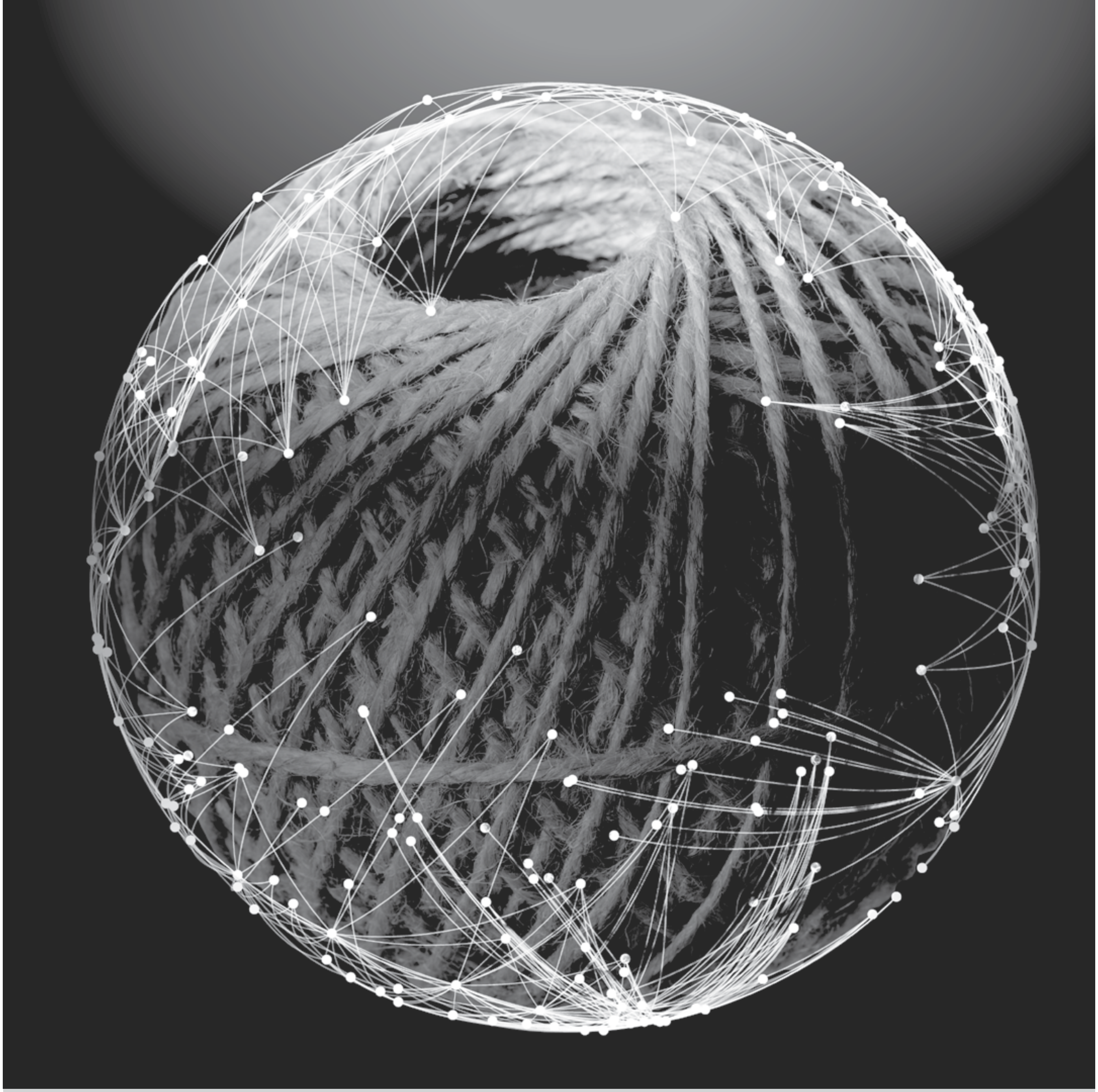
Hayleys Fibre
Made in Ceylon

HAYLEYS FIBRE PLC
ANNUAL REPORT 2019/20



It has truly been a year of Integration as we took extensive strides in upgrading all aspects of the company through new systems, ventures and centralised resource mobilising. While paying special attention to logistical cohesion, we are taking the next carefully planned steps in expanding our reach. This includes the diversification of our products and its introduction to new markets. Our adoption of the “best” is propelling us to be the best in the business.

CONTENTS

HISTORY OF THE BUSINESS

VISION

To be the leading provider of innovative, sustainable and environmental friendly products and solutions.

MISSION

To be the globally preferred choice by delivering value to all stakeholders through a range of sustainable and environmental friendly products and solutions.

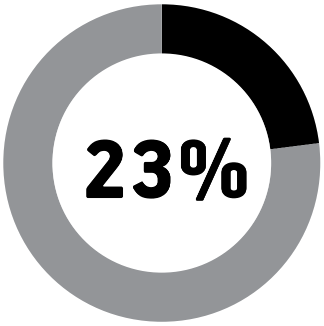
A subsidiary of the blue-chip, Hayleys Group of Sri Lanka, Hayleys Fibre PLC is a manufacturer and exporter of coir based, eco friendly products with a growing international market. Hayleys Fibre products are made of biodegradable coir fibre and coir fibre pith, extracted from coconut husks through conventional and modern processes and encompasses a full range of traditional and value added products for industrial and domestic use. The Company is part of the Eco Solutions sector of the Hayleys Group. The award winning Hayleys Group, which commenced commercial operations in 1878 as Chas P. Hayley & Company, by Charles Pickering Hayley, is one of the largest corporate entities in Sri Lanka. With a history spanning over 142 years, Hayleys PLC has diversified business operations in 12 verticals namely Eco Solutions, Hand Protection, Purification, Textile Manufacturing, Construction Material, Agriculture, Plantations, Transportation & Logistics, Leisure & Tours, Consumer & Retail, Industrial Inputs, Power & Energy and Others.

FINANCIAL HIGHLIGHTS

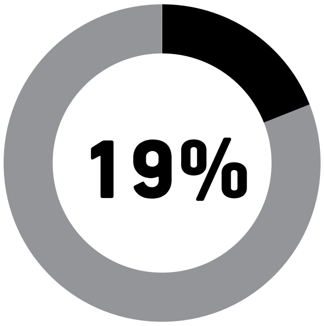
	2019/2020 Rs. Mn	2018/2019 Restated Rs. Mn	Change %
FINANCIAL HIGHLIGHTS			
Revenue	**790**	886	-11
Profit before tax	**177**	185	-4
Tax	**(31)**	(33)	-6
Profit after tax	**146**	153	-4
Dividends	**(68)**	(54)	26
Total assets	**1,686**	1,163	45
Total debt	**278**	1	–
Equity attributable to equity holders of the group	**983**	902	9
Total equity	**1,065**	983	8
PROFITABILITY RATIOS			
Gross profit margin	**23%**	14%	65
Net profit margin	**19%**	17%	8
Return on assets	**9%**	13%	-34
Return on equity	**14%**	15%	11
LIQUIDITY RATIOS			
Working capital	**338**	593	-43
Current ratio (times)	**1.62**	5.17	-69
Quick assets ratio (times)	**1.12**	4.53	-75
EQUITY RATIOS			
Net assets value per share (Rs.)*	**122.93**	112.70	1
Earning per share (Rs.)	**18.27**	19.07	5
Dividend per share (Rs.)	**8.50**	6.75	19
Highest market price per share (Rs.)	**124.00**	110.00	1
Lowest market price per share (Rs.)	**78.50**	60.00	2
Market price as at end of the financial year	**87.10**	85.70	1
DEBT RATIOS			
Debt to equity	**26.08%**	0.14%	–
Interest cover (times)	**40**	15	18
Assets to equity ratio	**158%**	118%	113

** Net assets attributable to equity holders of the Company*

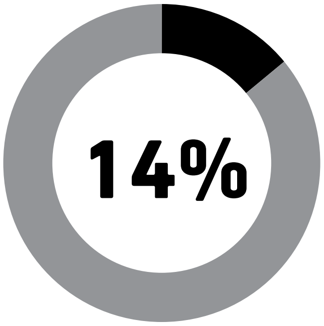
GROSS PROFIT MARGIN



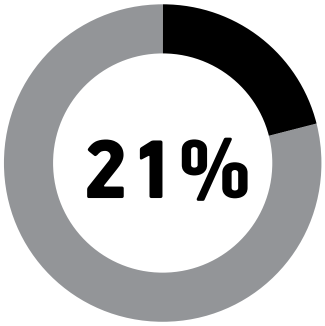
NET PROFIT MARGIN



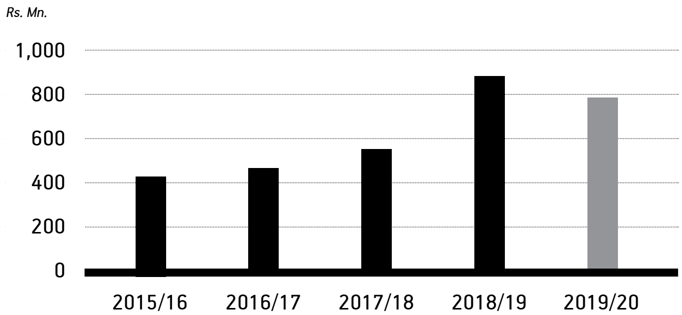
ROE



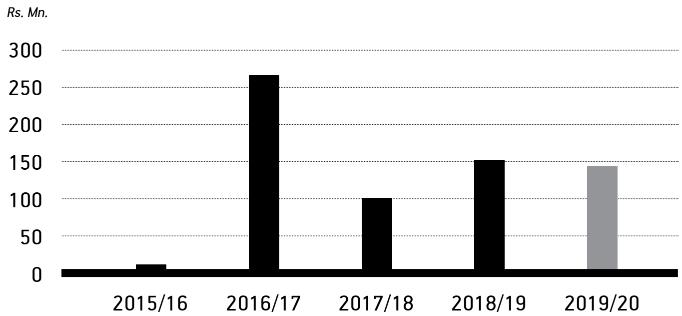
P/E RATIO



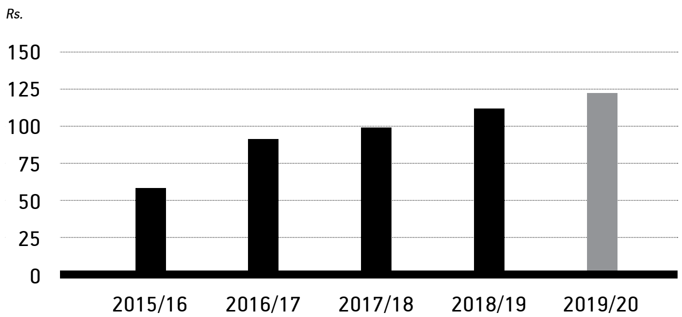
REVENUE



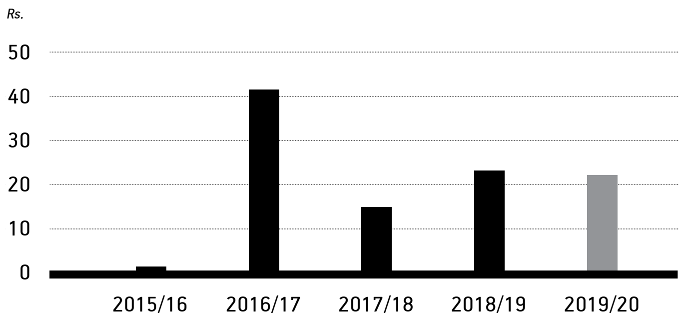
PAT



NET ASSETS PER SHARE



EPS



790 MN
REVENUE (RS.)

177 MN
PROFIT BEFORE TAX (RS.)

146 MN
PROFIT AFTER TAX (RS.)

1,686 MN
TOTAL ASSETS (RS.)

JOINT STATEMENT FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

"It is our pleasure to present the Audited Accounts and Annual Report of Hayleys Fibre PLC, for the financial year 2019/20, to our esteemed shareholders. We are pleased to report a year of stable performance by your Company and its Group, despite the exceptionally challenging business environment.

A key highlight of the year was the strategic investments in new systems, centralised resource mobilisation and logistical integration to support our business growth blueprint over the next few years. The Company also invested heavily on key upgrades to all its factories, to improve the safety standards and welfare facilities of the employees."

As we look towards an even more challenging future, we are determined to ensure the success of our business, by surmounting these new challenges through a pragmatic approach backed by prudent strategies, creating significant value to all our stakeholders.

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MACRO ENVIRONMENT

As a result of the COVID-19 pandemic, the International Monetary Fund projects the global economy to contract by 3% in 2020, much worse than during the 2008-09 financial crisis. At the onset of a severe global economic slowdown which emanated from the pandemic, both developed and emerging economies have provided ample monetary and fiscal stimulus. In a baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.4% in 2021 as economic activity normalises helped by policy support.

Sri Lanka's subdued economic performance in terms of subpar real economic growth continued, despite the macroeconomic stabilisation measures, in the aftermath of the Easter Sunday attacks in April, which had a severe impact on the tourism sector, and adverse spillover effects were felt across the economy, worsening the sluggish growth of the economy and further dampening business confidence. As domestic economic activity started to respond to the policy measures taken to revive the economy and improving business sentiments, the outbreak of the COVID-19 pandemic and the containment measures adopted by all countries including Sri Lanka, held back the country's economic recovery and also triggered uncertainties regarding the country's economic performance in 2020.

The Sri Lankan economy recorded a subdued growth of 2.3% in 2019, compared to the growth of 3.3% in 2018. The industry sector performance somewhat improved in 2019, recording a growth of 2.7% during the year, compared to the growth of 1.2% in 2018.

FINANCIAL PERFORMANCE

Hayleys Fibre PLC recorded a consolidated revenue of Rs. 790 million during the financial year 2019/2020 against Rs. 886 million reported in the previous year, which is a reduction of 11%. Profit before tax decreased to Rs. 177 million from Rs. 185 million. The Group achieved a profit after tax of Rs. 146 million, reporting a marginal reduction from Rs. 153 million recorded in the previous year.

The efforts were supported by strategic backward integration projects streamlining the supply chain for operational efficiency. The Company plans to further upgrade the facility by expanding material drying areas and other value added capabilities to obtain value added products and customers based on these new investments.

As we expanded our product range and production capacity, we have also been able to gain new markets during the year in South American countries such as Peru and Mexico especially for growing media products.

A key development during the current financial year was the commencement of commercial operations of Creative Polymats Pvt Ltd, which is a key component of the Company's product diversification strategy. This facility expands the Group's mattress manufacturing capabilities through a new polyurethane (PU) mattress plant in Dankotuwa. The new investment enhanced the outlook of the segment, making an extended mattress product range which adds to its existing portfolio of coir and spring mattresses offered by its affiliate, Toyo Cushion Lanka (Pvt) Ltd.

In order to support our ongoing plans for business expansion, a number of significant transactions were concluded successfully during the year, including the purchase of land and buildings in Bingiriya, and the expansion of many warehouses in the Company. We expect these new acquisitions and upgrades will significantly expand production and storage capacity to support market expansion in the coming years.

Operational aspects were further streamlined and modernised through the successful implementation of the SAP S/4HANA Enterprise Resource Planning (ERP) system, which has significantly improved the financial and operational controls whilst enhancing the strength of the management information systems.

DIVIDENDS

Despite the exceptional challenges faced during the financial year 2019/2020, we are pleased to report that the Company paid its highest dividend per share (DPS) to date, of Rs. 8.50 during this year, ensuring continued gains for our esteemed shareholders. In addition, we are happy to report that the Earnings Per Share (EPS) of the Company has been stable year-on-year while the Net Assets Value (NAV) per share has increased from Rs. 112.70 to Rs. 122.93.

OUTLOOK FOR 2020

The global COVID-19 pandemic will pose significant challenges to the business from the demand side dynamics to the challenges in the management of the supply chain. Whilst the full impact of the economic outlook of our key markets are still unfolding, the possible impacts of a second wave in many countries will create enormous challenges to maneuver through the economic and the social crisis it has created. Whilst all businesses are getting adjusted to the 'new normal' situations of COVID-19, we have swiftly geared our responses effectively to address this global situation. This will include the re-adjustments and re-alignments to markets, products, the manufacturing portfolio and supply chain activities. The management team has swiftly moved to recalibrate the sector's priorities and changes to meet this global challenge.

As we look towards an even more challenging future, we are determined to ensure the success of our business, by surmounting these new challenges through a pragmatic approach backed by prudent strategies, creating significant value to all our stakeholders. Our business strategy will be further streamlined by carefully monitoring the development of international markets. The key growth areas will include the increased focus on key markets to continually grow the top line with increased market share in every key product area, further value added product range investments in both product development and manufacturing capacity building and the further strengthening of our backward integration strategy. As an integral aspect of our backward integration initiatives, we are also looking forward to the further development of our facility in the Northern Province, along with the continuation of our existing programmes.

The Company will place more emphasise on a sustainable business model where we embrace the triple bottom line for its continued growth and success. In an era placing major emphasis on eco-friendly products that are being more and more supported by the global consumer with the added emphasis placed by the millennial generations, the sector is poised to leverage on eco-friendly natural materials. The global trend and emphasis on food safety and organic farming/food makes it much more critical for the Company to leverage on these strengths and opportunities.

APPRECIATIONS

In an environment where external challenges continue to escalate, our sustained growth and good performance of the current financial year would not have been possible without the active support of all stakeholders, including our network of business partners. Therefore, we would like to take this opportunity to thank our customers, international agents, distributors and suppliers for their continued support and patronage. A special appreciation is extended to all our employees, whose commitment and hard work to manage through an unprecedented time period made it possible to achieve performance whilst keeping focus on the future growth and sustainability. As we enter a new era of global challenges and selective opportunities, we look forward to the energy, commitment and enthusiasm of our team to drive the Company forward.

Sincerely

Mohan Pandithage
Chairman

H. S. R. Kariyawasan
Managing Director

10th June 2020

SETTING THE STANDARDS FOR UNRELENTING TEAM WORK

OUR PRODUCT PORTFOLIO

GROWING MEDIA

Coir pith and coconut husk chips prepared as a soil substrate for cultivation

GROWING MEDIA

Coir Fibre Pith

Coir fibre pith, also known as coco peat or coir dust is a mulch like material high in porosity and water absorption vis a vis soil. This is ideal as a growing medium for plants and is extracted from coconut fibre

Husk Chips

husk chips are the potting medium for orchids and similar cut-plants. They are chopped/cut pieces of coconut husks available in different sizes to suit varying applications.

Chopped Fibre

These are used extensively to decrease the bulk density in potting and bedding mixtures as the coconut fibre strands are shorter in length. .

Grow Blocks

Mainly used for agricultural purposes as a soil substrate for growing, grow blocks are high compressed coir pith, husk chips or a mixture of coir pith, husk chips and chopped coir fibre that can be reconstituted manually by adding water.

Grow Bales

Bales are available as pith, husk chips or chopped fibre, based on requirements and are used in many applications in the growing industry.

RETAIL GROWING MEDIA

Retail Blocks

The ready to use retail grow block is our latest DIY innovation and is designed in a manner, which only requires the addition of water for expansion, which facilitates hassle free growing to the consumer.

Reptile and Animal Bedding

This is a new application as bedding for reptiles, supplied as bulk blocks and bricks, or as retail packs with customised labelling.

Grow Bags

Hayleys Fibre manufactures a variety of grow bags with various blends of nutrient levels and EC to suit the exact crop. The grow bags are compressed slabs of coir pith packed in polypropylene bags for pot free planting that are easy to handle and re-hydrate instantly. Pre-cut plant holes and drainage holes makes it easy to use and labour is only required for the installation process. Proper aeration and water holding capacity enhances root structure development as it facilitates the fertilizer balance.

EROSION CONTROL

INDUSTRIAL FIBRE

Erosion control solutions: Stitched blankets.

Coir twisted fibre and fibre in raw form.

EROSION CONTROL SOLUTIONS

Geo Logs & Pillows

Geo Logs are used to guide streams of all sizes by stacking them on the slope, to strengthen the banks, or to guide the water in a different direction. Our range of Geo Logs come with knotted or knot-less netting and can be customised according to customer requirements and applications including size, weight and the degradability of the coir fibre filling.

Geo Slabs and Geo Pillows are other alternatives manufactured by Hayleys Fibre which can be used for floating gardens and roof greening applications.

Geo Textiles

Geo Textiles are permeable fabrics made from either coir yarn or coir twine woven into a matrix that gives a 100% biodegradable mesh which, when used in association with soil, has the ability to separate, filter, reinforce, protect or drain controlling the erosion

Geo Blankets

Geo Blankets, which can be used for aesthetic purposes as well as to prevent soil exposure, are made from coir that can be laid on any terrain including slopes, on river banks and on gardens to cover the ground Use of geo blankets helps the soil to settle naturally and make the area more stable.

INDUSTRIAL FIBRE

Coir Fibre

Coir fibre was traditionally used to manufacture yarn, twine, brushes, brooms and floor coverings and Sri Lanka is renowned for the production of Golden Brown coir fibre that are used extensively by numerous industries both locally and internationally. They are eco-friendly and are manufactured using age old processes, such as retting and wet milling. Various grades of fibre suited to specific applications are extracted, including bristle fibre, omat fibre, mattress fibre and mixed fibre. The intrinsic features of coir fibres include physical properties, such as length, resistance to decay, hygroscopic properties, colour and texture, and mechanical properties such as elasticity, strength, torsion rigidity and elongation. At Hayleys Fibre we supply all the grades in bale form, as well as in curled form (twisted fibre with features suited particularly for mattresses and upholstery.)

Bristle Fibre

Used predominantly in the manufacture of brushes, brooms, high-strength twine and other related products, Bristle Fibre, consisting of long, stiff strands, is the finest grade of coir fibre available. Bristle Fibre is classified as 1-tie, 2-tie or 3-tie according to its length with 3-tie Bristle Fibres being the longest. The fibres are separated through a process termed hackling which involves combing the fibres using steel combs to achieve the desired length as well as removing any impurities. We supply cut and un-cut Bristle Fibre in natural, black and bleached form.

Mattress Fibre

Mattress Fibre is comparatively a shorter grade of coir fibre and they are used for a multitude of purposes. Hygroscopic properties of Mattress Fibre provides for a well-ventilated, cool and comfortable sleeping surface making them an ideal raw material in the manufacture of rubberised coir mattresses and mattress blocks. Other common applications of Mattress Fibre include drainage filtering, thermal insulation, carpet underlining, automobile/ furniture upholstery designing, erosion control, logistics (packaging) and a host of other related applications.

Twisted Fibre (Curled Coir)

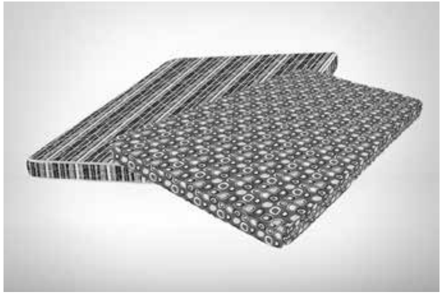
Twisted fibre, commonly known as FMT (Ferra Machine Twisted), is coir fibres which are mechanically twisted and curled and made into coils of rope of various sizes and weights. Twisted fibre is primarily used in the manufacturing of coir mattresses, furniture cushioning and automobile seat cushioning. A unique feature of twisted fibre which makes them suitable for these applications is that even after uncurling, the strands of fibre retain their ‘springy” effect which provides added comfort. The curly effect also increases the latex penetration which aides in the manufacture of rubberised coir blocks. Additionally twisted fibre is used in the manufacture of erosion control products, carpet underlays, drainage pipe insulation and other related products.

Coir Twine

Twine consists of coir fibres, usually bristle fibre, twisted around a glide thread. Various grades of twine can be manufactured depending on the quality and quantity of the fibre used, the number of twists, for the intended application. Our twine is used in a variety of applications including sea squirt cultivation, horticulture, erosion control, woven floor covering production and in the hop twine industry, among many other related applications.

Twine for the Hop Industry

Hayleys Fibre coir twine has been used in the hop industry, particularly in the US and Europe for the last 2 decades, where the flowers of the hop plant are used as a flavouring/stability agent in beer. The industry uses steel trellises (approximately 6m in height, to which coir twine is hung. This twine acts as the stringing medium along which the hop plant grows vertically with minimal labour requirements. With breaking strengths of up to 50 kg, our hop twine is known for their superior roller resistant properties. It is also a proven fact that the use of twine for this particular purpose improves the growth rate of the hop plant enhancing the yield. Coir twine is 100% natural and eco-friendly hence once the hop flowers are harvested, the twine and the hop plant can be converted to compost.



Aqua Twine for Meongge (CESCO) & Oyster Cultivation

Hayleys Fibre Aqua Twine, is a special grade of twine manufactured for the purpose of sea squirt cultivation, and as the growth medium in oyster cultivation. Sea pineapple is a variety of edible sea squirt consumed primarily in Korea where it is considered a delicacy, known as" Meongge. Hayleys Fibre is a dominant supplier of Aqua Twine to South Korea. Aqua Twine possesses unique features, such as high retaining probability resulting in high yield, high breaking strength suitable to support heavy loads and uniform cross sections required for smooth harvesting.

