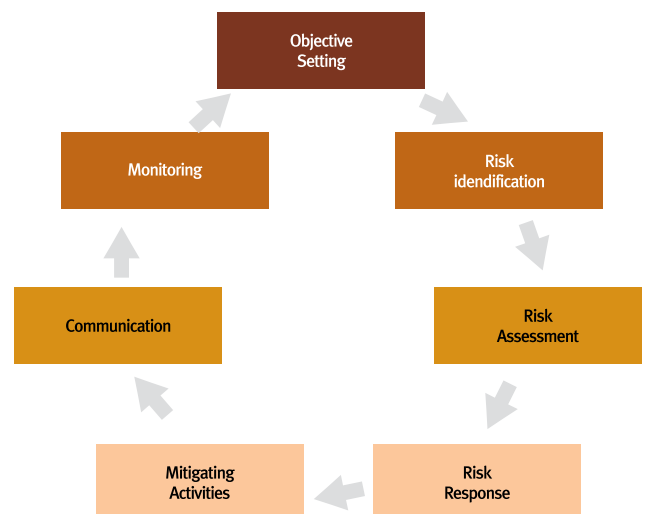
An effective risk management framework helps the Group in its attempts to achieve the optimum trade-off between risks and returns. The Group recognises the complexity and the diversity of risks that surround its operational activities and endeavours, to maximise opportunities and minimise exposures to risk while being cognisant of the risk/reward relationship and the limits of its risk appetite. An effective risk management framework can make an immense contribution in the efforts of the Group to optimise use of available capital.

The Group is using **COSO** and **Risk Management Industry approaches** as the conceptual framework of ERM. The framework consists of identifying and profiling of significant risks, modelling and measuring risk, determining Group risk appetites, accepting/transferring/eliminating/sharing risk, measuring of performance including the benefits of risk diversification and monitoring execution of the process. It is also about directing the scarce resources to the opportunities that are expected to generate the maximum return with minimum risk.



The sub-groups, service companies and the units of the holding company take steps to ensure that an effective system for early identification of risks is implemented and maintained. Corporate Auditing is responsible for coordinating the identification and documentation of risk areas throughout the Group, enhancing the risk management system and monitoring its effectiveness at regular intervals. In addition, during the year-end audit, the external Auditor issues a Management Letter and informs the Group Management Committee and the Board of Directors the outcomes of these evaluations. These outcomes are taken into account in the continuing enhancement of our Risk Management System.

ENTERPRISE RISK MANAGEMENT PROCESS

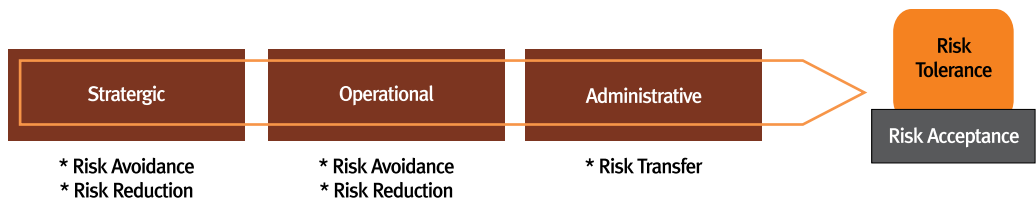


OBJECTIVE SETTING

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

RISK RESPONSE AND MITIGATING ACTIVITIES

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

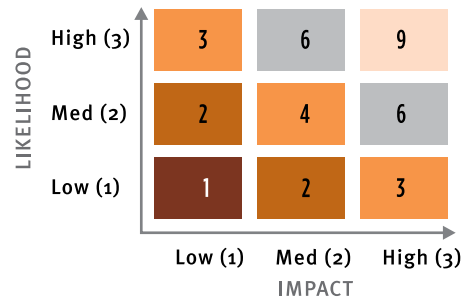


RISK IDENTIFICATION

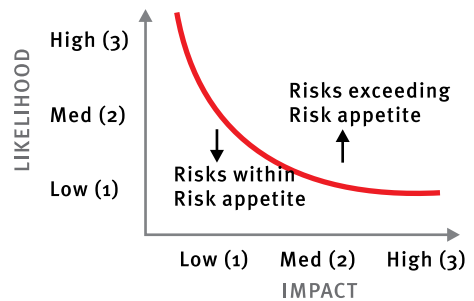
The Group's Management Audit & System Review Department (MA&SRD) plays a significant role in identifying financial and operational risks relating to SBU's/Sectors and deviations from required Internal controls. Internal audit reports produced monthly/quarterly by leading audit firms relating to specific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

RISK ASSESSMENT

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



Likelihood x Impact = Risk



INFORMATION AND COMMUNICATION

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

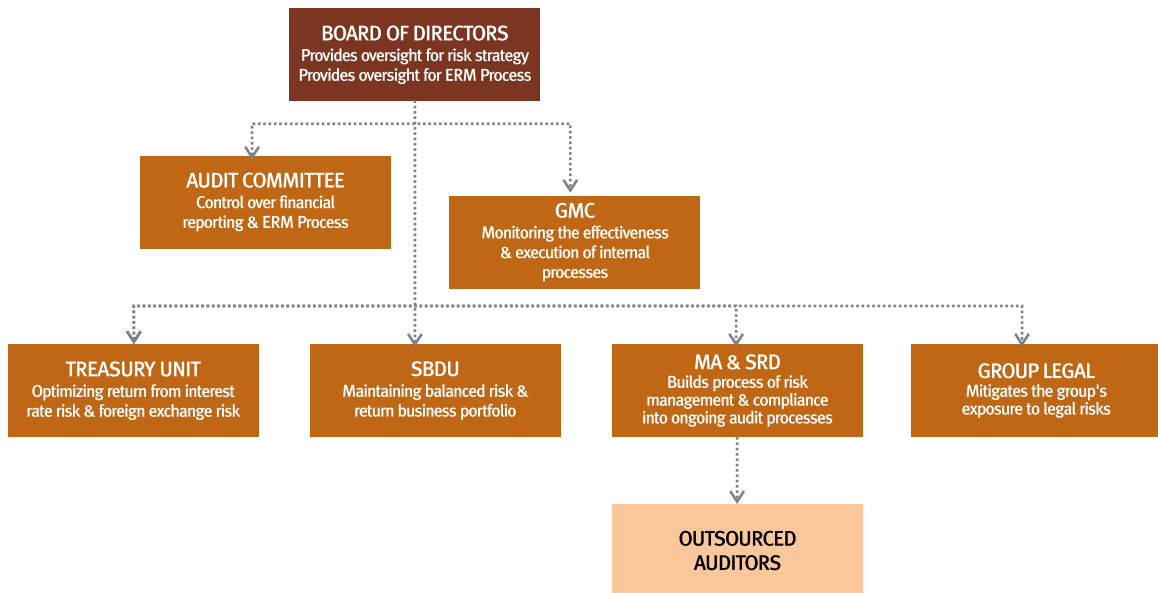
MONITORING

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

RISK MANAGEMENT GOVERNANCE STRUCTURE

The principal aim of the Group's risk management governance structure and the systems of internal control in place, is to manage business and operational risks, with a view to enhancing the value of shareholder investment and safeguarding assets.

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



SPECIFIC UNITS ESTABLISHED WITHIN THE GROUP TO MITIGATE RISKS

Techniques for the measurement and management of risks continued to evolve in the Group for the Enterprise Risk Management during the financial year 2009/10.

TREASURY MANAGEMENT	
Type of Risk	Foreign Exchange Risk
Effect	<ul style="list-style-type: none"> • Affects Group results/ pricing policy
Strategies and Mitigatory Action Taken	<ul style="list-style-type: none"> • The exchange rate risk that the Group is exposed to is identified and the associated risk exposure measured, • Exchange rate movements are monitored and outlook is closely followed in respect of currencies in which the Group carries exposure. • Group-wide FX exposures are monitored, and appropriate action is recommended to reduce inherent risks and minimise adverse impacts of currency rate movements on assets and liabilities. • Benefits are sought from Group synergies and the use of natural hedges. • Measures are established to determine effectiveness of action taken.
Risk Rating	High
Type of Risk	Interest Rate Risk
Effect	<ul style="list-style-type: none"> • Impacts the Group's earnings, cash flow and economic value.
Strategies and Mitigatory Action Taken	<ul style="list-style-type: none"> • Interest rates and socio-economic circumstances are monitored to allow accurate and prudent forecasts. • Advice is provided in respect of the relevant backdrop and in managing existing and new borrowing facilities. • Negotiations with banks/financiers are actively supported.
Risk Rating	High
Type of Risk	Liquidity Risk
Effect	<ul style="list-style-type: none"> • Inadequate funds would lead to shifting timelines of investments and resorting to costly funding alternatives.
Strategies and Mitigatory Action Taken	<ul style="list-style-type: none"> • Business models and working capital management are reviewed periodically to ensure cash flow alignment as far as possible, and minimise dependence on external lenders of liquidity. • Trade cycles are analysed with a view to generating liquidity from operations, and thereby mitigating liquidity risk. • The Group's bank relationships are managed with involvement of the Group Treasury to capitalize on Group synergy.
Risk Rating	High

STRATEGIC BUSINESS DEVELOPMENT UNIT (SBDU)

Strategic risks may arise if the Company's strategy is not compatible with market or customer requirements. The SBDU immerses itself in reviewing current business activity, assessing and advising on strategy in existing businesses and evaluating and shaping new business proposals. The SBDU also focuses on rationalizing the Investment Portfolio of Hayleys PLC to ensure a balance among risk, return and growth.

Type of Risk	Investment Risk
Effect	<ul style="list-style-type: none"> The future profitability of the Group is affected by the degree of realization of expected earnings on investments.
Strategies and Mitigatory Action Taken	<ul style="list-style-type: none"> The portfolio of ongoing activity is analysed so 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 Group management. Information on return on business activities are assessed periodically to ascertain when the expectations are met and take corrective action when needed.
Risk Rating	High

OVERVIEW OF GENERAL RISKS

Type of Risk	Climate change
Effect	<ul style="list-style-type: none"> 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 adverse weather conditions.
Strategies and Mitigatory Action Taken	<ul style="list-style-type: none"> Building adequate inventory levels when the availability of raw materials is high. Sourcing from other countries when feasible. Geographically diversifying risks by establishing manufacturing units overseas.
Risk Rating	Moderate

Type of Risk	Dependence on business partners
Effect	<ul style="list-style-type: none"> • 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, Transportation and Agro Products segments of the Group's business.
Strategies and Mitigatory Action Taken	<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 actions in mitigation in a timely manner. • Good principal agent relationships reduce the risk of unexpected, adverse events. • The Group remains alive to new market opportunities, to developing new alliances, and to acquiring distribution channels, which reduce the impact of any losses that do arise.
Risk Rating	Moderate
Type of Risk	Credit Risk
Effect	<ul style="list-style-type: none"> • The possibility of having bad debts, and the prospect of protracted legal proceedings without assurance of a favourable outcome.
Strategies and Mitigatory Action Taken	<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 to cover material credit exposures. • Export credit is insured to minimise inherent risks.
Risk Rating	Moderate/High
Type of Risk	Product Risk
Effect	<ul style="list-style-type: none"> • Loss of markets for existing products.
Strategies and Mitigatory Action Taken	<ul style="list-style-type: none"> • Accreditations are received from customers and international standards - setting bodies on processes and products. • Product innovation is given high priority. • The highest priority is given to strengthening customer relationships and responding in an appropriate and timely manner to their needs.
Risk Rating	Moderate

Type of Risk	IT Risk
Effect	<ul style="list-style-type: none"> The Group depends on accurate, timely information from key computer systems to enable decision making.
Strategies and Mitigatory Action Taken	<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. A premature maintenance system is in place to mitigate risk of sudden stoppages/breakdowns.
Risk Rating	Moderate
Type of Risk	Socio-Economic Policies (Regulatory Risk)
Effect	<ul style="list-style-type: none"> Loss of competitiveness of our products in the international market place due to high cost.
Strategies and Mitigatory Action Taken	<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 an example, energy costs are mitigated by the use of alternative energy sources. Operations are established overseas to diversify risk.
Risk Rating	Moderate/High

The Group, where possible, has insurance agreements to protect against adverse financial consequences arising from a multitude of business uncertainties and risks. These arrangements are frequently re-examined and adjusted as necessary.

Hayleys is **that one company** that works with a network of over

8,000

independent farmer families in the hinterland of Sri Lanka and takes their produce to the most sophisticated parts of the world



Financial Reports

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Financial Calendar 2009/10

1st Quarter Report	3rd August, 2009
2nd Quarter Report	4th November, 2009
3rd Quarter Report	5th February, 2010
Interim Dividend 2009/10	26th March, 2010
Annual Report 2009/10	3rd June, 2010
59th Annual General Meeting	29th June, 2010
Final Dividend Proposed	29th June, 2010
Final Dividend Payable	7th July, 2010

Statement of Directors' Responsibilities

The Directors are responsible, under section 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 disclose, with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

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

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

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

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

As required by Section 56 (2) of the Companies Act, the Board of Directors has authorised distribution of the 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 obtained in respect of dividends paid and sought in respect of the dividend now proposed, certificates of solvency from its Auditors.

The External Auditors, Messrs KPMG Ford, Rhodes, Thornton & Co., reappointed 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 118 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

17th May, 2010

Audit Committee Report

ROLE OF THE AUDIT COMMITTEE

The role of the Committee, which has specific terms of reference, is described in the Hayleys Governance Report on pages 90 to 102.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee, appointed by and responsible to the Board of Directors, comprises three Independent Non-Executive Directors and two Non-Executive Directors with the Group Manager - Management Audit & Systems Review acting as Secretary. The Chairman & Chief Executive and the Finance Director attend meetings of the Committee by invitation. The Chairman of the Audit Committee is a senior Chartered Accountant.

Mr. W.D.N.H. Perera, Non-Executive Director was appointed to the Audit Committee with effect from 1st November, 2009. The names of the members and brief profiles of each member are given on pages 178 and 179 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 as follows:

Mr. T.L.F. Jayasekara	4/4
Mr. L.K.B. Godamunne	4/4
Mr. J.D. Bandaranayake	3/4
Mr. K.D.D. Perera	1/4
Mr. W.D.N.H. Perera	1/2

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

TASKS OF THE AUDIT COMMITTEE FINANCIAL REPORTING SYSTEM

The Committee reviewed the financial reporting system adopted by the Group in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Accounting Standards. The methodology included obtaining statements of compliance from Heads of Finance and Directors-in-charge of operating units. The Committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system, also recognised the adequacy of the content and quality of routine management information reports forwarded to its members.

Internal Audits

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

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

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

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

SUBSIDIARY COMPANY AUDIT COMMITTEES

Certain subsidiaries have appointed their own Audit Committees comprising Independent Directors. These Audit Committees function independently of the Audit Committee of Hayleys PLC but have similar terms of reference. The minutes of their meetings are made available to Hayleys Audit Committee.

EXTERNAL AUDITS

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

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

APPOINTMENT OF EXTERNAL AUDITORS

The Audit Committee has recommended to the Board of Directors that Messrs KPMG Ford, Rhodes, Thornton & Co., be continued as Auditors for the financial year ending 31st March, 2011.

SUPPORT TO THE COMMITTEE

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

CONCLUSION

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



T.L.F.W. Jayasekara

Chairman

Audit Committee

14th May, 2010

Remuneration Committee Report

The Remuneration Committee consists of the 5 Non-Executive Directors, and is chaired by a 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.

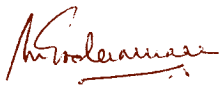
The Committee is responsible for determining the compensation of the Chairman & Chief Executive, Deputy Chairman, Executive Directors and members of the Group Management Committee. In addition, they lay down guidelines and parameters for the compensation structures of all management staff within the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

A primary objective of compensation packages is to attract and retain a highly qualified and experienced work force, 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.

In carrying out its tasks, the Committee reviewed data concerning executive pay among comparator companies. This review encompassed subsidiary and equity accounted investees within the Group. The Committee was assisted in this respect by a comprehensive remuneration survey commissioned and undertaken during the year.

The Committee will meet from time to time and review the Group's compensation structures to assure alignment with strategic priorities and with compensation offered by comparator companies.

Succession plans to which remuneration can be aligned have been defined. Steps have also been taken to align pay more closely with performance, based on Performance Management Systems within the Group.



L.K.B. Godamunne

Chairman

Remuneration Committee

17th May, 2010

Independent Auditors' Report

TO THE SHAREHOLDERS OF HAYLEYS PLC

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Hayleys PLC, the consolidated financial statements of the Company and its subsidiaries as at that date which comprise the balance sheet as at 31st March, 2010 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 119 to 176 of the 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 31st March, 2010 and the financial statements give a true and fair view of the Company's state of affairs as at 31st March, 2010 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 31st March, 2010 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. 7 of 2007.



KPMG Ford, Rhodes, Thornton & Co.

