

# The Quality of Life





# The Quality of Life

Hayleys is one of Sri Lanka's most diversified companies, working in several key growth industry sectors that we dominate. Not everyone knows the full extent and diversity of our activities, yet for 137 years, we have been changing and improving the quality of ordinary people's lives in thousands of ways... through the world-class products and services we market, through our many business partnerships and the employment and value we create.

Because the quality of our results depends on the quality of our work... and our work is all about the quality of life.

# Contents

## Introductory statements

8	About Hayleys PLC's reporting
10	Financial & operational highlights
17	Chairman's review
22	Sustainability at Hayleys
30	Management discussion and analysis
36	Our global footprint
40	Financial review
44	Sustainability review
55	Community engagement

## Sector Reviews

63	Fibre
70	Hand Protection
75	Purification
80	Textiles
85	Construction Materials
91	Plantations
97	Agriculture
103	Consumer
107	Leisure and Aviation
113	Power and Energy
118	Transportation and Logistics
124	Investment and Services

## Governance reports

130	The board of directors
134	Group management committee
136	Governance report
148	Risk Management
153	Annual report of the board of directors
161	Chairman/Chief Executive's and Group Chief Financial Officer's Responsibility Statement
162	Directors' Statement on Internal Controls
163	Nomination Committee Report
164	Remuneration Committee Report
165	Statement of Directors' Responsibilities
166	Audit Committee Report

## Financial reports

171	Independent Auditors' Report
172	Income Statements
173	Statements of Comprehensive Income
174	Statements of Financial Position
176	Statements of Changes in Equity
181	Statements of Cash Flows
184	Notes to the Financial Statements
272	Ten Year Summary
273	Value of Real estate
274	Country Report
276	Share Information
279	History of Dividends and Scrip Issues
281	Quarterly Performance
284	Group Companies
287	GRI Content Index Tool
291	Glossary of Financial Terms
292	Notice of Meeting
293	Form of Proxy
295	Investor Feedback Form



## About Hayleys PLC annual reporting

The Group is fully committed towards supporting developments in corporate reporting that provide stakeholders with balanced and relevant information. In doing so, we embark on our 3rd Integrated Annual Report, through which we aim to provide insights into the Group's strategy, performance and governance, in a concise yet comprehensive manner.



View this Annual Report  
online at  
[www.hayleys.com](http://www.hayleys.com)

# Vision

To be Sri Lanka's corporate inspiration at all times

# Mission

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

# Values

## INTEGRITY

Ethical and transparent in all our dealings

## ENDURING CUSTOMER VALUE

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

## A WILL TO WIN

Exhibiting the will to win which is important to Hayleys and its shareholders

## RESPECT FOR PEOPLE

Treating everyone with respect and dignity, providing for the development of our people and rewarding them for good performance

## GOOD CITIZENSHIP

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

## TEAMWORK

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

## ACCOUNTABILITY

Holding ourselves responsible to deliver what we promise

# The Hayleys story

Commencing commercial operations in 1878 as Chas. P. Hayley & Co., we became a public company in 1954 as Hayleys Ltd. Embracing innovation and entrepreneurship, we have added value for people and businesses across the country and beyond. It is this spirit that has characterised our growth and the building of a strong and successful enterprise that is active in local and global markets. In addition to Sri Lanka, Hayleys today has manufacturing facilities in Indonesia and Thailand, and marketing operations in Australia, India, Bangladesh, Italy, Japan, The Netherlands, UK and USA. The Group accounts for 2.9% of Sri Lanka's export income, and 3.9% of tea and 3.4% of rubber production.

1878



■ Charles Pickering Hayley forms Chas P. Hayley & Co. in Galle.

1954



■ Hayleys Ltd., becomes a public Company.

1958



■ Shipping agency department is formed, later to be reconstituted as Maritime Agencies Ltd. (forerunner of Hayleys Advantis Ltd.).

1968



■ Haychem Ltd., a collaboration with Bayer of Germany, is formed to formulate agrochemicals.



1973



■ Haycarb Ltd., is formed to pioneer the manufacture and export of activated carbon from coconut shell charcoal.

1976



■ Dipped Products Ltd., is incorporated to pioneer manufacture of Rubber Gloves.

1991



■ Hayleys ventures into Hoteliering through its subsidiary Carbotels Ltd. Employee share ownership schemes are introduced within the Group. Hayleys steps into the business of plantations.

2011



■ Hayleys enters into the aluminium extrusions industry by acquiring the Alumex Group. Hayleys re enters and wins the Best Corporate Citizens Award for the 4th consecutive year that it took part in the competition.

The Hayleys PLC Group's beginnings date back to 1878, when it was founded by Charles Pickering Hayley to engage in trading of local products such as spices, coir yarn and essential oils. After venturing beyond the initial operations in Galle by forming a partnership in Colombo the business prospered and progressed to formation of Hayley & Kenny Ltd and its subsidiary Chas P Hayley & Co., Ltd, two limited liability companies. Hayleys Ltd was formed in 1952 to acquire the undertaking of Hayley & Kenny Ltd and was subsequently registered as a public company in 1954. In 1958, the Group forayed into the transportation industry with the formation of its shipping agency business; consistent diversification and expansion in this industry space has resulted in the emergence of Hayleys Advantis, which is currently Sri Lanka's largest transportation solutions provider. The Group ventured in to manufacture of agricultural machinery and spraying equipment in 1964 while formulation & distribution of Agrochemicals commenced in 1968, and strategic expansions to synergistic areas of operation in subsequent years has enabled the Group's agriculture sector to position itself as an integrated provider of

**“Our rich heritage has been the foundation for our years of consistent success in the many spheres of business we have entered...”**

comprehensive agricultural solutions. In 1973, the Group pioneered the manufacture of coconut shell based activated carbon in Sri Lanka through the establishment of Haycarb Ltd, which is now the world's largest producer, being globally renowned for high quality products and sustainable manufacturing methods. The year 1976 marked the Group's pioneering entry into rubber gloves, with the formation of Dipped Products Limited, now among the top 5 global manufacturers of non-medical rubber gloves. Further diversification was pursued in 1991 as the Group entered the leisure and plantation sectors, both of which now have significant market positions. In 2011, the Group expanded its operations to the aluminium extrusion industry with the purchase of Alumex Ltd, which has become Sri Lanka's leading manufacturer of aluminium profiles.

The indomitable spirit of our people and their drive for excellence has pushed us to consistently seek exciting opportunities in new industry spaces, and we now operate in 12 diverse industry sectors with a broad coverage of Sri Lanka's agriculture, industry and service sectors. Today the Group has manufacturing facilities in Indonesia and Thailand, and marketing operations in Australia, India, Bangladesh, Italy, Japan, The Netherlands, UK and USA. Innovation has always been at the core of our existence and we have pushed boundaries and redefined industry standards in multiple spheres of our operations, introducing numerous 'industry firsts'. In essence, as we evolved from a single business entity to one of Sri Lanka's most respected, diversified Groups, we have created sustainable value to all our shareholders, customers, employees, business partners and the community at large. We take immense pride in having shaped their quality of life for a period of over 13 decades.

# Awards

Our quest for business excellence and benchmark quality standards have been endorsed and recognised with multiple awards over the years. This year has been no exception; depicted here is a selection of the top awards and recognition received by both the holding company and subsidiaries during 2014/15.







## About Hayleys PLC's reporting



# Welcome to our report for 2014/15

The 2014/15 report builds on the insights, understanding and stakeholder feedback of the past three years and seeks to provide a detailed overview of the group's financial and non-financial performance for the period 1 April 2014 to 31 March 2015.

## DIVERSIFIED BUSINESS PORTFOLIO

- We are one of Sri Lanka's most diversified conglomerates with business interests spanning 12 sectors with a broad coverage of the country's agriculture, manufacturing and service sectors.

## GLOBAL PRESENCE

- Our products are sold in all continents of the world. We have strengthened our position outside our traditional markets through customer acquisition and expansion of distribution networks.

## MARKET DOMINANCE

- Generates 2.9% of Sri Lanka's export income
- World's leading manufacturer of coconut shell based activated carbon with 16% market share
- 5% global market share of non-medical rubber gloves
- Sri Lanka's leading aluminium extrusion manufacturer
- 3.9% and 3.4% of the country's tea and rubber production

## EMPLOYER OF CHOICE

- Our global team of high performing employees consist of 35,093 engaged individuals, who are given unique opportunities for development in a dynamic work environment.

## PREFERRED BUSINESS PARTNER

- We have built long-term relationships with local and global suppliers, and responsible purchasing has enabled us to improve social and environmental impacts across our supply chains.

## RESPONSIBLE CORPORATE CITIZEN

- The Sustainability perspective is focal to every aspect of our operation. A range of community engagement initiatives have touched the lives of numerous people in the communities we operate in.
- Our carbon footprint for the year was 95,043 tCO<sub>2</sub>e

We are committed to operating in accordance with best practices in business integrity and ethics and maintaining the highest standards of financial reporting and corporate governance.

The Group is fully committed towards supporting developments in corporate reporting that provide stakeholders with balanced and relevant information on our value creation process. In doing so, we embark on our 3rd Integrated Annual Report, through which we aim to provide insights into the Group's strategy, performance and governance with the objective of demonstrating how we create value for our stakeholders. In preparing this report, we have adopted the Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC).

### Scope and Boundary

This report covers the aspects that are deemed material to the Group's strategic direction and stakeholders as determined by the process described in page 23 of this report. The report has been prepared in accordance with the Global Reporting Initiative G4-Core criteria and aspects and indicators have been selected to best reflect the impacts of its diverse industry exposures.

The Report covers the performance of the businesses of Hayleys PLC and 156 subsidiaries, based in Sri Lanka, Indonesia, Thailand, Australia, India, Bangladesh, Italy, Japan, Netherlands, UK and USA as discussed in page 31 to 35. In certain disclosures pertaining to social and environmental impacts, the discussion is limited to the domestic operations and is noted accordingly. The Group adopts an annual reporting cycle and this year's report covers the period from 1st of April 2014 to 31st of March 2015.