FOAM MATTRESSES

PU Foam Mattresses & Pillows

Hayleys Mattresses are proud to introduce a range of Foam Mattresses to our collection. Manufactured according to industry standards within a custom build premises with state of the art machinery, our Foam Mattresses collection consists of Single Layer Mattresses, Double Layer Mattresses, Double Layer Mattresses with Quilted Covers and also in the process of increasing the product range by introducing Cool Foam Mattresses, Orthopaedic Mattresses and Memory Foam Mattresses. Always at the forefront of innovation we are also proud to unveil a Hybrid Mattress, the first of its kind in Sri Lanka.

OPERATIONAL REVIEW AND MANAGEMENT DISCUSSION

FINANCIAL OVERVIEW

Despite the volatile macro environment, Hayleys Fibre PLC and its Group recorded a consistent operational profitability during the year.

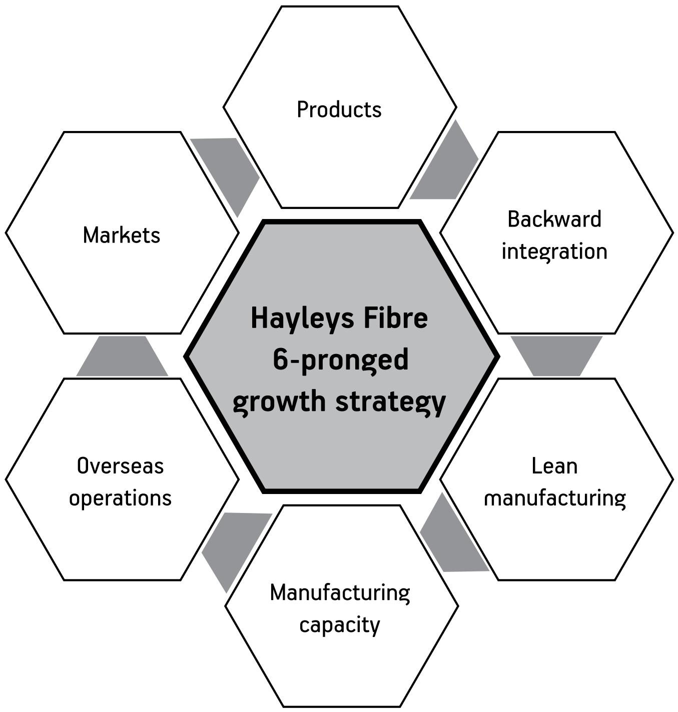
REVENUE

Revenue for the year stood at Rs. 790 million compared to Rs. 886 million in the previous year, while profit before tax decreasing marginally to Rs.177 million, from Rs. 185 million in the previous year, showcasing a resilience to the challenging environment specially towards the latter part of the year. The revenue decrease was partly due to the COVID-19 pandemic which had a direct impact on our turnover in the final quarter of the financial year. In addition, we made a conscious decision not to promote mattress fibre at lower margins as they can be used for more value added products such as in stitched blankets. The Company's continued efforts towards developing and introducing new products through value addition, and the strategic expansion of the global foot print, contributed to the sustained profitability in the year 2019/20.

PROFITABILITY

The profit before tax of Rs. 177 million recorded this year, demonstrated stability of performance, as it is almost on par with last year's performance which was the highest in the history of the Company's operations. The gross profit margin has also improved to 23% from 14%. Business process re-engineering projects and prudent procurement strategies have improved overall efficiency of the supply chain. Continuous improvements on the production floor and the ongoing implementation of lean production methodologies across all our manufacturing processes from beginning to end, have also contributed towards lower wastage and greater efficiency in the use of input materials. Ongoing system improvements focused continuously on eliminating non productive activities and practices that consume excessive amounts of raw materials, to maximise cost-benefit advantages of available resources. Margin expansions were also enabled due to the use of high yielding raw material in manufacturing operations. The said methodologies and processes have been well defined in the Group's growth strategies in its business plan of last year.

Hayley's Fibre has formulated a 6-pronged growth strategy aimed at growing our markets and product portfolio, while strengthening our backwards integration and manufacturing capabilities.



AFFILIATED BUSINESSES OF THE GROUP

The Joint venture company Bonterra Limited (BTL), which is engaged in manufacturing erosion control blankets from coir, performed extremely well with a notable contribution of its profit share to the Group.

The shareholdings of our joint venture remained unchanged in 2019/2020 with Hayleys Fibre continuing to hold 50% of total shares of Bonterra Limited.

Bonterra Limited, a pioneer in erosion control solutions provider, achieved an exceptional performance for the year, with total revenue increasing by 24% year-on-year to Rs. 848 million. This revenue growth was driven primarily through an increase in sales volumes.

The growth in top line pushed up the profit before tax by 50%, to Rs. 188 million and profit after tax by 50% to Rs. 162 million.

The profit share of the Joint Venture Business added to Hayleys Fibre PLC is Rs. 81 million compared to the profit share of last year of Rs. 54 million.

The subsidiary company, Creative Polymats (Pvt) Ltd (CPL) commenced PU foam manufacturing plant in Dankotuwa, during the financial year. CPL produces and sells PU foam mattresses, pillows and foam sheets in the local market. The company started its commercial operation in August 2019 and reported a turnover of Rs. 93 million and loss of Rs. 4 million during the year.

PU Foam Factory in Dankotuwa

Ceremonial Opening of PU foam Factory in Dankotuwa

Hayleys Fibre operates two main manufacturing facilities in Kuliyapitiya and Madampe in the coconut triangle and the strategic locality is helping the operation in sourcing fibre materials at competitive cost.The Group took steps to augment its safety equipment and practices as a priority with the allocation of funding for capital expenditure and the creation of focused management teams on safety.

Newly constructed Warehouse Facility in Kuliyapitiya

GLOBAL PRESENCE

Hayleys Fibre has been extremely successful in expanding its export markets in recent years, gaining new markets in South America, Peru and Mexico specially for growing media products.

Hayleys Fibre has a growing global footprint and continued to maintain marketing offices in the strategic global locations of the Netherlands, the United Kingdom, the United States and Japan for easy access to major Western and other Asian markets.

Marketing Meetings in UK

IPM 2020 Essen, Germany

GLOBAL PRESENCE AND KEY DESTINATIONS

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UK
Netherlands
Japan
India
Sri Lanka

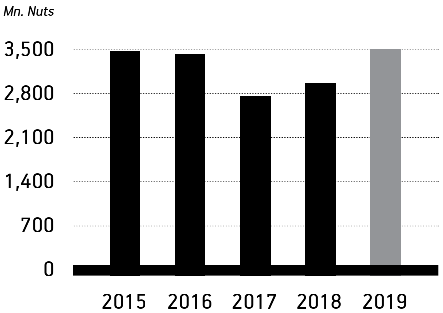
OPERATING ENVIRONMENT

The global and domestic environment were both challenging in 2019 with diverse developments that caused market turbulence and unpredictability, as demonstrated by the unexpected rise of the Coronavirus in early 2020. The rapid spread of the virus in the European continent, Britain, North America and Asian countries had significant negative impacts on the Company's supply chain and sales with consumer and commercial demand diverting from their projected course. This situation translated into an unexpected and unavoidable impact on both the top- line and bottom-line during the final quarter of the 2019-2020 financial year, and cascaded to the bottom line. We anticipate continued ripple effects and aftershocks of the Coronavirus pandemic to continue into the new financial year. However, our diversity in terms of businesses and geographies, is likely to enable a degree of resilience.

Looking back at the rest of the year under review, competition remained fierce in markets with global and even local competition becoming increasingly aggressive. New products are being developed & competitive prices offered for commodities. Being competitive in the market, while maintain consistent quality is the key to retain the existing customer base.

At a global scale, the fallout from Brexit impacted markets in Europe and the UK, while the US-China trade war had ripple effects across the globe impacting demand and the supplies of raw materials. In the US itself, the 'Made in USA,' campaign and buyers' push towards adopting this policy, saw demand for imported foreign-made goods decline.

TOTAL COCONUT CROP HARVEST



The backward integration plans and market expansion plans of Hayleys Fibre continued on track during the year. The objective of the backward integration strategy is to ensure continuous supplies of input materials, at competitive prices, to strengthen price and product competitiveness of the Company.

There is growing consumer demand for mattresses and supplies need to be improved to cater to the demand for mattresses & PU sheets. Hayley's Fibre is enhancing production capabilities to meet this market demand.

With introduction of foam mattresses, the distribution reach has been extended island wide through a larger dealer network. CPL's distribution network alone, already includes 9 distributors covering 7 districts and 473 direct dealers for mattresses. With CPL a whole new customer base has been added to the local customer base.

Continuous thrust on quality products

Mattress Finishing Section

Local Exhibitions to showcase our Mattresses and Pillows

In line with business expansion plans, Hayleys Fibre acquired new properties during the year in Bingiriya, and a new leased property adjacent to the Dankotuwa factory. The Group is also looking at options to further upgrade and expand the fibre mill in Madampe, which is currently facing capacity constraints due to limited availability of space for material drying.

Newly acquired property in Bingiriya

QUALITY SYSTEMS, CERTIFICATIONS AND AWARDS

Hayleys Fibre invests heavily in quality systems and standards to ensure the highest international quality products for its customers. The Group maintains stringent quality standards and international best practices to ensure international quality of all outputs. In the recent past the companies have invested heavily in aligning production processes and systems with global quality parameters, including investing in internationally recognised quality accreditations. These investments have contributed towards a consistently high standard of products that are internationally competitive, making the Hayleys Fibre and Bonterra brands globally recognised.

Awards and Recognition

Our subsidiary CPL successfully obtained the ISO 9000 : 2015 certification for foam mattresses, demonstrating the international quality and consistency of manufacturing that is maintained at all times at its factory. The company is now in the process of obtaining the SLS standard for its foam mattresses.

Our joint Venture Bonterra is already certified with ISO 9001:2015 and has continued to maintain its certification standards.

SAP/S/4HANA ERP IMPLEMENTATION

Operational efficiencies are expected to improve significantly subsequent to the implementation of the modern SAP S/4HANA ERP. The system allows the Company to perform transactions and analyse business data in real-time, directly supporting better management decision making and more flexible business planning. The Group and all related companies in the sector, implemented SAP S/4HANA in February 2020.

SAP S/4HANA "Go-Live"

HUMAN RESOURCES

People are the heart of Hayleys Fibre and we believe that doing well as a business and being a great place to work, go hand in hand. Our people philosophy expresses what it means to work here and incorporates support and development for our people throughout their careers.

We welcome and encourage diverse perspectives and strive for inclusivity so that every voice is heard. The companies of Hayleys Fibre build diversity to better understand our customers' thoughts and their needs, and to drive innovation. We also foster an environment where every employee feels comfortable and inspired to contribute our best ideas.

Recognition of outstanding performance

We encourage people to dream, so that our people can achieve their long term goals. We help create individual development objectives so that each person can focus on developing skills, knowledge and experience that will help them achieve their career aspirations.

We strive for a work environment in which we are all accountable and aware of our responsibilities and behaviours. We reward people for great performance and recognise them for their efforts, both on the job and off the job, as we recognise that doing the right thing is important for continuous improvement.

Our appreciation of healthy living runs deep into our culture. We want everyone to feel safe and secure while at work and health screenings and fitness programmes have presented plenty of opportunities to improve our health.

Hayleys Sports Day – "Rajawasala"

We are building an organisational culture for profitable and sustainable growth to realise our strategic plan on the triple bottom line philosophy leveraging and fostering the key attributes of Energy, Commitment and Enthusiasm throughout the organisation.

CORPORATE SOCIAL RESPONSIBILITY

We believe in giving back to our society and we extend time, money and materials to support education, protect the environment and improve livelihoods of people living in rural villages. Our efforts are aimed at improving livelihoods and ensuring sustainability in our business activities.

PURITAS SATHDIYAWARA

Puritas Sathdiyawara is an initiative to supply clean drinking water for people in the North and North Central provinces, to eradicate Chronic Kidney Disease (CKD).

This is the Hayleys Group's flagship CSR project, in which different sectors of the Group contribute, to reach more villages and provide clean drinking water for people affected by the Chronic Kidney Decease (CKD) in the country.

The project includes setting up a central reverse osmosis drinking water treatment plant and a distribution system that supplies 10,000 litres of water per day a library/computer centre and model organic farms, at selected villages.

Project to supply drinking water in Bathalayaya, Mahiyangana

FUTURE PLANS

Hayley's Fibre has a clearly defined strategic blueprint to advance its business objectives in the new financial year of 2020-2021. However, the Group faces a number of challenges in moving towards its targets.

The immediate risk faced by the Group is the recovery from the Coronavirus impacts. We are closely monitoring market developments and emerging threats and opportunities as countries battle with this new threat. While there is still no indication of how long it will take markets to return to normalcy, we will be prepared to supply market needs when the demand recovers.

The outcome of the Breixt deal will also realign demand and supply patters in the EU and the UK, while the EU is set to review Sri Lanka's GSP+ status in December 2020. Again the outcome of this process will have a significant impact on access to European markets for our products. The continued depreciation of the Sri Lankan rupee against regional currencies and rising interest rates within the country, while competitor country Governments provide incentives for manufacturers, have all contributed towards making Sri Lankan goods less competitive in international markets. In this challenging environment, Hayleys Fibre is focused and ready to deploy its strategic growth plans to sustain business growth in the coming years. A key objective in the new financial year will be to increase the market share in the local market for mattress sales. We will maintain the quality & quantity of our products while keeping prices unchanged at the same level with the flexibility of offering special rates on specific large orders to continually capture market share.

PROFILES OF DIRECTORS

A. M. Pandithage

Chairman & Chief Executive

Joined the Hayleys Group in 1969. Appointed to the Hayleys PLC Board in 1998. Chairman and Chief Executive of Hayleys PLC since July 2009.

Appointed to the Board of Hayleys Fibre PLC in 2007. Fellow of the Chartered Institute of Logistics & Transport (UK). Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Shipping Agents. Recipient of the Best Shipping Personality Award by the Institute of Chartered Shipbrokers; Leadership Excellence Recognition – Institute of Chartered Accountants of Sri Lanka; Honored with Lifetime Achievement Award at the Sea trade – Sri Lanka Ports, Trade and Logistics; Lifetime Award for the Most Outstanding Logistics and Transport Personality of the Year – Chartered Institute of Logistics & Transport.

H. S. R. Kariyawasan

Managing Director

Joined Hayleys Group in January 2010. Has overall responsibility for the Eco Solutions sector as the Managing Director. Is also the Managing Director of Purification Products Sector (Haycarb PLC). Is a Director of Dipped Products PLC and Hayleys Fibre PLC.

Appointed to the Group Management Committee in February 2010 and to the Board of Hayelys PLC in June 2010. Appointed to the Board of Hayleys Fibre PLC in May 2017. Appointed to the Board of Sri Lanka Institute of Nanotechnology (Private) Ltd., (SLINTEC) as a nominee director of Hayleys PLC in March 2019.

Holds a B Sc Engineering (Electronics and Telecommunications) from the University of Moratuwa, Sri Lanka. Fellow Member of the Chartered Institute of Management Accountants, 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.

Dr. S. A. B. Ekanayake

Appointed to the Board in March 2007. Past Chairman of the Ceylon Chamber of Commerce and past Chairman of the Industrial Association of Sri Lanka.

Served as Director Human Resources and Corporate Relations at Unilever Sri Lanka Limited and as a member of that Company's Board. Also served as Director General Public Administration and Chairman, International Natural Rubber Organisation, Kuala Lumpur, Malaysia. Holds a B.A. in Economics and a M.Sc. in Agriculture from the University of Peradeniya and a PhD in Economics from the Australian National University.

S. C. Ganegoda

Appointed to the Board of Hayleys Fibre PLC in September 2009. Fellow Member of CA Sri Lanka and Member of institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayawardenepura.

Held several Senior Management positions in large Private Sector Entities in Sri Lanka as well as overseas.

Has responsibility for the Strategic Business Development Unit of Hayleys PLC. He serves on the Boards of Unisyst Engineering PLC, Alumex PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC and Horana Plantations PLC.

T. G. Thoradeniya

Mr. Tharana Thoradeniya has over two decades of senior management experience in multi-industry scenarios. He is a Group Director of Royal Ceramics Lanka PLC and CEO/Director of Rocell Bathware Ltd. He also sits on the Boards of several other public quoted and privately held companies in Sri Lanka, including Pan Asia Banking Corporation PLC, Lanka Ceramics PLC, Lanka Walltiles PLC, Lanka Floortiles PLC, Delmege Ltd, Vallibel Plantation Management Ltd., Dipped Products (Thailand) Ltd., Unidil Packaging (Pvt) Ltd, and Fentons Ltd. amongst others. Mr. Thoradeniya has been credited as a proven business innovator across industries. A marketer by profession, Mr. Thoradeniya was in the pioneering batch of Chartered Marketers of the Chartered Institute of Marketing (UK).

K. S. Padiwita

Appointed to the Board in February 2016. Holds a Bachelor of Science Degree from the University of Colombo. Mr. Padiwita represents the Hayleys Eco Solutions Sector in the European market since January 2015.

M. I. L. Perera

Joined Hayleys Group in December 2015 as the Chief Executive Officer (CEO) of the Eco Fibre & Floor Coverings sectors. Appointed to the Board in May 2017. Appointed as the Deputy Managing Director / CEO of Eco Solutions sector of Hayleys in April 2019. Holds a Masters in Manufacturing Management from the University of Colombo. Has over a decade of management experience in multi- national organisations, Coca Cola Beverages Sri Lanka Ltd and Unilever Ceylon Ltd. Before joining Hayleys Group, held the position of Country Supply Chain Manager of Coca Cola Beverages Sri Lanka Ltd from 2010 to 2015.

Dr. T. K. D. A. Prasad Samarasinghe

Appointed to the Board in September 2017, Dr. Prasad Samarasinghe is the Managing Director of Lanka Bell Ltd. In addition, he holds the position of Managing Director of Bell Solutions (Pvt) Ltd, Alternative Director positions at HNB PLC, HNB Assurance PLC and HNB General Insurance Limited and the directorships of three non-profit organisations, FITIS, TRACE and Information and Communication Technology Industry Skills Council (ICTSC).

He obtained his Doctorate in Telecommunications from the world ranked research university, the Australian National University, Canberra, Australia. Dr. Samarasinghe holds a B.Sc. (Eng) Degree in Electronics and Telecommunications with First Class Honors and a M.Sc. in Engineering, both from the University of Moratuwa, Sri Lanka. A member of the IEEE (Institute of Electrical and Electronic Engineers) and the IET (Institute of Engineering and Technology), he also has a Licentiate (Parts I and II) from the Institute of Chartered Accountants of Sri Lanka with the island's best results in Financial Accounting, Business Mathematics, Statistics and Data Processing. In the past, Dr. Samarasinghe held the posts of Chief Operating Officer at Sri Lanka Insurance, Head of Information Technology at Commercial Bank PLC and Director of e-Channeling PLC.

L. A. K. I. Kodytuwakku

Joined Hayleys Group in May 2017 as the Chief Executive Officer (CEO) of Ravi Industries. Appointed to the Boards of Hayleys Fibre PLC, Ravi Industries Ltd and Ravi Marketing Services (Pvt) Ltd as an Executive Director in November 2017. Appointed as the Chief Operating Officer (COO) of Eco Solutions sector of Hayleys in April 2019. Holds a Masters in Business Administration from Anglia Ruskin University, UK/ Dip in Manufacturing Management from University of Colombo. He counts over two decades of management experience in multi-national organisations, Glaxo Smithkline Beachem and Unilever Ceylon Ltd. Before joining Hayleys Group, held the position of Supply Chain Director of Glaxo Smithkline Beachem.

D. K. De Silva Wijeyeratne

Appointed to the Board in April 2018. Mr. D K de Silva Wijeyeratne is an Associate Member of the Institute of Chartered Accountants of Sri Lanka (ACA), Fellow Member of the Chartered Institute of Management Accountants, UK, (FCMA), and a Graduate Member of the Australian Institute of Company Directors (GAICD). Trained with Ernst & Young, Sri Lanka and thereafter moved as a finance professional to Price Waterhouse, Bahrain, and has extensive experience in audit and advisory services. Commenced a Banking career at HSBC Bank Middle East, as Head of Finance and Operations and latterly, was Head of Global Markets and Treasury of the group offices of HSBC in the Kingdom of Bahrain. After two decades with the Bank, in 2010 joined Third Wave International WLL (TWI) a boutique consultancy Company as an equity partner and CEO and embraced entrepreneurship. Core advisory services were Financial, Business Strategy, Human Resource Management (HRM), Marketing research and project management. Additionally, collaborated and represented business partners from Sri Lanka, Melbourne Australia, UK, Croatia, and Singapore in undertaking consultancy assignments in the Kingdom of Bahrain, Saudi Arabia, and Oman. Mr. Wijeyeratne is also on the Boards of Regnis (Lanka) PLC, Singer Industries (Ceylon) PLC, Singer (Sri Lanka) PLC and Sampath Bank PLC as a Non-Executive Director.

M. C. Sampath

Joined Hayleys Group in June 2015 as the Chief Financial Officer of the Eco Solutions Sector. Appointed to the Board in May 2018.

Fellow member of the Institute of Chartered Accountants of Sri Lanka. Holds a special degree in B.Sc. Accountancy and Financial Management from the University of Sri Jayawardenapura. Has more than twenty years of experience in the field of accountancy and financial management at senior positions in local and overseas Companies.

W. A. K. Kumara

Appointed to the Board in August 2018. Joined Bonterra Ltd in May 2016 as a Chief Marketing Officer and was promoted to CEO of Bonterra Ltd in April 2017.

He worked at Volanka Exports Ltd as a Senior Manager Marketing from 2007-2015 and Ceylon Leather Products PLC as Chief Marketing Officer from 2015-2016 prior to joining Bonterra Ltd.

Holds a BSc (General) Degree from University of Kelaniya, MBA (Marketing) from University of Colombo and Postgraduate Diploma in Commerce from University of Kelaniya. Fellow member of the Charted Institute of Marketing – UK.

CREATING NEW OPPORTUNITIES FOR DIVERSE MARKETS

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are responsible, under sections 150 (1), 151, 152 (1), 153 (1) & 153 (2) 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 Financial Reporting Standards/ Sri Lanka Accounting Standards (SLFRS/LKAS). The financial statements provide the information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange.

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

The Directors have confirmed that the Company has satisfied the solvency test requirement under Section 56 of the Companies Act No.07 of 2007 for the interim dividends paid. Solvency certificates were obtained from the Auditors in respect of the interim dividends paid.

The External Auditors, Messrs Ernst & Young., who are deemed re-appointed in terms of section 158 of the Companies ACT No. 7 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the financial statements. The Report of the Auditors, shown on pages 46 to 49 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 Group Companies 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
10th June 2020

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The details set out, provide the pertinent information required by the Companies Act No.07 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended best accounting practices.

PRINCIPAL ACTIVITIES

Hayleys Fibre PLC and its joint venture are primarily involved in the manufacture and export of coir fibre products. The subsidiary, Creative Polymats (Pvt) Ltd, produces polyurethane mattresses and other related products for local markets.

REVIEW OF THE YEAR

The joint statement from the chairman and the managing director (pages 6 to 8) and operational review and management discussion (pages 14 to 21) describe briefly the activities of the Group and the Company during the year under review. The results for the year are set out in the Income Statement.

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

FINANCIAL STATEMENTS

The financial statements of the Group and the Company are given on pages 50 to 55 in the Annual Report.

AUDITORS' REPORT

The auditors' report on the financial statements is given on pages 46 to 49.

ACCOUNTING POLICIES

The accounting polices adopted in the preparation of financial statements are given on pages 56 to 68. There were no changes in the accounting policies adopted by the Group.

INTERESTS REGISTER

The Company, in compliance with the Companies Act No.7 of 2007, maintains an Interests Register. Particulars of entries in the Interest Register are detailed below.

Directors' Interests in Transactions

The Directors of the Company have made the general disclosures provided for in section 192(2) of the Companies Act No.7 of 2007. Note 36 to the financial statements dealing with related party disclosures.

Directors' Interests in Shares

Directors of the Company, who have relevant interests in the shares, have disclosed their shareholdings and any acquisitions/disposals in compliance with section 200 of the Companies Act.

The details of the Directors` shareholdings in the Company are given later in this report. There were no changes in holdings during the period.

Directors' Remuneration

The total remuneration of Non Executive Directors for the year ended 31st March 2020 was Rs. 1.82 million, determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the company.

RELATED PARTY TRANSACTIONS

The Board of Directors has given the following statement in respect of related party transactions.