Chartered Accountants

Colombo

17th May, 2010

Income Statements

For the year ended 31st March,	Notes	Consolidated		Company	
		2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Continuing operations					
Gross turnover	6	38,155,917	32,356,108	640,463	312,745
Turnover tax		(44,915)	(36,646)	(12,558)	–
Net turnover		38,111,002	32,319,462	627,905	312,745
Cost of sales		(28,702,172)	(24,365,149)	(116,293)	(109,281)
Gross profit		9,408,830	7,954,313	511,612	203,464
Other income	7	756,708	254,745	133,303	502,198
Distribution expenses		(1,441,694)	(1,253,349)	–	–
Administrative expenses		(4,717,654)	(4,361,515)	(86,099)	(40,371)
Other expenses	8	(3,304)	(793)	(35,500)	(34,453)
Net finance cost	9	(716,829)	(1,133,222)	(105,350)	(116,429)
Share of profit of equity accounted investees (net of tax)		65,288	116,088	–	–
Profit before tax	10	3,351,345	1,576,267	417,966	514,409
Tax expense	11	(679,641)	(568,502)	(1,659)	799
Profit for the year from continuing operations		2,671,704	1,007,765	416,308	515,208
Discontinued operations					
Loss for the year from discontinued operations (net of tax)	38	(34,581)	(204,363)	–	–
Profit for the year		2,637,123	803,402	416,308	515,208
Attributable to:					
Equity holders of the Company		1,775,370	310,938		
Non-controlling interest		861,753	492,464		
Profit for the year		2,637,123	803,402		
Earnings per share					
Basic earnings per share (Rs.)	12	23.67	4.15		
Diluted earnings per share (Rs.)	12	23.67	4.15		
Earnings per share from continuing operations					
Basic earnings per share (Rs.)	12	24.07	6.78		
Diluted earnings per share (Rs.)	12	24.07	6.78		
Dividend per share (Rs.)	13	4.00	3.00		

Notes from pages 124 to 176 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Balance Sheets

As at 31st March,	Notes	Consolidated		Company	
		2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Assets					
Non-Current Assets					
Property, plant & equipment	14	19,482,097	13,105,861	3,855,528	3,114,182
Intangible assets	15	1,948,133	305,066	-	-
Investments in subsidiaries	16	-	-	4,313,296	1,954,307
Investments in equity accounted investees	16	842,947	2,387,656	68,960	282,722
Other long-term investments	16	689,983	767,741	278,407	296,192
Employees' share trust loan	17	494,085	495,346	494,085	495,346
Deferred tax assets	25	195,554	154,036	29,711	27,775
Total non-current assets		23,652,799	17,215,706	9,039,987	6,170,524
Current Assets					
Inventories	18	7,848,702	5,548,510	1,500	3,253
Amounts due from subsidiaries	37	-	-	397,190	444,062
Amounts due from equity accounted investees	37	53,353	82,114	4,630	28,137
Trade and other receivables	19	10,421,042	8,224,209	37,295	38,859
Short-term investments	20	5,789	4,856	5,195	4,623
Income tax recoverable	28	149,193	258,432	3,539	3,768
Short-term deposits		1,042,968	1,381,334	-	69,826
Cash and cash equivalents		1,632,375	906,867	22,498	18,007
Assets classified as held for sale	38	287,978	8,000	-	-
Total current assets		21,441,400	16,414,322	471,847	610,535
Total assets		45,094,199	33,630,028	9,511,834	6,781,059
Equity and Liabilities					
Stated capital	21	1,575,000	1,575,000	1,575,000	1,575,000
Capital reserves		7,047,507	5,697,166	3,697,729	2,967,249
Revenue reserves		6,720,870	5,083,473	1,164,580	1,123,272
Total equity attributable to equity holders of the Company		15,343,377	12,355,639	6,437,309	5,665,521
Non-controlling interest		7,352,988	4,220,619	-	-
Total Equity		22,696,365	16,576,258	6,437,309	5,665,521
Non-Current Liabilities					
Interest-bearing borrowings	23	1,901,253	2,281,769	90,000	260,000
Deferred income	24	447,050	349,759	-	-
Deferred tax liability	25	504,269	236,843	29,711	27,775
Retirement benefit obligations	26	2,186,369	1,916,401	214,672	313,808
Total non-current liabilities		5,038,941	4,784,772	334,383	601,583
Current Liabilities					
Trade and other payables	27	7,503,365	5,081,882	133,471	87,339
Amounts due to subsidiaries	37	-	-	834,331	139,535
Amounts due to equity accounted investees	37	32,933	27,710	-	-
Income tax payable	28	214,220	208,399	-	-
Current portion of long-term interest-bearing borrowings	23	785,722	785,248	40,000	80,000
Short-term interest-bearing borrowings	29	8,650,759	6,165,759	1,732,340	207,081
Liabilities directly associated with assets classified as held for sale	38	171,894	-	-	-
Total current liabilities		17,358,893	12,268,998	2,740,142	513,955
Total liabilities		22,397,834	17,053,770	3,074,525	1,115,538
Total equity and liabilities		45,094,199	33,630,028	9,511,834	6,781,059

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

17th May, 2010

Notes from pages 124 to 176 form an integral part of these Financial Statements.



S.C. Ganaegoda

Finance Director

Statements of Changes in Equity

For the period ended 31st March, 2010

CONSOLIDATED

	Attributable to equity holders of the Company									Total equity Rs. '000
	Stated Capital	Reserve on scrip issue	Revaluation reserve	Other capital reserve	Exchange fluctuation reserve	General reserve	Retained earnings	Total	Non-controlling interest	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Balance as at 1st April, 2008	1,575,000	973,604	4,607,856	373,163	522,569	1,734,053	2,435,806	12,222,051	3,986,239	16,208,290
Revaluation of assets	-	-	3,960	-	-	-	-	3,960	85	4,045
Adjustment due to changes in holding	-	(7,484)	3,852	2,566	-	3,661	(4,395)	(1,800)	(9,600)	(11,400)
Disposal of subsidiary	-	-	-	-	-	-	-	-	(149)	(149)
Translation of foreign entities	-	-	-	-	45,490	-	-	45,490	(5,406)	40,084
Net gains/(losses) not recognised in the Income Statement	-	(7,484)	7,812	2,566	45,490	3,661	(4,395)	47,650	(15,070)	32,580
Issue of shares	-	-	-	-	-	-	-	-	13,621	13,621
Scrip issues by equity accounted investees	-	1,407	-	-	-	-	(1,407)	-	-	-
Transfers	-	(9,100)	(286,649)	33,991	-	-	261,758	-	-	-
Profit for the year	-	-	-	-	-	-	310,938	310,938	492,464	803,402
Dividends	-	-	-	-	-	-	(225,000)	(225,000)	(256,635)	(481,635)
Reserved during the year	-	-	-	-	-	188,355	(188,355)	-	-	-
Balance as at 31st March, 2009	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
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)	48,451	152,904	(155,323)	(2,419)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	2,633,273	2,633,273
Translation of foreign entities	-	-	-	-	8,740	-	-	8,740	(2,082)	6,658
Net gains/(losses) not recognised in the Income Statement	-	133,347	1,432,500	1,390	8,740	(37,060)	48,451	1,587,368	2,685,643	4,273,011
Transfers	-	-	(218,848)	1,952	-	238,565	(21,668)	-	-	-
Profit for the year	-	-	-	-	-	-	1,775,370	1,775,370	861,753	2,637,123
Dividends	-	-	-	-	-	-	(375,000)	(375,000)	(415,027)	(790,027)
Balance as at 31st March, 2010	1,575,000	1,091,774	5,542,671	413,062	576,799	2,127,574	4,016,498	15,343,377	7,352,988	22,696,365

COMPANY

	Stated capital	Revaluation reserve	Other capital reserve	General reserve	Retained earnings	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April, 2008	1,575,000	2,954,023	13,226	382,087	450,977	5,375,313
Profit for the year	-	-	-	-	515,208	515,208
Dividends	-	-	-	-	(225,000)	(225,000)
Balance as at 31st March, 2009	1,575,000	2,954,023	13,226	382,087	741,185	5,665,521
Revaluation of assets	-	730,480	-	-	-	730,480
Profit for the year	-	-	-	-	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

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 **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.

2. Scrip issue was made by Volanka Insurance Services (Pvt) Ltd. in 2008/09.

Notes from pages 124 to 176 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Cash Flow Statements

For the year ended 31st March,	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Cash flows from operating activities				
Cash generated from operations (Note A)	4,592,952	3,034,310	1,435,052	197,540
Retiring gratuity paid	(369,877)	(166,602)	(152,920)	(6,703)
Interest paid (including interest capitalised)	(1,032,470)	(1,216,841)	(112,787)	(133,114)
Income tax paid	(600,893)	(568,771)	(1,429)	(2,396)
Net cash inflow/(outflow) from operating activities	2,589,712	1,082,096	1,167,916	55,327
Cash flows from investing activities				
Purchase and construction of property, plant & equipment	899,455	(1,303,824)	(39,042)	(14,016)
Government grants received - capital	111,618	111,266	-	-
Proceeds from disposal of property, plant & equipment	64,977	737,383	2,120	68
On acquisition of right to generate hydro power	(3,038)	(9,006)	-	-
Proceeds from the sale of investments	90,858	-	268,727	-
Proceeds from the sale of equity accounted investees	931,821	540,900	-	540,900
Disposal of subsidiary	-	6,041	-	4,865
Partial disposal of subsidiary	-	56,661	-	-
Proceeds from the sale of assets held for sale	-	92,811	-	-
Long-term investments in Group companies and others	(18,636)	(80,957)	(2,414,134)	(82,691)
Acquisition of subsidiaries	(3,675,413)	-	-	-
Interest received	173,155	145,060	7,433	16,685
Dividends received from equity accounted investees companies	63,290	132,656	-	-
Dividends received from non-group companies	143	26,794	125	26,028
Recovery of employee share trust loan	1,261	1,482	1,261	1,482
Net payments to non-controlling interest	(415,027)	(256,635)	-	-
Net cash used in investing activities	(3,574,446)	200,632	2,173,510	493,321
Net cash inflow/(outflow) before financing	(984,734)	1,282,728	(1,005,594)	548,648
Cash flows from financing activities				
Capital payment on finance lease	(20,126)	(14,120)	-	-
Issue of debentures	-	40,000	-	-
Proceeds from interest-bearing borrowings	444,792	496,467	-	-
Repayment of interest-bearing borrowings	(1,061,808)	(1,190,181)	(210,000)	(460,000)
Dividends paid	(375,000)	(225,000)	(375,000)	(225,000)
Net cash inflow/(outflow) from financing activities	(1,012,142)	(892,834)	(585,000)	(685,000)
Net increase/(decrease) in cash and cash equivalents	(1,996,876)	389,894	(1,590,594)	(136,352)
Cash and cash equivalents at beginning of the year	(3,994,294)	(4,267,452)	(119,248)	17,104
Cash and cash equivalents at end of the year (Note B)	(5,991,170)	(3,877,558)	(1,709,842)	(119,248)

Notes from pages 124 to 176 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	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
A. Cash generated from operations				
Profit before tax from continuing operations	3,351,345	1,576,267	417,966	514,409
Loss before tax from discontinued operations	(34,216)	(201,629)	-	-
	3,317,129	1,374,638	417,966	514,409
Adjustments for:				
Net finance expense	741,559	1,165,677	105,350	116,429
Share of profits from equity accounted investees	(65,288)	(116,088)	-	-
Depreciation on property, plant & equipment	963,664	799,340	26,064	22,387
(Gain)/loss on the disposal of property, plant & equipment	(13,003)	(139,600)	(5)	71
Gain/loss on the disposal of short-term investments	-	-	(132,601)	-
Amortisation of surplus on acquisition	(155,332)	-	-	-
Amortisation of intangible assets	793	793	-	-
Dividend income	(143)	(26,794)	(125)	(26,028)
Net gains/(loss) on translation of foreign currency	117,756	(93,897)	-	-
Differences of exchange on translation of foreign entities	110,332	17,366	-	-
Provision for bad and doubtful debts	22,905	108,933	-	-
Provision for unrealised profit and write-down of inventories	60,547	4,644	-	-
(Gain)/loss on the disposal of subsidiaries and associates	(571,354)	(97,556)	-	(476,813)
Provision for retiring gratuity	530,762	382,973	53,784	54,433
Government grants amortised	(15,935)	(12,551)	-	-
Impairment of assets	2,511	-	-	-
(Reversal of)/Provision for fall in value of investment	(933)	727	34,928	35,025
	5,045,970	3,368,606	505,361	239,913
(Increase)/decrease in trade and other receivables	(919,141)	404,161	71,944	(42,744)
(Increase)/decrease in inventories	(1,227,520)	(598,585)	1,753	(475)
Increase/(decrease) in trade and other payables	1,693,643	(139,871)	855,994	846
	4,592,952	3,034,310	1,435,052	197,540
B. Analysis of cash and cash equivalents				
Cash and cash equivalents	1,633,455	906,867	22,498	18,007
Short-term deposits	1,042,968	1,381,334	-	69,826
	2,676,423	2,288,201	22,498	87,833
Short-term interest-bearing borrowings	(8,667,593)	(6,165,759)	(1,732,340)	(207,081)
Cash and cash equivalents previously reported	(5,991,170)	(3,877,558)	(1,709,842)	(119,248)
Effect of exchange rate change	-	(116,736)	-	-
Cash and cash equivalents as restated	(5,991,170)	(3,994,294)	(1,709,842)	(119,248)

C. During the year the Group acquired property, plant & equipment with an aggregate cost of Rs. 899 mn of which Rs. 4 mn was acquired by means of finance leases.

Notes to the Financial Statements

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, 2010 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 9 to 32.

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 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. 7 of 2007.

The Financial Statements were authorised for issue by the Directors on 17th May, 2010.

2.2 BASIS OF MEASUREMENT

The Financial Statements have been prepared on the historical cost basis except that land and short-term investments are measured/stated at fair value as explained in Notes 14 and 20 to the Financial Statements.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

The Financial Statements are presented in Sri Lankan Rupee, which is the Group's functional currency, except for certain subsidiaries and whose functional currency is different as they operate in different economic environments (see Note 32). All financial information presented in Sri Lankan Rupees has been given to the nearest thousand, unless stated otherwise.

2.4 USE OF ESTIMATES AND JUDGMENTS

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 affected.

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 the cash-generating units containing goodwill
- 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 taxation

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 Notes 16 to the Financial Statements.

3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities which is evident when the Group controls the composition of the Board of Directors of the entity or holds more than 50% of the issued shares of the entity or 50% of the voting rights of the entity or entitled to receive more than half of every dividend from shares carrying unlimited right to participate in distribution of profits or capital.

Entities that are subsidiaries of another entity which is a subsidiary of the Company are also treated as subsidiaries of the Company.

The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

The interest of outside shareholders in Group Companies is disclosed separately under the heading of 'Non-Controlling Interest'.

3.1.2 Transactions with Non-Controlling Interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly through subsidiaries, is disclosed separately under the heading 'Non-Controlling Interest'.

The Group applies a policy of treating transactions with Non-Controlling Interests as transactions with parties external to the Group.

3.1.3 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 the entity. Equity accounted investees are accounted for using the equity method and are recognised initially at cost. 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.

3.1.4 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 into 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 retranslated 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 Lanka 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

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.

3.3.1 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.

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 or disposal. 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
Stores equipment	-	05 - 10 years
Motor vehicles	-	04 - 05 years
Furniture, fittings & office equipment	-	03 - 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 on 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 non controlling 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 when 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 initially 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 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.

3.3.5 Trade and Other Receivables

Trade and other receivables are stated at their estimated realisable amounts.

3.3.6 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.3.7 Impairment

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.

3.3.7.1 Calculation of Recoverable Amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

3.3.7.2 Impairment/Reversal of Impairment

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.3.8 Non-Current Assets Held for Sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than 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.

3.3.9 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.

3.4.1.2 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are determined in currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with SLAS 16 (Revised 2006) on Retirement Benefit Costs. 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 up to 25	3/4
25 up to 30	1
30 up to 35	1 1/4
over 35	1 1/2

3.4.2 Short-Term Benefits

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

3.4.3 Provisions

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 on 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 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, is 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.

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:

	Years
Mature plantations - tea	33
- rubber	20
Sanitation, water & electricity supply	20

3.7.1.5 Leased Assets

Leasehold rights are amortised in equal annual amounts over the following periods:

	Years
Bare land	53
Mature plantations	30
Buildings	25
Machinery	15

3.7.2 Borrowing Costs

Borrowing costs on funds specifically obtained for utilisation on immature plantations have been capitalised and included in the carrying amount of property, plant & equipment.

3.7.3 Inventories**3.7.3.1 Nurseries**

Growing crop nurseries are measured/valued at the directly attributable costs less provisions for overgrown plants.

3.7.3.2 Produce Inventories

Produce inventories are measured/valued at since-realised prices with the balance inventories being valued at estimated selling price. The prices are net of all attributable expenses at the point of sale.

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 as 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 9 to 32 in the Management Review and 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 3.3.7. 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 Institute of Chartered Accountants of Sri Lanka and are effective for the accounting periods specified below.

5.1 SRI LANKA ACCOUNTING STANDARD NO. 44 - 'FINANCIAL INSTRUMENTS; PRESENTATION' AND SRI LANKA ACCOUNTING STANDARD NO. 45 - 'FINANCIAL INSTRUMENTS; RECOGNITION AND MEASUREMENT'

Sri Lanka Accounting Standards No. 44 and No. 45 becomes effective for financial years beginning on or after 1st January, 2011. Accordingly, Sri Lanka Accounting Standards No. 44 and No. 45 will be adopted in preparing and presenting the Group Financial Statements for the financial years commencing 1st April, 2011.

These two Standards together provide comprehensive guidance on identification, classification, measurement and presentation of Financial Instruments (including derivatives) into financial assets, financial liabilities and equity instruments.

Accordingly, when a financial asset or liability is recognised initially, the Group is required to measure such financial assets or liabilities at its fair value, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset, financial liability and subsequently measure either at fair value or amortised cost depending on the categorisation of the financial assets and financial liabilities.

In order to comply with the requirements of these Accounting Standards, the Group is in the process of assessing the impact, the aforesaid two Accounting Standards will have on the Financial Statements.

Due to the complex nature of the effect of these Accounting Standards, the impact of adoption is not estimable as at the date of publication of these Financial Statements.

5.2 SRI LANKA ACCOUNTING STANDARD NO. 39 - 'SHARE-BASED PAYMENT'

Sri Lanka Accounting Standards No. 39 becomes effective for financial years beginning on or after 1st January, 2010. Accordingly, Sri Lanka Accounting Standards No. 39 will be adopted in preparing and presenting the Group Financial Statements for the financial years commencing 1st April, 2010.

Sri Lanka Accounting Standard No. 39 requires an expense to be recognised where the Group buys goods or services in exchange for shares or rights over shares (equity-settled transactions), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (cash-settled transactions). For equity-settled share-based payment transactions, the Group is required to apply Sri Lanka Accounting Standard No. 39 in issuing shares, share options or other equity instruments that are to be issued after 1st January, 2010.

The Group is currently in the process of evaluating the impact, this Accounting Standard will have on its Financial Statements, and the impact of the same is not currently estimable as at the date of the publication of these Financial Statements.

6. TURNOVER**A. INDUSTRY SEGMENT TURNOVER**

	Consolidated	
	2009/10 Rs. '000	2008/09 Rs. '000
Fibre	3,470,321	3,251,759
Hand Protection	9,376,342	9,462,829
Purification Products	5,047,169	4,503,794
Textiles	3,828,512	-
Agri Inputs	4,470,543	3,678,175
Agri Products	1,349,915	1,090,063
Plantations	2,447,365	2,433,156
Industry Inputs	989,219	946,109
Power & Energy	144,022	99,433
Transportation	3,498,712	3,738,187
Consumer Products	3,497,853	3,118,178
Investments & Services	35,944	34,425
	38,155,917	32,356,108

B. GEOGRAPHICAL SEGMENT TURNOVER

	Consolidated	
	2009/10 Rs. '000	2008/09 Rs. '000
Asia (excluding Sri Lanka)	3,859,438	3,281,116
Australia	1,266,631	726,622
Europe	8,696,588	8,997,464
United States of America	5,493,531	5,424,370
Africa	348,911	294,104
Indirect Exports	5,912,927	2,223,220
Sri Lanka (i)	12,577,891	11,409,212
	38,155,917	32,356,108

(i) Includes turnover of ship owning and chartering business.