### Guiding principles

We subscribe to and report under several domestic and international regulations, standards and frameworks, the more significant of which are the following;

- Sri Lanka Accounting Standards
- Integrated Reporting Framework issued by the IIRC
- Global Reporting Initiative- G4 standards
- Companies Act No 7 of 2007
- Listing Rules of the Colombo Stock Exchange
- Code of Best Practise on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka
- Principles of the United Nations Global Compact (UNGC)

### Precautionary Principle

Hayleys PLC applies the precautionary approach, prescribed under the Principles of the UNGC, across all group companies when determining the balance between expansion and social and environmental sustainability.

### Assurance

External assurance on the financial reports and Director's Statement of Internal Controls and Sustainability Reporting has been provided by Messrs Ernst & Young, Chartered Accountants.

### Feedback

We understand that Integrated Reporting is evolving principle, and welcome your feedback, suggestions and other comments on our Annual Report. Our contact details are as follows;

Corporate Affairs Unit, Hayleys PLC  
Email: [info@cau.hayleys.com](mailto:info@cau.hayleys.com)

# Financial & operational highlights

		2015	2014	Change %
<b>Earnings Highlights and Ratios</b>				
Revenue	Rs. mn	92,562	80,479	15
Results from operating activities	Rs. mn	8,511	7,196	18
Profit before tax	Rs. mn	6,400	5,083	26
Profit after tax	Rs. mn	4,886	3,709	32
Profit attributable to owners of the parent	Rs. mn	2,581	1,809	43
Dividends	Rs. mn	450	375	20
Gross profit	%	23.0	23.3	(1)
Operating Profit Margin	%	9.2	8.9	3
Net Profit Margin	%	5.3	4.6	15
Earnings per share (basic)	Rs.	34.42	24.11	43
Return on Assets	%	5.2	4.6	15
Return on Capital Employed	%	11.6	11.6	0
Interest cover	No. of times	4.0	3.0	32
<b>Financial Position Highlights and Ratios</b>				
Total Assets	Rs. mn	93,326	81,305	15
Total Debt	Rs. mn	29,062	25,825	13
Equity attributable to equity holders of the parent	Rs. mn	29,104	23,723	23
Gearing	%	39.7	41.5	(5)
Debt/Equity	%	65.7	71.1	(8)
Equity Asset ratio	%	47.4	44.7	6
Net assets per share	Rs.	388.05	316.31	23
Current ratio	No. of times	1.3	1.2	6
Quick asset ratio	No. of times	0.8	0.8	8
No. of Shares in issue	Number (mn)	75	75	0
<b>Market / Shareholder Information</b>				
Market value per share - 31st March	Rs.	300.00	285.00	5
Dividend per share	Rs.	6.00	5.00	20
Company market capitalization - 31st March	Rs. mn	22,500	21,375	5
Group market capitalization - 31st March	Rs. mn	56,147	48,208	16
Price earnings ratio	No. of times	8.72	11.82	(26)
Dividend yield ratio	%	2.0	1.8	11
Dividend payout ratio	%	17.4	20.7	(16)
Dividend Cover	No. of times	5.7	4.8	19
<b>Others</b>				
Economic Value Generated	Rs. mn	25,071	21,002	19
Economic Value Distributed	Rs. mn	20,524	17,596	17
Government	Rs. mn	1,615	1,637	(1)
Employees	Rs. mn	14,018	11,298	24
Others	Rs. mn	4,891	4,661	5
Value Added per employee	Rs. mn	0.71	0.58	23
Group employment	Number	35,093	36,224	(3)

**Rs. 93.3bn**

Total Assets

**35,093**

Employees

**Rs. 6.4bn**

Profit Before Tax

**11.6%**

Return on  
Capital  
Employed

**Rs. 22.5bn**

Market  
Capitalisation

**Rs. 34.42**

Earnings per  
share

## Performance highlights



### Economic

#### FINANCIAL PERFORMANCE

- Consolidated Revenue expansion of 15%, supported by broad based growth in all business sectors.
- Pre-tax profit growth of 26% to Rs. 6.40 billion, with 3 sectors crossing the Rs. 1.0 billion in profits.
- 43% increase in Earnings Per Share to Rs. 34.42
- Asset growth of 15% to Rs. 93.33 billion



### Environmental

#### ENVIRONMENTAL PERFORMANCE

- Carbon Footprint increased by 18% to 95,043 tonnes of CO2 equivalent
- Increased focus on energy and water conservation
- Sector companies have obtained numerous local and international environmental accreditations, including ISO 14001, Rainforest Alliance



### Social

#### SOCIAL PERFORMANCE

- Group staff retention rate of 99%
- Total training hours 34,941
- Community engagement: Beneficiaries of
  - Puritas Sath Diyawara : 15,000 people
  - Plantation sector : 150,000 people
  - Seaweed project : 1000 families
  - Firstlight by DPL : 500 people

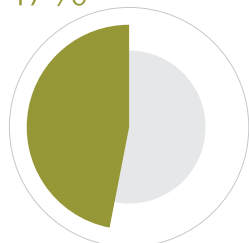


# Group structure

Our businesses divide broadly into Manufacturing, Agriculture & Plantation and Services

## Manufacturing

47%



**Rs. 43.2bn**

Revenue



### FIBRE

We are Sri Lanka's leading manufacturer and exporter of value added coconut fibre products. Reputed globally for its innovative and tailor-made solutions, the sector manufactures and distributes more than 105 products in over 1200 variations locally and internationally.



### HAND PROTECTION

Ranked amongst the top 5 global manufacturers in the hand protection industry, our focus on product innovation coupled with our understanding of client requirements sharpened over four decades provides us a competitive edge in an industry with a large number of players.

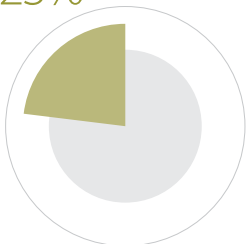


### PURIFICATION

We are the world's largest manufacturer of coconut-shell based activated carbon with a global reputation for quality combined with innovative and sustainable methods of production. Drawing from over 38 years of experience, we produce high quality activated carbon for a full spectrum of applications for water treatment, gold extraction, air purification and energy storage.

## Agriculture & Plantations

23%



**Rs. 21.1bn**

Revenue



### AGRICULTURE

We are an industry pioneer in agricultural innovation and our business is characterised by strong market positions in multiple business lines including export of processed fruits and vegetables, crop protection and crop production together with a commitment towards sustainable agriculture and supporting livelihoods of our out-growers.



### CONSUMER PRODUCTS

We represent globally renowned brands including Proctor and Gamble, Phillips Lighting and Fujifilm in marketing a wide range of consumer goods through an extensive distribution network.

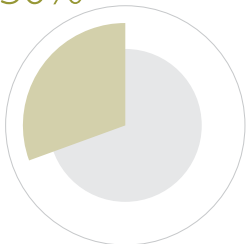


### LEISURE & AVIATION

We are a leading player in the country's leisure sector, owning and operating 7 resort properties through the Amaya Resorts and Spas chains of hotels and 1 city hotel, The Kingsbury. We also engage in destination management, general sales agencies and outbound travel operations.

## Services

30%



**Rs. 28.2bn**

Revenue



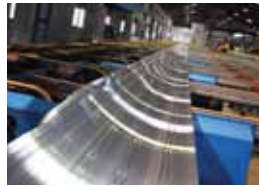
# The Quality of Life

For 137 years, we have been changing and improving the quality of ordinary people's lives in thousands of ways...



## TEXTILES

We are a leading textiles manufacturer supplying fabric to leading global fashion brands with the capability of catering to the customers' entire portfolio of requirements.



## CONSTRUCTION MATERIALS

We are Sri Lanka's premier manufacturer of aluminium extrusions, offering a comprehensive range of architectural, residential and industrial products to the top and middle tier of the construction industry.



## PLANTATIONS

We are amongst the country's largest plantation sector operators, with subsidiaries Kelani Valley Plantations PLC (KVPL) and Talawakelle Tea Estates PLC (TTE) collectively accounting for 3.9% and 3.4% of Sri Lanka's tea and rubber production.



## POWER & ENERGY

We supply close to 2% of the country's total renewable energy supply, with an installed capacity of 35 MW generated through various joint ventures in hydro and wind power plants. The sector also engages in the supply of industrial raw materials, medical equipment, building management solutions, chemicals and dye under the industrial input sector.



## TRANSPORTATION & LOGISTICS

We are the undisputed leader in Sri Lanka's transportation and logistics industry, offering a vast gamut of services from packing personal effects, providing logistics support services for national infrastructure projects and the global movement of cargo.



## INVESTMENTS & SERVICES

We specialise in providing a range of Business Process Outsourcing (BPO) solutions to domestic and overseas corporates and Shared Services Operations (SSO) catering to the Group's diverse industry sectors.

# Dominating through Quality

In today's interconnected economy the ability to manage the complexity of business and societal challenges helps ensure sustained growth.



Harnessing the potential of markets and business by putting values into action is the basis of the United Nations Global Compact. Hayleys has been a subscriber and an active supporter since 2001 and the Compact's 10 principles for responsible business are incorporated into the company's governance framework.

**Mohan Pandithage**  
Chairman and Chief Executive



View Chairman's Review  
online at  
[www.hayleys.com](http://www.hayleys.com)



### Chairman's review

# A continued focus on value creation

**Our Group companies are market leaders in their respective fields with proven track records of innovation and service excellence, well positioned for growth.**

Dear Shareholder

It is with great pleasure that I present the Annual Report of Hayleys PLC for the financial year ended 31st March 2015. Hayleys has turned in a strong performance with all sectors recording growth and increased profitability contributing to a group profit before taxation of Rs. 6.4 bn, the highest profits recorded in the history of the Group and total asset growth of 15% from the previous year. Our Group companies are market leaders in their respective fields with proven track records of innovation and service excellence, well positioned for growth. Strong leadership at sector level supported by objective review at the group level has been key to driving a balanced performance across all sectors which have developed an increasingly higher value adding focus building on their core strengths. Notable achievements during the year were the return to profitability of Hayleys MGT Knitting Mills PLC, The Kingsbury PLC, and the Fibre Sector which made a strong recovery and built solid foundations for future growth. Additions to our portfolio during the period include investments in Power & Energy, Free Zones in the Logistics sector, the acquisition of Alufab PLC, Amaya Beach and a new joint venture with S&T Interiors of Oman, expanding

the earnings capacity of the Group supporting the medium to long term stability and the growth of the Group.