The related party transactions of the Company during the financial year have been re-viewed by the Related Party Transactions Review Committee of Hayleys PLC, the parent Company which acts as the Related Party Transactions Review Committee of the Hayleys Fibre PLC and are in compliance with Section 09 of the CSE Listing Rules.

The Committee met four (04) times in the financial year 2019/2020.

Attendance

Meetings held on 15th May 2019,
05th August 2019, 05th November 2019 and
10th February 2020.

The attendance of the members at these meeting was as follows.

Dr. H. Cabral, PC	4/4
Mr. M. Y. A. Perera	4/4
Mr. S. C. Ganegoda	4/4

Details of the Related Party Transactions Review Committee are given on page 43 in the annual report.

CORPORATE DONATIONS

At the last Annual General Meeting, shareholders approved a sum not exceeding Rs. 50,000/- in respect of donations. No Donations were made during the year.
(2018/2019 – Nil)

INSURANCE & INDEMNITY

The ultimate parent of the Company, Hayleys PLC has obtained a Directors' and Officers' Liability insurance from a reputed insurance company in Sri Lanka providing worldwide cover to indemnify all past, present and future Directors and Officers of the Group.

DIVIDEND

1st Interim Dividend of Rs. 2/- per share for the year 2019/20 was paid to the shareholders on 17th October 2019

2nd Interim Dividend of Rs. 2/- per share for the year 2019/20 was paid to the shareholders on 22nd January 2020.

3rd Interim Dividend of Rs.4/50 per share for the year 2019/20 was paid to the shareholders on 26th May 2020.

The Directors have confirmed that the Company satisfies the solvency test requirement under section 56 of the companies Act. No.07 of 2007 for the Dividend paid.

DIRECTORATE

The names of the Directors who held office during the financial year are given below and their brief profiles appear on pages 22 and 23.

1. Mr. A. M. Pandithage
2. Mr. H. S. R. Kariyawasan
3. Dr. S. A. B. Ekanayake**
4. Mr. S. C. Ganegoda*
5. Mr. T. G. Thoradeniya**
6. Mr. K. S. Padiwita
7. Mr. M. I. L. Perera
8. Dr. T. K. D. A. P. Samarasinghe**
9. Mr. L. A. K. I. Kodytuakku
10. Mr. D. K. De Silva Wijeyeratne**
11. Mr. M. C. Sampath
12. Mr. W. A. K. Kumara

** Non – Executive Director*
*** Independent Non – Executive Director*

Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007, of the intention to propose an ordinary resolution for the re-appointment of Mr. K. S. Padiwita, who is 70 years of age, notwithstanding the age limit stipulated by Section 210 of the Companies Act. No 07 of 2007.

In terms of Article No.29(1) of the Articles of Association of the Company, Messrs. L. A. K. I. Kodytuakku, D. K. De Silva Wijeyeratne and M. C. Sampath retire by rotation and being eligible offer themselves for re-election.

DIRECTORS' SHAREHOLDINGS

The Directors' holding as at 31st March,

Name of Directors	No. of Shares	
	as at 31.03.2020	as at 01.04.2019
Mr. A. M. Pandithage	**320**	320
Mr. H. S. R. Kariyawasan	**Nil**	Nil
Dr. S. A. B. Ekanayake	**Nil**	Nil
Mr. S. C. Ganegoda	**608**	608
Mr. T. G. Thoradeniya	**Nil**	Nil
Mr. K. S. Padiwita	**1,280**	1,280
Mr. M. I. L. Perera	**Nil**	Nil
Dr. T. K. D. A. P. Samarasinghe	**Nil**	Nil
Mr. L. A. K. I. Kodytuakku	**Nil**	Nil
Mr. D. K. De Silva Wijeyeratne	**Nil**	Nil
Mr. M. C. Sampath	**Nil**	Nil
Mr. W. A. K. Kumara	**Nil**	Nil

AUDITORS

The financial statements for the year have been audited by Messrs Ernst & Young, Chartered Accountants.

The Auditors, Messrs. Ernst & Young Chartered Accountants were paid Rs. 1.58 million (2018/2019 Rs. 1.58 million), and Rs. 1.97 million (2018/2019 Rs. 1.58 million), as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 0.75 million (2018/2019 Rs. 0.61 million) and Rs. 0.93 million (2018/2019 Rs. 0.61 million), by the Company and the Group respectively, for non-audit related work, which consisted mainly of tax consultancy services.

As far as the Directors are aware, the Auditor does not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The auditors also do not have any interests in the company.

Messrs. Ernst & Young, Chartered Accountants, are deemed reappointed as Auditors of the Company, in terms of section 158 of the Companies Act No.7 of 2007. A resolution proposing the Directors be authorised to determine their remuneration will be submitted at the Annual General Meeting.

GROUP REVENUE/INTERNATIONAL TRADE

The gross revenue of the Group during the year was Rs. 790 million (2018/2019 - Rs. 886 million.) During the year, of Rs. 651 million (2018/2019 – Rs. 880 million) was exported by the Company.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

RESULTS OF OPERATIONS

The Group profit before taxation amounted to Rs. 177 million after deducting Rs. 31 million for taxation, the Group profit attributed to equity holders of the Group for the year was Rs. 146 million.

The Group's Statement of Profit or Loss for the year is given on page 50. Details of transfer to/from reserves in respect of the Group are shown in the Statement of Changes in Equity on page 53.

CAPITAL EXPENDITURE

Purchase and construction of property, plant & equipment during the year amounted to Rs. 294 million. The movement in property, plant & equipment is set out in note 13 to the financial statements.

STATED CAPITAL AND RESERVES

The stated capital of the Company is Rs. 80 million comprising 8,000,000 shares. There were no changes in the stated capital during the year.

The Group reserves as at 31st March 2020 amounts to Rs. 769 million (2018/2019 – Rs. 696 million), other component of equity Rs. 84 million (2018/2019 – Rs. 76 million) and other reserves of Rs. 51 million (2018/2019 – Rs. 51 million).

TAXATION

It is the policy to provide for deferred taxation on all temporary differences on the liability method.

The tax liability on profits derived on business is explained under note 10 of the financial statements.

SHARE INFORMATION

Information relating to earnings, dividends, per share and share trading is given in notes 11 & 12 to the Financial statements and on the pages 110 and 111 respectively.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the Balance Sheet date which would require adjustment to, or disclosure to the financial statements.

KEY INDICATORS

Market value	2019/2020		2018/2019	
	Price Rs.	Date	Price Rs.	Date
Highest Price	124.00	6 February 2020	110.00	25 January 2019
Lowest Price	78.50	15 May 2019	60.00	26 June 2018
Closing Price	87.10	20 March 2020	85.70	29 March 2019

SHAREHOLDERS

It is the policy to endeavor to ensure equitable treatment of its shareholders.

STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to employees and the Government Institutions have been made up to date.

CORPORATE GOVERNANCE/INTERNAL CONTROL

Adoption of good governance practices has become an essential requirement in today's corporate culture. The practices carried out by the Company/Group are explained in the Corporate Governance statement on pages 31 to 36.

GOING CONCERN

The Directors, after making necessary inquiries and reviews including reviews of the Company and the Group budgets for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Group and the Company 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.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the Registered Office of the Company, No. 400, Deans Road, Colombo 10, Sri Lanka at 10.00 a.m. on Monday, 27th July 2020. The Notice of the Annual General Meeting appears on page 114.

For, and on behalf, of the Board

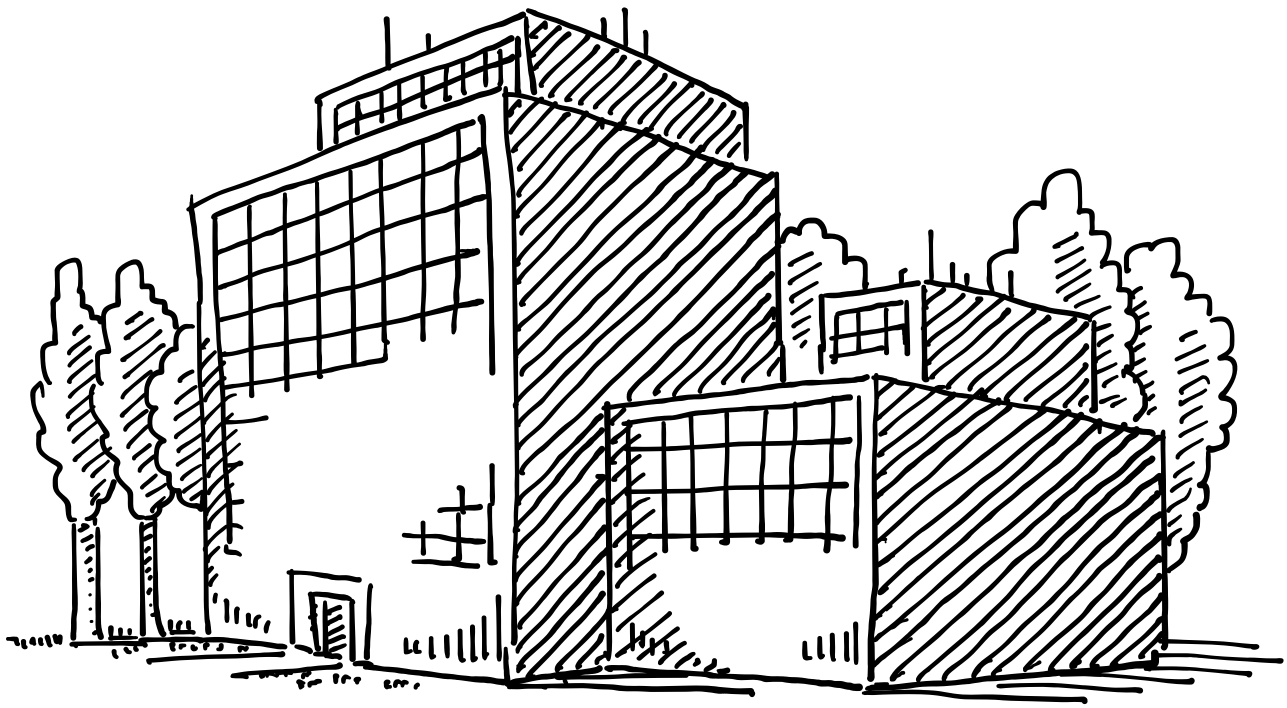
A. M. Pandithage
Chairman

H. S. R. Kariyawasan
Managing Director

Hayleys Group Services (Private) Limited
Secretaries
No. 400, Deans Road, Colombo 10.

10th June 2020

ESTABLISHING A STATE-OF-THE-ART WAREHOUSE SPACE



RESPONSIBILITY STATEMENT OF CHAIRMAN, MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER

The Financial Statements of Hayleys Fibre PLC and the Consolidated Financial Statements of the Group, as at 31st March 2020, are prepared and presented in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- The Companies Act No. 07 of 2007
- The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Listing Rules of the Colombo Stock Exchange
- The Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka

We confirm that the significant accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied , as described in the Notes to the Financial Statements. The significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and our External Auditors.

We have also taken proper and sufficient care in installing systems of internal control and accounting records to safeguard assets and to prevent and detect frauds as well as other irregularities. These have been reviewed, evaluated and updated on an ongoing basis. Reasonable assurances that the established policies and procedures of the Company have been consistently followed were provided by periodic audits conducted by Group's internal auditors. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits and to discuss auditing, internal controls and financial reporting issues. The Independent Auditors and the Internal Auditors have full and free access to the Audit Committee to discuss any matter of substance.

The Financial Statements were audited by independent external auditors, Messrs Ernst & Young , Chartered Accountants. The Audit Committee approves the audit and non-audit services provided by the External Auditor, in order to ensure that the provision of such services do not impair their independence.

We confirm that,

- The Company and its Subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- There are no material non-compliances; and
- There are no material litigations that are pending against the Group.

A M Pandithage
Chairman/Chief Executive Officer

H S R Kariyawasan
Managing Director

M C Sampath
Director/Chief Financial Officer

10th June 2020

CORPORATE GOVERNANCE

Hayleys Fibre PLC and its Group continue to be committed to conducting the Company's business ethically and in accordance with high standards of good Corporate Governance.

The Company is a subsidiary of Hayleys PLC.

We set out below the Corporate Governance practices adopted and practiced by the Group against the background of the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka and the Rules set out in Section 7 of the Colombo Stock Exchange's Listing Rules.

BOARD OF DIRECTORS

The Board of Directors is responsible for setting up the governance framework within the Group.

COMPOSITION AND ATTENDANCE AT MEETINGS

As at the end of the year under review, the Board consisted of Twelve Directors, Five Non-Executive Directors out of which Four are Independent Non-Executive Directors, Seven Executive Directors. Profiles of these Directors are given on pages 22 and 23 of this Report. Details of Directors' shareholding in HFP and the directorates they hold in other companies are given on pages 27 and 22 to 23 respectively.

The Board meets quarterly as a matter of routine. Ad-hoc meetings are held as and when necessary. During the year under review the Board met on four occasions. The attendance at these meetings during the financial year was:

Name of Director	Attendance
A. M. Pandithage - Chairman	4/4
H. S. R. Kariyawasan	4/4
Dr. S. A. B. Ekanayake**	3/4
S. C. Ganegoda*	4/4
T. G. Thoradeniya**	2/4
K. S. Padiwita	0/4
M. I. L. Perera	4/4
Dr. T. K. D. A. P. Samarasinghe**	4/4
L. A. K. I. Kodytuakku	4/4
D. K. De Silva Wijeyerathne**	4/4
M. C. Sampath	4/4
W. A. Kelum Kumara	4/4

RESPONSIBILITIES

The Board is responsible to:

- Enhance shareholder value.
- Formulate and communicate business policy and strategy to assure sustained growth, and monitor its implementation.
- Approve any change in the 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 focus.
- Ensure effective remuneration, reward and recognition policies are in place to help employees give of their best.
- 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 and ethical standards are established.
- 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 world and domestic economy and other matters relevant to the company.
- May convey concerns to the Chairman, if and when a need arises.
- May where necessary and with the concurrence of the Chairman, consult and consider inputs from "experts" in relevant areas.
- Should declare their interests in contracts under discussion at a Board Meeting, and refrain from participating in such discussion.
- 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.

COMPANY SECRETARY

The services and advices of the Company Secretary are 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. Shareholders are free to communicate with the secretaries whenever it is considered necessary.

CHAIRMAN'S ROLE

The Chairman is responsible for the efficient conduct of Board Meetings. The Chairman maintains close contact with all Directors, and holds informal Meetings with Non-Executive Directors as and when necessary.

** Non Executive Director*

*** Independent Non Executive Director*

BOARD BALANCE

The composition of the Executive and Non-Executive Directors (the latter are over one third of the total number of Directors) satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange. The Board has determined that Four non-Executive Directors satisfy the criteria for “independence” set out in the Listing Rules. The Board believes the independency of Dr. S. A. B. Ekanayake and Mr. T. G. Thoradeniya are not compromised by them being board members for more than nine years as the objectivity of their roles are not affected by this period.

Non-Executive Directors profiles reflect their calibre and the weight their views carry in Board deliberations. Each is independent of management and free from any relationship that can interfere with independent judgment. The balance of Executive, Non-Executive and Independent Non-Executive Directors on the Board ensures that no individual Director or small group of Directors dominates Board discussion and decision making.

The Chairman of the Company is also the Chairman of Hayleys PLC. Chief Executive authority is vested in the Managing Director of the Company. The distinction between the position of the Chairman and officers wielding executive powers in the Company ensures the balance of power and authority.

FINANCIAL ACUMEN

The Board includes three Senior Chartered Accountants, who possess the necessary knowledge and competence to offer the Board guidance on matters of finance.

SUPPLY OF INFORMATION

Directors are provided with quarterly reports on performance and such other reports and documents as necessary. The Chairman ensures all Directors are adequately briefed on issues arising at Meetings.

APPOINTMENTS TO THE BOARD

The Board as a whole decides on the appointment of Directors.

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 re-election 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/re appointment. Retiring Directors are generally eligible for re-election.

The Managing Director does not retire by rotation.

REMUNERATION PROCEDURE

The Remuneration Committee of Hayleys PLC who is the parent of HFP acts as the Remuneration Committee of the Company.

Remuneration Committee of Hayleys PLC consists of:

- Dr. H. Cabraal, PC** - Chairman
- Mr. Dhammika Perera*
- Mr. M. H. Jamaldeen**
- Mr. M. Y. A. Perera**

The Remuneration Committee recommends the remuneration payable to Managing Director and Executive Director(s) and sets guidelines for the remuneration of the management staff within the Company. The Board makes the final determination after consideration of such recommendation and performance of the senior management staff.

DISCLOSURE OF REMUNERATION

The total of Directors’ Remuneration is reported in note 9 to the Financial Statements.

Directors have access to program arranged by the Hayleys Group Human Resource Development Division when appropriate, to provide update on matters relevant to business management and economic affairs.

MANAGEMENT STRUCTURE

The Board has delegated primary authority to the Managing Director and the Executive Directors, to achieve the strategic objectives formulated by them.

The authority is exercised within the ethical framework and business practices established by the Board which demands compliance with existing laws and regulation as well as best practices in dealing with employees, customers, suppliers and the community at large.

The Managing Director and key managers meet on a monthly basis to review progress and discuss strategic issues and other important developments that require consideration and minutes are kept of decisions made and major issues.

The Managing Director attends the monthly Meetings of the Group Management Committee of Hayleys PLC and reports the progress and important issues.

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 by shareholders, 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 mean of continuing effective dialogue with shareholders.

** Non Executive Director*

*** Independent Non Executive Director*

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

COMMUNICATION WITH SHAREHOLDERS

The Quarterly Financial Statements, disclosures and announcements are posted to the CSE website for public dissemination. The Annual Report is considered as the principal communication with shareholders and other stakeholders. These reports are also provided to the Colombo Stock Exchange.

Shareholders may bring up concerns they have, either with the Managing Director or the Group's Secretarial Department as appropriate.

PRICE SENSITIVE INFORMATION

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

SHAREHOLDER VALUE & RETURN

The Board constantly strives to enhance the shareholder value and provide a total return in excess of the market. It has been the policy of the Board to distribute a reasonable dividend rate to the shareholders whilst allowing for capital requirements.

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 to existing accounting standards and adoption of new standards are carefully monitored.

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

The Statement of Directors' Responsibilities for the financial statements is given in page 25 of this report.

MANAGEMENT REPORT

Joint Statement from the Chairman and the Managing Director (pages 6 to 8) and Operational Review and Management Discussion (pages 14 to 21) in this report provide an analysis of the Company performance during the financial year.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks. This process has been in place through the year under review and the Risk Management Report is given from pages 38 to 42.

GOING CONCERN

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

INTERNAL CONTROL

The Directors are responsible for the Group system of internal financial controls. The system is designed to safeguard assets against unauthorised use or disposition and to ensure that accurate records are maintained and reliable financial information is generated. However, there are limits to which any system can ensure that errors and irregularities are prevented or detected within a reasonable period.

The important procedures in place to discharge this responsibility are as follows:

- The Directors are responsible for the establishment and monitoring of financial controls appropriate for the operation within the overall Group policies.
- The Board reviews the strategies of the company.
- Annual budgeting and regular forecasting processes are in place and the Directors review performance.
- The Board has established policies in areas of investment and treasury management and does not permit employment of complex risk management mechanism.
- The Company is subjected to regular internal audits and system reviews.
- The Audit Committee of the Company reviews the plans and activities of the internal audits and the management letters of external auditors for the Financial Year under review.

Members of the Audit Committee consists of;

- D. K. De Silva Wijeyeratne** (Chairman)
- Dr. S. A. B. Ekanayake**
- T. G. Thoradeniya**
- Dr. T. K. D. A. P. Samarasinghe**

The Company carefully selects and train employees and provides appropriate channels of Communication to foster a control conscious environment.

The Board has reviewed the effectiveness of the system of financial control for the period up to the date of signing the accounts. The Directors Responsibilities for the financial statements are described on page 25.

The Hayleys Fibre PLC is subject to internal audit and systems review by the Hayleys Group Management Systems and Review Department.

** Non Executive Director*

*** Independent Non Executive Director*

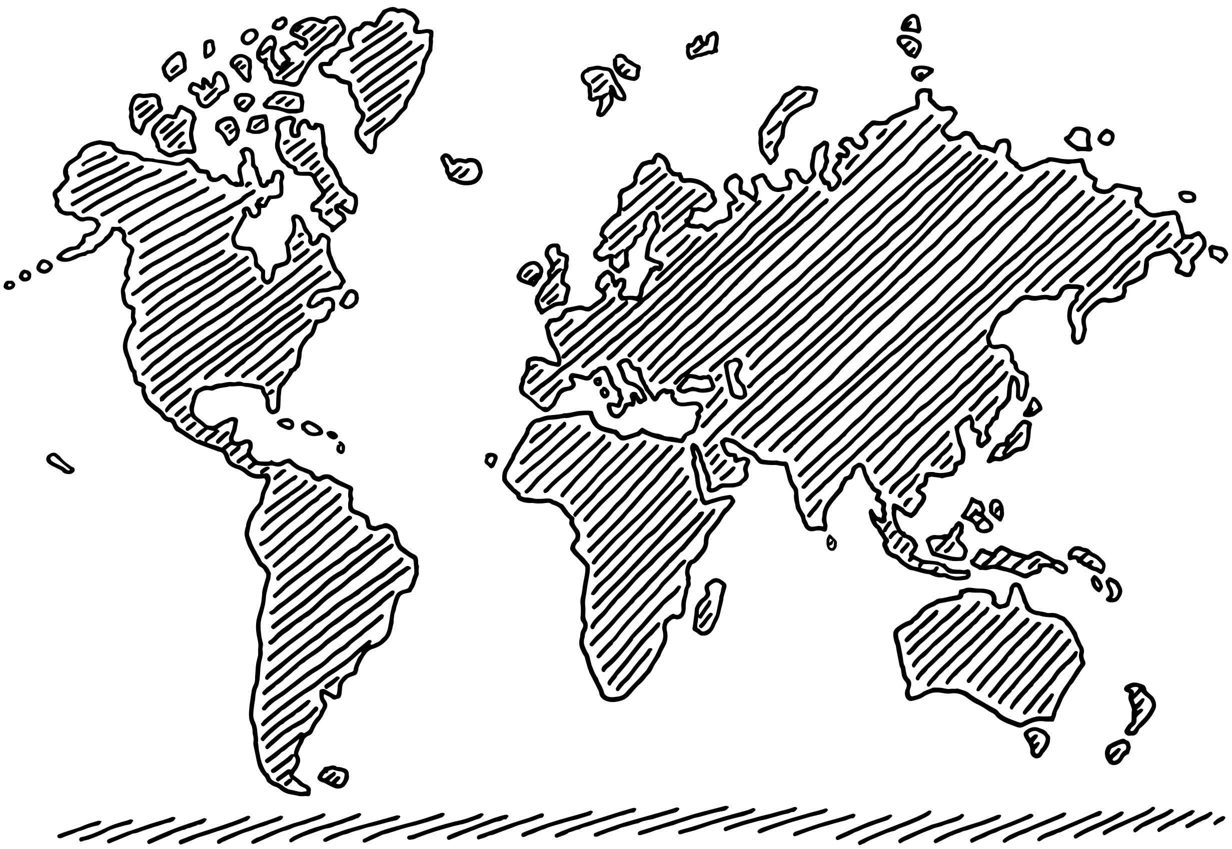
LEVEL OF COMPLIANCE WITH THE CSE'S LISTING RULING

Rule No.	Subject	Applicable requirement	Compliance Status	Details
7. 10. 1	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executive Directors	Compliant	Five of Twelve 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	Four Non-Executive Directors are Independent
7 . 1 0 . 2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format.	Compliant	Non-Executive Directors have submitted the declaration.
7 . 1 0 . 3 (a)	Disclosure relating to Directors	Names of independent Directors should be disclosed in the Annual Report	Compliant	Please refer page 27
7 . 1 0 . 3 (b)	Disclosure relating to Directors	The basis for Board to determine a Director as independent, If specified criteria for independence is not met.	Compliant	Given in page 32 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 including the areas of Expertise	Compliant	Please refer pages 22 and 23
7 . 1 0 . 3 (d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in to the Exchange	Compliant	A brief resume was provided to the Exchange at the time of appointment
7. 10. 5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Remuneration Committee of the parent (Hayleys PLC) acts as a Remuneration Committee of the Company
7 . 1 0 . 5 (a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent	Compliant	As above
7 . 1 0 . 5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Managing Director.	Compliant	As above and stated in 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	Compliant	As above and given in this report
		b) Statement of Remuneration Policy	Compliant	As above
		c) Aggregated remuneration paid to Executive & Non-Executive Directors	Compliant	Please refer the page 26

Rule No.	Subject	Applicable requirement	Compliance Status	Details
7. 10. 6 (a)	Audit Committee	The company shall have a Audit Committee	Compliant	Names of the Members of the Audit Committee is given on page 44.
7 . 1 0 . 6 (b)	Composition of Audit Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent	Compliant	Audit committee consist of Four non-executive Directors of which all are independent.
		Non-Executive Directors 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 the Chief Financial Officer should attend Audit Committee Meetings	Compliant	The Managing Director and Chief Financial Officer attend Meetings by invitation.
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	Chairman of the Audit Committee is a Chartered Accountant.
7 . 1 0 . 6 (b)	Audit Committee Functions	Should be as outlined in the Section 7 of the listing rules	Compliant	The terms of reference of the Audit committee are on page 44 as above.
7. 10. 6 (c)	Disclosure in the Annual Report relating to Audit Committee	a) Names of Directors comprising the Audit Committee	Compliant	Please refer Audit Committee Report on page 44.
		b) The Audit Committee shall make a determination of the independence of the Auditors and disclose such determination	Compliant	Please refer Audit Committee Report on page 44.
		c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of Compliance of the functions	Compliant	Please refer Audit Committee Report on page 44.
7. 13. 1 (a)	Minimum Public Holding	As a listed Company in the Main Board, the Company maintained the minimum public holding under specified criteria	Compliant	Share and Investor Information pages 110 and 111.
9.2.3	Related Party Transactions Re-view Committee	If the parent Company and the subsidiary Company both are listed entities, the Related Party Transactions re-view Committee of the parent Company may be permitted to function as such Committee of the subsidiary.	Compliant	The Committee of the Parent Company functions as the Committee of the Company.
9.2.2	Composition	02 Independent Non-Executive Directors and 01 Executive Director of Hayleys PLC	Compliant	As above

Rule No.	Subject	Applicable requirement	Compliance Status	Details
9.2	Related Party Transactions Re-view Committee Functions	• To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction. • Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party. • Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons. • To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction. • To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders. • Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties. • To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged. • To review the economic and commercial substance of both recurrent/non recurrent related party transactions • To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.	Compliant	As above
9.2.4	Related Party Transactions Review Committee-Meetings	Shall meet once a calendar year	Compliant	As above.
9.3.2	Related Party Transactions Review Committee-Disclosure in the Annual Report	a) Non-recurrent Related Party Transactions- If aggregate value exceeds 10% of the equity or 5% Total assets whichever is lower. b) Recurrent Related Party Transactions – If aggregate value exceeds 10% Gross revenue/income as per the latest audited accounts c) Report by the Related Party Transactions re-view Committee d) A declaration by the Board of Directors	Compliant	a) Page 108 b) Page 108 c) Page 43 d) Page 26

TAPPING INTO NEW MARKETS AND NEW HORIZONS



RISK MANAGEMENT

During the monthly performance review meetings, all significant risks and their actions plans are reviewed by the Corporate Management Team and the Group Managers. The Hayleys Group Management Committee, attended by the Managing Director of the Company, also reviews these risk areas on a monthly basis.