C. GROSS TURNOVER

	Company	
	2009/10 Rs. '000	2008/09 Rs. '000
Dividend Income	505,434	186,841
Rent Income	135,029	125,904
	640,463	312,745

7. OTHER INCOME

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Government grants amortised	15,935	12,551	-	-
Income from investments - quoted - short-term	143	154	125	134
- unquoted - long-term	-	26,640	-	25,894
Change in fair value of short-term investments	941	(727)	572	(572)
Gain/(loss) on disposal of property, plant & equipment	13,003	118,571	5	(71)
Gain on disposal of investments - long-term	-	-	132,601	-
Gain on disposal of - subsidiary	-	32,952	-	2,908
- equity accounted investees	571,354	64,604	-	473,905
Negative goodwill on acquisition of subsidiaries	155,332	-	-	-
	756,708	254,745	133,303	502,198

8. OTHER EXPENSES

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Provision for fall in value of long-term investments	-	-	35,500	34,453
Impairment of capital work-in-progress	2,511	-	-	-
Amortisation of intangible assets	793	793	-	-
	3,304	793	35,500	34,453

9. NET FINANCE COST

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
A. Finance Income				
Interest income	(173,155)	(145,060)	(7,437)	(16,685)
B. Finance Cost				
Interest on long-term loans	258,595	396,549	39,314	107,914
Interest on short-term loans	730,304	756,330	73,473	25,200
Interest on finance leases	18,841	31,506	-	-
Net losses/(gains) on translation of foreign currency	(117,756)	93,897	-	-
Total finance costs	889,984	1,278,282	112,787	133,114
Net finance costs	716,829	1,133,222	105,350	116,429

10. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

Profit before tax from continuing operations is stated after charging all expenses including the following:

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Directors' emoluments	227,600	228,887	68,908	75,016
Auditors' fees (includes overseas subsidiaries)				
Audit services				
KPMG Ford, Rhodes, Thornton & Co.	17,521	14,606	675	600
Other auditors	9,501	9,774	-	-
Non-audit services				
KPMG Ford, Rhodes, Thornton & Co.	6,172	6,831	83	654
Other auditors	2,311	637	-	-
Depreciation on property, plant & equipment	953,388	792,216	26,064	22,387
Donations	6,622	4,371	439	247
Provision for bad and doubtful debts & bad debts written off	20,212	62,464	-	-
Provision for unrealised profit and write-down of inventories	60,547	4,644	-	-
Staff cost (i)				
Defined contribution plan cost	429,833	416,415	23,097	23,011
Defined benefit plan cost	530,586	380,574	53,784	54,433
Other staff cost (excluding defined contributions & defined benefits)	4,331,420	4,205,303	183,602	193,043
Staff training & development	16,846	18,678	2,369	4,251
Legal fees	15,559	12,722	-	-
Operating leases	139,666	85,758	-	-

(i) The number of employees employed is given on page 65.

11. TAXATION**A. TAX EXPENSE**

	Consolidated	
	2009/10 Rs. '000	2008/09 Rs. '000
Income tax on current year profits		
Hayleys PLC	1,659	3,791
Subsidiaries	644,082	515,894
	645,740	519,685
(Over)/under provision in respect of previous years (i)	(5,299)	686
Irrecoverable ESC	4,398	12,405
	644,839	532,776
Origination and reversal of temporary differences		
Hayleys PLC	-	-
Subsidiaries	(32,057)	(24,901)
	(32,057)	(24,901)
Tax on dividend income	66,859	60,627
	66,859	60,627
Tax expense	679,641	568,502

(i) Includes Hayleys PLC income tax over provision in respect of previous years, amounting to Rs. Nil (2008/09 - Rs. 4,590,000).

B. RECONCILIATION OF ACCOUNTING PROFIT WITH INCOME TAX EXPENSE

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Profit before tax	3,351,345	1,576,267	417,966	514,409
Share of profit of equity accounted investees	(65,288)	(116,088)	-	-
Intra-group adjustments	1,116,173	1,541,660	-	-
	4,402,230	3,001,839	417,966	514,409
Disallowable expenses	1,927,933	1,435,312	132,229	68,011
Tax deductible expenses	(1,474,962)	(1,335,902)	(178,997)	(29,570)
Tax exempt income	2,621,273	(2,270,936)	(638,121)	(633,259)
Tax loss b/f	(3,268,484)	(2,113,320)	(525,760)	(436,084)
Adjustment of tax loss b/f	(101,675)	(166,385)	(7,189)	1,403
Tax loss c/f	3,686,758	3,268,484	804,542	525,760
Taxable income	2,550,527	1,819,092	4,670	10,670
Income tax @ 35%	320,189	330,054	1,634	3,735
Income tax @ 15%	128,818	54,815	-	-
Income tax at other tax rates	191,962	130,813	-	-
Social Responsibility Levy	4,771	4,003	25	56
Income tax on current year profit	645,740	519,685	1,659	3,791
(Over)/under provision in respect of previous years	(5,299)	686	-	(4,590)
Write back of ESC previously written down				-
Irrecoverable ESC	4,398	12,405	-	-
	644,839	532,776	1,659	(799)
Origination and reversal of temporary differences	(32,057)	(24,901)	-	-
Tax on dividend income	66,859	60,627	-	-
Tax expense	679,641	568,502	1,659	(799)
Effective tax rate (%)	21	39	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 applicable in the respective countries.

Irrecoverable Economic Service Charge (ESC) has been charged in the Income Statements.

Resident companies in the Group, excluding those which enjoy a tax holiday or concessionary rate of taxation, are liable to income tax at 35%.

1. TAX EXEMPTIONS**1 A. In terms of the Inland Revenue Act**

- The 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

Chas P. Hayley & Co. (Pvt) Ltd.

Lingnocell (Pvt) Ltd.

Kelani Valley Plantations PLC

Talawakelle Tea Estate PLC

Quality Seed Ltd.

Sunfrost (Pvt) Ltd.

HJS Condiments Ltd.

Agro Farms Ltd.

- Commission Income earned by Hayleys Industrial Solutions (Pvt) Ltd. & Hayleys Life Science (Pvt) Ltd. by providing services to a person outside Sri Lanka is exempt from income tax under Section 13 (dddd) of the Inland Revenue Act No. 10 of 2006 and the amendments thereto.
- The rebate received by Haycolour Ltd. from the Export Development Board which was granted under the export development reward scheme is exempt under Section 13 (qqqq) of the Inland Revenue Act No. 10 of 2006 and the amendments thereto.
- Foreign dividends received have been exempted 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 can be enumerated as follows:

Hanwella Rubber Products Ltd.	- 10 year tax holiday ending 31st March, 2010
Grossart (Pvt) Ltd.	- 10 year tax holiday ending 31st March, 2010
Feltex (Pvt) Ltd.	- 5 year tax holiday ending 31st March, 2010
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
Bhagya Hydro Power (Pvt) Ltd.	- 5 year tax holiday ending 31st March, 2012
Kalupahana Power Company (Pvt) Ltd.	- 5 year tax holiday ending 31st March, 2012
Texnil (Pvt) Ltd.	- 10 year tax holiday ending 31st March, 2013
Moceti International (Pvt) Ltd.	- 5 year tax holiday ending in March 2013
Neluwa Cascade Hydro Power (Pvt) Ltd.	- 5 year tax holiday ending in March 2014
Logiwiz NW (Pvt) Ltd.	- 5 year tax holiday ending 31st March, 2015
TTEL Somerset Hydro Power (Pvt) Ltd.	- 5 year tax holiday ending in March, 2015
TTEL Hydro Power Company (Pvt) Ltd.	- 10 year tax holiday ending 31st March, 2015
Recogen (Pvt) Ltd.	- 10 year tax holiday ending 31st March, 2016
Hayleys Agro Biotech (Pvt) Ltd.	- 8 year tax holiday is yet to commence

1 C. Exemptions outside Sri Lanka

Haycarb Holdings Bitung Ltd.

Indefinitely

Dipped Products (Thailand) Ltd.

8 years up to 31st December, 2012 and thereafter 50% for 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 following profits of companies listed below enjoy a concessionary tax rate of 15%:

Haycarb PLC	Profits from qualifying exports
Puritas Ltd.	Profits from qualifying export/Construction projects
Haycolour (Pvt) Ltd.	Profits from qualifying exports
Hayleys Industrial Solutions (Pvt) Ltd.	Profits from construction projects
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
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
CMA - CGM Lanka (Pvt) Ltd.	Profits from transshipment
Clarion Shipping (Pvt) Ltd.	Profits from transshipment
NYK Lines Lanka Ltd.	Profits from transshipment
Yes Asia Vacations	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 below:

Logiwiz Ltd.	10% for 2008/2009, 2009/2010 and 20% thereafter
Bonterra Ltd.	15% for 20 years up to 2015/2016
Logistics International Ltd.	15% for 20 years up to 2016/2017
Neoprex (Pvt) Ltd.	15% for 10 years up to 2017/2018
Dipped Products PLC	15% for 10 years up to 2018/2019
Venigros Ltd.	15% for 10 years up to 2018/2019

Hayleys MGT Knitting Mills PLC has the option of paying income tax at a concessionary rate of 2% of turnover for 15 years after the expiration of their tax exemption period.

3. NON-RESIDENT COMPANIES

Corporate Income Taxes of non-resident companies are:

Company	Income tax rate
Haychem (Bangladesh) Ltd.	40%
PT Mapalus Makawanua Charcoal Industry	28%
Haymark Inc.	34%
Logiwiz Logistics India (Pvt) Ltd.	34%
Civaro Freight India (Pvt) Ltd.	34%
ICO Guanti SpA.	31.4%
Logiwiz Fiji (Pvt) Ltd.	31%
Eurocarb Products Ltd.	30%
Haycarb Holding Australia (Pty) Ltd.	30%
Magic Soil (Pty) Ltd.	30%
Carbokarn Co. Ltd.	30%
Tianjin Shenglong Rubberised Mattress Co. Ltd.	17%
Haylex BV Group	25.5% to 36%

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 dilutive potential 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	
	2009/10	2008/09
Profit attributable to equity holders of the Company (Rs. '000)	1,775,370	310,938
Weighted average number of ordinary shares (i)	75,000,000	75,000,000
Basic/Diluted earnings per share (Rs.)	23.67	4.15
Continuing Operations		
Profit attributable to ordinary shareholders (Rs. '000)	1,805,351	508,136
Weighted average number of ordinary shares (i)	75,000,000	75,000,000
Basic/Diluted earnings per share (Rs.)	24.07	6.78
Discontinued Operations		
Loss attributable to ordinary shareholders (Rs. '000)	(29,981)	(197,218)
Weighted average number of ordinary shares (i)	75,000,000	75,000,000
Basic/Diluted earnings per share (Rs.)	(0.40)	(2.63)
(i) Qualifying ordinary shares at beginning of the year	75,000,000	75,000,000
Qualifying ordinary shares at the end of the year	75,000,000	75,000,000

13. DIVIDENDS

	Company	
	2009/10 Rs. '000	2008/09 Rs. '000
Interim paid Rs. 2/- per share (2008/09 - Rs. 1.50 per share) (i)	150,000	112,500
Final proposed Rs. 2/- per share (2008/09 - Rs. 1.50 per share) (iii)	150,000	112,500
Total dividend	300,000	225,000
Dividend per ordinary share (Rs.)	4.00	3.00

(i) The interim dividend was paid on 26th March, 2010.

(ii) The dividends represent redistribution of dividends received by the Company and are therefore not subject to the 10% tax deduction.

(iii) The Directors have recommended a Rs. 2/- per share final dividend payment for the year ended 31st March, 2010 to be approved at the Annual General Meeting on 29th June, 2010.

14. PROPERTY, PLANT & EQUIPMENT**A. CONSOLIDATED**

As at 31st March,	Land	Mature/ immature plantations	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Total	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Cost or Valuation:								
Gross book value								
At the beginning of the year	5,306,701	1,874,996	3,155,694	6,476,092	450,135	1,141,404	18,405,022	17,891,011
Revaluation surplus	1,635,499	-	-	-	-	-	1,635,499	4,047
On acquisition of subsidiary	283,030	-	2,075,050	3,989,129	15,389	542,945	6,905,543	-
On disposal of subsidiary	-	-	-	-	-	-	-	(10,858)
Additions	12,786	197,733	291,501	492,154	32,386	97,644	1,124,204	1,642,001
Transfers to assets held for disposal	(79,125)	-	(147,168)	(30,601)	(112)	(13,119)	(270,125)	(8,000)
Disposals	-	-	(16,125)	(61,840)	(79,951)	(52,238)	(210,154)	(1,076,027)
Effect of movements in foreign exchange rates	3,068	-	16,529	91,858	6,205	5,564	123,224	(37,152)
At the end of the year	7,161,959	2,072,729	5,375,481	10,956,792	424,052	1,722,200	27,713,213	18,405,022
Depreciation:								
At the beginning of the year	112,688	397,879	638,912	3,299,769	279,400	853,708	5,582,356	5,265,486
On acquisition of subsidiary	-	-	297,851	1,489,720	14,253	258,098	2,059,922	-
On disposal of subsidiary	-	-	-	-	-	-	-	(6,538)
Charge for the year	7,475	49,058	98,808	639,705	56,146	112,472	963,664	799,340
Transfer to assets held for disposal	-	-	(5,518)	(5,806)	(35)	(3,837)	(15,196)	-
On disposals	-	-	(2,151)	(46,747)	(69,609)	(39,270)	(157,777)	(457,215)
Effect of movements in foreign exchange rates	(411)	-	6,259	48,989	3,794	6,307	64,938	(18,717)
At the end of the year	119,752	446,937	1,034,161	5,425,630	283,949	1,187,478	8,497,907	5,582,356
Net book value at 31st March	7,042,207	1,625,792	4,341,320	5,531,162	140,103	534,722	19,215,306	12,822,666
Capital work-in-progress							266,791	283,195
Carrying value							19,482,097	13,105,861

B. COMPANY

As at 31st March,	Freehold Land	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Total	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Cost or Valuation:							
Gross book value							
At the beginning of the year	2,961,000	128,053	41,708	21,410	145,184	3,297,355	3,316,068
Revaluation surplus	730,480	-	-	-	-	730,480	-
Additions	-	3,437	25	6,674	27,266	37,402	10,275
Disposals	-	-	(746)	(9,725)	(784)	(11,255)	(28,989)
At the end of the year	3,691,480	131,490	40,987	18,359	171,666	4,053,982	3,297,354
Depreciation:							
At the beginning of the year	-	40,930	34,011	12,392	101,845	189,178	195,643
Charge for the year	-	1,859	1,734	3,834	18,637	26,064	22,387
On disposals	-	-	(746)	(7,972)	(422)	(9,140)	(28,850)
At the end of the year	-	42,789	34,999	8,254	120,060	206,102	189,180
Net book value at 31st March	3,691,480	88,701	5,988	10,105	51,606	3,847,880	3,108,174
Capital work-in-progress						7,648	6,008
Carrying value						3,855,528	3,114,182

C. CARRYING VALUE

As at 31st March,	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
At cost	10,834,888	6,440,767	164,048	153,182
At valuation	6,594,370	4,723,516	3,691,480	2,961,000
On finance leases	2,052,839	1,941,578	-	-
	19,482,097	13,105,861	3,855,528	3,114,182

(i) No borrowing cost was capitalised during the year. Total borrowing cost capitalised to-date amounts to Rs. 162.6 mn (2008/09 - 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:

As at 31st March,	Cost Rs. '000	Accumulated depreciation/ amortisation Rs. '000	Consolidated	
			Carrying value 2010 Rs. '000	Carrying value 2009 Rs. '000
Land	388,534	119,752	268,782	270,103
Mature/immature plantations	2,072,729	446,937	1,625,792	1,477,117
Buildings	182,459	70,150	112,309	139,983
Machinery & stores equipment	64,484	39,972	24,512	37,294
Motor vehicles	47,761	26,316	21,445	17,081
Total	2,755,966	703,127	2,052,839	1,941,578

(iii) Unexpired lease periods of land:

Kelani Valley Plantations PLC - 37 years

HJS Condiments Ltd. - 90 years/83 years/25 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	
		2010 Rs. '000	2009 Rs. '000
Hayleys PLC	Deans Road and Foster Lane, Colombo 10 (31.03.2010)	3,684,503	2,954,023
Volanka (Pvt) Ltd.	Ekala (31.03.2010)	416,468	166,316
	Galle (31.03.2010)	27,096	
Chas P. Hayley & Co. (Pvt) Ltd.	Galle (31.03.2010)	212,800	109,538
Dipped Products PLC	Kottawa (31.03.2010)	80,105	52,682
	Weliveriya (31.03.2010)	53,204	46,721
Venigros (Pvt) Ltd.	Weliveriya (31.03.2010)	33,900	28,224
Palma Ltd.	Gonawala (31.03.2010)	27,958	17,782
		195,167	145,409
Haycarb PLC	Badalgama and Madampe (31.03.2010)	70,570	52,263
	Wewelduwa (31.03.2010)	64,822	22,895
Recogen (Pvt) Ltd.	Badalgama (31.03.2010)	18,256	12,481
		153,648	87,639
Lignocell (Pvt) Ltd.	Madampe (31.03.2010)		1,430
	Kuliyapitiya (31.03.2010)	21,340	10,187
Carbotels (Pvt) Ltd.	Elkaduwa (31.03.2010)	96,322	93,422
Haychem (Pvt) Ltd.	Kottawa (31.03.2010)	55,914	18,914
Haycolour (Pvt) Ltd.	Kalutara (31.03.2010)	22,706	8,171
Hayleys Electronics Ltd.	Malabe (31.03.2010)	88,803	39,586
Hayleys Exports PLC	Ekala (31.03.2010)	180,413	98,803
Hayleys Advantis Group	Welisara and Kelaniya (31.03.2010)	468,756	378,216
Ravi Industries Ltd.	Ekala (31.03.2010)	89,250	74,663
Volanka Exports Ltd.	Welipenna (31.03.2010)	6,492	4,755
Rileys (Pvt) Ltd.	Galle (31.03.2010)	135,608	51,069
Toyo Cushion Lanka (Pvt) Ltd.	Katana (31.03.2010)	45,126	44,005
Sunfrost (Pvt) Ltd.	Alawwa (31.03.2010)	12,478	7,678
Hayleys MGT Knitting Mills PLC	Neboda (31.03.2010)	16,433	-
Hayleys Electronics Lighting (Pvt) Ltd.	Hokandara (31.03.2009)	4,047	4,047
		5,933,370	4,297,871
Revaluation reserve attributable to non-controlling interest		(547,564)	(337,789)
Share of revaluation reserves of equity accounted investees		150,089	365,085
		5,535,895	4,325,167
Adjustment due to changes in holding		6,776	3,852
		5,542,671	4,329,019

(v) Land owned by the Group other than that mentioned above has been stated at cost as the appreciation in value is insignificant. Further, information is provided on page 177. 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. 4,972 mn and Rs. nil have been pledged as security for term loans obtained by the Group and Company respectively. 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. 427 mn - 31st March, 2009) for the Group and Rs. 7 mn (Rs. 7 mn - 31st March, 2009) to the Company.