#### **Delivering Value**

The Group achieved a top line growth of 15% during the year, to reach a record high of Rs. 92.56 billion. It is noteworthy that this top line growth was broad based and supported by all our industry sectors. Despite multiple industry challenges, the Group's pre-tax profit grew by 26% to achieve the highest ever profit level in the Group's operating history of Rs. 6.40 billion. The strong performance can be attributed to the focused and strategic approach adopted by the sectors towards value creation.

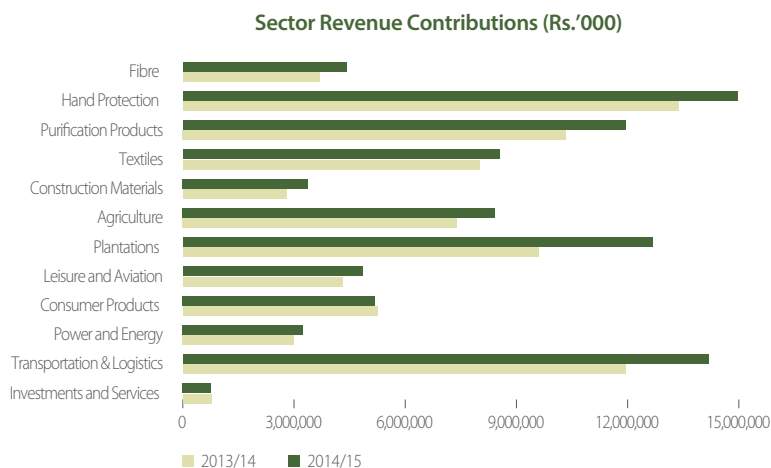
Hayleys PLC successfully placed a Debenture of Rs.2 bn during the year to refinance short term borrowings and restructure the debt portfolio of the Company. The issue was made at one of the lowest corporate debenture rate in the country.

#### **A Conducive Business Environment**

The Group revenue comprise 57% generating from exports whilst Sri Lanka remained a key market with Transportation, Agriculture, Consumer, Power & Energy, Leisure and

Construction Materials sectors focussed on demand generated within the country. Economic conditions within the country were conducive to business growth with GDP growth rate of 7.4% and GDP per capita increasing from USD 3,280 to USD 3,625 driven by rebound in consumption, which grew 7.6 % in real terms and accounted for 79% of GDP. The strong economic recovery in the US coupled with concerted efforts to enhance market shares in key markets enabled growth of our exports. A strengthening dollar provided some support for the competitiveness of our exports, underlining the importance of a market based exchange rate. Nonetheless, pressure on margins was prevalent due to lacklustre growth and a weakening currency in the Euro area. Political and economic downturn in established markets for tea which include East European and Middle East countries impacted the performance of the plantations sector. The sharp decline in global fuel prices is positive for the Group, however it is essential that local furnace oil in particular which impacts cost of production is allowed to decline in line with global market prices in order to maintain a level playing field with global competitors. The government has indicated an intention to shift to a market based

## Chairman's review



fuel price formula, but the delay in doing so is damaging for all export oriented manufacturing companies. Emerging Asia continues to record the strongest growth although the rate of growth has been moderating due to a carefully managed economic re-balancing in China. The group is optimistic about the opportunities for growth in new markets both within the South Asian region and in countries that are demonstrating positive signs of recovery.

### Adding Value to Exports

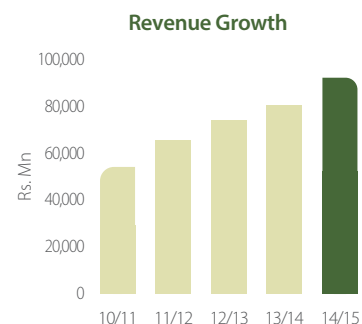
Hayleys group accounts for 2.9% of the country's exports in diverse sectors such as Hand Protection, Fibre, Purification and Agriculture with high levels of value added in the country. Hand Protection and Purification sectors command respectable global market share in their respective fields with a proven track record of innovation. Our export focussed sectors set the benchmarks for ethical manufacturing in the country with a strong emphasis on employee

engagement and supporting livelihoods in rural communities with projects such as Firstlight and Haritha Angara which have also served to strengthen supply chains. These projects also serve to demonstrate how the Group has embraced sustainability principles in resolving key social issues, strengthening the Group's future in a holistic manner.

The Hand Protection sector has turned in a strong performance for the year reflecting a top line growth of 12 % and a profit before tax of Rs.1.5 bn. Its performance was supported by purposeful innovation facilitated by a deep understanding of customer requirements nurtured through strong customer relationships. Opening up new plants within the industrial zones has been completed on schedule following disruptions in the previous year at one of its key manufacturing locations. Increasing awareness of health and safety issues globally is a key driver of growth in this industry protecting

people in their homes and workplace from a variety of risks. This vibrant sector has invested in upgrading its technology and capacity to facilitate growth and production efficiencies to cater to growth opportunities in the market.

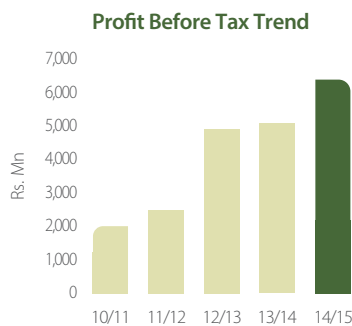
The Purification sector recorded a profit before tax of Rs.1.1 bn. The increase in price of the primary raw material that could not be adequately passed to end customers due to the prevailing market conditions including the depressed gold mining sector and competition from Philippines, India and Indonesia impacted the bottom line. The depreciation of currencies in markets in which Haycarb operates combined to intensify pressures on margins.



Turnaround of the Textile sector after four years of losses was a key achievement reflecting the spirit of Hayleys, as we emerged stronger with a sharp focus on innovation to deliver higher value addition. The company recorded a profit before tax of Rs.86.4 mn and top line growth of 7% supported by production efficiencies including enhanced employee productivity. The launch of INNO, Hayleys MGT's own brand of fabric developed in house was a first in the Sri Lankan textile sector and signals a new phase of growth for the company. A financial restructuring which included a rights issue strengthened the company's balance sheet and enabled investments for growth. A robust global apparel sector, the positioning of Sri Lanka as an ethical sourcing destination and strong growth of the Sri Lankan apparel exports in 2014, augurs well for the textile sector in the company.



Turnaround of the Textile sector after four years of losses was a key achievement reflecting the spirit of Hayleys, as we emerged stronger with a sharp focus on innovation to deliver higher value addition.



The Fibre sector also turned around with strong top line growth of 18% and recorded a profit before tax of Rs. 9.5 mn for the financial year 2014/15. Streamlining of operations to focus on high value adding products and improved relationship management enabled the return to profitability. This sector is one of the Group's oldest business segments and the turnaround is particularly satisfying as it demonstrates the Group's ability to adapt over a century.

### Construction Materials

The construction materials sector has recorded impressive revenue growth of 20% and profits of Rs.628.7 mn supported by stable Aluminium prices and the commissioning of its new powder coating plant. A land has been

purchased to facilitate expansion in the future as there is potential for growth as applications in the construction sector increase, replacing wood as a more cost effective material. The purchase of Alufab PLC during the year increases the Group's dominance in this sector providing the Group a broad base for developing the market to a higher level. A network of architects, aluminium fabricators and dealers' supports our growth in this segment and we look to engage them in increasing the applications of aluminium in the construction industry for our mutual benefit.

The Joint Venture partnership with S&T Interiors, a leading interior designer based in Oman, was a key expansion of the clusters' project management activities which has already secured the contract for the interiors of the proposed Movenpick City Hotel setting a solid foundation for growth of this new venture.

### Driving land productivity

Hayleys Agriculture sector supports the entire value chain in agriculture through provision of seeds, crop chemicals, fertilizer, agri equipment focussing on optimizing land productivity to drive food security in our island nation. This sector is inextricably interwoven with the lives of over 12,000 rural farmers supporting their livelihoods with out-grower schemes which feed in to our value-added fruit and vegetable export business. Hayleys Agriculture is the

market leader in seed potato, seed paddy, stainless steel sprayers and the largest exporter of processed fruits and vegetables in the country contributing 44% of total processed fruit and vegetable exports. This sector plays a key role in transforming the country's agriculture sector to become more efficient and sustainable through farmer education with a field force of approximately 600 agriculture graduates, diploma holders and technicians who educate the farmers on balancing short term and long term productivity. Investments in research and development to produce high yielding, resilient seeds and slow release fertilizers towards optimal land productivity whilst minimizing the negative impacts on the environment have provided a strong competitive edge. Notwithstanding the effects of a turbulent agri business environment it was a remarkable year for the Agriculture sector with all its diverse business units achieving profits and the sector overall exceeding its budgeted results & achieving before tax profit of Rs. 817 mn which is well above the previous year .

The Plantations sector was significantly impacted by instability and international trade sanctions in key tea import markets and also falling global rubber prices. Labour productivity continues to be a key concern in the industry as Sri Lankan workers produce 50% less although earning twice the daily wage of a Kenyan worker impacting the country's ability to compete effectively. Companies in the sector invest significant resources in uplifting the living conditions, health and education of employees' families and significant progress has been made in all these areas. The Plantation sector performance reflects a 15 month period as the companies changed their year end to 31st March to fall in line with the Hayleys Group financial year. While revenue growth was 6% on an annualised basis, profit before tax for the 15 months was Rs.358 mn reflecting the increased pressures on margins.