RISK MANAGEMENT FRAMEWORK OF HAYLEYS FIBRE PLC

The Hayleys Fibre PLC (HFP) Enterprise Risk Management (ERM) model is based on the COSO risk management framework which emphases factors that would diminish the Company's ability to create value for shareholders. The framework consists of identifying and profiling significant risks, determining risk appetites, accepting/transferring/ eliminating and sharing risks, measuring performance and covering the benefits of risk diversification and execution.

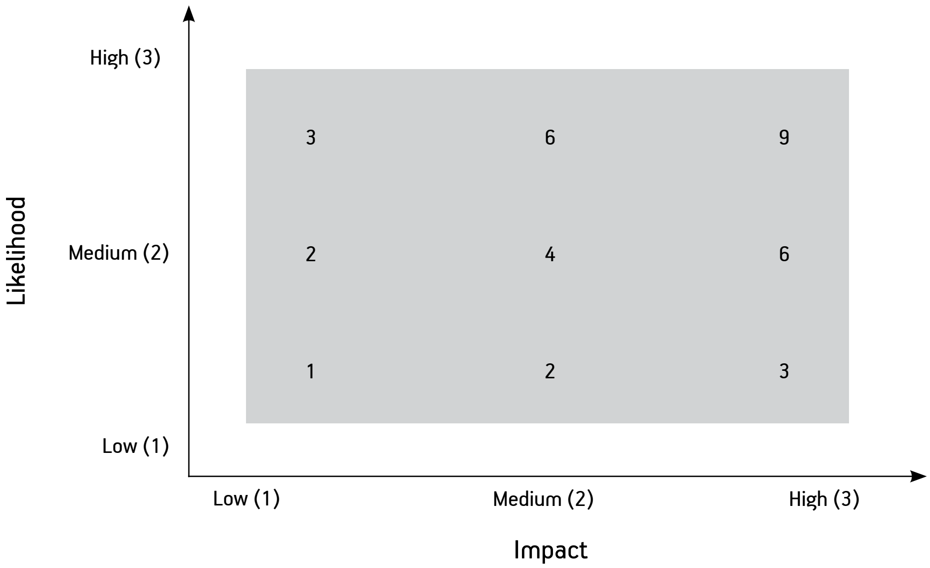
ENTERPRISE RISK MANAGEMENT FRAMEWORK

Objective Setting	The Board sets objectives that support the Company's mission and which are consistent with its risk appetite. The process includes reviewing and setting long-term (three-year) objectives and annual objectives with related performance indicators for monitoring purposes. The senior management team takes the initiative in proposing business objectives and they are reviewed and approved by the board.
Event Identification	Company recognises internal and external events that affect the achievement of its objectives. The distinction between strategic and operational risks is also important. Further, the applicability of risk areas identified previously during management discussions, internal audit reports and management letters of external auditors are reviewed to prepare a comprehensive list of risks of the Company.
Risk Assessment	The likelihood and impact of risks are assessed, as a basis for determining how to manage them. Any significant risks exceeding risk tolerance limits are responded by the management.
Risk Response	Management selects appropriate actions to align risks with risk tolerance and risk appetite. Depending on the significance of the risk, decisions are taken appropriately to manage the risk by accepting, reducing, sharing or avoiding it. Risk responses identified in relation to set objectives are also documented and reviewed.
Control Activities	The corporate management team and the senior managers implement the risk response action plans identified, with a view of managing those risks.
Information and Communication	Documentation and reporting plays a key role in monitoring risk. The corporate plan, which includes objectives and related risks, internal audit reports and management letters of external auditors, are communicated to the management of the company, the Audit committee and the Board of Directors of both HFP and its holding company, Hayleys Plc, for their review and actions.
Monitoring	During the monthly performance review meetings, all significant risks and their actions plans are reviewed by the Corporate Management Team and the Group Managers. The Hayleys Group Management Committee, attended by the Managing Director of the Company, also reviews these risk areas on a monthly basis. The Audit Committee, which has the ultimate responsibility of monitoring the process of risk management, reviews the risks and action plans on a quarterly basis and makes recommendations to the Board.

The Hayleys Group Management Committee and the business advisory and control units specialised in legal, management audit and system reviews, strategic business developments, treasury, HR and corporate affairs, also play a key role in identifying, assessing, controlling and monitoring the risks applicable to HFP.

RISK ASSESSMENT MATRIX

The COSO view of risk assessment is based on the likelihood and impact of a specific type of event; the output is a probability weighted impact. The high risk area in the top right corner of the matrix demands higher and prompt attention.



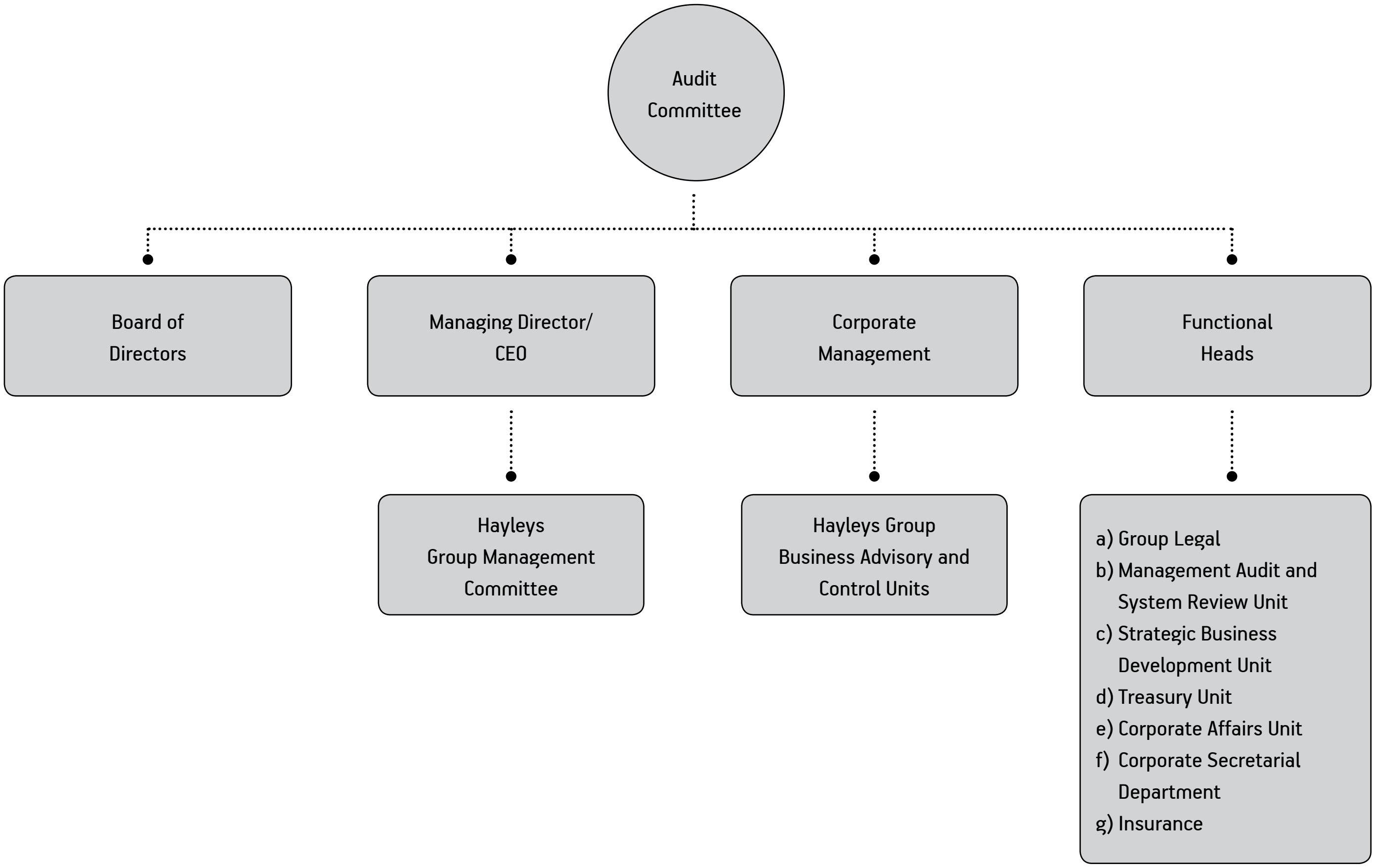
RISK MANAGEMENT STRUCTURE

The Board is primarily responsible for ensuring that the risks are identified and appropriately managed across the Company and the Group. The Audit Committee is entrusted with the task of reviewing the effectiveness of the group risk management framework, including the internal control systems established to identify, assess, manage and monitor risks. The internal audit function also plays a key role in risk identification.

The Corporate Management Team takes the lead in the total risk management process – the identification of risks and finally the implementation and monitoring of identified risks. A bottom-up approach is taken in the process of risk identification. The Corporate Management Team also evaluates the options available to mitigate risks. Functional heads provide useful information and feedback to the Corporate Management Team for risk management with the assistance of the employees of the Group.

The Hayleys Group Management Committee and the business advisory and control units specialised in legal, management audit and system reviews, strategic business developments, treasury, HR and corporate affairs, also play a key role in identifying, assessing, controlling and monitoring the risks applicable to HFP.

Organisational Structure	Risk Management Role
Board of Directors	Overlook the risk management strategy and the enterprise risk management process
Audit Committee	Oversee and review the enterprise risk management process
Hayleys Group Management Committee	Identify, assess and monitor risks relating to HFP business operations
Hayleys Group Business Advisory and Control Units	Identify and assess risks related to HFP business operations within their expertise in legal, systems and audit, strategic business development, treasury, HR and corporate affairs.
Corporate Senior Management Team	Identify, assess, monitor risks, and implement action plans
Functional Heads	Implement, monitor and elicit feedback



The following table sets out the broader categories of risks, along with specific risk elements Hayleys Fibre is exposed to, and the implications of the same, as well as the risk management measures in place.

Risk Category	Risk Element	Implications	Mitigating Measures	Risk Level
Risk of Financial Capital (Refer note 38)	Material Price Risk • Fluctuations in fibre prices in the local market	Short-term and long- term; The increase in raw material prices will create losses due to fixed selling prices	• Monitor prices/standard cost revisions • Quote variable prices to customers,	High
	Foreign Currency Risk • Arising due to foreign currency positions	Short-term and long- term; Losses can arise when foreign currency assets and liabilities are translated into local currency as at the balance sheet date, or when transactions are carried out in foreign currency	• Monitor trends and book forward • Maintain a natural hedging of foreign currency denominated assets against liabilities	High
	Interest Rate Risk • Arising due to the sensitivity to interest rate changes	Short-term and long- term; The increase in interest rates could impact on the cost of finished goods due to high cost of financing and increase in the cost of borrowing	• Effective management of working capital • Maintain a proper combination of fixed and floating rates	Medium
	Liquidity Risk • Availability of funds – the group has to be liquid and solvent to carry out its operations smoothly	Short-term and long- term; Unavailability of sufficient funds may interrupt the smooth functioning of the Company's operations	• Effective treasury function to forecast fund requirement and availability • Maintain a portfolio of short term liquid assets • Arrange sufficient financial facilities	Low
	Risk of Bad Debts • Due to payment default by credit customers	Short-term and long- term; Could result in direct losses due to bad debts and increase in finance cost due to delayed payments	• Implementation of group credit policy • Periodic review of receivables, legal and other recovery actions	Medium
Risk of Human Capital	Labour Shortages • Reduction in skilled and unskilled labour	Short-term and long- term; The increase in production costs due to higher wages	• Automation • Increase living standards of employees to reduce turnover	Medium
	Industrial Health and Safety • Could lead to workplace accidents, penalties, negative image and hiring difficulties on future requirements	Short-term and long- term; Lower productivity due to higher employee turnover and dissatisfaction of existing employees.	• Providing necessary safety equipment to all employees. • Focused training on health and safety to all employees. • Insurance coverage to mitigate the risk.	Medium

Risk Category	Risk Element	Implications	Mitigating Measures	Risk Level
Risk of Intellectual Capital	Confidentiality of Information • Loss of confidential data through security breaches in the IT systems	Short-term and long- term; Loss of the unique profile designs of Hayleys Fibre, to competitors.	• Extensive controls and reviews to maintain security of IT infrastructure and data • Regular backup of data and off site storage of data backup system • Disaster recovery plan	Medium
Risk of Social & Relationship Capital	Single Customer/ Supplier • Risk of having a few major customers and/or suppliers	Short-term and long- term; Loss of a major customer affects revenues and loss of a major supplier affects the supply of critical raw material for manufacture	• Diversify and increase the customer base • Develop multiple supplier network	Medium
Risk of Manufactured Capital	Old machineries • Reliance on old machines and accessories.	Short-term and long-term; Lower productivity and the lower production due to loss hours affected by frequent shutdowns	• Investment in new machinery. • Upgrading knowledge on maintenance.	Medium
	Capacity Shortages • Production capacity shortages	Long-term; Loss of orders and inherent risk of reduction of market share.	• Capacity expansion	Medium
Risk of Natural Capital	Epidemic Situations (COVID 19) • The prevalence of epidemic situations; credit risk and liquidity risk to the business.	Short term and long term; The possible delays of getting past dues from customers Impact on supply chain management	• Capital expenditures are only restricted to operational capital expenditure. • Stringent working capital management measures. • Regular cash flow projections and reviews by the management.	Medium
	Using Hazardous Chemicals • Risk of using hazardous chemicals for the production can cause health and safety issues.	Short term and long term; Public resistance and/or regulatory involvement on environmental pollution/protection	• Shifting to environmental friendly chemicals. • Effluent Water Treatment process.	Low

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee of Hayleys PLC, the parent company, functions as the Committee of the Company in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and section 9 of the Listing Rules of the Colombo Stock Exchange.

COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director.

The Committee comprises the Following members.
Dr. H. Cabral, PC** – Chairman
Mr. M.Y.A. Perera**
Mr. S. C. Ganegoda *

*** Independent Non-Executive*
** Executive*

ATTENDANCE

The Committee met – 04 times in the financial year 2019/2020.

Meetings were held on 15th May 2019, 05th August 2019, 05th November 2019 and 10th February 2020.

	Meetings
Dr. H. Cabral, PC	4/4
Mr. M. Y. A. Perera	4/4
Mr. S. C. Ganegoda	4/4

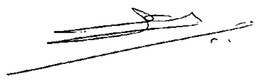
THE DUTIES OF THE COMMITTEE

- To review in advance all proposed related party transactions of the Group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary, including obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- Meet with the management, Internal Auditors/ External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions
- To monitor and recommend the acquisition, or disposal, of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

TASK OF THE COMMITTEE

The Committee reviewed the related party transactions and their compliance, of Hayleys Fibre PLC and communicated the same to the Board.

The Committee in its re-view process recognised the adequacy of the content and quality of the information forwarded to its members by the management.



Dr. Harsha Cabral, PC.
Chairman
Related Party Transactions Review Committee of Hayleys PLC

15th June 2020

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee, appointed by and responsible to the Board of Directors, comprised of four Independent Non-Executive Directors as at 31st March 2020. The Chairman of the Audit Committee is a senior Chartered Accountant.

MEETINGS

The Committee met four times during the financial year. The attendance of the members at these meetings is as follows:

	Meetings
Mr. D. K. De Silva Wijeyeratne** (Chairman)	4/4
Dr. S. A. B. Ekanayake**	3/4
Mr. T. G. Thoradeniya**	2/4
Dr. T. K. D. A. P. Samarasinghe**	4/4

Managing Director, Group Chief Financial Officer, Head of Group Management Audits and Systems Review Department and Eco Solutions Chief Financial Officer as well as the external auditors when required were present at discussions where 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 Chief Financial Officer 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 presentation of Financial Statements. The Committee also reviewed the adequacy of provisions made for possible liabilities and compliance with relevant statutory requirements. The Group Management Audit & Systems Review Department's reports on key control elements and procedures in Group companies selected according to the annual plan were also reviewed.

External Audits

The Financial Statements were audited by independent external auditors, Messrs Ernst & Young , Chartered Accountants. Based on the declaration provided by Messrs. Ernst & Young, Chartered Accountants and to the extent that the Audit Committee is aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company and the Group, which in the opinion of the Audit Committee, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka, as applicable on the date of this Report.

The queries issued by the external auditors and actions taken by the management in response to issues raised by external auditors were also examined. The Committee discussed the effectiveness of the internal controls in place and recommended remedial actions where necessary.

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 is managed in accordance with Group policies and that Group assets are properly accounted for and adequately safeguarded.

D. K. De Silva Wijeyeratne
Audit Committee

10th June 2020

FINANCIAL REPORTS

FINANCIAL CALENDAR

1st Quarter Report	06 August 2019
2nd Quarter Report	05 November 2019
3rd Quarter Report	29 January 2020
4th Quarter Report	10 June 2020
Annual Report 2019/2020	01 July 2020
34th Annual General Meeting	27 July 2020
1st Interim Dividend Paid	17 October 2019
2nd Interim Dividend Paid	22 January 2020
3rd Interim Dividend Paid	26 May 2020

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HAYLEYS FIBRE PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hayleys Fibre PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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Key audit matter	How our audit addressed the key audit matter
Existence and measurement of inventories Raw material inventories of Rs. 224m includes coir fibre inventories amounting to Rs. 107m as disclosed in note 20 of the financial statements. Existence of large quantities of coir fibre inventory and its moisture absorbent nature required use of management judgments and estimation techniques to ascertain the physical quantity in existence as of the reporting date.	Our audit procedures included (among others) the following; • We tested the relevant internal control procedures implemented over interim physical inventory verification, focusing on specific controls over estimation of coir fibre inventory. This includes assessing if the representative sample is tested to gauge the actual moisture levels as of the count date. • We validated the inventory rollforward documentation, by tracing a sample of reconciling items to respective source documents, focusing on moisture cut adjustments for purchase of coir fibre inventory during the intervening period. • We also assessed the consistency of estimation technique used with that of the industry practice.
Fair value measurement of fair value through other comprehensive income investments Hayleys Fibre PLC has investments in unquoted equity shares carried at fair value amounting to Rs. 101m as of the reporting date. The value represents 6% of total assets of the Company, and in the absence of a published price, the valuation techniques applied require significant unobservable inputs through assumptions and judgements by the management which are disclosed in note 18 to these financial statements. Such has accordingly been identified as a key audit matter.	Our audit procedures included (among others) the following; • We involved our internal specialists to assist us in evaluating the appropriateness of methodology and the reasonability of assumptions used by management, in particular to those relating to discount rate and growth rate. • We assessed whether the underlying data used by the management is consistent with the actual historical data and whether the future cash flows are consistent with the annual budget approved by the Board of Directors. • We assessed the adequacy of the disclosures in the note 18 in relation to the valuation of investments.

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Other information included in the 2019/20 annual report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and those charged with governance

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2440.