D. CAPITAL EXPENDITURE COMMITMENTS

The approximate amounts of capital expenditure approved by the Directors as at 31st March, 2010 were: Capital expenditure contracted for which no provision is made in the Financial Statements - Rs. 39 mn (Rs. 51 mn - 31st March, 2009). Capital expenditure approved by the Directors but not contracted for - Rs. 1,581 mn (Rs. 880 mn - 31st March, 2009).

15. INTANGIBLE ASSETS

As at 31st March,	Consolidated				Total 2009 Rs. '000
	Right to Generate Hydro Power Rs. '000	Leasehold right	Goodwill Rs. '000	Total 2010 Rs. '000	
Cost					
At beginning of the year	32,758		410,283	443,041	442,799
Partial disposal of subsidiary					(8,764)
On acquisition of subsidiaries		1,153,746	487,076	1,640,822	
Addition (i)	3,038			3,038	9,006
At end of the year	35,796	1,153,746	897,359	3,038	443,041
Amortisation					
At beginning of the year	1,879		136,096	137,975	137,181
Amortisation charge for the year	793			793	794
At end of the year	2,672		136,096	138,768	137,975
Carrying value					
31st March 2010 (ii)	33,124	1,153,746	761,263	1,948,133	
31st March 2009	30,879		274,187		305,066

(i) Additions of right to generate hydro power represent the amounts paid to purchase exclusive rights to generate hydro power. Leasehold rights represent the value of the favourable lease terms relative to the market terms.

Goodwill on acquisition of subsidiaries represents that arising from the acquisition of equity in Hunas Falls Hotels PLC and Hotel Services (Ceylon) PLC, 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. 16 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. 479 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 and Hotel Services (Ceylon) PLC unit was based on fair value less cost to sell and the others 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. 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 are:

Remaining amortisation period	Carrying value (Rs. '000)
132 months	6,253
153 months	3,174
180 months	23,697
Total	33,124

16. INVESTMENTS

A. The Group consolidates as subsidiaries, its investments in Dipped Products Group, Volanka Group, Toyo Cushion Lanka (Pvt) Ltd., HJS Condiments Ltd., Carbokam Ltd. and Dean Foster (Pvt) Ltd. in terms of Paragraph 13 (b) of SLAS 26 on Consolidated Financial Statements and Accounting for Investments in Subsidiaries, as 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		
	2010	2009	2010	Movement	2009	2010	Movement	2009
Investee								
Quoted Investments								
Haycarb PLC (Rs. 3,220 mn)	68	68	20,125,103	-	20,125,103	47,203	-	47,203
Hayleys Exports PLC (Rs. 200 mn)	65	65	5,200,000	-	5,200,000	3,575	-	3,575
Dipped Products PLC (Rs. 2,572 mn)	41	41	24,776,080	-	24,776,080	363,612	-	363,612
Hayleys MGT Knitting Mills PLC (Rs. 900 mn)	57	37	28,138,452	28,138,452	-	569,153	569,153	-
Hunas Falls Hotels PLC (Rs. 4 mn)	1	-	71,200	71,200	-	3,599	3,599	-
Hotel Services (Ceylon) PLC (Rs. 2,109 mn)	51	-	89,760,000	89,760,000	-	1,893,851	1,893,851	-
						2,880,993	2,466,603	414,390
Unquoted Investments								
Hayleys Photoprint Ltd.	100	100	6	(3,999,994)	4,000,000	-	(39,869)	39,869
Haytech Marketing Ltd.	100	100	14,365	(2,485,635)	2,500,000	-	(24,701)	24,701
Haylex BV	100	100	1,000	-	1,000	25,733	-	25,733
Hayleys Textile Services Ltd.	100	100	41	(299,959)	300,000	-	(3,000)	3,000
Chas P. Hayley & Co. Ltd.	100	100	999,790	-	999,790	673	-	673
Ravi Industries Ltd.	85	84	10,736,627	133,323	10,603,304	14,201	3,833	10,368
Hayleys Agrocare Ltd.	-	100	-	(104,338)	104,338	-	(1,043)	1,043
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.	91	91	33,165,967	145,061	33,020,906	306,939	6,429	300,510
Volanka Exports Ltd.	3	2	90,613	17,562	73,051	1,652	607	1,045
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 Industry 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.	16	16	1,115,127	28,846	1,086,281	10,101	731	9,370
Hayleys Engineering Ltd.	100	100	11,990	(1,388,010)	1,400,000	-	(14,000)	14,000
Hayleys Produce Marketing Ltd.	100	100	250,000	-	250,000	2,532	-	2,532
Carbotels (Pvt) Ltd.	75	70	27,578,769	(1,532,438)	29,111,207	308,004	(3,108)	311,112
HJS Condiments Ltd.	7	7	965,145	104,769	860,376	10,078	1,271	8,807
Hayleys Agro Products Ltd.	96	96	18,709,557	26,455	18,683,102	240,466	693	239,773
Hayleys Consumer Products Ltd.	98	98	19,167,528	8,711	19,158,817	248,641	43	248,598
Hayleys Industrial Solutions (Pvt) Ltd.	100	100	19,728,700	-	19,728,700	197,287	-	197,287
						1,563,490	(72,114)	1,635,604
Company investment in subsidiaries (at cost)						4,444,483	2,394,489	2,049,994
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 subsidiaries						4,313,296	2,358,989	1,954,307

(i) Countries of incorporation of overseas subsidiaries are given in Note 16 F.

C. COMPANY/GROUP INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

As at 31st March,	Investor	Investee	% Holding		No. of Shares		Value Rs. '000			
			2010	2009	2010	Movement	2009	2010	Movement	2009
	Quoted Investments									
	Hayleys PLC	Hayleys MGT Knitting Mills PLC (Rs. 509 mn)	-	36	18,181,242		18,181,242	213,762		213,762
		Transfer to subsidiaries			(18,181,242)			(213,762)	(213,762)	
					-			-	(213,762)	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	33	6,700,000	-	6,700,000	67,000	-	67,000
		World Call Telecommunications Lanka (Pvt) Ltd.	26	26	2,700,000	-	2,700,000	27,000	-	27,000
								95,960	-	95,960
		Company investment in equity accounted investees (at cost)						95,960	(213,762)	309,722
		Provision for fall in value of investments								
		World Call Telecommunications Lanka (Pvt) Ltd.						(27,000)	-	(27,000)
		Carrying value of Company investment in equity accounted investees						68,960	(213,762)	282,722
	Quoted Investments									
	Carbotels (Pvt) Ltd.	Hunas Falls Hotels PLC (Rs. 89 mn)	-	47	2,746,797	109,173	2,637,624	47,981	5,636	42,345
		Transfer to subsidiaries			(2,746,797)			(47,981)	(47,981)	
		Lighthouse Hotels PLC (Rs. 723 mn)		27		(12,581,699)	12,581,699	-	(136,607)	136,607
	Haychem (Pvt) Ltd.	Hayleys MGT Knitting Mills PLC (Rs. 24 mn)	-	2	848,774	-	848,774	5,900	-	5,900
		Transfer to subsidiaries			(848,774)			(5,900)	(5,900)	
	Hayleys Advantis Group	Hayleys MGT Knitting Mills PLC (Rs. 34 mn)	-	2	1,231,230		1,231,230	7,700	-	7,700
		Transfer to subsidiaries			(1,231,230)			(7,700)	(7,700)	
								-	(192,552)	192,552
	Unquoted Investments									
	Haycarb PLC	Quality Seed Co. Ltd.	6	6	147,000		147,000	490	-	490
	Carbotels (Pvt) Ltd.	Seashells Hotels Ltd.	-	49	-	(24,500)	24,500		(20,365)	20,365
		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
		Royal Heritage Hotel (Pvt) Ltd.	-	50	-	(12,500,001)	12,500,001		(125,000)	125,000
		Eastern Hotels (Pvt) Ltd.	47	47	186,744		186,744	26,117	-	26,117
		Negombo Hotels Ltd.	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	40	3,600,000	-	3,600,000	48,000	-	48,000
	Toyo Cushion Lanka (Pvt) Ltd.	Tianjing Shenglong Mattress Co. Ltd.	24	24	181,391	-	181,391	18,647	-	18,647
	Volanka Exports Ltd.	Tianjing Shenglong Mattress Co. Ltd.	10	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 Shenglong Mattress Co. Ltd.	10	10	78,000	-	78,000	7,941	-	7,941
	Hayleys Industrial Solutions (Pvt) Ltd.	TTEL Hydro Power Company (Pvt) Ltd.	49	49	3,366,300	-	3,366,300	33,663	-	33,663
		TTEL Somerset Hydro Power (Pvt) Ltd.	49	49	2,940,000	-	2,940,000	29,400	-	29,400
								404,896	(145,365)	550,261
		Group company investment in equity accounted investees (at cost)						404,896	(337,917)	742,813
								500,856	(551,679)	1,052,535
		Inter Group adjustments (i)						-		(39,481)
		Group investments in equity accounted investees (at cost)						500,856	(551,679)	1,013,054

C. COMPANY/GROUP INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

	Investment at Cost		Share of Post Acquisition Profit/(Loss) & MI Adj.		Consolidated Net Assets	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
<i>As at 31st March</i>						
Hayleys Plantation Services (Pvt) Ltd.	67,000	67,000	198,391	209,455	265,391	276,455
Hayleys MGT Knitting Mills PLC	–	187,881	–	948,755	–	1,136,636
Quality Seed Co. Ltd.	7,450	7,450	40,229	62,660	47,679	70,110
Carbotels equity accounted investees	216,933	541,240	100,189	149,748	317,122	690,988
World Call Telecommunications Lanka (Pvt) Ltd.	30,000	30,000	(30,000)	(30,000)	–	–
NYK Logistics & Kusuvara Lanka (Pvt) Ltd.	1,950	1,950	14,914	13,273	16,864	15,223
Mabroc Teas (Pvt) Ltd.	48,000	48,000	44,201	42,297	92,201	90,297
Logiwiz Fiji (Pvt) Ltd.	6,532	6,532	13,858	7,608	20,390	14,140
Mountain Hawk Investment Company Ltd.	7,500	7,500	–	–	7,500	7,500
Tianjing Shenglong Mattress Co. Ltd. - China	34,652	34,652	(17,509)	(13,690)	17,143	20,962
TTEL Hydro Power Company (Pvt) Ltd.	33,663	33,663	(15,343)	(10,654)	18,320	23,009
TTEL Somerset Hydro Power (Pvt) Ltd.	29,400	29,400	(1,185)	(839)	28,215	28,561
PT Tulus Lanka Coir Industries	17,776	17,776	(5,654)	(4,001)	12,122	13,775
Group investment in equity accounted investees	500,856	1,013,044	342,091	1,374,612	842,947	2,387,656

(ii) Summarised financial information of equity accounted investees.

The following information has not adjusted for Group share:

<i>As at 31st March,</i>	2010 Rs. '000	2009 Rs. '000
Assets and liabilities		
Total assets	8,654,668	13,579,524
Total liabilities	(3,730,118)	(7,198,076)
Net assets	4,924,550	6,381,448
<i>For the year ended 31st March,</i>	2010 Rs. '000	2009 Rs. '000
Revenue and profit		
Total revenue	4,844,585	12,931,317
Total profit after tax	41,855	201,969

(iii) The Company has neither contingent liabilities nor capital commitments in respect of its equity accounted investees.

(iv) 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	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
World Call Telecommunications Lanka (Pvt) Ltd.	(27,755)	(22,065)	(5,690)	(14,065)
Royal Heritage Hotel (Pvt) Ltd.	-	(29,902)	-	(29,902)
Eastern Hotels (Pvt) Ltd.	-	(9,035)	-	(9,035)
	(27,755)	(61,002)	(5,690)	(53,002)

(v) Countries of incorporation of overseas equity accounted investees are given in Note 16 F.

D. OTHER LONG-TERM INVESTMENTS

As at 31st March, Investor	Investment	Consolidated	
		2010 Rs. '000	2009 Rs. '000
Hayleys PLC	Unquoted Investments		
	4,215,000 shares in Prudentia Investment Corporation Ltd. (31.03.09 - 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. (31.03.09 - 24,940,613)	249,407	249,407
	2,900,000 shares in Sri Lanka Institute of Nanotechnology (Pvt) Ltd. (31.03.2009 - 1,600,000)	29,000	16,000
	AIG Hayleys Investment Holdings (Pvt) Ltd. (31.03.09 - 19,082,876)		65,238
	Provision for fall in value of investments in AIG Hayleys Investment		
	Fall in value of long-term investment		(34,453)
	Company investments in other long-term investments	278,407	296,192
	Quoted Investments		
Dipped Products PLC	Hayleys PLC 3,536,159 (31.03.09 - 3,536,159 Ordinary shares) (Rs. 796 mn)	156,101	156,101
Hanwella Rubber Products Ltd.	Royal Ceramics 1,100 (31.03.2009 - 1,100 Shares) (Rs. 0.1 mn)	3	3
Dean Foster (Pvt) Ltd.	2,922,413 shares - Hayleys PLC (31.03.09 - 2,922,413) (Rs. 658 mn)	214,000	214,000
Toyo Cushion Lanka (Pvt) Ltd.	232,737 shares - Hayleys PLC (31.03.08 - 232,737) (Rs. 52 mn)	11,370	11,370
Volanka Exports Ltd.	183,275 shares - Hayleys PLC (31.03.08 - 183,275) (Rs. 41 mn)	17,431	17,431
		398,905	398,905
	Unquoted Investments		
DPL Plantations Ltd.	255,000 shares in Wellassa Rubber Company Ltd. (31.03.2009 - 255,000)	2,550	2,550
Hayleys Advantis Group	600,000 shares in Unit Trust (Rs. 6 mn) (31.03.2009 - 600,000)	6,000	6,000
	26,071 shares in SLAFFA Cargo Services Ltd. (31.03.2008 - 26,071)	357	357
Haycarb Group	1,000 shares in Placer Pacific (Pty) Ltd. - Aus. \$ 5 each	126	126
	2,000 shares in Ariadne Australia Ltd. - Aus. \$0.50 each	6	6
	Magic Soils (Pty) Ltd. - Bonds	32	32
	CK Regenco Mutual Fund		60,073
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	
		12,671	72,644
		411,576	471,549
		689,983	767,741

(i) 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.

(ii) Amounts stated within brackets correspond to fair values as at 31st March, 2010, 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		
		2010	2009	2010	2009	
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	
Dean Foster (Pvt) Ltd.	Lignocell (Pvt) Ltd.	100	100	12,000,000	12,000,000	
	Volanka (Pvt) Ltd.	28	28	3,920	3,920	
	Hayleys Advantis Ltd.	1	1	488,369	488,369	
Dipped Products PLC	Chas P. Hayley & Co. (Pvt) Ltd.	0	0	80	80	
	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	98	3,700,290	1,351,250	
	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	
	DPL Plantations (Pvt) Ltd.	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)		100	100	100,000	100,000	
Haycarb Holdings Australia (Pty.) Ltd.		100	100	150,000	150,000	
Carbotels (Pvt) Ltd.		25	25	9,290,341	10,440,000	
Carbokarn Co. Ltd. (100 Baht, 72% paid-up)		50	50	250,000	250,000	
Puritas (Pvt) Ltd.		100	100	700,000	450,000	
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	
Super Felt (Pvt) Ltd.		-	17	-	780,000	
Haycarb Holdings Bitung Ltd.		100	100	1,400,000	1,400,000	
PT Mapalus Makawanua Charcoal Industry		2	2	707	707	
Haycarb Holdings Bitung Ltd.		PT Mapalus Makawanua Charcoal Industry	83	83	30,830	30,830
Haychem (Pvt) Ltd.		Haychem Bangladesh Ltd.	100	100	10,000	10,000
Haylex BV	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.	51	51	2,549,999	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	
		2010	2009	2010	2009
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.	Super Felt (Pvt) Ltd.	-	17	-	780,000
	Haycolour (Pvt) Ltd.	100	100	60,000	60,000
	Bhagya Hydro (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
Hayleys Hydro Energy (Pvt) Ltd.	Mawanana Power Company (Pvt.) Ltd.	100	100	320,002	320,002
	Nirmalapura Wind Power (Pvt) Ltd.	100	100	920,002	920,002
	Hayleys Plantation Services (Pvt) Ltd.	75	75	17,750,000	17,750,000
	Hayleys Advantis Group	1	1	50,000	50,000
	Ravi Industries Ltd.	54	54	12,250,000	12,250,000
	Dipped Products PLC	1	1	567,000	567,000
Rileys (Pvt) Ltd.	Ravi Marketing Services Ltd.	100	100	10,000	10,000
	Super Felt (Pvt) Ltd.	-	17	-	780,000
	Haymat (Pvt) Ltd.	54	54	216,000	216,000
	Carbotels (Pvt) Ltd.	-	5	-	1,880,357
	Super Felt (Pvt) Ltd.	-	17	-	780,000
	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	17	4,679,998	780,000
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 Exports Ltd.	Volanka Insurance Services (Pvt) Ltd.	100	100	59,000	59,000
	OE Techniques Ltd.	100	100	10,000	10,000
Kelani Valley Plantations PLC	Super Felt (Pvt) Ltd.	-	17	-	780,000
	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
Hayleys Consumer Products Ltd.	Kelani Valley Instant Tea (Pvt) Ltd.	75	75	2,250,000	2,250,000
	Hayleys Consumer Marketing (Pvt) Ltd.	100	100	3,500,000	3,500,000
	Hayleys Electronics Lighting (Pvt) Ltd.	100	100	600,000	600,000

F. COUNTRIES OF INCORPORATION OF OVERSEAS SUBSIDIARIES AND EQUITY ACCOUNTED INVESTEEES

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 Soils (Pty) Ltd. (Australia), Haymark Inc. (USA), Carbokam Ltd. (Thailand), Haylex BV Group (Netherlands, Japan & UK), Dipped Products (Thailand) Ltd. (Thailand), CK Regen Systems Co. Ltd. (Thailand), ICO Guanti SpA (Italy), Tianjing Shenglong 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).