## Chairman's review

An economically significant player in a number of key sectors that contribute the country's socio economic progress, the Hayleys Group improves the quality of lives of Sri Lankans every day in numerous ways.

### Facilitating Trade

The Advantis Group is the largest player in the transportation and logistics in Sri Lanka and offers the most comprehensive service in the industry handling 14% of the total annual container traffic in the country. Its financial performance reflects its prospects for growth with top line growth of 19% and a profit before tax of Rs.1.3 bn. The establishment of Free Zones during the year by Advantis is a strategic investment supporting the country's strategy of becoming a regional maritime hub with the potential to significantly change trade patterns, leveraging the country's strategic geographic location. This homegrown Sri Lankan company has been innovating services in the transport and logistics sector using its knowledge of the industry and is well positioned for growth as the epicentre of global economic activity shifts to emerging markets in Asia.

Consumer goods has historically been a key driver of GDP growth and Hayley's Consumer Products has a portfolio of household brands supported by an island wide distribution network to cater to the requirements of Sri Lankan consumers. A portfolio of global brands of fast moving consumer goods and a growing presence in nutritional and healthcare products makes this a vibrant sector with high growth potential. Working capital management is key to profitability in FMCG and lengthening cycles necessitated the prudent option of curtailing

business growth in the short term resulting in a decrease in revenue and reduced profits of Rs.32 mn. We expect a reversal of this in 2015/16 as we expand the product range for FMCG and increase the customer touch points for specialised products such as lighting and photo imaging .

### Power & Energy

The Power & Energy Sector of the Group comprises a complex portfolio of renewable energy projects, building management solutions, industrial raw materials and medical analytics which are all areas with high potential growth. Hayleys is a growing player in the renewable energy sector supplying Sri Lanka's renewable energy needs through hydro and wind power plants. Renewable energy generation supported the performance of the sector with a profit before tax of Rs. 824 mn along with Building Management Solutions, Industry Raw Materials and Medical Analytics.

A further 20MW wind project was commissioned this financial year in the North with joint venture partners which will add to the sector's profit in the coming years. A further Rs. 800Mn is being invested in a new hydro project which will be commissioned in the next financial year bringing the hydro power supply to a total of 10MW.

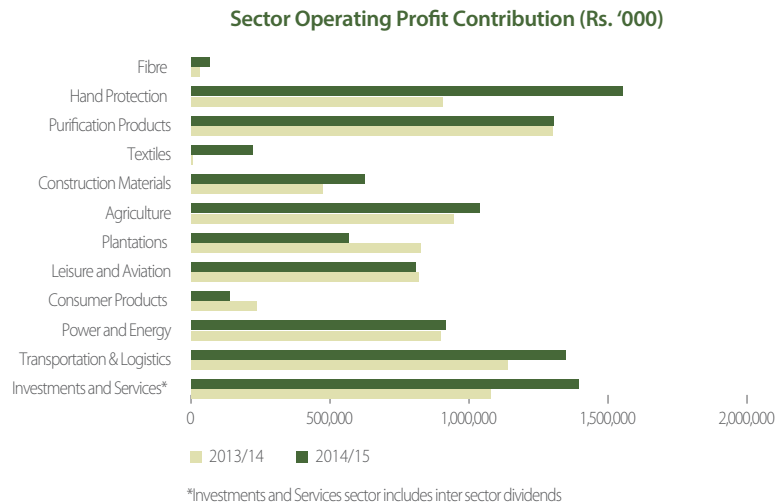
### Leisure and Aviation

A notable achievement during the year for this sector was the turnaround of The Kingsbury PLC which provided a boost to the sector's performance. Acquisition of Amaya Beach, Pasikudah added to the number of keys managed by the Group but losses from the early stages of this operation together with pressure on margins eroded the profitability of the sector. The Aviation cluster portfolio is being rebalanced to increase the Aviation Supplies Business to reduce dependency on the General Sales Agency business. This sector has demonstrated strong top line growth of 13% although profitability declined marginally to Rs.550 mn.

The Business Solutions sector provides shared services to the Group, BPO services to external clients, develops software and provides a boutique consultancy service to clients who wish to set up their own shared services projects. A focus on expansion of its internal client base has diminished the performance of the sector as it operates on a cost recovery basis for this business segment. However, we expect this sector to deliver a strong performance in the future due to the streamlining of its operations during the year coupled with strong focus on BPO.

### Leadership, Governance and Team

Governance structures rely on a structured review at Business, Sector, Group Management Committee and Board levels on a monthly basis which ensures that areas for concern are quickly identified and appropriate responses are implemented within a short time frame. The objectivity of the review process is enhanced by the presence of independent directors at all sector level companies and at Group level often adding a different perspective on matters set before the respective Boards. This is key to Hayley's track record of delivering consistent growth in profits and expansion in business portfolio for its shareholders.



We are proud of our heritage and have built foundations to support our ambitious plans for growth in our diverse areas of expertise.

## Dividends

Given the results achieved this year while keeping a view on the future, the Board of Directors has proposed a first and final dividend of Rs. 6.00 per share for the year under review.

## Acknowledgements

I salute my team for turning in a stellar performance and thank them for their hard work and dedication. Going forward, I count on your continued support as we look to raise the bar we have set for ourselves. Our business partners have been with us for many years and I thank them for the confidence placed in us to drive mutual growth. I extend my sincere appreciation to the Board for their contribution enriching the rigour of reviews and deliberations of matters set before the Board. My sincere appreciation of the insightful support and direction of the Co-Chairman and the other Non Executive Directors must be placed on record as they have played a significant role in developing the architecture of the Hayleys Group and its ability to deliver value. I thank all our stakeholders for their support and look forward to delivering value for our mutual benefit.

**Mohan Pandithage**  
Chairman and Chief Executive

20th May 2015

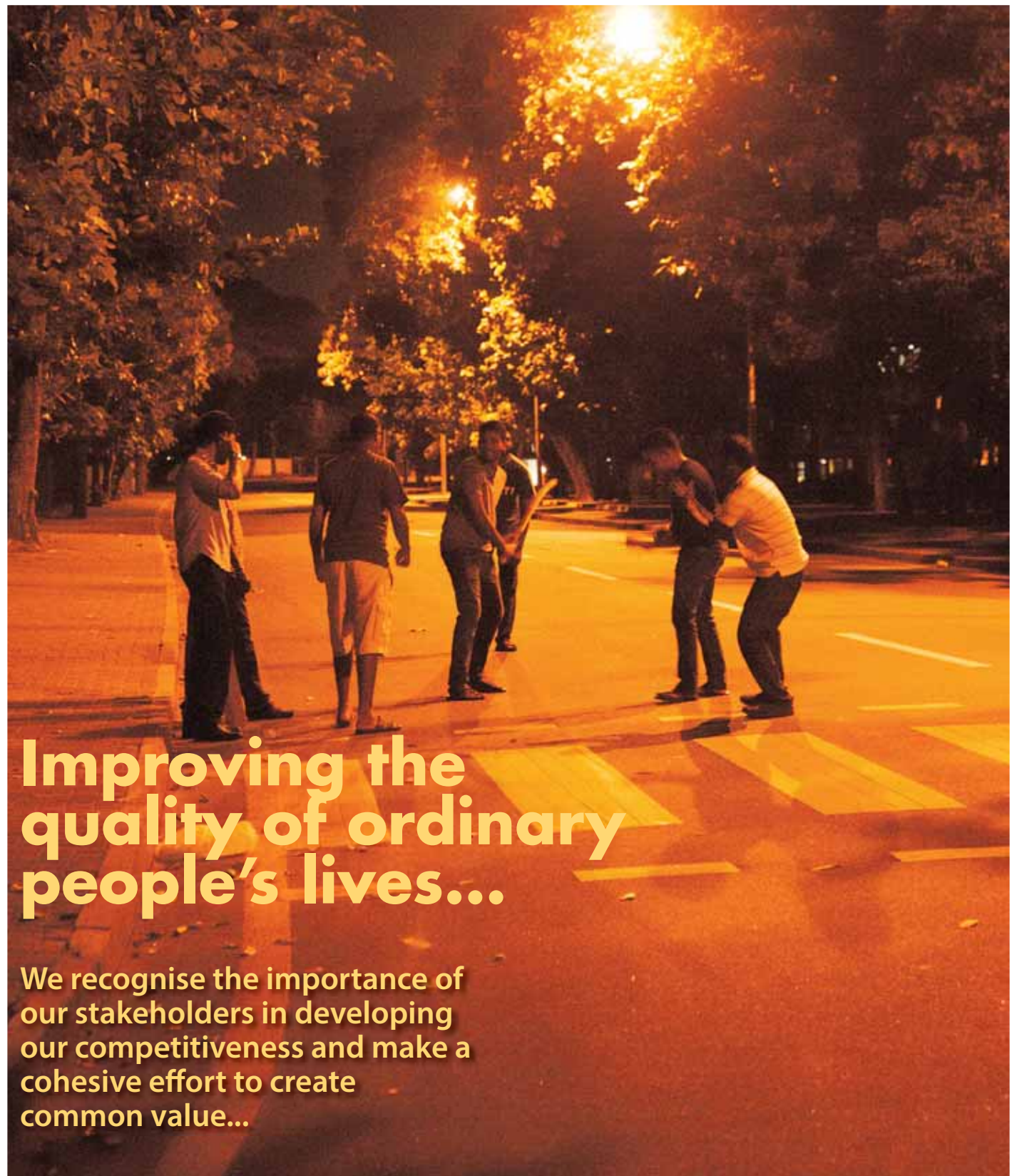
Strong leadership at all levels drives our performance and business expansion whilst a commitment to governance, values and delivery on all three pillars of sustainability ensures that we do things right. Having the right people in positions of leadership is essential to delivery of corporate goals and our ability to attract talent facilitates the early identification and grooming of successive generations of leaders at multiple levels. I am encouraged by the agility and innovation ability of our leaders who have inspired and motivated their teams to deliver strategy according to plan making this year the most impressive in the history of Hayleys. We are also proud to be subscribers and supporters of the United Nations Global Compact and will strive to extend the ten principles of the compact in all areas of our operations.