Ernst & Young

10 June 2020
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31 March	Notes	Group 2020 Rs. '000	Group 2019 Restated Rs. '000	Company 2020 Rs. '000	Company 2019 Rs. '000
Revenue	4	**789,625**	886,099	**696,565**	886,099
Cost of sales		**(606,872)**	(761,110)	**(525,347)**	(761,110)
Gross profit		**182,753**	124,989	**171,218**	124,989
Other income	5	**17,727**	97,611	**17,250**	90,205
Selling and distribution expenses		**(18,435)**	(5,754)	**(9,084)**	(5,754)
Administrative expenses		**(86,952)**	(65,513)	**(83,802)**	(65,513)
Other expenses	6	**(8,981)**	(66,724)	**(8,981)**	(66,724)
Operating profit		**86,112**	84,609	**86,601**	77,203
Finance income	7.1	**28,938**	58,909	**26,520**	58,909
Finance cost	7.2	**(18,789)**	(12,172)	**(12,676)**	(12,172)
Net finance income		**10,149**	46,737	**13,844**	46,737
Share of profit of a joint venture (net of tax)	8	**81,061**	54,129	**81,061**	54,129
Profit before tax		**177,322**	185,475	**181,506**	178,069
Tax expense	10.1	**(31,034)**	(32,927)	**(35,750)**	(32,927)
Profit for the year		**146,288**	152,548	**145,756**	145,142
Profit for the year attributable to:					
Equity holders of the company		**146,150**	152,548	**145,756**	145,142
Non-controlling interest		**138**	–	–	–
		146,288	152,548	**145,756**	145,142
Basic earnings per share (Rs.)	11.1	**18.27**	19.07	**18.22**	18.14
Dividend per share (Rs.)	12			**8.50**	6.75

Notes from pages 56 to 109 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Notes	Group 2020 Rs. '000	Group 2019 Restated Rs. '000	Company 2020 Rs. '000	Company 2019 Rs. '000
Profit for the year		**146,288**	152,548	**145,756**	145,142
Other comprehensive income					
Other comprehensive income that may not be reclassified to the profit or loss in subsequent periods					
Re-measurement gain/(loss) on employee benefit obligations	29	**(2,410)**	1,240	**(2,410)**	1,240
Income tax effect on re-measurement gain/(loss) on employee benefit obligations	10.2	**337**	(173)	**337**	(173)
		(2,073)	1,067	**(2,073)**	1,067
Revaluation of land		**–**	5,961	**–**	5,961
Income tax effect on revaluation of land	10.2	**–**	(835)	**–**	(835)
		–	5,126	**–**	5,126
Net gain/(loss) on equity instrument designated at FVOCI	18	**3,863**	3,020	**3,863**	3,020
Income tax effect on net gain/(loss) on equity instrument designated at FVOCI	10.2	**4,955**	(5,797)	**4,955**	(5,797)
		8,818	(2,777)	**8,818**	(2,777)
Share of other comprehensive income of a joint venture (net of tax)		**(10)**	(22)	**(10)**	(22)
Total other comprehensive income for the year, net of tax		**6,735**	3,394	**6,735**	3,394
Total comprehensive income for the year, net of tax		**153,023**	155,942	**152,491**	148,536
Total comprehensive income for the year attributable to:					
Equity holders of the company		**152,885**	155,942	**152,491**	148,536
Non-controlling interest		**138**	–	–	–
		153,023	155,942	**152,491**	148,536

Notes from pages 56 to 109 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

		Group		Company	
As at 31 March	Notes	**2020 Rs. '000**	2019 Restated Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Assets					
Non-current assets					
Property, plant and equipment	13	**484,051**	233,933	**186,015**	104,012
Intangible assets	14	**40,700**	–	**–**	–
Right-of-use assets	15	**22,260**	–	**21,111**	–
Investment in a subsidiary	16	**–**	–	**225,000**	225,000
Investment in a joint venture	17	**130,640**	78,720	**130,640**	78,720
Other non-current financial assets	18	**101,459**	97,596	**101,459**	97,596
Deferred tax assets	28.1	**21,672**	16,956	**–**	–
Total non-current assets		**800,782**	427,205	**664,225**	505,328
Current assets					
Inventories	20	**274,101**	90,161	**143,519**	66,076
Trade and other receivables	21	**217,611**	177,098	**145,554**	173,786
Other current assets	22	**36,479**	11,288	**4,922**	3,288
Income tax receivables		**522**	307	**–**	–
Amounts due from joint venture	23	**1,313**	1,231	**1,313**	1,231
Amounts due from other related companies	24	**117,869**	15,323	**99,566**	13,488
Short-term deposits		**218,846**	405,000	**218,837**	250,000
Cash in hand and at bank	25	**18,137**	35,193	**16,921**	26,068
Total current assets		**884,878**	735,601	**630,632**	533,937
Total assets		**1,685,660**	1,162,806	**1,294,857**	1,039,265
Equity and liabilities					
Stated capital	26	**80,000**	80,000	**80,000**	80,000
Other components of equity	27	**84,318**	75,500	**84,318**	75,500
Amalgamation reserves	27	**50,625**	50,625	**50,625**	50,625
Revenue reserves	27	**768,501**	695,507	**761,747**	688,101
Equity attributable to equity holders of the company		**983,444**	901,632	**976,690**	894,226
Non-controlling interest	14.6	**81,426**	81,656	**–**	–
Total equity		**1,064,870**	983,288	**976,690**	894,226
Non-current liabilities					
Non-current lease liabilities	15	**26,179**	–	**23,622**	–
Deferred tax liabilities	28.2	**25,665**	20,200	**25,665**	20,200
Employee benefit obligations	29	**22,174**	16,974	**22,174**	16,974
Total non-current liabilities		**74,018**	37,174	**71,461**	37,174
Current liabilities					
Trade and other payables	31	**119,425**	103,883	**69,472**	83,958
Current lease liabilities	15	**1,658**	–	**1,261**	–
Other current liabilities	32	**4,744**	4,578	**4,723**	4,578
Amounts due to other related companies	33	**139,244**	28,617	**37,872**	14,063
Short-term interest bearing borrowings	30	**277,714**	1,265	**129,391**	1,265
Income tax liabilities		**3,987**	4,001	**3,987**	4,001
Total current liabilities		**546,772**	142,344	**246,706**	107,865
Total liabilities		**620,790**	179,518	**318,167**	145,039
Total equity and liabilities		**1,685,660**	1,162,806	**1,294,857**	1,039,265

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

M. C. Sampath
Director/Chief Financial Officer

The Board of Directors responsible for these Financial Statements. Signed for and on behalf of the Board by;

A. M. Pandithage
Chairman

H. S. R. Kariyawasan
Managing Director

Notes from pages 56 to 109 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

10th June 2020
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March		Attributable to equity holders of the Group							
			Other components of equity						
Group	Notes	Stated capital	AFS reserves/ FV reserves of financial assets at FVOCI	Revaluation reserves	Amalgamation capital reserves	Amalgamation revenue reserves	Retained earnings	Non-controlling interest	Total
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 April 2018		80,000	53,766	19,385	14,000	36,625	595,914	–	799,690
Profit for the year		–	–	–	–	–	152,548	–	152,548
Revaluation of land		–	–	5,961	–	–	–	–	5,961
Net gain/(loss) on equity instruments designated at FVOCI	18	–	3,020	–	–	–	–	–	3,020
Re-measurement gain/(loss) on employee benefit obligations	29	–	–	–	–	–	1,240	–	1,240
Income tax on other comprehensive income	10.2	–	(5,797)	(835)	–	–	(173)	–	(6,805)
Share of other comprehensive income of a joint venture		–	–	–	–	–	(22)	–	(22)
Total other comprehensive income for the year		–	(2,777)	5,126	–	–	153,593	–	155,942
Dividends	12	–	–	–	–	–	(54,000)	–	(54,000)
Acquisition of non-controlling interest with a change in control		–	–	–	–	–	–	81,656	81,656
Balance as at 01 April 2019 – restated		80,000	50,989	24,511	14,000	36,625	695,507	81,656	983,288
Effect of transition to SLFRS 16		–	–	–	–	–	(3,073)	(368)	(3,441)
Balance as at 01 April 2019		80,000	50,989	24,511	14,000	36,625	692,434	81,288	979,847
Profit for the year		–	–	–	–	–	146,150	138	146,288
Net gain/(loss) on equity instruments designated at FVOCI	18	–	3,863	–	–	–	–	–	3,863
Re-measurement gain/(loss) on employee benefit obligations	29		–	–	–	–	(2,410)	–	(2,410)
Income tax on other comprehensive income	10.2	–	4,955	–	–	–	337	–	5,292
Share of other comprehensive income of a joint venture		–		–	–	–	(10)	–	(10)
Total other comprehensive income for the year		–	8,818	–	–	–	144,067	138	153,023
Dividends	12	–	–	–	–	–	(68,000)	–	(68,000)
Balance as at 31 March 2020		80,000	59,807	24,511	14,000	36,625	768,501	81,426	1,064,870

Notes from pages 56 to 109 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

For the year ended 31 March		Attributable to equity holders of the Company						
			Other components of equity					
Company	Notes	Stated capital Rs. '000	AFS reserves/ FV reserves of financial assets at FVOCI Rs. '000	Revaluation reserves Rs. '000	Amalgamation capital reserves Rs. '000	Amalgamation revenue reserves Rs. '000	Retained earnings Rs. '000	Total Rs. '000
Balance as at 01 April 2018		80,000	53,766	19,385	14,000	36,625	595,914	799,690
Profit for the year		–	–	–	–	–	145,142	145,142
Revaluation of land		–	–	5,961	–	–	–	5,961
Net gain/(loss) on equity instruments designated at FVOCI	18	–	3,020	–	–	–	–	3,020
Re-measurement gain/(loss) on employee benefit obligations	29	–	–	–	–	–	1,240	1,240
Income tax on other comprehensive income	10.2	–	(5,797)	(835)	–	–	(173)	(6,805)
Share of other comprehensive income of a joint venture		–	–	–	–	–	(22)	(22)
Total other comprehensive income for the year		–	(2,777)	5,126	–	–	146,187	148,536
Dividends	12	–	–	–	–	–	(54,000)	(54,000)
Balance as at 01 April 2019		80,000	50,989	24,511	14,000	36,625	688,101	894,226
Effect of transition to SLFRS 16		–	–	–	–	–	(2,027)	(2,027)
Balance as at 01 April 2019		80,000	50,989	24,511	14,000	36,625	686,074	892,199
Profit for the year		–	–	–	–	–	145,756	145,756
Net gain/(loss) on equity instruments designated at FVOCI	18	–	3,863	–	–	–	–	3,863
Re-measurement gain/(loss) on employee benefit obligations	29	–	–		–	–	(2,410)	(2,410)
Income tax on other comprehensive income	10.2	–	4,955	–	–	–	337	5,292
Share of other comprehensive income of a joint venture		–	–	–	–	–	(10)	(10)
Total other comprehensive income for the year		–	8,818	–	–	–	143,673	152,491
Dividends	12	–	–	–	–	–	(68,000)	(68,000)
Balance as at 31 March 2020		80,000	59,807	24,511	14,000	36,625	761,747	976,690

Notes from pages 56 to 109 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the year ended 31 March	Notes	Group 2020 Rs. '000	Group 2019 Restated Rs. '000	Company 2020 Rs. '000	Company 2019 Rs. '000
Cash flows from operating activities					
Profit before taxation		**177,322**	185,475	**181,506**	178,069
Adjustments for:					
Share of profit of a joint venture	8	**(81,061)**	(54,129)	**(81,061)**	(54,129)
Finance cost	7.2	**4,164**	5,313	**3,055**	5,313
Finance income	7.1	**(26,230)**	(57,676)	**(24,943)**	(57,676)
Provision for employee benefit obligations	29.1	**2,790**	2,731	**2,790**	2,731
Impairment of property, plant equipment	13	**–**	291	**–**	291
Gain on bargain purchase of subsidiary	5	**–**	(7,406)	**–**	–
Depreciation on property, plant & equipment	13	**16,082**	5,050	**7,121**	5,050
Amortisation of intangible assets	14	**625**	–	**–**	–
(Profit)/loss on disposal of property, plant and equipment	5	**(1,194)**	(1,698)	**(1,194)**	(1,698)
Dividend income	5	**(481)**	–	**(481)**	–
Provision for bad & doubtful debts	21.1 (a)	**(3,242)**	1,068	**367**	1,068
Provision for slow moving inventories	20.1	**6,293**	987	**5,871**	987
Operating profit before working capital changes		**95,068**	80,006	**93,031**	80,006
(Increase)/decrease in inventories	20	**(190,233)**	(21,346)	**(83,314)**	(21,346)
(Increase)/decrease in trade and other receivables	21	**(62,462)**	(83,649)	**26,231**	(83,649)
(Increase)/decrease in amounts due from related companies	24	**(102,628)**	(9,155)	**(86,160)**	(9,155)
Increase/(decrease) in trade and other payables	31	**3,099**	13,233	**(27,341)**	13,233
Increase/(decrease) in amounts due to related companies	33	**87,227**	8,299	**409**	8,299
Cash generated from operating activities		**(169,929)**	(12,612)	**(77,144)**	(12,612)
Interest paid	7.2	**(4,164)**	(5,313)	**(3,055)**	(5,313)
Income tax paid		**(23,077)**	(17,420)	**(22,862)**	(17,420)
Employee benefit paid	29	**–**	(3,099)	**–**	(3,099)
Net cash used in operating activities		**(197,170)**	(38,444)	**(103,061)**	(38,444)
Cash flows from investing activities					
Purchase of property, plant and equipment	13	**(266,200)**	(32,905)	**(89,124)**	(32,905)
Development expenditure incurred	14	**(41,325)**	–	**–**	–
Acquisition of a subsidiary, net of cash acquired	14.5	**–**	(60,875)	**–**	–
Proceeds from sale of property, plant and equipment		**1,194**	3,502	**1,194**	3,502
Finance income	7.1	**26,230**	57,676	**24,943**	57,676
Investment in subsidiary		**–**	–	**–**	(225,000)
Dividend income	5	**481**	–	**481**	–
Dividend received from a joint venture		**29,131**	15,062	**29,131**	15,062
Net cash flows used in investing activities		**(250,489)**	(17,540)	**(33,375)**	(181,665)
Cash flows from financing activities					
Dividend paid	12	**(32,000)**	(30,000)	**(32,000)**	(30,000)
Proceeds/(Repayments) of short-term borrowings	30	**226,339**	–	**81,341**	–
Net cash flows from financing activities		**194,339**	(30,000)	**49,341**	(30,000)
Net increase/(decrease) in cash & cash equivalents		**(253,320)**	(85,984)	**(87,095)**	(250,109)
Cash & cash equivalents at the beginning of the year		**438,928**	524,912	**274,803**	524,912
Cash & cash equivalents at the end of the year (Note – A)		**185,608**	438,928	**187,708**	274,803
A. Analysis of cash and cash equivalents as at 31 March					
Cash in hand and at bank	25	**18,137**	35,193	**16,921**	26,068
Short-term deposits		**218,846**	405,000	**218,837**	250,000
		236,983	440,193	**235,758**	276,068
Bank overdrafts	30	**(51,375)**	(1,265)	**(48,050)**	(1,265)
Cash and cash equivalents at the end of the year		**185,608**	438,928	**187,708**	274,803

Notes from pages 56 to 109 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

1. CORPORATE INFORMATION

1.1 Reporting Entity

Hayleys Fibre 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 Hayleys Building, No. 400, Deans Road, Colombo 10, Sri Lanka and the principal place of business is located at No. 131, Minuwangoda Road, Ekala, Ja-ela. Corporate information is presented in the inner back cover of this Annual Report.

1.2 Consolidated Financial Statements

The financial statements for the year ended 31 March 2020 comprise "the Company" referring to Hayleys Fibre PLC as the holding Company and the "Group" referring to Companies that have been consolidated therein.

1.3 Nature of Operations and Principal Activities of the Company and the Group

The Company and its joint venture are primarily involved in the manufacture and export of coir fibre products. The subsidiary, Creative Polymats (Pvt) Ltd, produces polyurethane mattresses and other related products for local markets.

Hayleys PLC is the direct and ultimate parent undertaking of Hayleys Fibre PLC.

1.4 Approval of Financial Statements

The financial statements of Hayleys Fibre PLC and its subsidiary (collectively, the Group) for the year ended 31 March 2020 were authorised for issue by the Directors on 10 June 2020.

1.5 Responsibility for Financial Statements

The responsibility of the Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility Report in the annual report.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

2.1.1 Statement of Compliance

The financial statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 07 of 2007.

2.1.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for:

- Lands which are recognised as property plant and equipment which are measured at cost at the time of the acquisition and subsequently carried at fair value.
- Financial instruments designated as fair value through other comprehensive income (FVOCI) which are measured at fair value.
- Employee benefit obligations which are determined based on actuarial valuations.

Where appropriate, the specific policies are explained in the succeeding notes.

No adjustments have been made for inflationary factors in the consolidated financial statements.

2.1.3 Functional and Presentation Currency

The financial statements are presented in Sri Lankan Rupees (Rs.), which is also the Company's, subsidiary's and joint venture's functional currency.

2.1.4 Rounding

All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand (Rs. '000), except when otherwise indicated.

2.1.5 Offsetting

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards.

2.1.6 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function is presented separately unless they are immaterial.

2.1.7 Comparative Information

The presentation and classification of the financial statements of the previous years have been amended, where relevant including the following for better presentation and to be comparable with those of the current year.

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it de-recognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Summary of Significant Accounting Policies

2.3.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a Cash-Generating Unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.3.2 Investment in Joint Venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiary. The Group's/ Company's investment in joint venture is accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's/ Company's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The Group's and Company's statement of profit or loss reflects the Group's/Company's share of the results of operations of the joint venture respectively. Any change in OCI of those investees is presented as part of the Group's/Company's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group/ Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group/ Company and the joint venture is eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's/Company's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax.

The financial statement of the joint venture is prepared for the same reporting period as the Group/Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Group/ Company.

After application of the equity method, the Group/ Company determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group/Company determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group/Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss within 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the joint control over the joint venture, the Group/ Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.3.3 Current Versus Non-Current Classification

The Group presents assets and liabilities in the statement of financial position based on current/ non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in a normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period The Group classifies all other liabilities as non- current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.3.4 Fair Value Measurement

The Group measures financial instruments such as investments which are designated at fair value through other comprehensive income (FVOCI), and non-financial assets such as owner-occupied land, at fair value as at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the date of measurement. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Investment in non-listed equity shares (FVOCI) note 18
- Land under revaluation model note 13
- Financial instruments (including those carried at amortised cost) note 19
- Disclosures for valuation methods, significant estimates and assumptions notes 18 and 19
- Quantitative disclosures of fair value measurement hierarchy note 19.3

2.3.5 Property, Plant and Equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Buildings, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold lands are measured at fair value and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Building:	50 Years
Machinery:	10 Years
Furniture and fittings and office equipment:	5-7 Years
Store equipment and motor vehicles:	5 Years

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its' use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is de-recognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.3.6 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

	Development costs
Useful lives	Finite (10 years)
Amortisation method used	Amortised on a straight-line basis over the period of expected future sales from the related project
Internally generated or acquired	Internally generated

2.3.7 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.3.7.1 Group as a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.3.7.1.1 Right-of-Use Assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings 10 to 30 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

2.3.7.1.2 Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in Interest-bearing loans and borrowings (see Note 30).

2.3.7.1.3 Short-term Leases and Leases of Low-value Assets

The Group applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.3.7.2 Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.3.8 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3.9 Financial Instruments – Initial Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.3.9.1 Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income (FVOCI).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15. Refer to the accounting policies in note 2.3.16 for Revenue from contracts with customers.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

2.3.9.1.1 Financial Assets at Amortised Cost (Debt Instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
  And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables.

2.3.9.1.2 Financial Assets Designated at Fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

2.3.9.1.3 De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
  Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of therisks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.3.9.1.4 Impairment of Financial Assets

The Group recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Trade receivables note 21.1

2.3.9.2 Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

2.3.9.2.1 Loans and Borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest bearing loans and borrowings. For more information, refer to note 30.

2.3.9.2.2 De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.3.9.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.3.10 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/ first-out basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.3.11 Impairment of Non-financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.3.12 Cash and Short-term Deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.3.13 Provisions

2.3.13.1 General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.3.14 Employee Benefits

2.3.14.1 Defined Contribution Plans

Employees are eligible for employees' provident fund contributions and employees' trust fund contributions in line with respective statutes and regulations. The company contributes the defined percentages of gross emoluments of employees to an approved employees' provident fund of 12% and to the employees' trust fund of 3% respectively.

2.3.14.2 Defined Benefit Obligation – Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any re-measurements gain or losses arising are recognised immediately in the other comprehensive income. Re-measurements are not reclassified to income statement in subsequent periods. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales' and 'administration expenses' in the consolidated statement of profit or loss (by function):

- Service costs comprising current service costs
- Interest cost

Key assumptions used in determining the defined employee benefit obligations are given in note 29.

2.3.15 Investment in Subsidiary

Investments in subsidiaries in the Company's financial statements of the parent are stated initially at cost and subsequently at cost less accumulated impairment losses if any.

2.3.16 Revenue from Contracts with Customers

The Group is in the business of manufacturing, exporting coir fibre products Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

2.3.16.1 Sale of Goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, considering relevant terms of delivery. The normal credit term is 30 to 90 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of coir fibre products, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

2.3.16.2 Significant Financing Component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

2.3.16.3 Contract Balances

2.3.16.3.1 Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 19.1) Financial instruments – initial recognition and subsequent measurement.

2.3.16.3.2 Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.3.17 Other Income

Rental income is recognised in the statement of profit or loss as it accrues. Dividend income is recognised when the Company's right to receive payment is established.

2.3.18 Taxes

2.3.18.1 Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2.3.18.2 Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future
  Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in joint arrangements, deferred tax asset is recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.3.18.3 Sales Tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable

- When receivables and payables are stated with the amount of sales tax included the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.3.18.4 Withholding Tax

Dividend distributed out of taxable profit of the joint venture attracts a 14% deduction at source and is not available for set off against the tax liability of the Company. Thus, the withholding tax deducted at source is added to the tax expense.

2.3.19 Foreign Currencies

The Group's consolidated financial statements are presented in Rs., which is also the parent company's functional currency.

Transactions in foreign currencies are initially recorded by the Parent Company and subsidiary at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

2.3.20 Cash Dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

2.3.21 Earnings per Share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

2.4 Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with SLFRS/LKAS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period and any future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes.

2.4.1 Fair Value Measurement of Financial Assets Designated at Fair Value through OCI (Equity Instruments)

The Group assesses fair value of unquoted equity shares as at 31 March 2020. The primary approach adopted was the income approach using discounted cash flow method. A degree of judgment is required in establishing fair value and changes in assumptions could affect the reported fair value. The key assumptions used to determine the fair value of unquoted equity shares and sensitivity analyses are provided in note 18.

2.4.2 Revaluation of Lands

The Group measures lands which are recognised as property, plant & equipment at revalued amount with change in value being recognised in the Statement of Other comprehensive income. The valuer has used the open market approach in determining the fair value of the land. Further details on revaluation of lands are disclosed in note 13 to the Financial Statements.

2.4.3 Development Costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. As at 31 March 2020, the carrying amount of capitalised development cost was Rs. 40.7 Mn (2019: Nil). This amount includes significant investment in the development of Polypropylene (PU) foam product portfolio.

2.4.4 Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has Rs. 120 Mn (2019: Rs. 61 Mn) of tax losses carried forward. These losses relates to the subsidiary that has a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

2.4.5 Measurement of the Employee Benefit Obligations

The present value of the employee 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 employee benefit obligations are given in note 29 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of employee benefit obligations.

2.4.6 Going Concern

The Board of Directors made an assessment of the Company's ability to continue as a going concern taking into consideration the current and expected effects of COVID-19 on the Company. The projected cash flows have been prepared for the twelve months from the year end 31 March 2020 taking into consideration the estimation of the continued business impacts of COVID-19. In response to the uncertainty arising from this, the Company and its Group have taken certain initiatives which includes efficient ways to manage working capital, deferral of operating and capital expenditure, possible diversification of operations for alternate income sources, managing the reserves and negotiating with financial institution for the additional capital. The Group is expected to continue to operate, within available cash levels and the terms of its debt facilities and the concessions given by the government for the repayments.

Based on these initiatives the Board of Directors believes that the Company and its Group have the ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.5 Changes in Accounting Policies and Disclosures

2.5.1 New and Amended Standards and Interpretations

The Group applied SLFRS 16 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019/20, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2.5.1.1 SLFRS 16 Leases

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted SLFRS 16 using the modified retrospective method of adoption, without restating comparative information. Instead, it has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings at the date of initial application, as permitted under the specific transitional provisions in the standard. The impact on adoption of SLFRS 16 is reflected in Note 15 to the Financial Statements. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

2.5.1.2 Effects of IFRS 16, Leases

In the context of the transition to SLFRS 16, right-of-use assets of Rs. 24.99 Mn and lease liabilities of Rs. 28.43 Mn were recognised as at 1 April 2019. The following reconciliation to the opening balance for the lease liabilities as at 1 April 2019 is based upon the operating lease obligations as at 31 March 2019:

Reconciliation:

	Rs. '000
Gross Lease Liabilities at 1 April 2019	58,518
Discounting	(30,087)
Lease Liabilities as a Result of the Initial Application of SLFRS 16 as at 1 April 2019	28,431
Gross Rights of Use Assets at 1 April 2019	28,431
Opening Balance Impact to Retained Earnings as of 1 April 2019	(3,441)
Right of Use Assets as a Result of the Initial Application of SLFRS 16 as at 1 April 2019	24,990

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The amended standards that are issued, but not yet effective up to the date of issuance of these financial statements are disclosed below. The Group intends to adopt these amended standards, if applicable, when they become effective.

3.1 Amendments to LKAS 1 and LKAS 8: Definition of Material

Amendments to LKAS 1 Presentation of Financial Statements and IAS 8 Accounting policies, Changes in accounting Estimates and Errors are made to align the definition of "material" across the standard and to clarify certain aspects of the definition. The new definition states that, "information is material if omitting or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are applied prospectively for the annual periods beginning on or after 1 January 2020 with early application permitted.

Pending the completion of detailed review of such amendments, the extent of the probable impact is not yet reasonably estimable.

3.2 Amendments to SLFRS 3: Definition of a Business

Amendments to the definition of a business in SLFRS 3 Business Combinations are made to help the entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definition of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The above amended to SLFRS 3 is not expected to have a material impact on the consolidated financial statements of the group in the foreseeable future.

3.3 Amendments to References to the Conceptual Framework in SLFRS Standards

Revisions to the Conceptual Framework were made because some important issues were not covered, and some guidance was unclear or out of date. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The amendments are effective for annual periods beginning on or after 1 January 2020, with early application is permitted.

Pending the completion of detailed review of such amendments, the extent of the probable impact is not yet reasonably estimable.

4. REVENUE

	Group		Company	
For the year ended 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Export sales	**625,913**	659,241	**625,913**	659,241
Indirect export sales	**25,444**	220,882	**25,444**	220,882
Local sales	**138,268**	5,976	**45,208**	5,976
	789,625	886,099	**696,565**	886,099

5. OTHER INCOME

	Group		Company	
For the year ended 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Rent income	**6,309**	6,309	**6,309**	6,309
Net gain on disposal of property, plant and equipment	**1,194**	1,698	**1,194**	1,698
Dividend income	**481**	–	**481**	–
Insurance claim	–	66,724	–	66,724
Sundry income	**1,563**	3,103	**1,086**	3,103
Net foreign exchange gain	**8,180**	12,371	**8,180**	12,371
Gain on bargain purchase	–	7,406	–	–
	17,727	97,611	**17,250**	90,205

6. OTHER EXPENSES

	Group		Company	
For the year ended 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Loss from fire	–	(66,724)	–	(66,724)
Charges on insurance claim finalisation	**(8,981)**	–	**(8,981)**	–
	(8,981)	(66,724)	**(8,981)**	(66,724)

7. NET FINANCE INCOME

7.1 Finance Income

	Group		Company	
For the year ended 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Interest income	**26,230**	57,676	**24,943**	57,676
Foreign exchange gain on interest-bearing loans and borrowings	**2,708**	1,233	**1,577**	1,233
	28,938	58,909	**26,520**	58,909

7.2 Finance Cost

	Group		Company	
For the year ended 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Interest on debts and borrowings	**(4,164)**	(5,313)	**(3,055)**	(5,313)
Foreign exchange loss on interest-bearing loans and borrowings	**(11,122)**	(6,797)	**(6,446)**	(6,797)
Interest on lease liabilities	**(3,503)**	–	**(3,175)**	–
Foreign exchange loss on forward contracts	**–**	(62)	**–**	(62)
	(18,789)	(12,172)	**(12,676)**	(12,172)

8. SHARE OF PROFIT OF A JOINT VENTURE – BONTERRA LTD

	Group		Company	
For the year ended 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Share of profit before tax	**94,179**	62,945	**94,179**	62,945
Tax expense	**(13,118)**	(8,816)	**(13,118)**	(8,816)
	81,061	54,129	**81,061**	54,129

9. PROFIT BEFORE TAX

Profit Before Tax is stated after charging all expenses Including the following.