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.

As at 31st March,	Consolidated/Company	
	2010 Rs. '000	2009 Rs. '000
At beginning of the year	495,346	496,828
Recovery during the year	(1,261)	(1,482)
At end of the year	494,085	495,346

The market value of the shares held by the Trust as at 31st March, 2010 was Rs. 1,531 mn (31st March, 2009 - Rs. 617 mn).

18. INVENTORIES

As at 31st March,	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Raw materials & consumables	2,510,610	1,579,251	1,500	3,253
Produce stocks	285,956	363,561	-	-
Work-in-progress	1,637,153	978,320	-	-
Finished goods	3,602,402	2,764,955	-	-
Goods-in-transit	188,787	114,847	-	-
	8,224,908	5,800,934	1,500	3,253
Provision for unrealised profit and write-down of inventories	(376,206)	(252,424)	-	-
	7,848,702	5,548,510	1,500	3,253

- (i) The cost of inventories recognised as expenses during the year amounted to Rs. 28,705 mn (2008/09 - Rs. 24,438 mn).
- (ii) The carrying amount of inventories pledged as security for bank facilities obtained amounted to Rs. 1,593 mn (31st March, 2009 - Rs. 757 mn).
- (iii) Inventory carried at net realisable value as at 31st March, 2010 amounted Rs. Nil (31st March, 2009 - 246.7 mn).

19. TRADE AND OTHER RECEIVABLES

As at 31st March,	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Trade receivables	6,839,712	4,861,168	-	-
Provision for bad and doubtful debts	(654,577)	(539,048)	-	-
	6,185,135	4,322,120	-	-
Bills receivable	2,322,488	2,467,913	-	-
Advances made under employee share ownership schemes	6,149	8,629	-	-
Other debtors, payments in advance, deposits and employee loans (i)	1,907,270	1,425,547	37,295	38,859
	10,421,042	8,224,209	37,295	38,859

- (i) No loans have been given to the Directors of the Company.

As at 31st March,	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
(ii) Currency-wise analysis of trade and other receivables				
Rupees	4,373,078	3,629,011	37,295	38,859
Australian Dollars	82,345	62,958	-	-
Pounds Sterling	150,546	187,870	-	-
United States Dollars	3,267,612	2,082,739	-	-
Euro	2,143,623	1,938,799	-	-
Thai Baht	216,352	153,300	-	-
Indian Rupees	81,952	96,853	-	-
Other	105,535	72,679	-	-
	10,421,042	8,224,209	37,295	38,859

20. SHORT-TERM INVESTMENTS

As at 31st March,			2009/10 Rs. '000 Fair Value	2009/10 Rs. '000 Cost	2008/09 Rs. '000 Cost
Investor	Investee	No. of Shares			
Hayleys PLC	Aitken Spence Hotel Holdings PLC	16	6	1	1
	ACL Cables PLC	127,260	9,545	2,088	2,088
	Asiri Hospitals PLC	1,270	11	1	1
	Blue Diamond Jewellery Worldwide PLC	60	0	2	2
	Central Industries PLC	3,000	660	321	321
	Ceylinco Insurance Co. PLC	76	18	2	2
	Ceylon Cold Stores PLC	84	14	2	2
	Eagle Insurance Co. PLC	49	10	2	2
	DFCC Bank PLC	169	31	19	19
	Kelani Tyres PLC	8,600	546	214	214
	Lanka Orix Leasing Co. PLC	152	25	8	8
	Lanka Tiles PLC	14	1	-	-
	National Development Bank PLC	10,365	2,177	1,691	1,691
	Seylan Bank PLC	90	4	3	3
	Three Acre Farms PLC	18,100	181	841	841
				13,229	5,195
	Provision for fall in value of investment				(572)
	Company short-term investments		13,229	5,195	4,623
Dean Foster (Pvt.) Ltd.	ACL Cables PLC	4,120	309	24	24
	Asiri Hospital PLC	27	2	-	-
	Bairaha Farms PLC	900	31	18	18
	Blue Diamond Jewellery Worldwide PLC	13	-	-	-
	Central Industries PLC	300	66	24	24
	Nation Lanka PLC	1,300	17	12	12
	Eagle Insurance Co. PLC	30	6	1	1
	Kelani Tyres PLC	1,000	63	11	11
	Lanka Orix Leasing Co. PLC	328	54	10	10
	Three Acre Farms PLC	2,000	20	91	91
	Vanik Incorporation PLC - Voting	7,500	6	124	124
	- Non-voting	5,000	4	50	50
	- Debentures	4,000	16	400	400
			594	765	765
	Provision for fall in value of investments		-	(171)	(532)
			442	594	233
	Group short-term investments		13,823	5,789	4,856

21. STATED CAPITAL

As at 31st March,	Company	
	2010 Rs. '000	2009 Rs. '000
Issued & fully-paid - ordinary shares of Rs. 10/- each		
At beginning of the year - 75,000,000 (1st April, 2008 - 75,000,000)	1,575,000	1,575,000
At end of the year - 75,000,000 (31st March, 2009 - 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 March, 2008	109	11,578	57,250	29,979	1,049	265,372	7,826	373,163
Changes in equity holding	-	-	-	-	-	2,566	-	2,566
Transfers	-	-	-	-	-	32,834	1,157	33,991
Balance as at 31st March, 2009	109	11,578	57,250	29,979	1,049	300,772	8,983	409,720
Changes in equity holdings	-	-	-	704	-	686	8,983	1,390
Transfers	-	-	-	-	-	-	1,952	1,952
Balance as at 1st April, 2010	109	11,578	57,250	30,683	1,049	301,458	10,935	413,062
Company								
Balance as at 31st March, 2008	109	11,750	320	-	1,047	-	-	13,226
Balance as at 31st March, 2009	109	11,750	320	-	1,047	-	-	13,226
Balance as at 31st March, 2010	109	11,750	320	-	1,047	-	-	13,226

B. RETAINED EARNINGS

As at 31st March,	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Hayleys PLC	782,493	741,185	782,493	741,185
Subsidiaries	3,086,129	1,391,290	-	-
Equity accounted investees	147,876	456,870	-	-
	4,016,498	2,589,345	782,493	741,185

23. INTEREST-BEARING BORROWINGS

As at 31st March,	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000

A. TOTAL NON-CURRENT INTEREST-BEARING BORROWINGS

Finance lease obligations	382,545	389,997	-	-
Debentures	40,000	40,000	-	-
Long-term loans	1,478,708	1,851,772	90,000	260,000
Total Non-current interest-bearing borrowings	1,901,253	2,281,769	90,000	260,000

As at 31st March,	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000

B. CURRENT PORTION OF INTEREST-BEARING BORROWINGS

Finance lease obligations	14,785	20,077	-	-
Debentures	-	-	-	-
Long-term loans	770,937	765,171	40,000	80,000
Total current portion of interest-bearing borrowings	785,722	785,248	40,000	80,000

The amount of undrawn borrowing facilities that may be available for future operations and capital commitments are given in page 28 and 144 to the Financial Statements.

As at 31st March,	Consolidated	
	2010 Rs. '000	2009 Rs. '000

C. FINANCE LEASE OBLIGATIONS

At beginning of the year	767,202	765,456
New leases obtained	8,497	47,369
	775,699	812,825
On acquisition of subsidiary	3,376	-
Repayments	(38,967)	(45,623)
At end of the year	740,108	767,202
Finance charges unamortised	(342,778)	(357,126)
Net lease obligations	397,330	410,076

As at 31st March,	Consolidated	
	2010 Rs. '000	2009 Rs. '000

D. CURRENCY-WISE ANALYSIS OF FINANCE LEASE OBLIGATIONS

Rupees	383,649	396,558
Taka	13,681	13,518
	397,330	410,076

As at 31st March,	Consolidated	
	2010 Rs. '000	2009 Rs. '000
E. ANALYSIS OF FINANCE LEASE OBLIGATIONS BY YEAR OF REPAYMENT		
Finance lease obligations repayable within 1 year from year-end		
Gross liability	35,428	40,503
Finance charges unamortised	(20,643)	(20,426)
Net lease obligations repayable within 1 year from year-end (i)	14,785	20,077
Finance lease obligations repayable between 1 and 5 years from year-end		
Gross liability	107,363	109,361
Finance charges unamortised	(65,737)	(66,097)
Net lease obligations (i)	41,626	43,264
Finance lease obligations repayable after 5 years from year-end		
Gross liability	597,739	617,338
Finance charges unamortised	(256,819)	(270,605)
Net lease obligations (i)	340,920	346,733
Net lease liability repayable later than 1 year from year-end	382,545	389,997

(i) Includes the basic rental payable under the revised basis of Rs. 19,598,000/- per annum by Kelani Valley Plantations PLC in respect of their plantations. 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/- for a period of six years commencing from 18th June, 2002. Hence, the GDP deflator adjustment will be frozen at Rs. 6,241,041/- per annum until 17th June, 2008. However, negotiations are being carried out to extend the period under the same terms and conditions.

According to the ruling given by the Urgent Issues Task Force (UITF) of The Institute of Chartered Accountants of Sri Lanka, the amounts stated in the Financial Statements have been adjusted to reflect the following:

- Further liability on the annual lease payment of Rs. 19,598,000/- will continue until the year 2045. The net present value of this liability at a 4% discounting rate (as recommended by the UITF) would result in a liability of Rs. 367,813,361/-.
- The net present value of Rs. 367,813,361/- is represented by a gross liability of Rs. 695,729,000/- (Rs. 19,598,000/- x 35 1/2 years) and interest in suspense of Rs. 327,915,639/-.
- The charge to the Income Statement during the current period is Rs. 21.1 mn (2008/09 - Rs. 21.2 mn).

As at 31st March,	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
F. DEBENTURES				
At beginning of the year	40,000	-	-	-
Issue of debentures	-	40,000	-	-
At end of the year	40,000	40,000	-	-
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	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000

G. CURRENCY-WISE ANALYSIS OF DEBENTURES

Rupees	40,000	40,000	-	-
	40,000	40,000	-	-

As at 31st March,	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 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	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000

I. LONG-TERM BORROWINGS

At beginning of the year	2,616,943	3,305,406	340,000	800,000
On acquisition of subsidiary	334,940	-	-	-
Transferred liabilities directly associated with assets classified as held for sale	(113,300)	-	-	-
Exchange difference	28,079	5,251	-	-
New loans obtained (iii)	444,792	496,467	-	-
	3,311,454	3,807,124	340,000	800,000
Repayments	(1,061,808)	(1,190,181)	(210,000)	(460,000)
At end of the year	2,249,646	2,616,943	130,000	340,000
Transferred to current liabilities (repayable within one year)	(770,937)	(765,171)	(40,000)	(80,000)
Repayable after one year	1,478,708	1,851,772	90,000	260,000

(iii) Toyo Cushion Ltd., Rileys Ltd. DPL Group, Advantis Group and Hayleys Industrial Solutions (Pvt) Ltd. have obtained loans during the year amounting to Rs. 22 mn, 30 mn, 190 mn, 78 mn and 125 mn respectively.

As at 31st March,	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000

J. CURRENCY-WISE ANALYSIS OF LONG-TERM BORROWINGS

Rupees	1,353,913	1,914,989	130,000	340,000
Australian Dollars	-	4,557	-	-
United States Dollars	400,098	256,149	-	-
Euro	61,380	-	-	-
Thai Baht	434,255	352,748	-	-
Other		88,500	-	-
	2,249,646	2,616,943	130,000	340,000

As at 31st March,	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
K. ANALYSIS OF LONG-TERM BORROWINGS BY YEAR OF REPAYMENT				
Long-term loans repayable between 1 and 2 years from year-end	858,297	778,176	40,000	80,000
Long-term loans repayable between 2 and 5 years from year-end	519,710	830,254	50,000	180,000
Long-term loans repayable later than 5 years from year-end	100,701	243,342	-	-
	1,478,708	1,851,772	90,000	260,000

L. LONG-TERM BORROWINGS REPAYABLE AFTER ONE YEAR

Company	Lender/rate of interest (p.a.)	31.03.2010 Rs. '000	31.03.2009 Rs. '000	Repayment	Security
Hayleys PLC	DFCC (AWPR + 0.5%)	90,000	260,000	Repayable in 20 quarterly instalments, commencing from September 2008	None
Company Total		90,000	260,000		
HJS Condiments Ltd.	NDB (8.79%)	6,900	10,500	60 monthly instalments starting from March 2008 till February 2013	Mortgage over land, building and plant & machinery
	BOC (10.14%)	6,448	8,830	60 monthly instalments starting from February 2009 till January 2014	Mortgage over plant & machinery
	BOC (6.5%)	-	5,993	36 monthly instalments starting from December 2008 till November 2011	Mortgage over plant & machinery
	Sanyo Food (5%)	57,045	115,480	8 Quarterly instalments starting May 2010 till February 2012	None
Venigros (Pvt) Ltd.	People's Bank (10.5%)	-	20,839	Monthly instalments ending, October 2009	Mortgage over plant & machinery at Weliveriya
	NDB (6.5%)	15,924	28,250	Monthly instalments ending, August 2012	Mortgage over heater at Weliveriya
Kalupahana Power Co. (Pvt) Ltd.	NDB - (AWDR + 4%)	42,264	55,906	Quarterly instalments ending, March 2013	Primary mortgage over sub lease hold rights of Kalupahana Power Co. (Pvt) Ltd., Machinery & equipment of the Company
Dipped Products (Thailand) Ltd.	Thai Military Bank Public Company Limited (MLR - 1% - 2 Yrs)	255,758	280,898	Monthly instalments ending June 2011	Mortgage over land, building & machinery
	(MLR - next 3 Yrs)				
	HSBC - Thailand (4.78%)	14,680	71,850	Monthly instalments ending March 2011	Corporate guarantee for THB 47.2 mn. from Dipped Products PLC.

Company	Lender/rate of interest (p.a.)	31.03.2010 Rs. '000	31.03.2009 Rs. '000	Repayment	Security
Kelani Valley Plantations PLC	NDB (11.51%)	12,025	16,534	Monthly instalments ending August 2013	Primary mortgage over the leasehold rights of Panawatta and Pedro estates have been pledge and a letter of undertaking from DPL Plantations (Pvt.) Ltd. was given to subordinate management fee and dividends in a default situation of term loan
	NDB (11.51%)	15,194	19,641	Monthly instalments ending May 2014	
	NDB (6.5%)	10,500	15,375	Monthly instalments ending May 2013	
	NDB - AWPLR - 5.15	79,000	-	Monthly instalments ending December 2011	
	Seylan Bank (12%)	22,962	27,798	Monthly instalments over 10 years, ending October 2015	Primary mortgage over leasehold rights of Robgill and Fordyce estates
	DFCC Bank (9.42%)	68,133	81,200	Monthly instalments ending March 2017	Primary mortgage over the leasehold rights of
	DFCC Bank (6.5%)	17,792	22,335	Monthly instalments ending November 2014	Halgolla, We-Oya, Polatagama and Enderapola estates and a letter of undertaking from DPL Plantations (Pvt.) Ltd.
	DFCC Bank (11.64%)	74,286	80,000	Monthly instalments ending July 2017	was given to subordinate management fee and dividends in a default situation of the term loan
	DFCC Bank (6.5%)	22,899	27,987	Monthly instalments ending June 2015	
	DFCC Bank (14.47%)	-	83,802	Monthly instalments ending May 2014 (Fully settled in December 2009)	
	DFCC Bank (6.5%)	8,338	10,005	Monthly instalments ending December 2015	
	DFCC Bank (6.5%)	6,587	8,840	Monthly instalments ending March 2014	
ICOGuanti SpA	BNL 6.5% (Euro 100,000)	20,458	-	Monthly instalments ending May 2011	None
Toyo Cushion Lanka (Pvt) Ltd	NDB (13.5%)	-	3,167	Monthly instalments over 4 years, commencing July 2006	Mortgage over land & buildings
	NDB (18.5%)	-	4,866	Monthly instalments over 3 years, commencing March 2009	Mortgage over stock and debtors
	NDB (6.5%)	-	875	Monthly instalments over 5 years, commencing July 2006	Mortgage over land & buildings
	Commercial Bank PLR+2%	6,252	-	48 monthly instalments from September 2009	Mortgage over stocks and debtors
	HNB PLR+2%	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	
Haycarb PLC	Commercial Bank (LIBOR + 4%)	13,679	48,825	Monthly instalments over 5 years, commencing September 2006	Concurrent negative pledge
Haycarb Holding Australia (Pty.) Ltd.	ANZ Grindlays - (Index rate + 1.55%)	-	2,514	Equal monthly instalments payable over 15 years commencing 1998/99	Floating charge over assets of the Company