## A Positive Outlook

An economically significant player in a number of key sectors that contribute the country's socio economic progress, the Hayleys Group improves the quality of lives of Sri Lankans

every day in numerous ways. We are proud of our heritage and have built foundations to support our ambitious plans for growth in our diverse areas of expertise. Forecasts of the operating environment, both locally and globally, are positive for the Group with recovery forecast in principal markets for most sectors. New market development is on the cards for a number of business sectors as we observe changing patterns in economic activity with Asia being a beneficiary. We have also invested in a tea extracts manufacturing plant which is expected to commence commercial operations in 2015/16 and we believe this will promote value added tea in developed markets which value the positive health impacts of Tea. We are buoyant about our prospects for growth in the financial year 2015/16 and confident about our ability to deliver enhanced value to our stakeholders.

## Sustainability at Hayleys



**Improving the  
quality of ordinary  
people's lives...**

**We recognise the importance of  
our stakeholders in developing  
our competitiveness and make a  
cohesive effort to create  
common value...**



## OUR VALUE CREATION MODEL

We recognise the importance of our stakeholders in developing our competitiveness and make a cohesive effort to create common value, jointly with stakeholders in a manner that is sustainable across the entire value chain

and over the long-term. Our business model is focused on relentlessly pursuing product and process innovations and leveraging on our extensive distribution network and strong brands to create value.

Six types of capital are used in our value creation process to generate an array of world class products and services.

What we Have	What we Do	Our Products	Value Outputs
<b>SHAREHOLDER EQUITY</b> Rs. 29.10 bn	Product and Process Innovation	40,000 MT Activated Carbon	<b>SHAREHOLDER RETURNS</b> Rs. 34.42 Earnings per share Rs. 6 Dividend per share
<b>DEBT</b> Rs. 29.06 bn	Staff attraction, retention and development	9000 MT of Knitted Fabric	<b>PAYMENTS TO EMPLOYEES</b> Rs. 14.01 bn
<b>EMPLOYEES</b> 35,093	Customer Insights	13,031 MT Tea	
<b>SUPPLIERS</b> Over 1,900	Customer Services	3,300 MT Rubber	<b>TAX CONTRIBUTIONS:</b> Rs. 1.61 bn
<b>CUSTOMERS</b> Over 80,000	Risk Management	990 MT Virgin Coconut Oil	
<b>NATURAL RESOURCES</b> Raw Materials Energy Water	Financial Planning	7,200 MT Processed Fruits and Vegetables	<b>CARBON FOOTPRINT:</b> 95,043 tCO <sub>2</sub> e
	Supplier Development	35 MW Power Generation	
	Community Engagement		
	Environmental Preservation		



To view this section online  
please visit  
[www.hayleys.com](http://www.hayleys.com)

## Sustainability at Hayleys

### CONCERN FOR THE ENVIRONMENT

We emphasise the importance of water, energy and emissions in environmental conservation and strive to minimise our environmental footprint

### LOCAL COMMUNITY ENGAGEMENT

The meaningful and active collaboration, participation and dialogue between the company and local communities

### EMPLOYEE WELFARE AND DEVELOPMENT

We strive to foster a culture of mutual respect and meritocracy among our employees, our most valuable asset.

#### The Sustainability Strategy

Hayleys is cognisant of the ever-increasing relevance of integrating an organisation's sustainability drive with its business agenda. The Group's Sustainability and Corporate Responsibility Strategy framework thus focuses on streamlining and optimising the combined effect of the Group's diverse business operations to encourage more strategic and robust sustainable initiatives from all Group companies. We strongly believe that this strategic approach towards sustainability would enable the Group to effectively address its business and operational challenges whilst effectively contributing towards the betterment of the environment and society at large.

#### The Group's Sustainability Framework

Through the Group's robust stakeholder engagement mechanisms, we have identified three key material areas in which the Group is positioned to add substantial value. These focus areas form the Pillars of the Group's Sustainability Framework and initiatives by the sectors and is aligned to the three areas of development given above.

#### Sustainability Governance

Hayleys PLC has in place a Group-wide sustainability governance structure which ensures that material sustainability issues relating to the sectors and individual companies as well as factors which affect the Group holistically are captured in a timely and comprehensive manner.



We promote increased employee awareness of our sustainability agenda through a high level of employee engagement and the progressive enhancement of sustainability related processes and systems across all sectors of business. We are also committed to the annual communication of sustainability related performance through the Global Reporting Initiative (GRI) framework and the United Nations Global Compact (UNGC) Principles.

Engaging with our key stakeholders on a consistent basis is an important aspect of our strategy formulation process, as it allows us to aptly recognise the requirements of different stakeholder categories. Effective management of this process provides us the opportunity to generate sustainable value to our stakeholder groups whilst collaborating to achieve our strategic objectives.



## Stakeholder Engagement Diagram



### SHAREHOLDERS

We engage with shareholders annually through the AGM and regularly through quarterly financial reports, announcements, press releases and the Group's website.

Topics arising from engagement included top-line and earnings growth, Return on Investment, achieving sustainable growth and maintaining high standards of governance and ethics.



### EMPLOYEES

Formal engagement is provided through performance appraisals, monthly cluster meeting and the CEO's Forum. The employee intranet, quarterly internal magazine and multiple events organised by the Group Recreation Club also enable staff interaction and engagement.



### TRADE UNIONS

We encourage transparent collective bargaining and all employees are given the freedom to form/join worker unions of their choice. We maintain an ongoing and open dialogue with all trade unions.

Topics arising from engagement include remuneration considerations, other benefits provided and worker health and safety conditions among others



### BUSINESS PARTNERS/ SUPPLIERS

We organise annual conventions for business partners, distributors and dealers. Principals are engaged regularly through visits and a robust communication system. In addition, the corporate website, brochures, DVDs facilitate engagement. Supplier development programmes, training, and engagement through clubs and associations facilitate engagement with our suppliers.

Needs include ease of transactions, value addition, business expansion and quality of services among others



### GOVERNMENT

Regular discussions with the Government revolve around National Policy affecting our industries, community development, conservation etc. The Group is represented in multiple national committees and engagement is through regular meetings, presentations and discussions

Key topics of interest include payment of taxes, compliance to all relevant laws and regulations, environmental preservation and supporting community development



### CUSTOMERS

Customers are engaged through ongoing comprehensive customer relationship management programmes, customer satisfaction surveys, as well as customer visits and reviews. Press releases, other announcements and the Group website are also used to engage with customers.

Key areas of interest were product and service quality, new product developments, value for money and ease of transaction



### LOCAL COMMUNITIES

We engage with communities around our operational areas and community partners through a range of ongoing development initiatives and project based programmes. An open and ongoing dialogue is maintained with community representative throughout the year as an ongoing process

This stakeholder group demonstrated an interest in, potential job creation, sponsorships and development programmes, environmental impacts among others.



### PRESSURE GROUPS/ MEDIA

Corporate website, social media channels, Annual Report and press releases are utilised to engage with the media/pressure groups and society at large on an ongoing basis through the year.

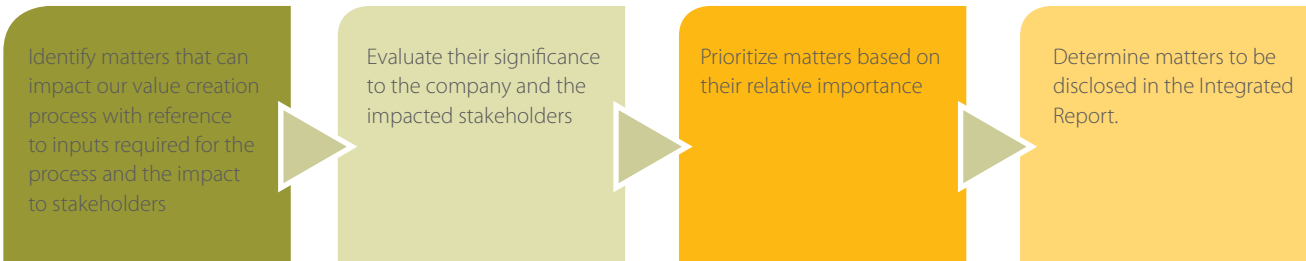
These groups show an interest in a wide area of topics including performance, environmental and social impacts, growth opportunities, new product and technology development among others.

## Sustainability at Hayleys

### Identifying Material Issues

The Group uses information obtained from stakeholder engagement processes to identify material issues taking in to account both the Group's strategic priorities and the likely significance of issues to key stakeholder groups. This process has been refined over 3 years with inputs from the Sustainability Governing Council which comprises the Group Management Committee (GMC) from each sector and the Hayleys PLC Corporate Sustainability Team