For the year ended 31 March	Notes	Group 2020 Rs. '000	Group 2019 Rs. '000	Company 2020 Rs. '000	Company 2019 Rs. '000
Ernst & Young: Audit fees		**1,966**	1,578	**1,578**	1,578
Non audit services		**931**	615	**753**	615
Depreciation on property, plant & equipment	13	**16,082**	5,050	**7,121**	5,050
Provision/(reversal) for inventories	20.1	**6,293**	987	**5,871**	987
Employee benefits including the following					
– Defined contribution plan cost – EPF and ETF		**945**	236	**945**	236
– Employee benefit plan cost	29.1	**2,790**	2,731	**2,790**	2,731
Impairment/(reversal) bad debts	21.1(a)	**(3,242)**	1,068	**(1,435)**	1,068
Directors fees		**1,820**	1,725	**1,820**	1,725

10. TAXATION

10.1 Tax Expense

For the year ended 31 March	Group 2020 Rs. '000	Group 2019 Rs. '000	Company 2020 Rs. '000	Company 2019 Rs. '000
Current income tax				
Income tax on current year profits	**17,025**	17,968	**17,025**	17,968
Adjustment in respect of current income tax of previous year	**3,889**	643	**3,889**	643
Taxes on dividends of a joint venture	**4,078**	5,952	**4,078**	5,952
Deferred tax:				
Relating to origination and reversal of temporary differences	**(4,376)**	492	**340**	492
Undistributed profit of a joint venture (Note 10.3)	**10,418**	7,872	**10,418**	7,872
Tax expense reported in the statement of profit or loss	**31,034**	32,927	**35,750**	32,927

A reconciliation between tax expense and the result of accounting profit multiplied by domestic tax rate for the year ended 31 March 2020 and 2019 is given on note 10.3.

10.2 Deferred Tax on Other Comprehensive Income

	Group		Company	
For the year ended 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Deferred tax related to items recognised in other comprehensive income during the year				
Re-measurement gain/(loss) on employee benefit obligations	**(337)**	173	**(337)**	173
Revaluation of land	**–**	835	**–**	835
Revaluation of financial assets designated at FVOCI	**(4,955)**	5,797	**(4,955)**	5,797
Deferred tax charged directly to other comprehensive income	**(5,292)**	6,805	**(5,292)**	6,805

10.3 Reconciliation of Accounting Profit to Income Tax Expense

	Group		Company	
For the year ended 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Profit before tax	**177,322**	185,475	**181,506**	178,069
Share of profit of joint venture	**(81,061)**	(54,129)	**(81,061)**	(54,129)
Disallowable expenses	**47,120**	17,586	**30,212**	17,586
Allowable expenses	**(52,614)**	(20,547)	**(14,444)**	(13,141)
Tax exempt income	**–**	(40)	**–**	(40)
Tax loss B/F	**(60,558)**	–	**–**	–
Adjustment for Tax loss B/F	**(33,695)**	–	**–**	–
Tax loss C/F	**119,699**	–	**–**	–
Taxable income	**116,213**	128,345	**116,213**	128,345
Income tax @ 14%	**15,263**	17,968	**15,263**	17,968
Income tax @ 18%	**266**	–	**266**	–
Income tax @ 24%	**1,496**	–	**1,496**	–
Income tax on current year profit	**17,025**	17,968	**17,025**	17,968
Adjustment in respect of current income tax of previous year	**3,889**	643	**3,889**	643
Tax on dividends in a joint venture – tax @ 14%	**4,078**	5,952	**4,078**	5,952
Tax on temporary difference – tax @ 28%	**(4,716)**	–	**–**	–
Tax on temporary difference – tax @ 14%	**340**	492	**340**	492
Tax on undistributed profit of a joint venture – tax @ 14%	**10,418**	7,872	**10,418**	7,872
Tax expense reported in the statement of profit or loss	**31,034**	32,927	**35,750**	32,927

10.4 In accordance with Inland Revenue Act No. 24 of 2017, companies that predominantly conducted business of exporting goods and services enjoyed a concessionary tax rate of 14%. As per the notice issued by Department of Inland Revenue dated 12th February 2020, for the period from 1st January to 31st March 2020 tax rate of 14% and 24% are applied for profit from export undertaking and other income respectively. In F/Y 2018/2019 in terms of Inland revenue Act No. 24 of 2017, Qualifying export profits and indirect export profits enjoyed a concessionary rate of tax at 14%.

11. BASIC EARNINGS PER SHARE

Basic Earnings Per Share (EPS) is calculated by dividing the Profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

11.1 The following reflects the income and share data used in the basic Earnings Per Share computation.

	Group		Company	
For the year ended 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Amounts used as numerator:				
Profit attributable to ordinary equity holders of the Company	**146,150**	152,548	**145,756**	145,142

	Group		Company	
For the year ended 31 March	**2020 Number**	2019 Number	**2020 Number**	2019 Number
Number of ordinary shares used as denominator:				
Weighted average number of ordinary shares issued	**8,000,000**	8,000,000	**8,000,000**	8,000,000
Basic earnings per share (Rs.)	**18.27**	19.07	**18.22**	18.14

12. DIVIDENDS DECLARED AND PAID

	Company	
For the year ended 31 March	**2020 Rs. '000**	2019 Rs. '000
Cash dividends on ordinary shares declared and paid during the year:		
Third interim dividend for 2019/2020 – Rs. 4.50/- Per share (2019: Second interim dividend for 2018/2019 – Rs. 3/- Per share)	**36,000**	24,000
Second interim dividend for 2019/2020 – Rs. 2/- Per share (2019: First interim dividend for 2018/2019 – Rs. 3/- Per share)	**16,000**	24,000
First interim dividend for 2019/2020 – Rs. 2/- Per share (2019: Final dividend for 2017/2018 – Rs. 0.75/- Per share)	**16,000**	6,000
	68,000	54,000
Number of shares (no.'000)	**8,000**	8,000
Dividend per share (Rs.)	**8.50**	6.75
Dividend payout ratio	**47%**	37%

13. PROPERTY, PLANT AND EQUIPMENT

13.1 Group

As at 31 March	Freehold land Rs. '000	Freehold buildings Rs. '000	Furniture, fittings & office equipment Rs. '000	Machinery & stores equipment Rs. '000	Fixtures & fittings Rs. '000	Motor vehicles Rs. '000	**Total 2020 Rs. '000**	Total 2019 (Restated) Rs. '000
Cost/Valuation								
As at 01 of April	29,806	93,644	17,867	55,713	7,824	323	**205,177**	101,892
Acquisition of a subsidiary	–	–	–	–	–	–	**–**	42,087
Additions	12,940	38,464	4,203	3,668	–	–	**59,275**	386
Transfer (Note 13.6)	–	137,607	5,497	88,340	3,460	–	**234,904**	45,624
Revaluation	–	–	–	–	–	–	**–**	26,806
Disposals	–	–	–	(921)	–	–	**(921)**	(11,618)
As at 31 March	42,746	269,715	27,567	146,800	11,284	323	**498,435**	205,177
Depreciation and impairment								
As at 01 of April	–	21,107	16,881	21,243	821	323	**60,375**	45,121
Acquisition of a subsidiary	–	–	–	–	–	–	**–**	19,728
Charge for the year	–	5,333	1,408	7,837	1,504	–	**16,082**	5,050
Impairment	–	–	–	–	–	–	**–**	291
Disposals	–	–	–	(921)	–	–	**(921)**	(9,815)
As at 31 March	–	26,440	18,289	28,159	2,325	323	**75,536**	60,375
Net book value as at 31 March	42,746	243,275	9,278	118,641	8,959	–	**422,899**	144,802
Capital work in progress (Note 13.6)	–	–	–	–	–	–	**61,152**	89,131
Carrying amount as at 31 March	42,746	243,275	9,278	118,641	8,959	–	**484,051**	233,933

13.2 Company

As at 31 March	Freehold land Rs. '000	Freehold buildings Rs. '000	Furniture, fittings & office equipment Rs. '000	Machinery & stores equipment Rs. '000	Fixtures & fittings Rs. '000	Motor vehicles Rs. '000	**Total 2020 Rs. '000**	Total 2019 (Restated) Rs. '000
Cost/Valuation								
As at 01 April	29,806	40,724	7,855	55,713	7,824	323	**142,245**	101,892
Additions	12,940	38,464	2,083	1,458	–	–	**54,945**	386
Transfer (Note 13.6)	–	9,038	261	4,438	3,460	–	**17,197**	45,624
Revaluation of land	–	–	–	–	–	–	–	5,961
Disposals	–	–	–	(921)	–	–	**(921)**	(11,618)
As at 31 March	42,746	88,226	10,199	60,688	11,284	323	**213,466**	142,245
Depreciation and impairment								
As at 01 of April	–	11,362	6,898	21,243	821	323	**40,647**	45,121
Charge for the year	–	1,059	313	4,245	1,504	–	**7,121**	5,050
Impairment	–	–	–	–	–	–	–	291
Disposals	–	–	–	(921)	–	–	**(921)**	(9,815)
As at 31 March	–	12,421	7,211	24,567	2,325	323	**46,847**	40,647
Net book value as at 31 March	42,746	75,805	2,988	36,121	8,959	–	**166,619**	101,598
Capital work in progress (Note 13.6)	–	–	–	–	–	–	**19,396**	2,414
Carrying amount as at 31 March	42,746	75,805	2,988	36,121	8,959	–	**186,015**	104,012

13.3 Group/Company – Revaluation of Land

Fair value of the lands were determined using the market comparable method. The most recent valuations had been performed by the valuer and were based on prices of transactions for properties of similar nature, location and condition. As at the date of last revaluation on 31 March 2019, the land valuations was performed by Mr. P. B. Kalugalgedara Chartered Valuation surveyor, an accredited independent valuer who has valuation experience for similar properties.

Description of valuation techniques used and key inputs to valuation of land.

Type of instrument	Location	Original cost (Rs. '000)	Fair value as at 31 March 2019 (Rs. '000)	Extent (Perches)	Valuation technique	Significant unobservable input	Fair value measurement sensitivity to unobservable input
Free Hold Land	Kuliyapitiya (Last valuation date 31.03.2019)	1,306	29,806	631.50	Open market basis	Value per perch (Rs.37,500 - Rs.50,000)	Significant increase/(decrease) in estimated price per perch in isolation would result in a significantly higher/(lower) fair value

13.4 Building Owned by the Group/Company

Company name	Location	Address	Building Sq. ft.	No. of buildings at each locations	**Carrying value at cost – 31 Mar 2020 Rs.'000**
Hayleys Fibre PLC	Kuliyapitiya	Biginhill Estate, Hettipola Road, Karagahagedara, Kuliyapitiya	47,389	15	**38,645**
Hayleys Fibre PLC	Bingiriya	Siri Sumangala Mawatha, Mahagama North, Chilaw	20,200	2	**37,160**
Creative Polymats (Pvt) Ltd	Dankotuwa	Industrial Estate, Bujjampola, Dankotuwa	57,200	9	**167,470**

Company name	Location	Address	Building Sq. ft.	No. of buildings at each locations	Carrying value at cost – 31 Mar 2019 Rs.'000
Hayleys Fibre PLC	Kuliyapitiya	Biginhill Estate,Hettipola Road, Karagahagedara, Kuliyapitiya	45,009	13	29,362
Creative Polymats (Pvt) Ltd	Dankotuwa	Industrial Estate, Bujjampola, Dankotuwa	32,000	9	22,330

13.5 The cost of fully depreciated property plant and equipment which are still in use as at the reporting date is as follows.

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Freehold buildings	**973**	973	**973**	973
Machinery & stores equipment	**14,176**	14,176	**14,176**	14,176
Furniture, fittings & office equipment	**16,465**	16,465	**6,539**	6,539
Motor vehicles	**323**	323	**323**	323
	31,937	31,937	**22,011**	22,011

13.6 Capital Work In Progress

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
As at 01 April	**89,131**	15,519	**2,414**	15,519
Acquisition of a subsidiary	**–**	86,717	**–**	–
Additions during the year	**206,925**	32,519	**34,179**	32,519
Transferred to property, plant and equipment during the year	**(234,904)**	(45,624)	**(17,197)**	(45,624)
As at 31 March	**61,152**	89,131	**19,396**	2,414

14. INTANGIBLE ASSETS

As at 31 March	Development cost 2020 Rs. '000
Cost	
As at 01 April	–
Additions	**41,325**
As at 31 March	**41,325**
Amortisation	
As at 01 April	–
Amortisation during the year	**625**
As at 31 March	**625**
Net book value	
As at 31 March	**40,700**

The development cost is related to projects carried out to improve and expand Polypropylene (PU) foam product portfolio.

14.1 Prior year adjustments

The Group Financial Statements have been restated in accordance with Sri Lanka Accounting Standard SLFRS 3: Business Combinations.

14.2 Fair valuation of Property, Plant & Equipment (Building) During Measurement Period – Acquisition in March 2019

Hayleys Fibre PLC acquired 74% of the Voting Shares of Creative Polymats (Pvt) Ltd on 30 March 2019. Hayleys Fibre PLC engaged an independent appraiser to assist with the identification and determination of fair values to be assigned to the acquiree's assets and liabilities. However, the appraisal was not finalised by the time Hayleys Fibre PLC authorised for issue its financial statements for the year ended 31 March 2019, and therefore the amounts recognised in its 2019 annual financial statements were on a provisional basis.

Three months after the acquisition date, Hayleys Fibre PLC received the independent appraiser's final report, in which it was identified by the independent appraiser that the acquiree had an Property, Plant & Equipment (building) with a fair value at the date of acquisition of Rs. 43.1 Mn. As this had not been identified at the time when Hayleys Fibre PLC was preparing its 2019 annual financial statements, the Plant & Equipment (Building) had been measured at Cost Rs. 20.8 Mn.

In its financial statements for the year ended 31 March 2020, Hayleys Fibre PLC retrospectively adjusts the prior year information to reflect the recognition of the fair value of Property, Plant & Equipment (Building).

14.3 Reconciliation for the Group Statement of Profit or Loss for the year ended 31 March 2019

	As per annual report published	Adjustment to fair value on acquisition SLFRS 3	**As per annual report published**
	2019 Rs. '000	Rs. '000	**2020 Rs. '000**
Revenue	886,099	–	**886,099**
Cost of sales	(761,110)	–	**(761,110)**
Gross profit	124,989	–	**124,989**
Other income	90,205	7,406	**97,611**
Selling and distribution expenses	(5,754)	–	**(5,754)**
Administrative expenses	(65,513)	–	**(65,513)**
Other expenses	(66,724)	–	**(66,724)**
Operating profit	77,203	7,406	**84,609**
Finance income	58,909	–	**58,909**
Finance cost	(12,172)	–	**(12,172)**
Net finance income	46,737	–	**46,737**
Share of profit of a joint venture (net of tax)	54,129	–	**54,129**
Profit before tax	178,069	7,406	**185,475**
Tax expense	(32,927)	–	**(32,927)**
Profit for the year	145,142	7,406	**152,548**
Profit for the year attributable to:			
Equity holders of the company	145,142	7,406	**152,548**
Non-controlling interest	–	–	–
	145,142	7,406	**152,548**
Basic earnings per share (Rs.)	18.14	0.93	**19.07**

14.4 Reconciliation for the Group Statement of Financial Position as at 31 March 2019

	As per annual report published	Adjustment to fair value on acquisition SLFRS 3	**As per annual report published**
	2019 Rs. '000	Rs. '000	**2020** **Rs. '000**
Assets			
Non-current assets			
Property, plant and equipment	213,088	20,845	**233,933**
Intangible assets	8,019	(8,019)	–
Investment in a subsidiary	–		–
Investment in a joint venture	78,720	–	**78,720**
Other non current financial assets	97,596	–	**97,596**
Deferred tax assets	16,956	–	**16,956**
Total non-current assets	414,379	12,826	**427,205**
Current assets			
Inventories	90,161	–	**90,161**
Trade and other receivables	177,098	–	**177,098**
Other current assets	11,288	–	**11,288**
Income tax receivables	307	–	**307**
Amounts due from joint venture	1,231	–	**1,231**
Amounts due from other related companies	15,323	–	**15,323**
Short-term deposits	405,000	–	**405,000**
Cash in hand and at bank	35,193	–	**35,193**
Total current assets	735,601	–	**735,601**
Total assets	1,149,980	12,826	**1,162,806**
Equity and liabilities			
Stated capital	80,000	–	**80,000**
Other components of equity	75,500	–	**75,500**
Amalgamation reserves	50,625	–	**50,625**
Revenue reserves	688,101	7,406	**695,507**
Equity attributable to equity holders of the company	894,226	7,406	**901,632**
Non-controlling interest	76,236	5,420	**81,656**
Total equity	970,462	12,826	**983,288**

14.5 Gain on Bargain Purchase

	As per annual Report Published	Adjustment to fair value on Acquisition	**As per annual Report Published**
As at 31 March	2019 Rs.'000	Rs.'000	**2020 Rs.'000**
Fair value recognised on acquisition			
Property, plant and equipment	109,076	20,845	**129,921**
Cash and cash equivalents	164,125	–	**164,125**
Other current assets (including vat receivables of Rs. 8 Mn)	13,454	–	**13,454**
Inventories	24,084	–	**24,084**
Deferred tax asset	16,956	–	**16,956**
Total assets	327,695	20,845	**348,540**
Trade and other payables	(34,478)	–	**(34,478)**
Total liabilities	(34,478)	–	**(34,478)**
Total identifiable net assets at fair value	293,217	20,845	**314,062**
Non-controlling interest (26% of net assets)	(76,236)	(5,420)	**(81,656)**
Goodwill arising on acquisition	8,019	(15,425)	**(7,406)**
Purchase consideration transferred	225,000	–	**225,000**
Cash flow on acquisition			
Net cash acquired with the subsidiary	164,125	–	**164,125**
Cash paid	(225,000)	–	**(225,000)**
Net cash flow on acquisition	(60,875)	–	**(60,875)**
Investing activities			
Acquisition of a subsidiary, net of cash acquired	(60,875)	–	**(60,875)**

14.6 Material, Partly-Owned Subsidiary

Financial Information of Subsidiaries that have Material Non-controlling Interests is Provided below:

Proportion of Equity Interest held by Non-controlling Interests:

Name	Country of Incorporation and Operation	**2020 Rs. '000**	2019 Rs. '000
Creative Polymats (Pvt) Ltd	Sri Lanka	**26%**	26%
Accumulated balances of material non-controlling interest:			
Creative Polymats (Pvt) Ltd		**81,426**	81,656

Profit Allocated to Material Non-controlling Interest:

Creative Polymats (Pvt) Ltd

The summarised financial information of Creative Polymats (Pvt) Ltd is provided below. This information is based on amounts before inter-company eliminations.

Summarised Statement of Profit or Loss:

For the year ended 31 March	2020 Rs. '000	2019 Rs. '000
Revenue from contracts with customers	93,060	–
Cost of sales	(81,525)	–
Other income	477	–
Selling and distribution expenses	(3,150)	–
Administrative expenses	(9,351)	–
Finance costs	(3,695)	–
Profit before tax	(4,184)	–
Income tax	4,716	–
Profit for the year	532	–
Attributable to non-controlling interests	138	–

Summarised Statement of Financial Position:

As at 31 March	2020 Rs. '000	2019 Rs. '000
Non current assets	340,710	146,877
Current assets, including cash in hand and at bank	254,587	201,663
Total assets	595,297	348,540
Non-current liabilities	2,558	–
Current liabilities, including trade and other payable	300,405	34,478
Total liabilities	302,963	34,478
Total equity	292,334	314,062
Attributable to:		
Equity attributable to equity holders of the company (74% of net assets)	210,908	232,406
Non-controlling interests (26% of net assets)	81,426	81,656

14.7 Summarised Statement of Cash Flow

For the year ended 31 March	2020 Rs. '000	2019 Rs. '000
Cash flows from operating activities	(94,109)	–
Cash flows from investing activities	(217,114)	–
Cash flows from financing activities	144,998	–

15. RIGHT OF USE ASSETS/LEASES

Set out below are the carrying amounts of Right of use assets recognised and the movements during the period.

	Group 2020		Company 2020	
	Right of use assets Rs. '000	Lease liabilities Rs. '000	Right of use assets Rs. '000	Lease liabilities Rs. '000
As at 01 April	24,990	28,431	23,778	25,805
Amortisation	(2,730)	–	(2,667)	–
Interest cost	–	3,503	–	3,175
Payments	–	(4,097)	–	(4,097)
As at 31 March	22,260	27,837	21,111	24,883
Current liabilities	–	1,658	–	1,261
Non-current liabilities	–	26,179	–	23,622

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
	Land & buildings		Land & buildings	
As at 1 April	24,990	–	23,778	–
Depreciation expense	(2,730)	–	(2,667)	–
As at 31 March	22,260	–	21,111	–

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
As at 1 April	**28,431**		**25,805**	
Additions	**–**	–	**–**	–
Interest cost	**3,503**	–	**3,175**	–
Payments	**(4,097)**	–	**(4,097)**	–
As at 31 March	**27,837**	–	**24,883**	–
Current	**1,658**	–	**1,261**	–
Non-current	**26,179**	–	**23,622**	–

The maturity analysis of lease liabilities are disclosed below:

	0-1 Year Rs. '000	**1 to 2 years Rs. '000**	**2 to 5 years Rs. '000**	**Over 5 years Rs. '000**	**Total 2020 Rs. '000**
Group					
As at 31 March 2020	**5,022**	**4,877**	**16,032**	**21,821**	**47,752**
Company					
As at 31 March 2020	**4,302**	**4,517**	**14,952**	**16,781**	**40,552**

16. INVESTMENT IN A SUBSIDIARY

	Holding %		No. of shares		Company	
As at 31 March	**2020**	2019	**2020**	2019	**2020 Rs. '000**	2019 Rs. '000
Unquoted						
Creative Polymats (Pvt) Ltd	**74**	74	**22,500,000**	22,500,000	**225,000**	225,000
			22,500,000	22,500,000	**225,000**	225,000

The Company acquired 22,500,000 ordinary voting shares of Creative Polymats (Pvt) Ltd at Rs. 10/- each in March 2019.

17. INVESTMENT IN A JOINT VENTURE

The Group/Company has a 50% interest in Bonterra Limited, a joint venture involved in the manufacture and export of coir fibre products. The registered office of Bonterra Limited is situated at Hayleys Building, No. 400, Deans Road, Colombo 10 and the principal place of business is located at Biginhill Estate, Karagahagedara, Kuliyapitiya. The Group's/Company's interest in Bonterra Limited is accounted for using the equity method in both financial statements of the Group and the Company.

17.1 Interest in a Joint Venture

Summarised financial information of the joint venture, based on its SLFRS financial statements and reconciliation with the carrying amount of the investment in the financial statements are set out below.

As at 31 March	2020 Rs. '000	2019 Rs. '000
Summarised statement of financial position of the Bonterra Limited:		
Current assets, including cash in hand and at bank Rs. 94.68 Mn (2019: Rs. 74.17 Mn)	311,716	231,973
Non-current assets	66,481	37,983
Current liabilities, including trade and other payable Rs. 75.78 Mn (2019: Rs. 81.46 Mn)	(110,742)	(106,524)
Non-current liabilities	(6,175)	(5,992)
Equity	261,280	157,440
Group's/company's carrying amount of the investment (share in equity – 50%)	130,640	78,720
Summarised statement of profit or loss of the Bonterra Limited:		
Revenue	847,544	684,788
Cost of sales, including depreciation Rs. 2.56 Mn (2019: Rs. 2.86 Mn)	(596,843)	(518,940)
Other income	–	2,711
Administrative expenses, including depreciation Rs. 0.17 Mn (2019: Rs. 0.16 Mn)	(49,294)	(37,445)
Selling and distribution expenses	(24,933)	(17,620)
Other operating expenses	(251)	(2,552)
Net finance income	12,135	14,949
Profit before tax	188,358	125,891
Income tax expense	(26,236)	(17,632)
Profit for the year	162,122	108,259
Total other comprehensive income	(20)	(44)
Total comprehensive income for the year	162,100	108,215
Group's/company's share of total comprehensive income for the year (share in equity – 50%)	81,050	54,108
Summarised statement of cash flows		
Cash flows from operating activities	110,006	149,650
Cash flows from investing activities	(31,235)	–
Cash flows from financing activities	(58,263)	(35,028)

The Joint Venture had no contingent liabilities or capital commitments as at 31 March 2020 and 2019.