Company	Lender/rate of interest (p.a.)	31.03.2010 Rs. '000	31.03.2009 Rs. '000	Repayment	Security
Haycarb Holding Bitung Ltd.	Commercial Bank (LIBOR + 4%)	13,875	31,835	Monthly instalments over 5 years, commencing 2006/07	Corporate guarantee given by Haycarb PLC
Recogen (Pvt) Ltd.	NDB (8.5%)	-	2,084	Equal monthly instalments over 6 years, from September 2004	Negative pledge over plant & machinery
	DFCC (6.5%)	22,5000	32,500	Equal monthly instalments over 5 years, commencing 2008/09	Corporate guarantee given by Haycarb PLC
Rileys Ltd.	NDB (12.5%)	-	5,000	Monthly instalments over 5 years, from August 2005	Mortgage over land & building
	NDB 16%	11,800	-	33 monthly instalments from August 2009	
Hayleys Agro Products Ltd.	DFCC (9.75%)	-	485	Monthly instalments over 5 years ending April 2010	Mortgage over plant & machinery
Sunfrost (Pvt) Ltd.	NDB (12.3%)	-	600	Monthly instalments over 5 years from July 2005	Mortgage over land & Corporate guarantee from Volanka Ltd.
	NDB (6.5%)	250	3,250	Equal monthly instalments over 4 years from May 2007	Mortgage over land & Corporate guarantee from Volanka Ltd.
Hayleys Advantis Group	BOC - (AWPLR + 4%)	-	110,700	Repayment over 6 years commencing from May 2009, as per agreed schedule	Mortgage over land
	HNB - (AWPLR 1.5%)	3,700	16,900	Repayment over 2 years commencing from June 2008, as per agreed schedule	Mortgage over land
	BOC - (AWPLR - 0.5% AWPR + 1%)	69,500	110,500	Repayment over 6 years commencing from May 2008, as per agreed schedule	Mortgage over land
	Pramuka + 17%	936	936	Bank is closed	Corporate guarantee
	BOC (12%)	52,500	-	Repayment over 3 years commencing from February 2010, as per agreed schedule	Mortgage over land & building
	HSBC (LIBOR+4%)	3,803	-	Repayment over 3 years commencing from February 2010, as per agreed schedule	Corporate guarantee
Volanka (Pvt) Ltd.	NDB (12.5%)	-	2,000	Monthly instalments over 5 years from September 2010	None
Neluwa Cascade Hydro Power (Pvt) Ltd.	NTB - (3m TB + 1.3%)	120,000	157,500	Agreed 28 quarterly instalments commencing from March 2009	Corporate guarantee for Rs. 180 mn from HISL. Mortgage for Rs. 180 mn over project land & assets (commence upon completion of project)
Hayleys Industrial Solutions (Pvt) Ltd.	Sampath Bank (16%)	86,201	-	Agreed 48 monthly instalments commencing from January 2010	Secondary Mortgage Bond for Rs. 83.3 mn over project assets of TTEI Hydro power (Pvt) Ltd. Secondary Mortgage Bond of Rs. 40.7 over the Assets of Bhagya Hydro Power (Pvt) Ltd

Company	Lender/rate of interest (p.a.)	31.03.2010 Rs. '000	31.03.2009 Rs. '000	Repayment	Security
Bhagya Hydro power (Pvt) Ltd.	Sampath Bank (AWDR + 5%)	22,625	27,605	96 monthly instalments commencing September 2007	Mortgage over project assets
	Seylan Bank (AWDR + 5%)	22,782	27,941	96 monthly instalments commencing September 2007	Mortgage over project assets
Hayleys Agro Biotech (Pvt) Ltd.	Sampath Bank (AWPLR + 2%)	5,366	9,628	54 monthly instalments ending June 2013	Corporate guarantee
Hayleys MGT Knitting Mills PLC	HSBC-6mts LIBOR+1.75%	44,142	-	42 Monthly instalments of US\$ 29,761.9 each	Primary mortgage over Machinery
	Commercial Bank-6.5%	10,715	-	71 Monthly instalments of US\$ 2,545 (Rs. 280,000)	Corporate guarantee
	Commercial Bank-6.5%	22,383	-	96 Monthly instalments of US\$ 2,886 (Rs. 312,500)	Mortgage over Machinery.
	Commercial-1mt LIBOR+5%	82,641	-	48 Monthly instalments of US\$ 25,000 each.	Primary mortgage over machinery
Hotel Services (Ceylon) PLC	Bank of Ceylon-6%	4,043	-	12 Monthly Instalment from April 2010 (Rs. 1,697,000/-)	Mortgage over building
		1,478,708	1,851,774		

24. DEFERRED INCOME

As at 31st March,	Consolidated	
	2010 Rs. '000	2009 Rs. '000

A. GRANTS (I)

At beginning of the year	349,759	251,044
Grants received during the year	111,618	111,266
Acquisition of Subsidiaries	1,608	
Amortised during the year	(15,935)	(12,551)
At end of the year	447,050	349,759
	447,050	349,759

(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

	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
<i>As at 31st March,</i>				
A. DEFERRED TAX ASSET				
At the end of the year (see Note 26.B)	195,554	154,036	29,711	27,775
	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
<i>As at 31st March,</i>				
B. DEFERRED TAX LIABILITY				
At beginning of the year (net)	82,807	108,251	-	-
Acquisition/(disposal) of subsidiaries	257,965	(526)	-	-
Exchange loss	-	(17)	-	-
Origination and reversal of temporary differences	(32,057)	(24,901)	-	-
At end of the year	308,715	82,807	-	-
Deferred tax asset	195,554	154,036	29,711	27,775
	504,269	236,843	29,711	27,775

26. RETIREMENT BENEFIT OBLIGATIONS

	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
<i>As at 31st March,</i>				
Present value of unfunded gratuity	2,312,855	2,085,049	222,578	324,349
Total present value of the obligation	2,312,855	2,085,049	222,578	324,349
	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
<i>As at 31st March,</i>				
PROVISION FOR RETIRING GRATUITY				
At beginning of the year	1,916,401	1,701,345	313,808	266,078
Amortisation of transitional liability	42,161	34,944	2,635	2,635
On acquisition of subsidiary	109,083	-	-	-
On disposal of subsidiary	-	(1,315)	-	-
Benefits paid by the plan	(369,877)	(166,602)	(152,920)	(6,703)
Current service costs	146,495	124,663	9,107	11,994
Interest cost	327,560	285,647	48,652	41,888
Actuarial (gains)/losses	14,546	(62,281)	(6,610)	(2,084)
	2,186,369	1,916,401	214,672	313,808

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
THE EXPENSE IS RECOGNISED IN THE FOLLOWING LINE ITEMS IN THE INCOME STATEMENT				
Cost of sales	30,525	10,803	323	1,034
Administrative expenses	500,237	372,170	53,461	53,399
	530,762	382,973	53,784	54,433
AMORTISATION OF TRANSITIONAL LIABILITY				
Amortisation for the year	42,162	42,162	2,635	2,635
Credit for the year		(7,218)		
		34,944		
Amounts to be amortised in the future	126,486	168,648	7,906	10,541

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 retirement benefit obligation would have been Rs. 1,991 mn (2008/09 - Rs. 1,822 mn) and Rs. 192 mn (2008/09 - 304 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	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Trade payables	2,800,545	2,006,485	-	-
Bills payable	1,209,457	439,712	-	-
Other payables including accrued expenses (i)	3,436,152	2,599,654	101,061	58,518
Unclaimed dividends	57,211	36,031	32,410	28,821
	7,503,365	5,081,882	133,471	87,339

(i) Includes provision for warranties amounting to Rs. 38 mn (31st March, 2009 - Rs. 39 mn).

As at 31st March,	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
(ii) Currency-Wise Analysis of Trade and Other Payables				
Rupees	5,397,079	3,256,392	133,471	87,339
Australian Dollars	38,640	80,730	-	-
Pounds Sterling	25,252	21,965	-	-
United States Dollars	861,837	893,422	-	-
Euro	840,859	568,341	-	-
Thai Baht	196,799	199,538	-	-
Indian Rupees	26,623	31,828	-	-
Other	116,277	29,666	-	-
	7,503,365	5,081,882	133,471	87,339

28. INCOME TAX

As at 31st March,	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000

A. INCOME TAX RECOVERABLE

At the end of the year (See Note B)	149,193	258,432	3,539	3,768
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As at 31st March,	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000

B. INCOME TAX PAYABLE

At beginning of the year	(50,033)	(76,633)	(3,768)	(573)
Subsidiaries' - parent taxation on current year's profit	645,740	519,685	1,659	3,791
Tax on discontinued operations' - current year's profit	365	2,734	-	-
Write back of ESC previously written down	4,398	-	-	-
Irrecoverable economic service charge	-	12,405	-	-
(Over)/under provision in respect of previous years	(5,299)	686	-	(4,590)
Tax on dividend	66,859	60,627	-	-
Acquisition of subsidiary	1,009	-	-	-
Disposal of subsidiary	-	(38)	-	-
Exchange gain/(loss)	2,881	(728)	-	-
Payments made during the year	(600,893)	(568,771)	(1,429)	(2,396)
Net income tax payable/(recoverable)	65,027	(50,033)	(3,539)	(3,768)
Income tax recoverable	149,193	258,432	3,539	3,768
At the end of the year	214,220	208,399	-	-

29. SHORT-TERM INTEREST BEARING BORROWINGS

As at 31st March,	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Rupees	3,994,060	3,001,339	1,732,340	207,081
Australian Dollars	31,505	17,018		
Pounds Sterling	–	5,603		
United States Dollars	3,659,791	1,945,866		
Euro	708,519	950,586		
Thai Baht	250,490	210,939		
Maldivian Rufiya	6,394	–		
Bangladesh Taka		34,408		
	8,650,759	6,165,759	1,732,340	207,081

30. CONTINGENT LIABILITIES AND COMMITMENTS**A. CONTINGENT LIABILITIES AND COMMITMENT**

Contingent liabilities as at 31st March, 2010 on account of bills discounted amounted to Rs. 1 mn (31st March, 2009 - Rs. 2 mn) in respect of Sunfrost Ltd. and bills discounted amounted to Rs. 10 mn in respect of Hayleys MGT Knitting Mills PLC.

The contingent liability as at 31st March, 2010 on guarantees given by Hayleys PLC, to third parties amounted to Rs. 139.7 mn (2008/09 - Rs. 197.6 mn). Of this sum Rs. 111.6 mn (2008/09 - Rs. 139.7 mn) and Rs. nil (2008/09 - Rs. nil) 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\$ 60,000 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. 17 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,	
	2009/10	2008/09	2010	2009
United States Dollar	115.13	110.44	114.09	115.48
Australian Dollar	98.73	86.67	104.43	79.31
Pounds Sterling	183.94	187.50	171.98	165.19
Thai Baht	3.42	3.22	3.52	3.24
Bangladesh Taka	1.67	1.61	1.65	1.67
Euro	162.71	156.39	152.91	152.94
Indian Rupee	2.44	2.40	2.54	2.25

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 PLC	USD
Haychem (Bangladesh) Ltd.	Taka
PT Mapalus Makawanua Charcoal Industry	Rupiah
Haycarb Holdings Bitung Ltd.	USD
Eurocarb Products Ltd.	Pounds Sterling
Haycarb Holdings Australia (Pty) Ltd.	Australian Dollars
Magic Soils (Pty) Ltd.	Australian Dollars
Haymark Inc.	USD
Carbokarn Co. Ltd.	Thai Baht
Haylex BV Group	Euro & Yen
Dipped Products (Thailand) Ltd.	Thai Baht
CK Regen Systems Co. Ltd.	Thai Baht
ICO Guanti SpA	Euro
Tianjing Shenglong Mattress Co. Ltd.	Yuan
PT Tulus Lanka Coir Industries	Rupiah
Civaro Fiji (Pvt) Ltd.	Fiji Dollars
Civaro Freight India (Pvt) Ltd.	Indian Rupees
Hayleylines Ltd.	USD
Logiwiz Logistics India (Pvt) Ltd.	Indian Rupees

33. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

- (a) Subsequent to the Balance Sheet Date, DPL Plantations (Pvt) Ltd. a Group company, acquired 33 1/3% of the ownership of Hayleys Plantation Services (Pvt) Ltd. which owns 75% of Talawakelle Tea Estates PLC for a consideration of Rs. 280 mn/-. Hayleys Plantation Services (Pvt) Ltd. shall be treated as a subsidiary from the date of this acquisition.
- (b) Other than those disclosed above, no circumstances have been arisen since the Balance Sheet date, which would require adjustments to or disclose 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. Group, Haylex BV Group, Volanka Insurance Services (Pvt) Ltd., Haychem Bangladesh Ltd., Kelani Valley Plantations PLC, Carbokarn Co. Ltd., Haycarb Holdings Australia Group, Haymark Inc, PT Mapalus Makawanua Charcoal Industry, Haycarb Holdings Bitung Ltd., CK Regen Systems Co. Ltd., ICO Guanti SpA and Dipped Products (Thailand) Ltd. which have been drawn up to 31st December as per their reporting requirements, have been consolidated.

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES**A. ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

The acquisition had the following effect on the Groups assets and liabilities

	2009/10 Acquisition of Hotel Services Rs '000	2009/10 Acquisition of Hunas Falls Rs '000	2009/10 Acquisition of Hayleys MGT Rs '000	2008/09 Disposal of Infocraft Rs '000
Property, plant & equipment	1,875,111	78,863	3,098,413	4,320
Value of lease rentals	1,153,746	-	-	-
Investments	100	-	-	21
Inventories	10,900	3,568	1,118,751	363
Trade and other receivables	30,853	4,856	1,260,094	11,799
Deferred Income	-	(1,608)	-	-
Borrowings	(24,412)	-	(313,904)	-
Retirement benefit obligations	(6,760)	(2,929)	(99,394)	(1,315)
Deferred tax liability	(257,437)	(1,255)	727	(526)
Income tax payable	-	1,009	-	(38)
Trade and other payables	(60,088)	(14,475)	(700,260)	(7,111)
Net identifiable assets and liabilities	2,722,014	66,011	4,364,428	7,513
Share of net assets accounted under equity accounted investees	-	(34,828)	(1,140,683)	-
Non-controlling interest	(1,358,899)	(27,556)	(1,246,818)	(149)
Goodwill/(negative goodwill) acquired/profit/(loss) on disposal of subsidiary	479,486	7,590	(155,332)	(1,323)
	1,842,601	11,217	1,821,595	6,041
B.				
Satisfied by				
Cash Consideration	1,842,601	11,217	1,821,595	6,041
Analysis of cash and cash equivalents on acquisition of subsidiary				
Cash consideration	(1,893,850)	(3,599)	(210,205)	-
Short-term borrowings	(530)	(8,641)	(1,612,818)	5,040
Cash at bank and in hand acquired/disposed	51,779	1,023	1,428	1,001
	(1,842,601)	(11,217)	(1,821,595)	6,041

C. During the fourth quarter, Hayleys PLC acquired 89.76 mn shares (51% Holding) in Hotel Services (Ceylon) PLC that owns and manages Ceylon Continental Hotel for Rs. 1.9 bn.

D. During the year Group increased its holding in Hunas Falls Hotels PLC to 50.1% from 46.9%.

E. During the second quarter, Hayleys PLC acquired 6.9 mn shares in Hayleys MGT Knitting Mills PLC (MGT) for Rs. 210 mn. Thereby increasing its Group holding in the latter from 40% to 54%. MGT is being treated as a subsidiary from the date of this acquisition. This transaction resulted in a credit of Rs. 155 mn as surplus on acquisition in the Group Income Statement.

The Company, through the resultant mandatory offer, acquired further 8.2 mn shares in MGT for Rs. 249 mn thereby increasing the Group holding in latter to 70%. The second acquisition resulted in a credit of Rs. 195 mn in the Group Equity Statement.

Subsequently Hayleys PLC disposed 5.1 mn shares in MGT for Rs. 179 mn thereby reducing the Group holding in the latter to 60%. This disposal gave rise to a credit of Rs. 75 mn as a gain on disposal in the Company Income Statement and a deficit of Rs. 96 mn in Group Equity Statement 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 were Lighthouse Hotels PLC (LH), Seashells Hotels Ltd (SS) and Royal Heritage Hotel (Pvt) Ltd (RH) [last year Diesel & Motor Engineering Co. PLC and AIG Hayleys Investment Holdings (Pvt) Ltd.], details of share holding given in Note 16 to the Financial Statement.

	2009/10 Disposal of LH Rs. '000	2009/10 Disposal of RH & SS Rs. '000	2008/09 Disposal Rs. '000
Share of net assets disposed	255,988	104,481	507,082
Profit/(loss) on disposal	500,833	70,519	64,604
	756,821	175,000	571,686
Satisfied by:			
Cash consideration	756,821	175,000	571,686

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 other subsidiary and equity accounted investees are stated on pages 83 to 86.

(b) Details of Directors and their spouses' shareholdings are given in the Annual Report of the Directors on the Affairs of the Company on page 87.

There were no other transactions with key management personnel other than those disclosed below.

(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
N.G. Wickremeratne (upto June 2009) - Retired on 30.06.2009	No. 26 E-3, Pasal Mawatha, Battaramulla.	Hayleys PLC	2,500
R.A. Ebell (up to October 2009) - Resigned on 31.10.2009	No. 15/8, Nuwarawatte Place, Nawala.	Hayleys PLC	1,025
P.S.P.S. Perera (up to April 2009) - Resigned on 30.04.2009	No. 351, Hokandara Road, Akuregoda.	Volanka (Pvt) Ltd.	1,376
M.R. Zaheed	No. 20/66, Fairfield Gardens, Colombo 8.	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 (from October 2009)	No 28, Campbell Place, Dehiwela	Hayleys PLC	2,500

(d) Mr. J.D. Bandaranayake and Mr. K.D.D. Perera who were Directors as at 31st March, 2010, 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	B. Facility amount	Outstanding amount as at 31st March, 2009	Interest and other chargers incurred during the year
Short-term loans & import loans	171.3	144.0	9.4
Term Loan	125.0	117.0	5.3
Overdrafts	84.5	90.3	14.3

COMPANY

Hayleys PLC does not have any banking facility with Sampath Bank PLC.

(e) Mr. K.D.D. Perera and Mr. W.D.N.H. Perera who were Directors as at 31st March, 2010 were also Directors of Pan Asia Banking Corporation PLC. The Companies within the Group have carried out transactions in the ordinary course of business with Pan Asia Banking Corporation PLC during the year, details are as follows:

Company/Group (Rs. mn)

Pan Asia Banking Corporation PLC

Nature of the facility	B. Facility amount	Outstanding amount as at 31st March, 2010	Interest and other chargers incurred during the year
Overdrafts	200	-	-

C. TRANSACTIONS WITH SUBSIDIARIES AND EQUITY ACCOUNTED INVESTEEES

Relationships with subsidiaries and equity accounted investees are explained in Note 16 and also under Group Companies in pages 37 and 38 Business segment classification is also given under Group companies.

(i) Companies within the Group engage in trading transactions under normal commercial terms and condition.