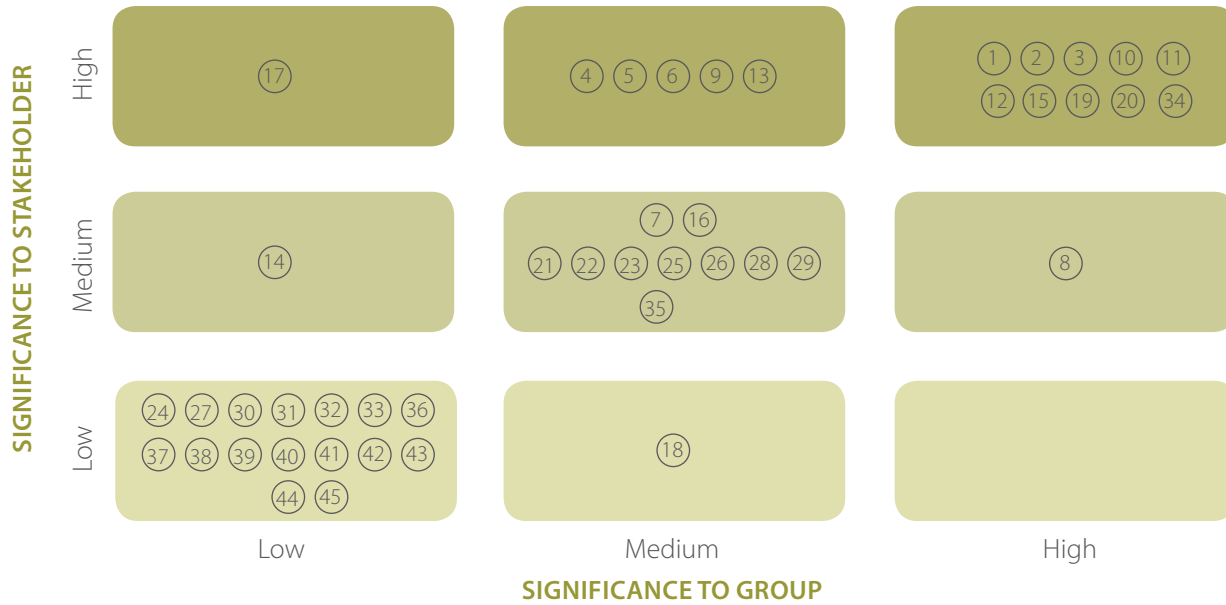
(CST) who are in charge of group wide sustainability initiatives and group sustainability reporting. The CST utilises the inputs gained from the stakeholder engagement process to conduct materiality identification within each sector. Impacts are identified based on the consequences to the stakeholders and the business value drivers, together with the likelihood of occurrence. Issues of high materiality are identified through mapping the material aspects on a matrix of likelihood vs impact



Engaging with our key stakeholders on a consistent basis is an important aspect of our strategy formulation process, as it allows us to aptly recognise the requirements of different stakeholder categories

# The Quality of Life

Having reviewed all indicators presented under the GRI (G4) Criteria, the Group has selected the following as having the most material impacts on its value creation process.



1	Economic Performance	17	Training and Education	33	Supplier Assessment for Impacts on Society
2	Indirect Economic Impacts	18	Product and Service Labelling	34	Customer Health and Safety
3	Procurement Practices	19	Marketing Communications	35	Overall
4	Compliance - EN	20	Materials	36	Customer Privacy
5	Employment	21	Bio-Diversity	37	Environmental Grievance Mechanism
6	Labour/Management Relations	22	Water	38	Equal remuneration for men and women
7	Child Labour	23	Supplier Environmental Assessment	39	Labour practices grievance mechanism
8	Compliance - PR	24	Transport	40	Freedom of Association and Collective Bargaining
9	Energy	25	Diversity and Equal opportunity	41	Security Practices
10	Emissions	26	Supplier Assessment for labour practices	42	Assessment
11	Effluents and Waste	27	Non-Discrimination	43	Human Rights Grievance Mechanism
12	Anti-corruption	28	Product Responsibility-Compliance	44	Public policy
13	Occupational Health and Safety	29	Forced or Compulsory labour	45	Grievance Mechanism for impact on society
14	Local Communities	30	Supplier Human Rights Assessment		
15	Products and Services	31	Market Presence		
16	Indigenous Rights	32	Anti-Competitive Behaviour		

- Internal Boundary
- External Boundary









The Quality of Life

# The Hayleys guarantee of Quality

Stakeholders have been impressed again this year by the ways in which our strategy is being brought to life in different parts of the Group, and the above average results versus our peer group are testimony to this.



## Management discussion and analysis



### **Improving the quality of ordinary people's lives...**

**We want to be part of every Sri Lankan life - so that we can help impact lives in positive ways, from one end of the island to the other. That's what we mean by working to improve the quality of life - not just for a few people, but for everyone.**

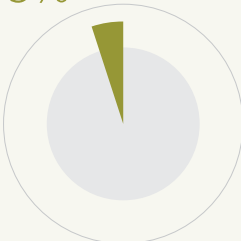
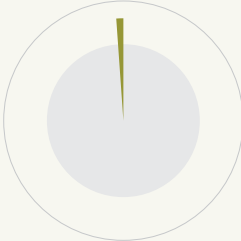


Over the years, the Group has pursued diversification through focusing on Sri Lanka's key growth industries and has successfully built a resilient model for value creation cutting across manufacturing, agriculture and service sectors.

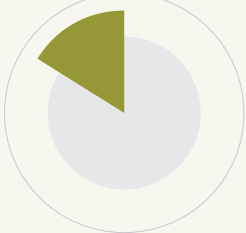
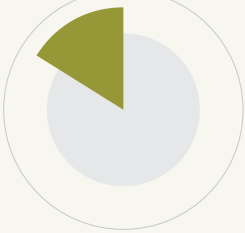
In an illustrious history spanning over 137 years, Hayleys PLC has evolved from an exporter of fibre to a diversified conglomerate with leading global and domestic market positions in 12 sectors of enterprise. Over the years, the Group has pursued diversification through focusing on Sri Lanka's key growth industries and has successfully built a resilient model for value creation cutting across manufacturing, agriculture and service sectors. Our products are sold in all continents of the globe. With a total asset base of Rs. 93.3 billion and a market capitalisation of Rs. 22.5 billion as at end-March 2015, it is among one of Sri Lanka's largest listed corporates.



## Core Areas of Operation

KEY BUSINESS LINES	DESCRIPTION	SIGNIFICANCE
<b>GLOBAL MARKETS AND MANUFACTURING</b>		
<b>FIBRE</b>	Manufacture and sale of coconut-fibred based products including floor covering, erosion control solutions, brushes and horticultural products.	<div> <div> <b>Revenue</b> 5%   <b>Rs. 4.4 bn</b> </div> <div> <b>Operating Profit</b> 1%   <b>Rs. 66 mn</b> </div> </div>

## Management discussion and analysis

KEY BUSINESS LINES	DESCRIPTION	SIGNIFICANCE
<b>GLOBAL MARKETS AND MANUFACTURING</b>		
<b>HAND PROTECTION</b>	Manufacture and distribution of natural and synthetic latex based domestic, industrial and medical gloves.	<div> <div>Revenue 16%</div>  <div>Rs. 14.9 bn</div> </div> <div> <div>Operating Profit 16%</div>  <div>Rs. 1.5 bn</div> </div>
<b>PURIFICATION</b>	Production of coconut-shell based activated carbon for a range of applications including water treatment, gold extraction, air purification and energy storage.	<div> <div>Revenue 13%</div>  <div>Rs. 11.9 bn</div> </div> <div> <div>Operating Profit 13%</div>  <div>Rs. 1.3 bn</div> </div>
<b>TEXTILES</b>	Supplies knitted and dyed fabric to the Sri Lanka garment export industry.	<div> <div>Revenue 9%</div>  <div>Rs. 8.5 bn</div> </div> <div> <div>Operating Profit 2%</div>  <div>Rs. 222 mn</div> </div>

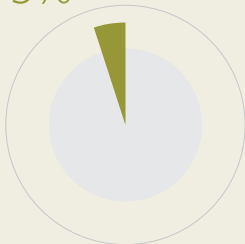
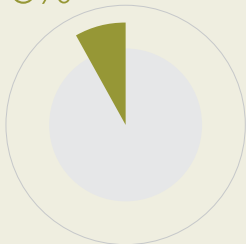
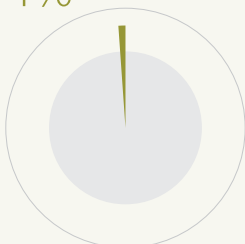
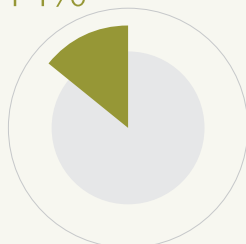
# The Quality of Life

KEY BUSINESS LINES	DESCRIPTION	SIGNIFICANCE	
<b>CONSTRUCTION MATERIALS</b>	Manufacture and distribution of aluminium extrusions for industrial and domestic construction purposes.	<b>Revenue</b> <b>4%</b>  <b>Rs. 3.3 bn</b>	<b>Operating Profit</b> <b>6%</b>  <b>Rs. 624.6 mn</b>
<b>AGRICULTURE AND PLANTATIONS</b>			
<b>AGRICULTURE</b>	Sale of Agricultural inputs and manufacture of processed fruits and vegetables, horticulture solutions and seeds.	<b>Revenue</b> <b>9%</b>  <b>Rs. 8.4 bn</b>	<b>Operating Profit</b> <b>10%</b>  <b>Rs. 1.04 bn</b>
<b>PLANTATIONS</b>	Cultivation and sale of tea, rubber and export of value added tea.	<b>Revenue</b> <b>14%</b>  <b>Rs. 12.7 bn</b>	<b>Operating Profit</b> <b>6%</b>  <b>Rs. 566 mn</b>

## Management discussion and analysis

KEY BUSINESS LINES	DESCRIPTION	SIGNIFICANCE	
SERVICES			
TRANSPORTATION AND LOGISTICS	Provides a wide array of solutions in transportation including International Freight Management, Terminals & Engineering, Marine Services and Integrated Logistics Services	<div>Revenue</div> <div>15%</div> <div></div> <div>Rs. 14.2 bn</div>	<div>Operating Profit</div> <div>13%</div> <div></div> <div>Rs. 1.3 bn</div>
CONSUMER PRODUCTS	Markets world-renowned brands of products and services in personal care, home-care, lighting, imaging and pharmaceuticals.	<div>Revenue</div> <div>6%</div> <div></div> <div>Rs. 5.2 bn</div>	<div>Operating Profit</div> <div>1%</div> <div></div> <div>Rs. 140 Mn</div>
POWER AND ENERGY	Industrial chemicals, machinery and equipment and after sales service in the B2B market and generation of renewable energy	<div>Revenue</div> <div>4%</div> <div></div> <div>Rs. 3.2 bn</div>	<div>Operating Profit</div> <div>9%</div> <div></div> <div>Rs. 916 mn</div>