18. GROUP/COMPANY – OTHER NON CURRENT FINANCIAL ASSETS

As at 31 March	**2020 Rs. '000**	2019 Rs. '000
Equity instruments designated at fair value through OCI		
As at 01 April	**97,596**	94,576
Net gain	**3,863**	3,020
As at 31 March	**101,459**	97,596

Equity instruments designated at fair value through OCI (FVOCI) consist of investment in Toyo Cushion Lanka (Pvt) Ltd and Rileys (Pvt) Ltd as at 31 March 2020. The investment in Toyo Cushion Lanka (Pvt) Ltd and Rileys (Pvt) Ltd are valued using Cash Flow Models.

18.1 Rileys (Pvt) Ltd

As at 31 March	**2020 Rs. '000**	2019 Rs. '000
As at 01 April	**54,351**	52,930
Net gain	**1,280**	1,421
As at 31 March	**55,631**	54,351

Type	Valuation Technique	Significant Unobservable Inputs	Inter-relationship between Unobservable Inputs and Fair Value Measurement
Equity Securities	FVOCI Investments in Equity Securities are valued by using the Cash Flow Model.	• Forecast Annual Revenue Growth Rate (2020: 10%; 2019: 16%) • Forecast EBITDA Margin (2020: 8%; 2019: 9%) • Discount Rate (2020: 14%; 2019: 15%)	The estimate fair value would increase/(decrease) if: • the annual revenue growth rate were higher/(lower) • the EBITDA margin were higher/(lower) • the discount rate were lower/(higher)

18.2 Toyo Cushion Lanka (Pvt) Limited

As at 31 March	Company 2020 Rs. '000	Company 2019 Rs. '000
As at 01 April	**43,245**	41,646
Net gain	**2,583**	1,599
As at 31 March	**45,828**	43,245

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Equity securities	FVOCI investments in equity securities are valued by using the cash flow model.	• Forecast annual revenue growth rate (2020: 10%; 2019: 19%) • Forecast EBITDA margin (2020: 8%; 2019: 9%) • Discount rate (2020: 14%; 2019: 14.5%)	The estimate fair value would increase/(decrease) if: • the annual revenue growth rate were higher/(lower) • the EBITDA margin were higher/(lower) • the discount rate were lower/(higher)

Sensitivity analysis

For the fair values of equity securities - Equity instruments designated at fair value through OCI, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

Un-quoted Equity Instruments Designated at Fair Value through OCI

	2020		2019	
	Increase Rs. '000	**Decrease Rs. '000**	Increase Rs. '000	Decrease Rs. '000
Effect to the Other Comprehensive Income				
Annual revenue growth rate (± 0.5%)	**1,646**	**(1,646)**	688	(688)
EBITDA margin (± 0.25%)	**466**	**(466)**	7,036	(7,036)
Discount rate (± 0.25%)	**(2,269)**	**2,377**	(1,936)	1,999

19. FINANCIAL ASSETS & FINANCIAL LIABILITIES

19.1 Financial Assets

	Group		Company	
As at 31 March	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Equity instruments designated at fair value through OCI				
Rileys (Pvt) Ltd	**55,631**	54,351	**55,631**	54,351
Toyo Cushion Lanka (Pvt) Ltd	**45,828**	43,245	**45,828**	43,245
Total non-current financial assets	**101,459**	97,596	**101,459**	97,596
Loans and receivables				
Trade & other receivables	**198,505**	172,500	**139,362**	172,500
Amount due from other related companies	**117,869**	15,323	**99,566**	13,488
Amounts due from a joint venture	**1,313**	1,231	**1,313**	1,231
Short-term deposits	**218,846**	405,000	**218,837**	250,000
Cash in hand and at bank	**18,137**	35,193	**16,921**	26,068
Total current financial assets	**554,670**	629,247	**475,999**	463,287
Carrying value of financial assets	**656,129**	726,843	**577,458**	560,883
Fair value of financial assets	**656,129**	726,843	**577,458**	560,883

19.2 Financial Liabilities

	Group		Company	
As at 31 March	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Financial liabilities measured at amortised cost				
Trade & other payables	**119,425**	103,883	**69,472**	83,958
Amount due to other related companies	**139,244**	28,617	**37,872**	14,063
Bank overdrafts and short-term borrowings	**277,714**	1,265	**129,391**	1,265
Carrying value of financial liabilities	**536,383**	133,765	**236,735**	99,286
Fair value of financial liabilities	**536,383**	133,765	**236,735**	99,286

The management assessed that, cash in hand at bank, short-term investments, amounts due from related parties, trade and other receivables, trade and other payables, amounts due to related parties and bank overdrafts approximate to their fair value largely due to the short-term maturities of these instruments. The fair value of loans and receivables and financial liabilities does not significantly vary from the value based on the amortised cost methodology for the Group/Company.

19.3 Fair Value Hierarchy

The Group/Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The Group/Company held the following financial instruments carried at fair value in the statement of financial position.

Assets Measured at Fair Value

As at 31 March	**2020 Rs. '000**	**Level 1 Rs. '000**	**Level 2 Rs. '000**	**Level 3 Rs. '000**
Freehold lands carried at fair value (Note 13)	**42,746**	–	–	**42,746**
Unquoted equity shares – financial assets designated at FVOCI (Note 18)	**101,459**	–	–	**101,459**

As at 31 March	2019 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Freehold lands carried at fair value (Note 13)	29,806	–	–	29,806
Unquoted equity shares – financial assets designated at FVOCI (Note 18)	97,596	–	–	97,596

During the reporting period ended 31st March 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

20. INVENTORIES

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Raw materials and consumables*	**223,755**	68,555	**117,223**	44,361
Finished goods	**32,516**	19,998	**20,090**	19,934
Spares stocks	**6,322**	4,310	**4,743**	4,054
Work-in-progress	**20,507**	–	**9,607**	–
Goods-in-transit	–	4	–	–
	283,100	92,867	**151,663**	68,349
Less: provision for write down of inventories (Note 20.1)	**(8,999)**	(2,706)	**(8,144)**	(2,273)
	274,101	90,161	**143,519**	66,076

* Coir fibre inventory amounts to Rs. 107 Mn (4,422 tons in quantity). Inherent nature of the inventories, requires use of estimation techniques and judgments in ascertaining the physical quantities of inventories.

20.1 Movement in the Provision for Obsolete Inventories

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
As at 01 April	**2,706**	1,286	**2,273**	1,286
Acquisition of a subsidiary	–	433	–	–
Provision made/(reversed) during the year	**6,293**	987	**5,871**	987
As at 31 March	**8,999**	2,706	**8,144**	2,273

20.2 During 2019, Rs. 62.7 million was recognised as an other expense for inventories destroyed by fire.

21. TRADE & OTHER RECEIVABLES

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Trade receivables (Note 21.1)	**172,302**	97,962	**123,773**	97,962
Insurance receivables	**13,786**	51,724	**13,786**	51,724
Dividends receivables	–	21,502	–	21,502
Deposits and prepayments	**3,632**	4,598	**1,718**	1,286
Advances to suppliers	**15,474**	–	**4,474**	–
Other receivables	**12,417**	1,312	**1,803**	1,312
	217,611	177,098	**145,554**	173,786

21.1 Trade Receivables

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Gross trade receivables	**173,737**	102,639	**125,208**	99,030
Less: Provision for doubtful debts (Note 21.1 (a))	**(1,435)**	(4,677)	**(1,435)**	(1,068)
Net trade receivables	**172,302**	97,962	**123,773**	97,962

21.1 (a) Movement in the Provision for Doubtful Debts

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Balance as at 01 April	**4,677**	–	**1,068**	–
Acquisition of a subsidiary	–	3,609	–	–
Provision made during the year	**1,435**	1,068	**1,435**	1,068
Provision reversed during the year	**(4,677)**	–	**(1,068)**	–
Balance as at 31 March	**1,435**	4,677	**1,435**	1,068

21.2 The aging analysis of Trade Receivables is as follows:

		Past due but not Impaired						
Group	Neither past due nor impaired Rs. Mn	<60 Days Rs. Mn	61-120 Days Rs. Mn	121-180 Days Rs. Mn	>180 Days Rs. Mn	Total (gross) Rs. Mn	Provisions Rs. Mn	Total (net) Rs. Mn
As at 31 March 2020	36.98	126.44	8.45	0.46	1.40	173.73	(1.43)	172.30
As at 31 March 2019	73.72	17.33	2.90	4.38	4.32	102.64	(4.68)	97.96

		Past due but not Impaired						
Company	Neither past due nor impaired Rs. Mn	<60 Days Rs. Mn	61-120 Days Rs. Mn	121-180 Days Rs. Mn	>180 Days Rs. Mn	Total (gross) Rs. Mn	Provisions Rs. Mn	Total (net) Rs. Mn
As at 31 March 2020	9.80	112.06	1.94	–	1.40	125.20	(1.43)	123.77
As at 31 March 2019	73.72	17.32	2.9	4.38	0.72	99.03	(1.07)	97.96

22. OTHER CURRENT ASSETS

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Other tax receivables	**440**	9	–	–
Withholding tax refunds	**1,563**	–	**1,543**	–
Vat receivables	**34,476**	11,279	**3,379**	3,288
	36,479	11,288	**4,922**	3,288

23. AMOUNT DUE FROM A JOINT VENTURE

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Bonterra Ltd	**1,313**	1,231	**1,313**	1,231

24. AMOUNTS DUE FROM OTHER RELATED COMPANIES

		Group		Company	
As at 31 March	Relationship	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Lignocell (Pvt) Ltd	Affiliate	**724**	5,031	**724**	3,196
Quality Seeds Co. (Pvt) Ltd	Affiliate	**3,035**	2,108	**3,035**	2,108
Toyo Cushion Lanka (Pvt) Ltd	Affiliate	**8,831**	695	**547**	695
Ravi Industries Ltd	Affiliate	**2,411**	–	**2,411**	–
Chas P Hayley & Co. (Pvt) Ltd	Affiliate	**91,160**	–	**91,160**	–
Haymat (Pvt) Ltd	Affiliate	**1,375**	–	**1,375**	–
Charles Fibres (Pvt) Ltd	Affiliate	**314**	–	**314**	–
Singer Sri Lanka PLC	Affiliate	**10,019**	–	–	–
Haycarb USA	Affiliate	–	7,489	–	7,489
		117,869	15,323	**99,566**	13,488

25. CASH IN HAND AND AT BANK

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Cash in hand	**416**	206	**196**	206
Cash at bank	**17,721**	34,987	**16,725**	25,862
Cash in hand and at bank	**18,137**	35,193	**16,921**	26,068

26. STATED CAPITAL

	No. of Shares		Company	
As at 31 March	**2020**	2019	**2020 Rs. '000**	2019 Rs. '000
Fully paid ordinary shares	**8,000,000**	8,000,000	**80,000**	80,000

27. RESERVES

		Group		Company	
As at 31 March	Notes	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Other components of equity					
Revaluation reserves	27.1	**24,511**	24,511	**24,511**	24,511
Fair value reserves of financial assets designated at FVOCI		**59,807**	50,989	**59,807**	50,989
		84,318	75,500	**84,318**	75,500
Amalgamation reserves					
Amalgamation revenue reserves	27.3	**36,625**	36,625	**36,625**	36,625
Amalgamation capital reserves	27.3	**14,000**	14,000	**14,000**	14,000
		50,625	50,625	**50,625**	50,625
Retained earnings	27.2	**768,501**	695,507	**761,747**	688,101
		903,444	821,632	**896,690**	814,226

27.1 Revaluation Reserves

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
As at 01 April	**24,511**	19,385	**24,511**	19,385
Revaluation surplus during the year	–	5,961	–	5,961
Income tax effect on revaluation surplus	–	(835)	–	(835)
As at 31 March	**24,511**	24,511	**24,511**	24,511

27.2 Retained Earnings

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
As at 01 April	**695,507**	595,914	**688,101**	595,914
Profit for the year	**146,150**	152,548	**145,756**	145,142
Effect of transition to SLFRS 16	**(3,073)**	–	**(2,027)**	–
Re-measurement gain/(loss) on employee benefit obligations	**(2,410)**	1,240	**(2,410)**	1,240
Income tax on other comprehensive income	**337**	(173)	**337**	(173)
Share of other comprehensive income of a joint venture	**(10)**	(22)	**(10)**	(22)
Dividends	**(68,000)**	(54,000)	**(68,000)**	(54,000)
As at 31 March	**768,501**	695,507	**761,747**	688,101

27.3 Amalgamation reserves consist of net surplus arisen from the amalgamation of Eco Fibre Limited with the company using the provisions for amalgamation, in the companies Act No. 07 of 2007.

28. DEFERRED TAXATION

28.1 Deferred Tax Assets

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
As at 01 April	**16,956**	–	–	–
Charge/(reversal)	**4,716**	16,956	–	–
As at 31 March	**21,672**	16,956	–	–

The closing deferred tax assets are related to the following:

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Deferred tax assets				
Losses available for off-setting against future taxable income	**33,515**	16,956	–	–
Deferred tax liability				
Accelerated depreciation for tax purposes	**10,861**	–	–	–
Amortisation of intangible assets for tax purposes	**982**	–	–	–
	11,843	–	–	–
As at 31 March	**21,672**	16,956	–	–

Un-utilised tax losses carried forward of Creative Polymats (Pvt) Ltd as at 31 March 2020 amounting to Rs. 119.7 million.

28.2 Deferred Tax Liabilities

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
As at 1 April	**20,200**	5,031	**20,200**	5,031
Charge/(Reversal)	**5,465**	15,169	**5,465**	15,169
As at 31 March	**25,665**	20,200	**25,665**	20,200

The closing deferred tax assets and liabilities are related to the following.

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Deferred tax assets				
Employee benefit obligations	**(3,105)**	(2,376)	**(3,105)**	(2,376)
Deferred tax liabilities				
Accelerated depreciation for tax purposes	**5,649**	4,917	**5,649**	4,917
Undistributed profit in a joint venture	**18,290**	7,872	**18,290**	7,872
Revaluation on freehold land	**3,990**	3,990	**3,990**	3,990
Revaluation of financial assets designated at FVOCI	**841**	5,797	**841**	5,797
	28,770	22,576	**28,770**	22,576
Net Deferred Tax Liabilities	**25,665**	20,200	**25,665**	20,200

29. EMPLOYEE BENEFIT OBLIGATIONS

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
As at 01 April	**16,974**	18,582	**16,974**	18,582
Current service cost	**1,867**	708	**1,867**	708
Interest cost	**923**	2,023	**923**	2,023
Re-measurement (gain)/ loss on employee benefit obligations	**2,410**	(1,240)	**2,410**	(1,240)
	22,174	20,073	**22,174**	20,073
Employee benefits paid	**–**	(3,099)	**–**	(3,099)
As at 31 March	**22,174**	16,974	**22,174**	16,974

29.1 Expense recognised during the year in the Statement of Profit or Loss.

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Current service cost	**1,867**	708	**1,867**	708
Interest cost	**923**	2,023	**923**	2,023
	2,790	2,731	**2,790**	2,731
Re-measurement (gain)/loss recongnised in other comprehensive income	**2,410**	(1,240)	**2,410**	(1,240)

29.2 LKAS 19 – requires the use of actuarial techniques to make a reliable estimate of the amount of employee benefit that employees have earned in return for their service in the current and prior periods and discount the benefit using the Projected Unit Credit Method in order to determine the present value of the employee 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.

The key assumptions used in determining the cost of employee benefits were:

Rate of discount	10% (2019 11%)
Rate of salary increase	9% (2019 10%)
Retirement age	55-60 years as specified by the Company (2019 – 55-60 Years)
Mortality	Based on A1967/70 mortality table.

The demographic assumptions underlying the valuations are with respect to retirement age early withdrawals from service and retirement on medical grounds.

According to the actuarial valuation report issued by the actuarial valuer as at 31 March 2020 the actuarial present value of promised Employee benefits amounted to Rs. 22,174,942/-.

The Present Value of Employee Benefit Obligation is carried on annual basis.

The following payments are expected from the defined benefit plan obligation in future years.

Employee Benefit Obligation

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Expected future working life				
Within the next twelve months	**3,243**	660	**3,243**	660
Between one to five years	**9,699**	9,418	**9,699**	9,418
Between five to ten years	**4,458**	3,458	**4,458**	3,458
More than ten years	**4,774**	3,438	**4,774**	3,438
As at 31 March	**22,174**	16,974	**22,174**	16,974

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 6.14 years.

Sensitivity Analysis – Salary Escalation Rate and Discount Rate

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. The sensitivity was carried for the rate of wage increment & salary increment and the discount rate. Simulation made for Employee benefit obligation show that a rise or decrease by 1% of the rate of wage & salary and discount rate have the following changes related to Employee benefit obligation.

Salary Escalation Rate

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
1% Increase	**23,584**	18,135	**23,584**	18,135
1% Decrease	**20,893**	15,919	**20,893**	15,919

Rate of Discount

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
1% Increase	**20,990**	15,994	**20,990**	15,994
1% Decrease	**23,497**	18,068	**23,497**	18,068

30. INTEREST-BEARING BORROWINGS

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Bank overdrafts (30.1)	**51,375**	1,265	**48,050**	1,265
Short-term loans (30.2)	**226,339**	–	**81,341**	–
	277,714	1,265	**129,391**	1,265

30.1 Bank Overdrafts

Company	Rate of interest	**2020 Rs. '000**	2019 Rs. '000	Security
Hayleys Fibre PLC	HNB PLC (AWPLR+0.25%)	**1,820**	–	Unsecured
	HSBC (LIBOR+3.3%)	**40,210**	–	Unsecured
	HSBC (SLIBOR+2.5%)	**6,020**	1,265	Unsecured
Creative Polymats (Pvt) Ltd	SEYLAN (AWPLR+2%)	**3,325**	–	Unsecured
		51,375	1,265	

30.2 Short-term Loans

Company	Rate of interest	**2020 Rs. '000**	2019 Rs. '000	Security
Hayleys Fibre PLC	HNB PLC (LIBOR+3.5%)	**81,341**	–	Export Orders
Creative Polymats (Pvt) Ltd	COMM (AWPLR+1.5%)	**100,000**	–	
	SEYLAN (AWPLR+0.5%)	**44,998**	–	Stocks & Debtors
		226,339	–	

31. TRADE & OTHER PAYABLES

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Trade payables	**57,794**	31,440	**9,453**	11,966
Accruals and other payables	**44,202**	46,743	**42,590**	46,292
Dividend payables	**12,615**	22,761	**12,615**	22,761
Unclaimed dividends	**4,814**	2,939	**4,814**	2,939
	119,425	103,883	**69,472**	83,958

32. OTHER CURRENT LIABILITIES

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Advances (Contract liabilities)	**4,744**	4,578	**4,723**	4,578
	4,744	4,578	**4,723**	4,578

33. AMOUNTS DUE TO OTHER RELATED COMPANIES

		Group		Company	
As at 31 March	Relationship	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Hayleys PLC	Parent	**41,754**	8,873	**33,834**	982
Chas P Hayley & Co. (Pvt) Ltd	Affiliate	**–**	1,400	**–**	1,400
Volanka Exports Ltd	Affiliate	**2**	2	**2**	2
Charles Fibres (Pvt) Ltd	Affiliate	**–**	6,216	**–**	6,216
Hayleys Travels (Pvt) Ltd	Affiliate	**35**	15	**35**	15
Haymat (Pvt) Ltd	Affiliate	**–**	598	**–**	598
Mit Cargo (Pvt) Ltd	Affiliate	**7**	38	**7**	38
Ravi Industries Ltd	Affiliate	**340**	324	**–**	324
Mabroc Teas (Pvt) Ltd	Affiliate	**114**	–	**114**	–
Talawakelle Tea Estates PLC	Affiliate	**65**	–	**65**	–
Hayelys Agriculture Holdings Ltd	Affiliate	**333**	–	**333**	–
Hayleys Tours (Pvt) Ltd	Affiliate	**12**	–	**12**	–
Hayleys Aventura (Pvt) Ltd	Affiliate	**535**	–	**535**	–
Toyo Cushion Lanka (Pvt) Ltd	Affiliate	**1,473**	–	**–**	–
Hayleys Business Solutions International (Pvt) Ltd	Affiliate	**46**	26	**46**	26
Volanka (Pvt) Ltd	Affiliate	**1,973**	644	**1,978**	644
Rileys (Pvt) Ltd	Affiliate	**92,312**	10,253	**668**	3,818
Singer (Sri Lanka) PLC	Affiliate	**243**	228	**243**	–
		139,244	28,617	**37,872**	14,063

34. CAPITAL EXPENDITURE COMMITMENTS

The approximate amounts of capital expenditure approved by the Directors as at 31st March, 2020 were; Capital expenditure contracted for which no provision is made in the Financial Statements for the Group: Rs. Nil (2019: 76 million) and for the Company: Rs. Nil (2019: Nil).Capital expenditure approved by the Directors but not contracted for the Group: Rs. Nil (2019 : 62 million) and for the Company Rs. Nil (2019: Nil).

35. CONTINGENT LIABILITIES

The Group/Company does not have significant contingent liabilities as at the reporting date. (2019: Nil).

36. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key Management Personnel Compensation

Key management personnel comprise of Directors of the Company and details of Directors fees are given in note 9 to the Financial Statements.

Other Transactions with Key Management Personnel

Directors of the Company hold 0.03% of the voting shares of the Company.

Transactions with key management personnel and their related parties have been conducted on relevant commercial terms with the respective parties.

37. EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the balance sheet date which require adjustment to or disclosure in the financial statements.

38. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from financial instruments:

(1) Credit Risk

(2) Liquidity Risk

(3) Operational Risk

(4) Market Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these Group financial statements.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework as described in detailed in Risk Management Report on pages 38 to 42.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Trade and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Management; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. Outstanding customer receivables are regularly monitored at the individual sector and Group Management Committee (GMC) level.

Further SLECIC cover or other forms of credit insurance is obtained for most exports or in the instance this is not obtained, specific GMC approval is taken prior to the export.

More than 85 percent of the Company's customers have been transacting with the Company for over five years, and no impairment loss has been recognised against these customers. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's whole sale customers. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the Management and future sales are made on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Company of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The possible delays in getting past dues from the customers and demand for extended credit periods as a result of COVID-19 were reviewed to minimise the exposures, with customer negotiations on settlements and invoicing/Letter of Credit discounting arrangements with Banks.

The maximum exposure to credit risk for trade and other receivables as at the reporting date by currency wise is as follows:

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Rupees	**92,403**	70,579	**20,346**	67,267
United states dollar	**115,039**	83,937	**115,039**	83,937
Euro	**10,169**	22,582	**10,169**	22,582
	217,611	177,098	**145,554**	173,786

Investments

Credit risk from investments in equity market and balances with the financial institutions are managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counter-parties and within credit limits assigned to each counter-party. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counter-party's failure.

Cash in Hand and at Bank

The Group/Company held Cash in Hand and at Bank of Rs. 236.98 million and Rs. 235.75 million respectively as at 31 March 2020 (2018/19 – Rs. 440.19 million and Rs. 276.06 million) which represents its maximum credit exposure on these assets.

Respective credit ratings of banks which cash balances held are as follows;

- People's Bank – AA+(lka)
- Standard Chartered Bank – AAA (lka)
- Hong Kong and Shanghai Banking Corporation Ltd – AA-
- Hatton National Bank PLC – AA- (lka)
- Seylan Bank PLC – A-(lka)
- Deutsche Bank – BBB-
- Cargills Bank – A-(lka)
- National Development Bank PLC – A+(lka)

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Liquidity risk coming by extending credit periods to customers due to COVID -19 impact is going to mitigate through negotiating additional overdraft /short term financing facilities with Banks and in addition, discounting customers' invoices and Letters of Credit through which 80%-90% advances expected to take upfront from the Banks.

Maturity Analysis

The table below summarises the maturity profile of the Group/Company financial liabilities as at 31 March 2020 based on contractual undiscounted payments.