(ii) Hayleys PLC, provides office space to its subsidiary and equity accounted investees and charges rent. In addition, the Company incurs common expenses such as 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	2009/10 Rs. '000			2009/10 Rs. '000		
	Rent	Common expenses	Subsidiaries Purchase of goods and services	Rent	Common expenses	Equity accounted investees 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	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

Business segment	2008/09 Rs. '000			2008/09 Rs. '000		
	Rent	Common expenses	Subsidiaries Purchase of goods and services	Rent	Common expenses	Equity accounted investees Purchase of goods and services
Fibre	335	61,221	2,763			
Hand protection	14,847	58,385				
Purification products	15,223	37,400	51			
Textiles				3,398	25,718	1,561
Agri inputs	11,253	22,552				
Agri products	22	13,214		1,029	5,785	
Plantations	4,267	3,577	25	5,233	10,874	
Industry inputs	8,284	19,936	1,288			
Power & energy		1,788			298	
Transportation	32,681	64,508	3,641			
Consumer products	13,755	21,125	566			
Resorts		519		14	1,253	
Investments & services	2,337	5,247	13,748			58
Total	103,004	309,472	22,082	9,674	43,928	1,619

Details of intercompany balances are given below:

Company

Business segment	2009/10 Rs. '000		2008/09 Rs. '000	
	Receivable	Subsidiaries Payable	Equity accounted investees Receivable	Equity accounted investees Payable
Fibre	10,359	-	-	10,064
Hand protection	17,962	-	-	16,042
Purification products	9,483	-	-	5,623
Textiles	24,229	-	-	-
Agri inputs	7,516	-	-	8,675
Agri products	3,013	-	642	3,386
Plantations	1,498	-	3,149	842
Industry inputs	75,301	(0)	-	66,282
Power & energy	2,577	-	819	1,464
Transportation	9,334	-	-	6,879
Consumer products	235,811	(18,618)	-	248,078
Resorts	(0)	(762,076)	21	76,500
Investments & services	107	(53,637)	-	227
Total	397,190	(834,331)	4,630	444,062

Group

Business segment	2009/10 Rs. '000		2008/09 Rs. '000	
	Receivable	Equity accounted investees Payable	Receivable	Equity accounted investees Payable
Fibre	-	-	-	-
Hand protection	-	-	-	-
Purification products	-	-	-	-
Textile	-	-	22,995	-
Agri inputs	191	(30,916)	-	-
Agri products	-	-	1,100	(25,873)
Plantations	-	-	12,028	(1,837)
Industry inputs	-	(1,715)	-	-
Power & energy	47,682	-	42,921	-
Transportation	850	(181)	2,939	-
Consumer products	-	-	-	-
Resorts	-	-	131	-
Investments & services	4,630	(121)	-	-
Total	53,353	(32,933)	82,114	(27,710)

(iii) Details of guarantees given in respect of related parties are given in Note 23 to the Financial Statements.

(iv) No provision was made in respect of related party receivables.

(v) No security has been obtained for related party receivables and all related party dues are payable on demand.

(vi) Interest on related party dues are decided based on the inter bank lending rates, associated risk and purpose for which funds are used.

(vii) There are no related parties or related party transactions other than those disclosed in note 37 to the Financial Statements.

38. DISCONTINUED OPERATIONS/ASSETS HELD FOR SALE

Some businesses of the transportation segment were discontinued during the financial year and related assets and liabilities are shown under 'Assets classified as held for sale' and 'Liabilities directly associated with assets classified as held for sale'. Details of discontinued operations are given below:

1. Civaro India (Pvt) Ltd. and Civaro NA Inc, which were setup in India and USA, to develop an international freight management network, have now ceased operations due to negative effects of the global recession and will be wound-up.
2. Logilink (Pvt) Ltd., setup to provide logistic services ceased operations as it found the purpose it was set-up challenged by global recessionary conditions and consequently Maritime Holdings (Pvt) Ltd., which owned land which it leased to Logilink too was discontinued.
3. Moceti Lanka (Pvt) Ltd. which was set-up to carryout international non-vessel operating freight business has also ceased operations consequent to a decision to exit from the NVO business.

	Consolidated	
	2009/10 Rs. '000	2008/09 Rs. '000
Revenue and Expenses from Discontinued Operations		
Gross turnover	94,896	86,890
Turnover tax		(97)
Net turnover	94,896	86,793
Cost of sales	(31,628)	(66,048)
Gross profit	63,268	20,745
Other income	(157)	21,029
Distribution expenses	2,879	(59,277)
Administrative expenses	(75,476)	(151,671)
Net finance cost	(24,730)	(32,455)
Loss before tax from discontinued operations	(34,216)	(201,629)
Tax expense	(365)	(2,734)
Loss for the year from discontinued operations	(34,581)	(204,363)
Earnings per share		
Basic earnings per share (Rs.)	(0.40)	(2.63)
Diluted earnings per share (Rs.)	(0.40)	(2.63)

Loss before tax from discontinued operations is stated after charging all expenses including the following:

	Consolidated	
	2009/10 Rs. '000	2008/09 Rs. '000
Audit services	370	495
Non-audit services	-	60
Depreciation of property, plant & equipment	10,276	7,124
Staff cost (i)		
Defined contribution plan cost	1,190	1,025
Defined benefit plan cost	176	2,399
Other Staff cost (excluding defined contributions & defined benefits)	24,648	49,547
Provision for bad and doubtful debts & bad debts written off	2,693	46,469
Rental on operating leases	7,400	-
Legal/litigation fees	112	-

As at 31st March,	Consolidated	
	2009/10 Rs. '000	2008/09 Rs. '000
Assets and Liabilities of Discontinued Operations		
Assets Classified as Held for Sale		
Property, plant & equipment	262,929	8,000
Trade and other receivables	23,969	-
Cash in hand and at bank	1,080	-
Total assets	287,978	8,000

Liabilities Directly Associated with Assets Classified as Held for Sale

Trade and other payables	41,760	-
Current portion of long-term interest-bearing borrowings	113,300	-
Short-term interest-bearing borrowings	16,834	-
Total liabilities	171,894	-

	Consolidated	
	2009/10 Rs. '000	2008/09 Rs. '000
Cash Flow Related to Discontinued Operations		
Net cash flows from operating activities	27,564	77,168
Net cash flows from investing activities	(6,024)	105,497
Net cash flows from financing activities	(11,700)	-
Net cash flows from discontinued operations	9,840	182,665

Industry Segment Information

For the year ended 31st March,	Transportation		Purification		Consumer		Discontinued Operation	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Turnover								
Total	91,521	61,411	-	-	3,375	25,479	94,896	86,890
Intra Group	-	-	-	-	-	-	-	-
External	91,521	61,411	-	-	3,375	25,479	94,896	86,890
Segment results	(7,310)	(80,125)	-	7,113	(2,176)	(96,162)	(9,486)	(169,174)
Inter segment adjustments	-	-	-	-	-	-	-	-
Profit before net finance cost	(7,310)	(80,125)	-	7,113	(2,176)	(96,162)	(9,486)	(169,174)
Net finance cost	(24,730)	(21,519)	-	(223)	-	(10,713)	(24,730)	(32,455)
Profit before tax	(32,040)	(101,644)	-	6,890	(2,176)	(106,875)	(34,216)	(201,629)
Depreciation	10,276	7,124	-	-	-	-	287,978	8,000
Total assets (excl. equity accounted investees)	279,978	-	-	-	8,000	8,000	287,978	8,000
Non-Interest bearing Liabilities								
Trade and other payables	41,760	-	-	-	-	-	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	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Turnover														
Total	3,470,321	3,251,759	9,376,342	9,462,829	5,047,169	4,503,794	3,828,512	-	4,470,543	3,678,175	1,349,915	1,090,063	2,860,997	3,108,571
Intra Group													(413,632)	(675,415)
External	3,470,321	3,251,759	9,376,342	9,462,829	5,047,169	4,503,794	3,828,512	-	4,470,543	3,678,175	1,349,915	1,090,063	2,447,365	2,433,156
Segment results	125,257	66,942	834,741	637,491	696,884	446,747	353,251	-	388,679	382,126	147,399	(21,549)	16,064	311,999
Inter segment adjustments														
Profit before net finance cost	125,257	66,942	834,741	637,491	696,884	446,747	353,251	-	388,679	382,126	147,399	(21,549)	16,064	311,999
Net finance cost	(13,706)	(136,945)	(86,110)	(325,266)	(30,033)	(40,304)	(103,297)		(82,387)	(169,614)	(56,315)	(55,570)	(46,671)	(18,018)
Share of associate company profits	(5,068)	(3,760)	-				49,794	142,777	(21,888)			3,438	(2,461)	26,073
Profit before tax	106,483	(73,763)	748,631	312,225	666,852	406,443	299,748	142,777	284,404	212,512	91,084	(73,681)	(33,068)	320,054
Depreciation	78,941	77,937	268,959	261,061	96,687	107,383	149,409		23,428	22,947	44,749	40,257	141,504	122,939
Impairment of assets														
Amortisation of Intangible Assets														
Total assets (excluding associates)	4,937,410	3,833,380	6,686,066	5,897,007	3,036,338	2,624,242	5,215,120		2,682,808	1,828,825	948,765	678,882	4,091,216	3,999,275
Investment in associates	29,265	34,737	-					1,136,636			47,679	70,110	357,592	366,752
Capital expenditure	57,277	89,223	194,124	217,910	50,702	33,021	357,342		40,222	32,856	73,154	103,149	197,733	581,217
Non-Interest bearing Liabilities														
Deferred taxation	26,214	24,014	15,120	7,402	6,607	4,000	-		-	-	6,900	5,400	120,836	132,983
Retirement benefit obligations	266,961	258,542	274,039	260,220	77,816	18,876	122,568		104,297	88,802	34,496	27,527	744,198	586,526
Trade and other payables	363,532	263,761	1,205,969	984,785	410,351	321,494	833,901		1,070,244	485,438	195,446	71,620	367,562	290,591
Cash Flow														
Segment cash flows from operating activities	107,423	322,039	803,464	136,514	493,468	254,158	1,527		350,831	(114,375)	33,597	(43,356)	378,544	453,227
Segment cash flows from investment activities	(200,513)	211,566	(465,344)	(397,141)	35,204	23,633	(2,046)		2,045	(13,902)	(226,561)	(103,059)	19,321	(309,096)
Segment cash flows from financing activities	(44,799)	(306,724)	(196,904)	(4,869)	(230,577)	(177,028)	(2,569)		(110,701)	24,833	(121,587)	114,374	(149,488)	(188,127)

Industry Inputs		Power & Energy		Transportation		Consumer Products		Resorts		Investments & Services		Non-segment Adjustments		Group Total	
2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
989,219	946,109	144,022	109,732	3,498,712	3,738,187	3,497,853	3,118,178	-	-	675,395	365,228			39,209,000	33,372,625
		-	(10,298)	-						(639,451)	(330,803)			(1,053,083)	(1,016,516)
989,219	946,109	144,022	99,434	3,498,712	3,738,187	3,497,853	3,118,178	-	-	35,944	34,425	-	-	38,155,917	32,356,109
119,769	102,236	49,044	(544)	472,674	535,385	178,720	70,636	565,678	(828)	54,724	62,760			4,002,884	2,593,401
														-	-
119,769	102,236	49,044	(544)	472,674	535,385	178,720	70,636	565,678	(828)	54,724	62,760	-	-	4,002,884	2,593,401
(74,328)	(83,209)	(44,405)	(63,305)	17,977	(15,549)	(101,762)	(114,741)	3,498	518	(99,288)	(111,219)			(716,826)	(1,133,222)
		(5,035)	(16,260)	11,011	11,282			38,935	(34,450)		(13,012)			65,288	116,088
45,441	19,027	(396)	(80,109)	501,662	531,118	76,958	(44,105)	608,111	(34,760)	(44,564)	(61,471)	-	-	3,351,346	1,576,267
3,585	4,909	17,939	17,442	106,217	112,032	5,683	9,671	-		26,563	22,762			963,664	799,340
														-	-
		793	793											793	793
1,751,707	1,159,403	615,001	477,477	2,813,069	4,200,559	1,196,754	938,346	2,610,819	94,638	7,666,179	5,510,338			44,251,252	31,242,372
		46,537	51,570	44,752	36,863			317,122	690,988				-	842,947	2,387,656
4,201	4,362	12,311	15,469	73,739	236,457	1,275	1,179	-		45,721	14,646			1,107,801	1,329,489
-	-	23,615	25,615	16,300	9,291	-	-	258,692		29,985	28,138			504,269	236,843
59,357	48,379	-	51,103	245,382	227,629	25,253	28,578	9,689		222,313	320,219			2,186,369	1,916,401
810,022	654,317	49,793	38,460	1,304,070	1,406,579	667,211	476,574	74,178	149	151,087	88,114			7,503,366	5,081,882
(220,527)	38,812	49,634	31,537	258,848	255,240	190,050	95,559	(291,124)	(1,531)	433,977	68,867		(414,595)	2,589,172	1,082,096
(458,086)	(46,851)	(12,685)	(95,502)	(59,904)	(18,343)	387	(32,018)	961,583	467	(3,167,847)	496,756		484,121	(3,574,446)	200,631
259,040	64,243	69,800	83,123	(166,396)	31,788	(2,358)	(13,424)	171,305	-	(486,908)	(688,500)		167,477	(1,012,142)	(892,834)

B. Secondary Segments (Geographical Segments)

(i) Geographical segment turnover (see Note 6 on page 134)

(ii) Geographical segment results

	Consolidated	
	2009/10 Rs. '000	2008/09 Rs. '000
Sri Lanka	3,243,981	2,019,690
Australia	38,618	(31,981)
Thailand	255,234	58,351
Bangladesh	36,546	17,923
Japan	22,409	24,663
India	(13,898)	(33,691)
Indonesia	61,533	35,350
Continental Europe	250,971	268,924
United Kingdom	106,869	52,455
United States of America	621	101,590
	4,002,884	2,513,274
Non-segment expense	-	-
	4,002,884	2,513,274

(iii) Geographical segment assets and capital expenditure

	Consolidated			
	Total Assets		Capital Expenditure	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Sri Lanka	38,264,673	25,747,889	1,033,845	1,196,995
Australia	245,553	154,585	15	1,393
Thailand	2,948,119	1,712,106	36,534	70,991
Bangladesh	116,445	99,825	11,157	15,298
Japan	214,815	232,417	971	-
India	139,800	226,328	6,288	30,435
Indonesia	614,294	162,426	10,555	11,650
Continental Europe	1,408,530	2,208,357	3,788	1,519
United Kingdom	193,183	225,031	4,480	1,090
United States of America	105,839	473,408	168	119
	44,251,251	31,242,372	1,107,801	1,329,489
Investment in equity accounted investees	842,947	2,387,656		
	45,094,198	33,630,028	1,107,801	1,329,489

Value of Real Estate

As at 31st March, 2010

Ownership	Location	Extent (in Acres)	Market Value Rs. mn
Hayleys PLC	Colombo	6.11	3,692
Subsidiaries			
Carbotels (Pvt) Ltd.	Kandy	42.44	98.0
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	2.27	107
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
Total		287.14	6,640
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		315.64	7,184

Board of Directors



W.D.N.H. Perera



J.A.G. Anandarajah



M.R. Zaheed



J.D. Bandaranayake



A.M. Pandithage

A.M. Pandithage

Chairman

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.

L.K.B. Godamunne **

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.

J.D. Bandaranayake **

Appointed to the Board in July 2004. Serves as Chairman of Ceylon Tobacco Company PLC. Chairman/Director General Board of Investment of Sri Lanka (BOI), Director of Sampath PLC, Finlays PLC, Westcoast Power (Pvt) Ltd. He is a Graduate of Law. Fellow of the Institute of Personnel Management Sri Lanka, Fellow Institute of Chartered Corporate Secretaries of Sri Lanka and the Institute of Certified Professional Managers (ICPM)

M.R. Zaheed

Joined Hayleys in 1981. Appointed to the Group Management Committee in 2001. Appointed to the Board in August 2004. Holds a B.A. (Hons.) Degree from the University of Kelaniya and a MBA Degree from the University of Colombo. Member of the Agri Cluster of the National Council for Economic Development. Represents Hayleys on the Board of Sri Lanka Institute of Nanotechnology (SLINTEC). Served

as Vice Chairman of the Imports Section, Ceylon Chamber of Commerce. Has responsibility for the Agri Inputs, Agri Products and Consumer sectors.

A.M. Senaratna **

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. Degree from the University of Ceylon, Colombo, and is a Certified Management Accountant (CMA Canada).



L.K.B. Godamunne



A.M. Senaratna



K.D.D. Perera



T.L.F.W. Jayasekara



S.C. Ganegoda

T.L.F.W. Jayasekara **

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. Fellow, 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.

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 Hand Protection Sector and for the Plantations Sector.

K.D.D. Perera *

Appointed to the Board in 2008. Past Chairman/Director-General, Board of Investment of Sri Lanka (BOI). Member of the Board of Directors of the Strategic Enterprises Management Agency (SEMA), Sri Lanka Export Development Board (EDB) and Member of the Petroleum Resources Development Committee. Serves as Chairman of The Fortress Resorts PLC, Vallibel Power Erathna PLC, Vallibel Finance PLC, Vallibel Holdings (Pvt) Ltd. Deputy Chairman of LB Finance PLC, Amaya Leisure PLC, and Royal Ceramics Lanka PLC. Director Haycarb PLC, Hayleys-MGT Knitting Mills PLC and Hotel Reefcomber.

W.D.N.H. Perera *

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 & Hotel Reefcomber PLC, Director Asian Alliance Insurance PLC, LB Finance PLC, Vallibel Power Erathna PLC, Sathosa Motors PLC and Vallibel Finance Ltd.

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 a MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Worked for Hayleys and Diesel & Motor Engineering Co. between 1987 and 2002, and 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 and Strategic Business Development.

* Non-Executive Director

** Independent Non-Executive Director

Group Management Committee



S.P. Dissanayake

G.K. Seneviratne

M.O. Raban

S.C. Ganegoda

A.M. Pandithage

A.M. Pandithage

Please refer profile in Board of Directors

M.R. Zaheed

Please refer profile in Board of Directors

J.A.G. Anandarajah

Please refer profile in Board of Directors

S.C. Ganegoda

Please refer profile in Board of Directors

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, 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 Jayawardenapura. Has responsibility for the Industrial Solutions Sector, for companies other than Recogen in the Power & Energy Sector, and for the Fibre Sector.

M.O. Raban

Joined Hayleys in 1970. Appointed to the Group Management Committee in 2001 and Managing Director of Hayleys Advantis in April 2007. Has responsibility for the Transportation Sector.

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. Has responsibilities within the Fibre Sector.

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.