# The Quality of Life

KEY BUSINESS LINES	DESCRIPTION	SIGNIFICANCE	
LEISURE AND AVIATION	Sector operations consist of Hotels and Resorts, Aviation and Destination Management	<p>Revenue 5%</p>  <p>Rs. 4.8 bn</p>	<p>Operating Profit 8%</p>  <p>Rs. 806 mn</p>
INVESTMENTS AND SERVICES	Includes Business Process Outsourcing, shared service operations for internal Hayleys sector companies and domestic clients.	<p>Revenue 1%</p>  <p>Rs. 758 mn</p>	<p>Operating Profit 14%</p>  <p>Rs. 1.4 bn*</p>

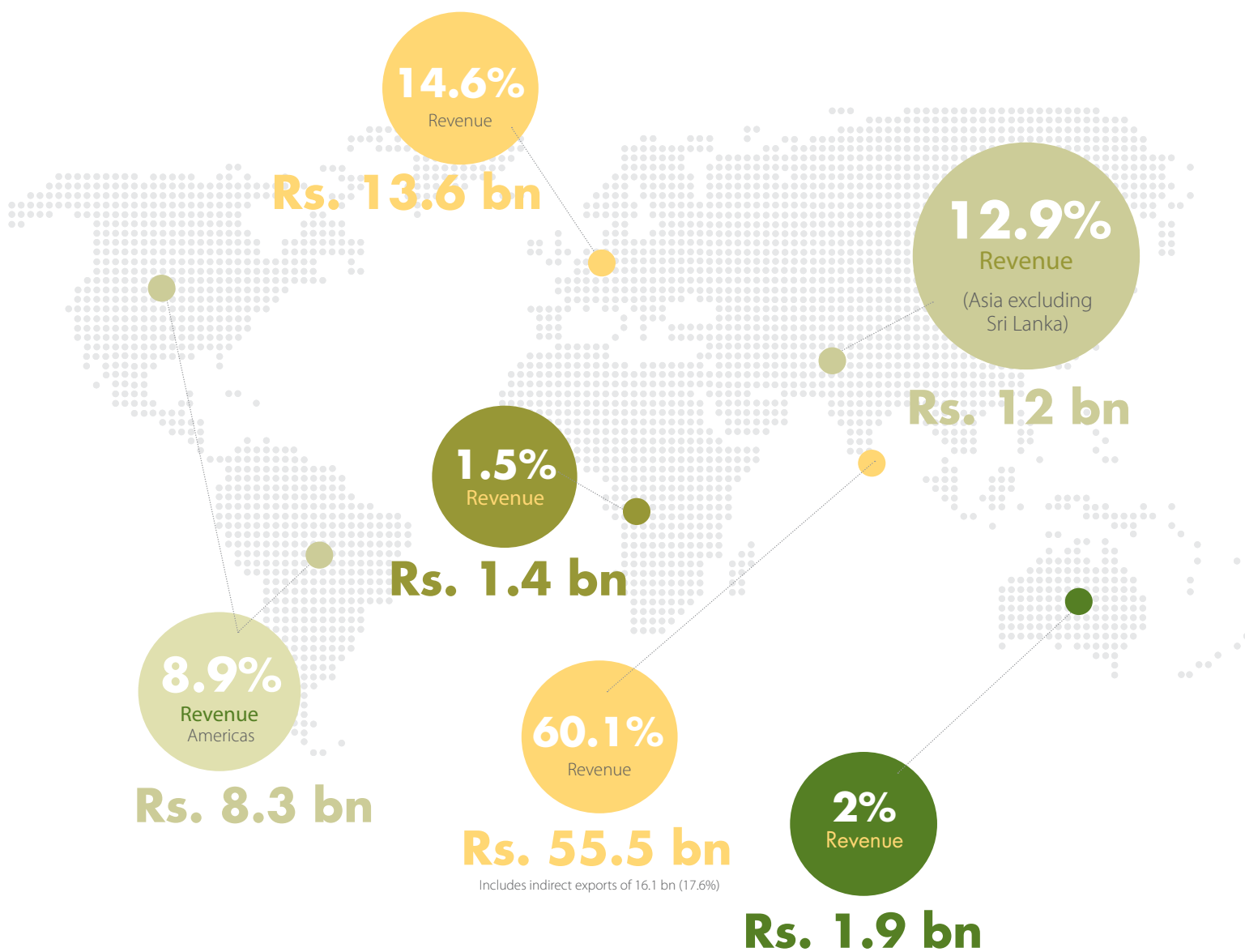
\*Includes inter-sector dividends



## Management discussion and analysis

# Our global footprint

In addition to Sri Lanka, the Group has manufacturing facilities in Thailand and Indonesia marketing offices in the USA, UK, Australia, India Italy, Japan, The Netherlands, Bangladesh and offers transportation and logistics solutions in Maldives



# The Quality of Life



## Regions

5

We export to 5 regions around the globe



## Customers

Over 80,000

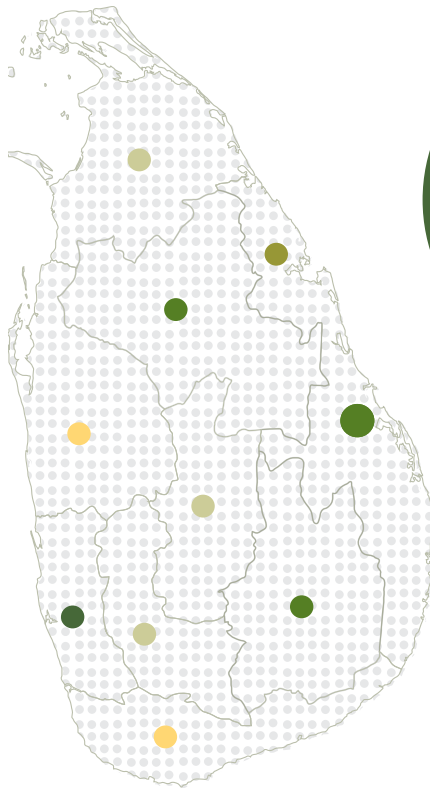
Local and international



## Suppliers

Over 1,900

Local and international



**Islandwide coverage**

**Our comprehensive business framework was developed more than a decade ago to help grow a culture of empowerment and innovation, and it has proven to be a robust system.**

## Operating Environment

Global economic developments impact our group operations as we derive 57% (including indirect exports) of our revenue from diverse markets overseas and also rely on suppliers overseas to provide various inputs in to our businesses. Global trends and developments also impact the growth and stability of the Sri Lankan economy which remains our principal market accounting for 43% of group revenue. Europe, Asia and the Americas are crucial markets for the Group accounting for 14.6%, 12.9% and 8.9% of Group revenue respectively.

## Global Economy

Global economic growth was 3.4% in 2014 maintaining the same momentum witnessed in 2013. However, global growth was divergent as the US economy outperformed forecasts whilst the Eurozone and Japan notably performed below expectations. Key developments that shaped economic growth in 2014 include the sharp decline in oil prices since September 2014, the strengthening of the US dollar vis a vis other major currencies, and the increase in interest rates and risk spreads in emerging economies. Advanced economies continue to grapple with the legacies of the financial and Euro area crises with weak banks, high levels of public, corporate and domestic debt weighing down spending and growth. Ageing of the population, lower productivity growth, and weak capital accumulation are impacting advanced economies and emerging economies although capital growth is expected to recover in advanced economies. Evidence also suggests that oil importing countries such as US, Euro Area, China and India are increasing spending supported by increasing real incomes. Many oil exporting countries are moderating spending although to a lesser extent as they have sufficient financial reserves to support a gradual decrease in spending. Commodity markets have also declined sharply which has positive implications for importers of raw materials but negative implications for commodity exporters.

Overall these movements are expected to be positive for the Hayleys Group as exports to the US and Europe are denominated in US dollars for the Hand Protection sector which accounts for

## Management discussion and analysis

approximately 15% of group revenue although the sharp devaluation of the Euro and lack of growth momentum is likely to increase pressure on margins. The purification sector continues to be impacted by the declining prices for gold which in turn has a negative impact on demand. We have witnessed the impact of the political turmoil in principal markets for Tea including East European and Middle East countries on prices of Tea as they declined sharply during the second half of 2014/15 with cost of production being higher than the net sales average. Additionally, the decline in oil prices has made the synthetic rubber cheaper further depressing the prices of rubber. The Leisure sector will also be affected by the political and economic turmoil in East Europe as arrivals from this key tourist market have declined significantly. Declining commodity markets will support the transportation and construction materials sectors as key inputs become cheaper.

### USA

The US economy posted a relatively strong recovery of 2.4% supported by improved labour markets and accommodative monetary policy which has supported increased spending/consumption. Unemployment reached 5.5% in February 2015 supported by job creation although real wages growth has been less than 1% raising concerns over sustainable spending growth in the US in the long term. However, there are signs that healthier wage data can be expected soon as large employers plan wage increases. The economy has also been resilient against the strengthening of the dollar as net exports account for only 14% of GDP, although developments in this area need to be watched carefully as corporate profits in the 4th quarter fell by 6.4% from the 4th quarter in 2013 as income from overseas markets declined. Both households and corporates will benefit from lower oil prices offsetting the impact of declining investments in oil on GDP growth. These factors, together with the strengthening of bank, corporate and household balance sheets is expected to continue to offset effects of further strengthening of the US dollar. Quantitative easing by the Federal Reserve ended in October 2014 as the economy strengthened. According to the World Economic Outlook published by the International Monetary Fund

### IMF Data Mapper



in April 2015, a gradual increase of the 0%-0.25% policy interest rates of the US Federal Reserve is expected to commence in the 3rd quarter of 2015 depending on progress towards the dual goals of maximum employment and 2% inflation. Overall, the US is expected to have strong growth of 3.1% in 2015 with positive knock on effects for the rest of the world which augurs well for the Hayleys group exports.