As at March 2020	On demand Rs.	Less than 3 Months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	>5 years Rs.	Total Rs.
Group						
Short-term interest-bearing loan and borrowings loan	–	**230,236**	**47,478**	–	–	**277,714**
Trade and other payables	–	**113,664**	**3,483**	**2,278**	–	**119,425**
Amount due to related parties	–	**139,244**	–	–	–	**139,244**
	–	**483,144**	**50,961**	**2,278**	–	**536,383**
Company						
Short-term interest-bearing loan and borrowings	–	**81,913**	**47,478**	–	–	**129,391**
Trade and other payables	–	**63,711**	**3,483**	**2,278**	–	**69,472**
Amount due to related parties		**37,872**	–	–	–	**37,872**
	–	**183,496**	**50,961**	**2,278**	–	**236,735**

As at March 2019	On demand Rs.	Less than 3 Months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	>5 years Rs.	Total Rs.
Group						
Short-term interest-bearing loan and borrowings loan	–	1,265	–	–	–	1,265
Trade and other payables	–	103,883	–	–	–	103,883
Amount due to related parties	–	28,617	–	–	–	28,617
	–	133,765	–	–	–	133,765
Company						
Short-term interest-bearing loan and borrowings	–	1,265	–	–	–	1,265
Trade and other payables	–	83,958	–	–	–	83,958
Amount due to related parties		14,063				14,063
	–	99,286	–	–	–	99,286

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance when this is effective.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, financial assets at FVOCI/available-for-sale investments and derivative financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest Rate Risk

Interest Rate is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in market interest rates. The Group mainly borrows in the short term to fund its working capital requirement which are linked and floating interest rates. For other funding needs the Group maintains a proper mix of fixed and floating interest rates based on the predictability of future cash flows.

	Increase/(Decrease) In Basis Point	Group Effect on Profit Before Tax Rs. '000	Company Effect on Profit Before Tax Rs. '000
2020			
	+150	**10,786**	**3,067**
	-150	**(10,786)**	**(3,067)**
2019			
	+150	–	54
	-150	–	(54)

Foreign Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group, primarily the Euro, US Dollars (USD) and Sterling Pound (GBP). The currencies in which these transactions primarily are denominated are EUR,USD,GBP.

Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the US Dollars, Sterling Pound (GBP) and Euro exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to change in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency change for all other currencies is not material.

	Increase/(Decrease) in Exchange Rate	Effect on Profit Before Tax Group Rs. '000	Effect on Profit Before Tax Company Rs. '000
2020			
USD	**+5%**	**(462)**	**(462)**
EUR	**+5%**	**602**	**602**
GBP	**+5%**	**3**	**2.90**
USD	**-5%**	**462**	**462**
EUR	**-5%**	**602**	**602**
GBP	**-5%**	**3**	**2.90**
2019			
USD	+5%	3,747	3,747
EUR	+5%	1,186	1,186
GBP	+5%	3	3
USD	-5%	(3,747)	(3,747)
EUR	-5%	(1,186)	(1,186)

Commodity Risk

The Group is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase and manufacturing process. Due to the significantly increased volatility of the price of the underlying, the Group's Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation.

Equity Price Risk

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Group Management Committee.

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserve, retained earnings . The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group's net debt to adjusted equity ratio at the reporting date was as follows.

	Group		Company	
As at 31 March	**2020 Rs. '000**	2019 Rs. '000	**2020 Rs. '000**	2019 Rs. '000
Interest bearing borrowings	**277,714**	1,265	**129,391**	1,265
Less: cash in hand and at bank	**(18,137)**	(35,193)	**(16,921)**	(26,068)
Net debts/(cash)	**259,577**	(33,928)	**112,470**	(24,803)
Equity	**1,685,660**	970,462	**976,690**	894,226
Equity and net debts	**1,945,237**	936,534	**1,089,160**	869,423
Gearing ratio	**13.34%**	-3.62%	**10.33%**	-2.85%

39. RELATED PARTY TRANSACTIONS

As at 31st March					2020	2019
Relationship with the Company	Settlement Rs.'000	Net funds transfer from/(to) Related Parties Rs. '000	Sale to related parties Rs. '000	Purchases/ services from related parties Rs. '000	**Amount due from/(due to) related parties Rs. '000**	Amount due from/(due to) related parties Rs. '000
Parent :						
Hayleys PLC	10,899	–	–	(43,751)	**(33,834)**	(982)
Jointly controlled entity :						
Bonterra Ltd	–	(52,159)	5,211	47,030	**1,313**	1,231
Affiliate :						
Volanka Exports Ltd	–	–	–	–	**(2)**	(2)
Chas P Hayley & Co. (Pvt) Ltd	–	73,480	45,555	(26,475)	**91,160**	(1,400)
Lignocell (Pvt) Ltd	–	(3,000)	–	528	**724**	3,196
Volanka (Pvt) Ltd	10,403	–	–	(11,738)	**(1,978)**	(644)
Toyo Cashion Lanka (Pvt) Ltd.	–	(2,035)	7,925	(6,037)	**547**	695
Ravi Industries Ltd	–	2,331	18	386	**2,411**	(324)
Rileys (Pvt) Ltd	–	4,828	97	(1,776)	**(668)**	(3,818)
Quality Seeds (Pvt) Ltd	(5,788)	–	6,715	–	**3,035**	2,108
Mit Crago (Pvt) Ltd	159	–	–	(128)	**(7)**	(38)
Haymat (Pvt) Ltd	–	941	1,640	(608)	**1,375**	(598)
Hayleys Business Solutions International (Pvt) Ltd	261	–	–	(281)	**(46)**	(26)
Charles Fibres (Pvt) Ltd	6,079	–	–	451	**314**	(6,216)
Hayleys Travels (Pvt) Ltd	–	410	–	(430)	**(35)**	(15)
Hayleys Agriculture Holdings	–	–	–	(333)	**(333)**	–
Hayleys Aventura (Pvt) Ltd	–	–	–	(535)	**(535)**	–
Mabroc Teas (Pvt) Ltd	–	–	–	(114)	**(114)**	–
Thalawakele Tea Estates (Pvt) Ltd	–	–	–	(65)	**(65)**	–
Singer (Sri Lanka) PLC	–	–	–	(243)	**(243)**	–
Hayleys Tours (Pvt) Ltd	–	–	–	(12)	**(12)**	–

39.1 Terms and Conditions of Transactions with Related Parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

40. SEGMENT ANALYSIS

The segment information is based on the nature of the businesses carried out by the Group. The management is of the view that the Chairman is considered the Chief Operating Decision Maker and resources are allocated and performances assessed based on the below mentioned segments.

For the year ended 31 March 2020	Coir Fibre Products Rs. '000	Mattresses Rs. '000	Consolidated Rs. '000
Revenue			
External	696,565	93,060	789,625
Total	696,565	93,060	789,625
Segment results			
Result from operating activities	86,601	(489)	86,112
Net finance income/(expense)	13,844	(3,695)	10,149
Share of profit of a joint venture (net of tax)	81,061	–	81,061
Profit before tax	181,506	(4,184)	177,322
Tax expenses	(35,750)	4,716	(31,034)
Depreciation on property, plant & equipment	7,121	8,961	16,082
Amortisation of intangible assets	–	625	625
Segment financial position			
Total assets (excluding equity accounted investee)	1,164,217	390,803	1,555,020
Investment in a joint venture	130,640	–	130,640
Additions to property, plant and equipment	72,142	222,037	294,179
Additions to intangible assets	–	41,325	41,325
Deferred tax liabilities	25,665	–	25,665
Employee benefit obligations	22,174	–	22,174
Trade and other payable	69,472	49,953	119,425
Segment cash flows			
Segment cash flows from operating activities	(103,061)	(94,109)	(197,170)
Segment cash flows from investing activities	(33,375)	(217,114)	(250,489)
Segment cash flows from financing activities	49,341	144,998	194,339

SHARE INFORMATION

ORDINARY SHAREHOLDERS AS AT 31 MARCH 2020

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	3,977	713,094	8.91	20	6,217	0.08	3,997	719,311	8.99
1,001 – 10,000	218	653,165	8.16	2	4,400	0.06	220	657,565	8.22
10,001 – 100,000	40	1,010,037	12.63	2	33,044	0.41	42	1,043,081	13.04
100,001 – 1,000,000	3	380,043	4.75	–	–	–	3	380,043	4.75
Over 1,000,000	1	5,200,000	65.00	–	–	–	1	5,200,000	65.00
	4,239	**7,956,339**	**99.45**	**24**	**43,661**	**0.55**	**4,263**	**8,000,000**	**100.00**
Category									
Individuals	4,138	2,179,332	27.24	23	31,270	0.39	4,161	2,210,602	27.63
Institutions	101	5,777,007	72.21	1	12,391	0.16	102	5,789,398	72.37
	4,239	**7,956,339**	**99.45**	**24**	**43,661**	**0.55**	**4,263**	**8,000,000**	**100.00**

DIRECTORS' SHAREHOLDINGS AS AT 31.03.2020

Name of Directors	No. of Shares
Mr. A. M. Pandithage	320
Mr. H. S. R. Kariyawasan	Nil
Dr. S. A. B. Ekanayake	Nil
Mr. S. C. Ganegoda	608
Mr. T. G. Thoradeniya	Nil
Mr. K. S . Padiwita	1,280
Mr. M. I. L. Perera	Nil
Dr. T. K. D. A. P. Samarasinghe	Nil
Mr. L. A. K. I. Kodytuakku	Nil
Mr. D. K. De Silva Wijeyeratne	Nil
Mr. M. C. Sampath	Nil
Mr. W. A. K. Kumara	Nil

SHARE TRADING INFORMATION – THREE MONTHS ENDED 31.03.2020

Highest price (Rs.) – 06.02.2020	124.00
Lowest price (Rs.) – 13.01.2020	80.00
Closing price (Rs.) – 20.03.2020	87.10

SHARE TRADING INFORMATION –YEAR ENDED 31.03.2020

Highest price (Rs.) – 06.02.2020	124.00
Lowest price (Rs.) – 15.05.2019	78.50
Closing price (Rs.) – 20.03.2020	87.10

Number of transactions	5,376
Number of shares traded	1,486,520
Value of shares traded (Rs.)	152,122,579

Percentage of public holding as at 31.03.2020	34.97%
Total Number of shareholders representing public holding	4,259
Float-adjusted market capitalisation (Rs.)	243,670,960

The Company complies with option 5 of the Listing Rules 7.13.1 (a) – Less than Rs. 2.5 Bn Float Adjusted Market Capitalisation which requires 20% minimum Public Holding.

DIVIDENDS

- Third Interim Dividend 2019/2020 – Rs. 4.50/= per share paid on 26 May 2020.
- Second Interim Dividend 2019/2020 – Rs. 2.00/= per share paid on 22 January 2020.
- First Interim Dividend 2019/2020 – Rs. 2.00/= per share paid on 17 October 2019.

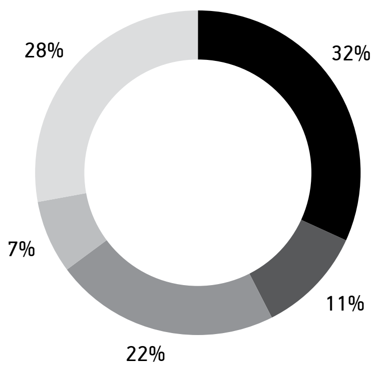
FIRST TWENTY SHAREHOLDERS

	Name of the Shareholder	**No of Shares as at 31.03.2020**	**%**	No of Shares as at 31.03.2019	%
1.	Hayleys PLC No. 3 Share Investment A/C	**5,200,000**	**65.00**	5,200,000	65.00
2.	Seylan Bank PLC/Mr. K. L. G. Udayananda	**143,545**	**1.79**	148,401	1.86
3.	Mrs. V. Saraswathi & Mr. S. Vasudevan	**126,498**	**1.58**	–	–
4.	New Benson Trading (Pvt) Ltd	**110,000**	**1.38**	110,000	1.38
5.	Mr. S. Srikanthan & Mrs. S. Srikanthan	**80,000**	**1.00**	76,000	0.95
6.	Mr. R. E. Rambukwella	**61,979**	**0.77**	31,179	0.39
7.	Dr. D. Jayanntha	**56,900**	**0.71**	56,900	0.71
8.	Acuity Partners (Pvt) Limited/Mr. S. Vasudevan	**53,828**	**0.67**	–	–
9.	Mrs. M. J. Nihara	**50,768**	**0.63**	50,568	0.63
10.	DFCC Bank PLC/Mr. W. G. D. C. Ranaweera	**50,000**	**0.63**	–	–
11.	Mr. H. G. Balasuriya	**45,070**	**0.56**	15,050	0.19
12.	Mr. S. Vasudevan	**43,869**	**0.55**	–	–
13.	Mr. A. R. Ibrahim	**42,300**	**0.53**	47,500	0.59
14.	Merchant Bank of Sri Lanka & Finance/S. Shanmugam & S. Suthager	**35,000**	**0.44**	–	–
15.	Mr. M. Naizer	**28,000**	**0.35**	–	–
16.	Mr. L. I. Adhihetty	**27,017**	**0.34**	–	–
17.	People's Leasing & Finance PLC / Mr. W. M. H. B. Senevirathna	**26,205**	**0.33**	–	–
18.	Miss. P. Navaratnam	**26,052**	**0.33**	26,052	0.33
19.	Dialog Finance PLC/R. Collom	**24,941**	**0.31**	–	–
20.	Mrs. L. P. Thenabadu & Mr. S.K. Thenabadu	**22,122**	**0.28**	23,832	0.30
	Total	**6,254,094**	**78.18**	5,785,482	72.32

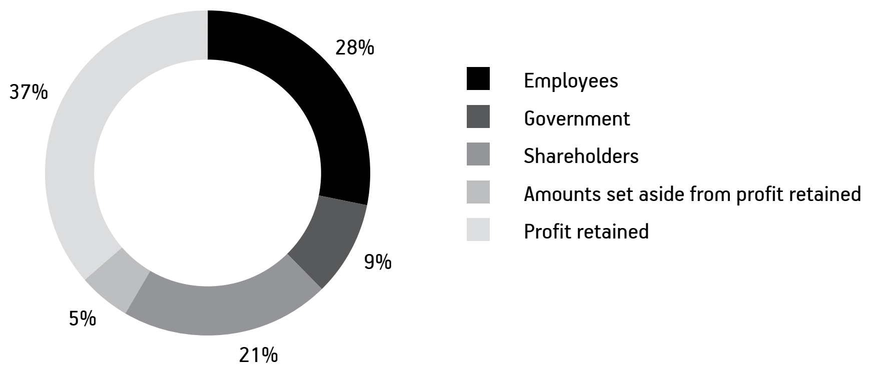
STATEMENT OF VALUE ADDED

For the year ended 31 March	Group				Company			
	2020		2019		**2020**		2019	
	Rs '000	**%**	Rs '000	%	**Rs '000**	**%**	Rs '000	%
Revenue	**789,625**		886,099		**696,565**		886,099	
Other income	**17,727**		97,611		**17,250**		90,205	
	807,352		976,304		**713,815**		976,304	
Less: Cost of materials and other costs	**(503,034)**		(716,600)		**(441,312)**		(716,600)	
	304,318		259,704		**272,503**		259,704	
Distribution of value added								
Employees	**96,852**	**32**	73,191	28	**70,848**	**26**	73,191	28
Government	**32,457**	**11**	24,563	9	**31,285**	**11**	24,563	9
Shareholders	**68,000**	**22**	54,000	21	**68,000**	**25**	54,000	21
Amounts set aside for provisions	**22,124**	**7**	13,414	5	**17,879**	**7**	13,414	5
Profit retained	**84,885**	**28**	94,536	36	**84,491**	**31**	94,536	36
	304,318	**100**	259,704	100	**272,503**	**100**	259,704	100

VALUE DISTRIBUTION IN 2019-20



VALUE DISTRIBUTION IN 2018-19



TEN YEAR SUMMARY – GROUP

For the year ended 31 March	2020	2019 Restated	2018	2017	2016	2015	2014	2013	2012	2011
	Rs. '000	Rs.'000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trading results										
Revenue	**789,625**	886,099	562,659	478,976	442,038	576,451	468,475	421,827	516,176	684,157
Profit/(loss) before taxation	**177,322**	185,475	120,342	278,765*	16,019	7,643	27,311	27,668	(9,889)	(48,523)
Tax expenses	**(31,034)**	(32,927)	(19,377)	(11,495)	366	(4,701)	(2,634)	(1,897)	228	(959)
Profit/(loss) after taxation	**146,288**	152,548	100,965	267,270*	16,385	2,942	24,677	25,771	(9,661)	(49,482)
Share capital & reserves										
Stated capital	**80,000**	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Other component of equity	**84,318**	75,500	73,151	74,778	240,787	240,083	233,654	232,778	217,529	–
Capital reserves	–	–	–	–	–	–	–	–	–	272,588
Revenue reserves	**768,501**	695,507	595,914	531,945	106,510	91,779	88,118	65,019	38,847	(61,003)
Amalgamation reserves	**50,625**	50,625	50,625	50,625	50,625	50,625	50,625	50,625	50,625	50,625
Equity attributable to equity holders of the company	**983,444**	901,632	799,690	737,348	477,922	462,487	452,397	428,422	387,001	342,210
Non-controlling interest	**81,426**	81,656	–	–	–	–	–	–	–	–
Total equity	**1,064,870**	983,288	799,690	737,348	477,922	462,487	452,397	428,422	387,001	342,210
Assets less liabilities										
Property, plant & equipment	**484,051**	233,933	72,290	64,838	255,293	255,877	247,148	249,212	246,655	248,812
Investments	**232,099**	176,316	161,704	142,610	146,823	131,835	130,244	126,028	110,149	90,527
Other non-current assets	**84,632**	16,956	–	–	–	954	1,602	1,422	–	–
Total non-current assets	**800,782**	427,205	233,994	207,448	402,116	388,666	378,994	376,662	356,804	339,339
Current assets	**884,878**	735,601	662,067	614,392	181,736	369,304	259,515	189,128	276,641	232,107
Current liabilities	**(546,772)**	(142,344)	(72,758)	(69,157)	(91,298)	(264,032)	(150,169)	(102,887)	(213,544)	(194,801)
Working capital	**338,106**	593,257	589,309	545,235	90,438	105,272	109,346	86,241	63,097	37,306
Non-current liabilities	**(74,018)**	(37,174)	(23,613)	(15,335)	(14,632)	(31,451)	(35,943)	(34,481)	(32,900)	(34,435)
Net assets	**1,064,870**	983,288	799,690	737,348	477,922	462,487	452,397	428,422	387,001	342,210
RATIOS AND OTHER INFORMATION										
Basic earnings per share (Rs.)	**18.27**	19.07	12.62	33.41	2.05	0.37	3.08	3.22	(1.21)	(6.19)
Net assets per share (Rs.)	**122.93**	112.70	99.96	92.17	59.74	57.81	56.55	53.55	48.38	42.78
Current ratio (times)	**1.62**	5.17	9.09	8.88	1.99	1.40	1.73	1.84	1.30	1.19
Dividend per share – paid (Rs.)	**8.50**	6.75	4.00	2.00	–	0.30	0.30	–	–	–
Dividend payout (%)	**46.53**	35.40	31.70	5.99	–	81.08	9.74	–	–	–
Price earnings ratio (times)	**4.77**	4.49	5.61	1.77	18.54	107.29	8.70	9.01	(23.88)	(7.35)

** PBT 2016/2017 includes a land disposal gain of Rs. 215 million*

*** The consolidated figures have been presented effective from 31 March 2019 after acquisition of Creative Polymats (Pvt) Ltd*

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the thirty fourth Annual General Meeting of Hayleys Fibre PLC, will be held at the Registered Office of the Company, No.400, Deans Road, Colombo 10, Sri Lanka, on Monday, 27th July, 2020, at 10.00 a.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, 2020, with the Report of the Auditors thereon.

(2) To re-elect Mr. L. A. K. I. Kodytuakku, who retires by rotation at the Annual General Meeting, a Director.

(3) To re-elect Mr. D. K. De Silva Wijeyeratne, who retires by rotation at the Annual General Meeting, a Director.

(4) To re-elect Mr. M. C. Sampath, who retires by rotation at the Annual General Meeting, a Director.

(5) To re-appoint Mr. K. S. Padiwita who retires having attained the age of seventy years and the Company having received special notice of the undernoted ordinary resolution in compliance with section 211 of the Companies Act No.7 of 2007 in relation to his re-appointment.

ORDINARY RESOLUTION

That Mr. K. S. Padiwita retiring Director, who has attained the age of seventy years and is hereby re-appointed a Director in terms Section 211 of the Companies Act No 7 of 2007 and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the appointment of the said Director.

(6) To authorise the Directors to determine contributions to charities for the financial year 2020/2021.

(7) To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, who are deemed to have been re-appointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007 for the financial year 2020/2021.

(8) To consider any other business of which due notice has been given.

Note:

1. 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 No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to fibreagm@secretarial.hayleys.com not less than forty eight (48) hours before the time fixed for the Meeting.
2. Please refer the "Circular to Shareholders" dated 25th June 2020 and follow the instructions to join the meeting physically or virtually.

By Order of the Board

HAYLEYS FIBRE PLC
Hayleys Group Services (Private) Limited
Secretaries

Colombo
01st July 2020

FORM OF PROXY

I/We* .... (full name of shareholder**)

NIC No./Reg. No. of Shareholder (**) .... of ....

being a shareholder/shareholders* of HAYLEYS FIBRE PLC hereby appoint,

1. .... (full name of proxyholder**)

NIC No. of Proxyholder (**) .... 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 Thirty Fourth Annual General Meeting of the Company to be held on Monday, 27th July, 2020 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof:

		For	Against
1.	To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2020, with the Report of the Auditors thereon.		
2.	To re-elect Mr. L. A. K. I. Kodytuakku, who retires by rotation at the Annual General Meeting, a Director.		
3.	To re-elect Mr. D. K. De Silva Wijeyeratne, who retires by rotation at the Annual General Meeting, a Director.		
4.	To re-elect Mr. M. C. Sampath who retires by rotation at the Annual General Meeting, a Director.		
5.	To re-appoint Mr. K. S. Padiwita who retires having attained the age of seventy years and the Company having received special notice of the undernoted ordinary resolution in compliance with section 211 of the Companies Act No. 7 of 2007 in relation to his re-appointment. ORDINARY RESOLUTION That Mr. K. S. Padiwita retiring Director, who has attained the age of seventy years be and is hereby re-appointed a Director in terms Section 211 of the Companies Act No. 07 of 2007 and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director.		
6.	To authorise the Directors to determine contributions to charities for the financial year 2020/2021.		
7.	To authorise the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, who are deemed to have been re-appointed as Auditors for the financial year 2020/2021.		

(***) The proxy may vote as he thinks fit on any other resolution brought before the Meeting of which due notice has been given.

As witness my/our* hands this .... day of .... 2020.

Witness: Signature : ....
Name : ....
Address : ....
NIC No. : ....

....
Signature of Shareholder

Notes:

(a) * Please delete the inappropriate words.

(b) A shareholder entitled to attend and vote at the Extraordinary General meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the company.

** Full name of shareholder/proxy holder and their NIC Nos and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed.

(c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.

(d) Instructions are noted on the reverse hereof.

(e This Form of Proxy is in terms of the Articles of Association of the Company.

Instructions as to Completion

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to fibreagm@secretarial.hayleys.com not less than forty eight (48) hours before the start of the Meeting.
2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly sign and fill in the date of signing.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.
4. Please indicate with an X in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy 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.

   In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.
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.
7. In case of Marginal Trading Accounts (slash accounts), the form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

CORPORATE INFORMATION

LEGAL FORM

A PUBLIC LIMITED COMPANY Incorporated in Sri Lanka in 1987. Company Number PQ 21

THE STOCK EXCHANGE LISTING

The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

DIRECTORS

- A. M. Pandithage – Chairman
- H. S. R. Kariyawasan – Managing Director
- Dr. S. A. B. Ekanayake
- S. C. Ganegoda
- T. G. Thoradeniya
- K. S. Padiwita
- M. I. L. Perera
- Dr. T. K. D. A. P. Samarasinghe
- L. A. K. I. Kodytuakku
- D. K. De Silva Wijeyeratne
- M. C. Sampath
- W. A. K. Kumara

REGISTERED OFFICE

Hayleys Building
400, Deans Road, Colombo 10, Sri Lanka
Telephone : (94-11) 2627000
Fax : (94-11) 2627645

OFFICE

131, Minuwangoda Road,
Ekala, Ja-Ela, Sri Lanka
Telephone : (94-11)2232939
Fax : (94-11) 2232941
E-mail : info@hayleysfibre.com
Web Site : www.hayleysfibre.com

BANKERS

- Hatton National Bank PLC
- Hongkong and Shanghai Banking Corporation Ltd
- Standard Chartered Bank
- Seylan Bank PLC
- People's Bank
- Deutsche Bank
- Cargills Bank
- National Development Bank PLC

AUDITORS

Ernst & Young
Chartered Accountants,
201, De Saram Place
P.O. Box. 101,
Colombo.
Sri Lanka.

LEGAL ADVISORS

Corporate Legal Department
Julius & Creasy – Attorneys At Law

SECRETARIES

Hayleys Group Services (Pvt) Limited
No. 400, Deans Road, Colombo 10, Sri Lanka.
Telephone : (94-11) 2627650
Fascimile : (94-11) 2627645
E-mail : info.sec@hayleys.com

Please direct any queries about the administration of shareholding to the Company Secretaries.

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