M.R. Zaheed

J.A.G. Anandarajah

M.M.M. De Silva

H.C.S. Mendis

D.B. Weerasinghe

H.S.R. Kariyawasan

D.B. Weerasinghe

Joined Hayleys in 1988. Appointed to the Group Management Committee in 2007. Structural Engineer. Holds a B.Sc Degree and an MBA Degree from the University of Colombo and a Postgraduate Diploma in Industrial Engineering from the National Institute of Business Management. Has responsibility for the Textiles Sector.

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. 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. Has responsibility for Group Human Resources and other Group services.

H.S.R. Kariyawasan

Joined Hayleys and its Group Management Committee in 2010. Holds a BSc. Eng (Electronics and Telecommunications) Degree 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.

Ten Year Summary

Year ended 31st March	10-Year Compound Growth (%)	2010 ** Rs. '000	2009 ** Rs. '000	2008 ** Rs. '000
Results				
Group turnover	15	38,205,898	32,442,999	31,326,583
Profit before taxation	11	3,317,129	1,374,638	1,554,720
Taxation	12	(680,006)	(571,236)	(464,946)
Profit after tax	11	2,637,123	803,402	1,089,774
Non-controlling Interest	9	(861,753)	(492,464)	(637,151)
Profit attributable to Hayleys PLC	13	1,775,370	310,938	452,623
Funds Employed				
Stated capital***	3	1,575,000	1,575,000	1,575,000
Capital reserves	21	7,047,507	5,697,166	5,954,623
Revenue reserves	14	6,720,870	5,083,473	4,692,428
Shareholders' funds	14	15,343,377	12,355,639	12,222,051
Minority interest	15	7,352,988	4,220,619	3,986,239
Borrowings (both short- and long-term)	15	11,337,734	9,232,776	9,600,416
	15	34,034,099	25,809,034	25,808,706
Assets Employed				
Non-current assets	16	23,652,799	17,215,706	17,625,669
Current assets	14	21,441,400	16,414,322	15,732,377
Current liabilities net of borrowings	18	(7,922,412)	(5,317,991)	(5,391,701)
Provisions	14	(2,690,638)	(2,153,244)	(1,906,595)
Deferred income	13	(447,050)	(349,759)	(251,044)
Capital Employed	15	34,034,099	25,809,034	25,808,706
Cash Flow				
Net cash inflow/(outflow) from operating activities		2,589,712	1,082,097	1,841,624
Net cash inflow/(outflow) from investing activities		(3,574,446)	200,631	(751,827)
Net cash inflow/(outflow) from financing activities		(1,012,142)	(892,834)	(687,588)
Increase/(decrease) in cash and cash equivalents		(1,996,876)	389,894	402,209
Key Indicators				
Earnings per share (basic) (Rs.)		23.67	4.15	6.03
Net assets per share (Rs.)		204.58	164.74	162.96
Market price per share (Rs.)		225.00	90.00	97.75
% change in market price (after adjusting for scrip issues)		150.0	(7.9)	(31.2)
% change in All Share Price Index		127	(36)	(9)
Return on average shareholders' funds (%)		13	3	4
Return on average capital employed (%)		13.3	9.4	11
Price earnings ratio (times)		9.5	21.7	16.2
Interest cover (times covered)		5.6	2.1	2.5
Dividend cover (times covered)		5.9	1.4	2.0
Dividend rate (Rs.)		4.00	3.00	3.00
Current ratio (times)		1.2	1.3	1.3
Turnover to capital employed (times)		1.12	1.26	1.21
Property, plant & equipment to shareholders' funds (%)		127	106	108
Borrowings to equity ratio (%)		74	75	79
Equity to total assets ratio (%)		34	37	37

** Includes results of discontinued operations.

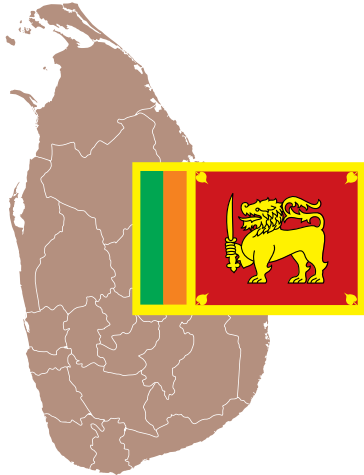
*** Share capital and share premium previously reported have been reclassified to reflect stated capital as defined in the Companies Act No. 07 of 2007.

+ 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	2001 Rs. '000
27,584,626	24,011,798	19,445,441	15,503,450	12,509,780	10,895,507	10,834,243
1,521,915	1,448,558	1,837,232	1,337,700	1,246,353	1,017,700	1,262,053
(432,631)	(468,127)	(427,861)	(276,559)	(277,626)	(242,961)	(251,888)
1,089,284	980,431	1,409,371	1,061,141	984,745	774,739	1,010,165
(555,719)	(394,170)	(634,984)	(401,789)	(360,024)	(337,660)	(404,290)
533,565	586,261	774,387	659,352	608,703	437,079	605,875
1,575,000	1,575,000	+1,575,000	+++1,475,000	+++1,375,000	+++1,275,000	+++1,215,000
5,457,476	2,466,637	2,253,637	2,054,681	1,520,054	1,299,674	1,293,218
4,667,992	4,215,591	4,110,588	3,578,426	2,995,943	2,402,942	2,144,840
11,700,468	8,257,228	7,939,225	7,108,107	5,890,997	4,977,616	4,653,058
3,704,926	2,967,915	2,868,478	2,899,028	2,549,315	2,366,528	2,147,942
10,235,592	9,781,034	8,113,582	5,493,388	3,737,764	3,492,061	3,181,389
25,640,986	21,006,177	18,921,285	15,500,523	12,178,076	10,836,205	9,982,389
17,005,585	12,957,290	11,932,426	9,655,743	7,523,269	6,803,060	6,317,170
15,214,288	14,496,109	12,538,508	9,504,855	7,824,077	6,614,491	6,403,770
(4,832,001)	(4,895,234)	(4,193,374)	(2,422,279)	(2,099,047)	(1,586,677)	(1,768,581)
(1,541,717)	(1,360,003)	(1,185,246)	(1,092,694)	(947,932)	(848,812)	(816,170)
(205,169)	(191,985)	(171,029)	(145,102)	(122,291)	(145,857)	(153,800)
25,640,986	21,006,177	18,921,295	15,500,523	12,178,076	10,836,205	9,982,389
408,821	216,967	1,095,244	419,206	89,434	814,385	518,950
(843,422)	(1,650,184)	(3,016,839)	(1,721,816)	(846,674)	(714,875)	(472,536)
(1,153,882)	768,153	1,638,736	680,486	(92,049)	(105,970)	(95,429)
(1,588,483)	(665,064)	(282,859)	(622,124)	(849,289)	(6,460)	(49,015)
7.11	7.82	10.37	8.89	8.83	6.34	8.79
156.01	110.10	106.35	95.79	85.50	72.24	67.53
142.00	98.50	112.50	115.00	125.00	121.00	78.00
44.2	(12.9)	44.3	(4.0)	16.2	72.4	(9.2)
23	29	36	74	20	46	(14)
5	7	10	10	11	9	14
11	10	14	12	14	14	17
20.0	12.6	10.8	12.9	14.1	19.1	8.9
3.4	2.5	5.2	5.2	5.1	3.8	5.6
2.0	2.2	3.0	3.8	3.9	3.1	4.8
3.50	3.50	3.50	3.50	3.50	3.50	4.00
1.3	1.3	1.3	1.5	1.6	1.6	1.7
1.08	1.14	1.03	1.00	1.03	1.01	1.09
112	109	107	93	88	95	95
87	118	102	77	63	70	68
36	30	32	37	38	37	37

Country Report



Sri Lanka is strategically located in the path of major sea routes between Europe and the Far East and is steadily positioning itself as a commercial hub for logistical and financial services. The country has a multi-religious population with, up to 70% following Buddhism. The economy has grown gradually and has one of the highest per capita incomes in South Asia. World renowned for its exceptional quality tea and garments, primary exports of rubber and coconuts, Sri Lanka has also fast become an important exporter of value-added products.

KEY FACTS PERTAINING TO SRI LANKA:

Land Area: 65,610 sq. km.

Commercial Capital: Colombo

Climate: Tropical (10° C - 32° C)

2009 Estimated Population: 20.45 mn

Per Capita GDP at Market Price: (US\$) 2,053

Currency: Sri Lankan Rupee

Corporate Tax Rate: 35%

Ports: Colombo, Galle and Trincomalee

Languages: Sinhala, Tamil and English

POLITICAL ENVIRONMENT

In January 2010, President Mahinda Rajapaksa won the Presidential Election with a resounding victory. He was democratically re-elected for a second term of six years to lead the country. Since April 2010, a new Government is also in office. With the prospect of political stability, the President and the Government have set ambitious goals for economic growth, raising it from the current long-term trend of 5-6% to over 8%. Towards reaching this, comprehensive policy changes are being introduced, aimed at increasing investments and increasing overall productivity growth.

SOCIAL INFRASTRUCTURE

The Government has a long standing policy of providing free healthcare and free education for the public. In 2009, the budget allocation for the health bill was Rs. 71.4 bn. There are 555 state run hospitals with close to 70,000 beds in the country. This amounts to 3 beds per 1,000 people. There are over 13,600 doctors (a doctor for every 1,500 people) and over 25,500 qualified nurses (a nurse for every 800 people). Sri Lanka also has a high literacy rate and a high school enrolment ratio than most countries. Primary and secondary education is largely free. Governments have continued to expand and support the free education system. The Government now plans to increase its focus on improving the quality of human capital produced by the public education system, through more technical and vocational training, in order to keep pace with labour market requirements.

ECONOMY

In 2009, the economy grew by 3.5%. First quarter growth was 1.5% due to the fall out of the global recession. However, the optimism in all sectors arising from the end to the terrorism combined with the gradual recovery in the advanced economies led to rapid growth after the second quarter.

The agricultural sector performed well-owing to the revival in agriculture in the Eastern Province. It grew 5.3% in fourth quarter of 2009. The growth in domestic demand was a boost to the services and manufacturing sectors. The industry sector grew at 7.4% in the fourth quarter of 2009, driven mostly by the domestically oriented parts of the manufacturing sector. The services sector makes up almost 60% of the GDP and grew 5.7% in the same quarter.

The annual average inflation rate declined to 3.5% in 2009, from 22.6% in 2008. In 2008, inflation was as high as 28% by mid 2008 due to high global food and fuel prices, but by 2009, prices of these essential imports declined. Along with falling inflation, the Central Bank of Sri Lanka relaxed monetary policy by cutting policy rates and statutory reserve requirements, to encourage commercial banks to reduce their lending rates. Since May 2009, there is an increase in tourism. Tourist arrivals for first quarter of 2010 were up by more than 50% compared with the same quarter of 2009. Several hotels reported 100% occupancy levels during the month of February 2010, which has always been the peak month of the Sri Lankan Tourist calendar. Ahead of the next tourist season, several hotels have already planned refurbishing and upgrading activities during May to October 2010. Earnings from tourism sector should therefore show strong growth. Potential to develop this sector is immense. The Government targets over a million tourists by 2012, and the need to at least double the existing number of rooms underpins the opportunities for new investments in the hotel and tourism sector.

The Sri Lanka Rupee appreciated by about 1% during 2009. It is currently trading between Rs. 113.50 and Rs. 113.80. During the year, the Central Bank's intervention in the foreign exchange market averted a substantial appreciation in the Sri Lanka Rupee. The Central Bank has also begun gradually relaxing restrictions on capital account transactions and on foreign exchange trading.

The Sri Lanka economy is poised for increased growth in 2010. As the global economy has begun to recover and with greater prospects for foreign and domestic investment in Sri Lanka, the potential for growth is the best that Sri Lanka has seen during the past decades. Sri Lanka today is identified as one of the few places in the world without terrorism. According to Asian Development Bank, depending on the Government's achievements of fiscal targets, GDP Growth could be as much as 6% in 2010 and 7% in 2011.

STOCK MARKET

The Colombo Stock Exchange (CSE) recorded its best year of performance in history in 2009 and Bloomberg Newswire judged it to be the second best performing market in the world. The CSE is gauged by two Indices, The All Share Price Index (ASPI), which rose by 125% in 2009, and the Milanka Price Index, which rose by 136% over the same period. The market capitalisation crossed the Rupees one trillion mark in 2009. It is also the year in which the CSE recorded its highest turnover of Rs. 142 bn.

The stronger performance has been a result of the positive market sentiments following the end of the conflict. There is also a renewal of investor confidence owing to favourable economic circumstances such as a sharp decline in inflation, interest rates and the support from IMF's stand-by funding arrangement. Several market developments also contributed to increased participation in investing in the stock market. The listing rules were revised to be in line with changes in the Companies Act. Initiatives were brought into strengthen the monitoring and surveillance of the stock market and the regulatory framework of the securities market was also strengthened to foster trading.

SOME WEBSITES FOR MORE INFORMATION:

Economic information: www.cbsl.lk

Export Development Board: www.srilankabusiness.com

Investment Opportunities: www.boi.lk

Tourism: www.srilankatourism.org

Infrastructure Investment: www.bii.gov.lk

Stock Market: www.cse.lk & www.sec.gov.lk

Restructure & Divestiture of Public Enterprises: www.perc.gov.lk

Leisure Guide to Colombo: www.leisuretimes.lk

Road Development: www.rda.gov.lk/supported/expressways

Asian Development Bank: www.adb.org/Projects

Sri Lanka Ports Authority: www.slpa.lk

Milestones

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.

Glossary of Financial Terms

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.

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.

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. PQ22

NOTICE IS HEREBY GIVEN that the Fifty-Ninth Annual General Meeting of Hayleys PLC, will be held at the Sapphire Ballroom, Ceylon Continental Hotel, No. 48, Janadhipathi Mawatha, Colombo 01 on Tuesday, 29th June, 2010 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, 2010, with the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Mr. W.D.N.H. Perera, who has been appointed by the Board, since the last Annual General Meeting, a Director.
4. To re-elect, Mr. S.C. Ganegoda, who has been appointed by the Board, since the last Annual General Meeting, a Director.
5. To re-elect Mr. H.S.R. Kariyawasan* who has been appointed by the Board, in terms of the Article 27(2) of the Articles of Association of the Company, a Director with effect from 1st June, 2010.
6. To re-elect Mr. J.D. Bandaranayake, who retires by rotation at the Annual General Meeting, a Director.
7. To re-elect Mr. M.R. Zaheed, who retires by rotation at the Annual General Meeting, a Director.
8. To reappoint Mr. L.K.B. Godamunne, who retires having attained the age of seventy-seven years and the Company has received special notice of the undemoted Ordinary Resolution in compliance with Section 211 of the Companies Act No. 7 of 2007 in relation to his reappointment.

Ordinary Resolution

“That Lalit Kirti Bandara Godamunne, a retiring Director, who has attained the age of seventy-seven years be and is hereby reappointed a Director of the Company and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the appointment of the said Director.”

9. To authorise the Directors to determine contributions to charities for the financial year 2010/11.
10. To ratify a sum of Rs. 139,418.75 donated to charities in excess of the sum approved by the shareholders for the financial year 2009/10.
11. To authorise the Directors to determine the remuneration of the Auditors, Messrs KPMG Ford, Rhodes, Thornton & Co., who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 7 of 2007.
12. 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, 2010.
- (ii) It is proposed to post ordinary dividend warrants on 7th July, 2010 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, 2010.
- (iii) Please refer page 84 under corporate donations in respect of item 9.
- (iv) *A brief profile of Mr. H.S.R. Kariyawasan appears on page 181.

By Order of the Board

HAYLEYS PLC

HAYLEYS GROUP SERVICES (PRIVATE) LIMITED

Secretaries

Colombo
26th May, 2010

Form of Proxy

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 and vote as indicated hereunder for me/us* and on my/our* behalf at the Fifty-Ninth Annual General Meeting of the Company to be held on Tuesday, 29th June, 2010 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, 2010, with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a dividend as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. W.D.N.H. Perera, who has been appointed by the Board since the last Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. S.C. Ganegoda, who has been appointed by the Board since the last Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. H.S.R. Kariyawasan who has been appointed by the Board, in terms of the Article 27(2) of the Articles of Association of the Company, a Director with effect from 1st June, 2010.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Mr. J.D. Bandaranayake, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect Mr. M.R. Zaheed, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
8. To re-appoint Mr. L.K.B. Godamunne, who retires having attained the age of seventy seven years, a Director by passing the Ordinary Resolution set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
9. To authorise the Directors to determine contributions to charities for the financial year 2010/11.	<input type="checkbox"/>	<input type="checkbox"/>
10. To ratify a sum of Rs. 139,418.75 donated to charities in excess of the sum approved by the shareholders for the financial year 2009/10.	<input type="checkbox"/>	<input type="checkbox"/>
11. To authorise the Directors to determine the remuneration of the Auditors, Messrs KPMG Ford, Rhodes, Thornton & Co., who are deemed to have been reappointed as Auditors.	<input type="checkbox"/>	<input type="checkbox"/>

(**) The proxy may vote as he thinks fit on any other resolution brought before the Meeting.

As witness my/our* hands this day of 2010.

Witness
.....
.....

.....
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.

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, 2010.
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.

Name of Company

Hayleys PLC

Legal Form

A Public Limited Company Incorporated in Sri Lanka in 1952.
Founded 1878.

Company Number

PQ 22

Accounting year end

31st March

Principal Activities

Holding Company; carrying out investments in and providing management and services to Hayleys Group Companies.

Stock Exchange Listing

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

Head/Registered Office

Hayley Building
P.O. Box 70, No. 400, Deans Road,
Colombo 10, Sri Lanka.
Telephone: (94-11) 2627000
Facsimile: (94-11) 2699299

Auditors

KPMG Ford, Rhodes, Thornton & Co.
Chartered Accountants
P.O. Box 186, Colombo, Sri Lanka.

Bankers

Hatton National Bank
HSBC
Bank of Ceylon
NDB Bank
Standard Chartered Bank
Sampath Bank
Commercial Bank of Ceylon
Deutsche Bank
DFCC
Citibank

Secretaries

Hayleys Group Services (Private) Limited
No. 400, Deans Road, Colombo 10,
Sri Lanka.
Telephone: (94-11) 2627650
E-mail: info@sec.hayleys.com

Please direct any queries about the administration of shareholdings to the Company Secretaries.

Investor relations

Please contact the Corporate Affairs Unit
Telephone: (94-11) 2627610
E-mail: info@cau.hayleys.com

Internet

www.hayleys.com