### Europe

Economic activity in Europe showed some positive signs of growth momentum reflecting lower oil prices and supportive financial conditions. Growth in the Advanced European countries outside the euro area was more robust with strong growth of 2.6% from UK and most other countries recording growth rates of around 2%. The risks are also more balanced than previously with upside risks arising from larger than anticipated effects of the lower oil prices while the main downside risks arise from knock on effects of stagnation and persistent inflation in the Euro area. UK growth was driven by improved labour markets and financial conditions with lower oil prices are expected to support growth in 2015. Growth in the Euro Area was relatively weaker at 0.9% as it copes with structural problems slowing the pace of recovery and weak investment except in Ireland, Germany and Spain. The asset purchase programme commenced in the 1st quarter of 2015 by the European Central Bank is expected to address the low inflation experienced

in the Euro area and there are early indications supporting improved financial conditions as well. The outlook for the Euro Area is positive with growth forecast at 1.5% for 2015 supported by the ECB interventions, lower oil prices, wage increases and improved financial conditions, strengthening the outlook for Hayleys Group as well as Europe is the largest destination for its export products.

### Asia Pacific

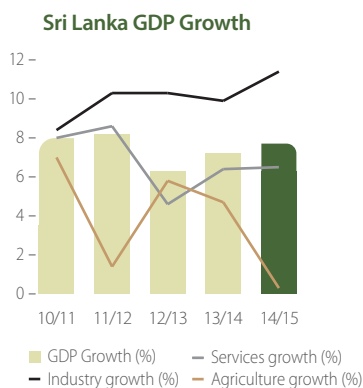
The Asia Pacific region continues to outperform other regions although growth moderated from 5.9% in 2013 to 5.6% in 2014 weighted by slowdowns in large economies like China Japan and Indonesia. The region is a net importer and decline in oil prices is expected to spur GDP growth by approximately 1.5% due to increasing purchasing power across the region. The slowdown in China is viewed as a shift to a sustainable pace and growth fell to 7.4% in 2014 and is expected to decline to 6.8% in 2015 as per IMF April 2015 forecast as previous excesses in real estate, investment and credit continue to unwind. Japan which ended 2014 with -0.1% growth is expected to perform better in 2015 with a forecast of 1% supported by the weaker yen, higher real wages and equity prices and lower commodity prices. India's economic performance is expected to strengthen from 7.2% in 2014 to 7.5% in 2015 strengthened by recent policy reform which is expected to boost investment and lower oil prices which will raise disposable incomes and drive down inflation. The

Group strategy during the year was aligned to respond to the opportunities in the local market which included a financial restructuring converting short term debt to long term debentures, strengthening the balance sheet.

positive developments in this region and their knock on effects on the country are expected to strengthen Hayleys prospects for growth in this region.

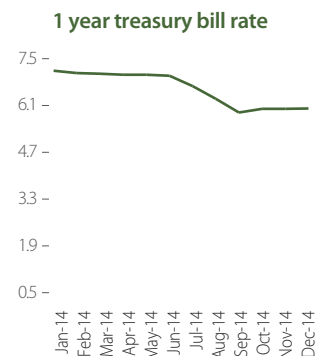
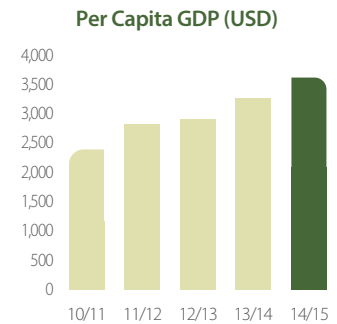
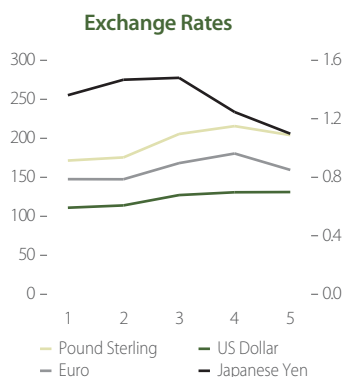
## Sri Lanka

Sri Lankan economic growth was robust at 7.4% in 2014, marginally higher than the GDP growth recorded in 2013 of 7.2%. The rate of growth compares well with other South Asian and Asia Pacific countries which experienced lower growth rates. Growth was supported by a strengthening industrial sector which benefited from recovery in key export markets and mega infrastructure investments, accounting for 33% of GDP. Service sector growth remained stable at 6.5% accounting for 57% of GDP as increased tourist arrivals boosted earnings from this key sector. Performance of the agricultural sector was disappointing at 0.3% accounting for 10.3% of GDP as it was adversely impacted by adverse weather conditions.



Per capita income grew to US\$ 3,625 on target with the goal of achieving a \$ 4,000 per capita income by 2016 and is twice the per capita income of India. Unemployment was low at 4.3% with a labour force participation rate of 53.3% and increasing labour productivity. The poverty headcount also declined during the year. These developments augur well for the disposable incomes stimulating spending.

Export earnings increased 7.1% to USD11.1 bn for 2014, driven by strong growth in exports of textiles and garments, coconut and tea. On the other hand, Imports increased to US\$ 19.4bn in 2014, a moderated growth of 7.9% over the previous year. Increases in imports of consumer and intermediate goods were observed while investments goods had declined during the year. The trade deficit declined as a percentage of GDP from 11.3% in 2013 to 11.1 % in 2014, while the current account deficit contracted to US\$ 2.0 bn amounting to 2.7% of GDP from 3.8% in 2013. Worker remittances grew by 9.5% to US\$ 7 bn due to increased use of formal



channels for remittances and higher levels for professional and skilled migration. Consequently, the Balance of payments surplus improved from US\$ 985 mn in 2013 to US\$ 1,369 mn in 2014. Gross Official Reserves are estimated at US\$ 8.2 bn by end 2014, equivalent to 5.1 months of imports.

The government maintained its accommodative monetary policy stance, stimulating private sector investment and economic growth. Interest rates continued to be historically low, while inflation decreased to 2.1% by end 2014, averaging 3.3% for the year. The Sri Lankan rupee remained relatively stable depreciating 0.23% against a strengthening US dollar but appreciating against the sterling pound by 5.35% and the Euro by 11.65%.

Group strategy during the year was aligned to respond to the opportunities in the local market which included a financial restructuring converting short term debt to long term debentures, strengthening the balance sheet.

## Financial review





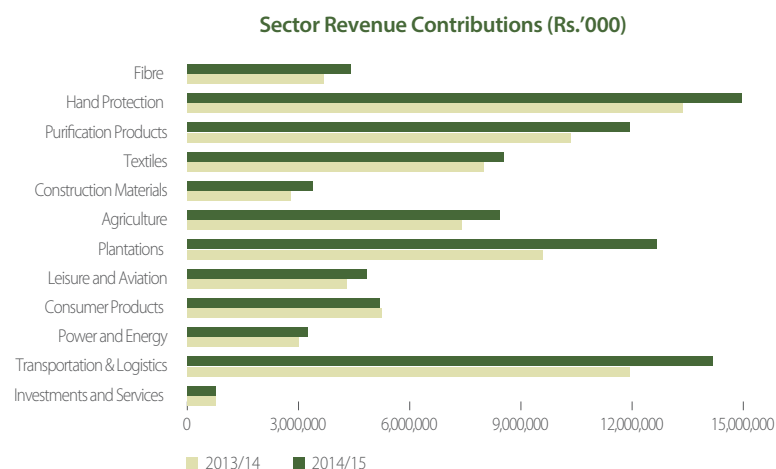
The Hayleys Group turned in another year of strong financial performance with consolidated profit after tax for the year surging 31.7% to reach Rs. 4.89 billion. Despite challenging industry landscapes in several of the Group's key business lines, the diversity of its operations enabled the Group to demonstrate stability in its earnings profile. Total asset growth was 14.8% during the year, as the Group continued to strengthen its market positions and geographical reach through acquisitions and organic growth.

## Revenue

The Group's consolidated revenue grew by 15.01% y-o-y to a record high of Rs. 92.56 billion during the financial year 2014/2015. Growth was broad-based with all sectors recording top line growth. The key contributors to the Group's revenue growth during the year were Hand Protection (16.17%), Transportation & Logistics (15.32%) and Plantation (13.70%) (Refer sector performance reviews for further details on sectors). The Group's revenue streams are well diversified with the contribution of an individual sector not exceeding 20% of consolidated revenue. Export-oriented business interests have also enabled the Group to be geographically diversified, with revenue streams originating from multiple regions including Asia, Europe, America and Africa.

Despite challenging industry landscapes in several of the Group's key business lines, the diversity of its operations enabled the Group to demonstrate stability in its earnings profile.

	FY 2015	FY 2014	y-o-y growth (%)
Revenue (Rs. mn)	92,561.87	80,478.61	15.01
EBIT (Rs. mn)	8,510.55	7,195.66	18.27
Net Finance Cost (Rs. mn)	2,135.01	2,147.28	(0.57)
Profit after tax (Rs. mn)	4,886.33	3,708.99	31.74
EPS (Rs.)	34.42	24.11	42.76
DPS (Rs.)	6	5	20%
Total Assets (Rs. mn)	93,326.50	81,305.09	14.79
Total Debt(Rs. mn)	29,062.18	25,825.47	12.53
Total Equity (Rs. mn)	44,209.48	36,337.27	21.66
Debt/Equity	0.66	0.71	(7.04)
EBITDA/Debt	0.38	0.36	5.55
Operating Cash flow/Debt cover	0.30	0.22	36.36
Current Ratio	1.25	1.18	5.93
Quick ratio	0.83	0.77	7.79
Share price (Rs.)	300	285	5.26



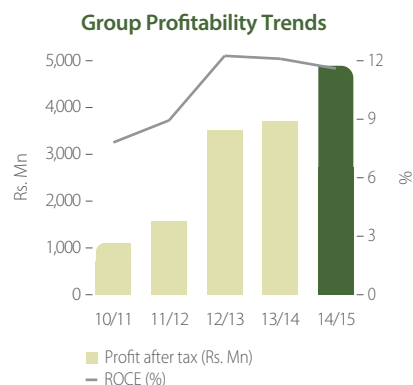
## Earnings before Interest and Tax

Group EBIT increased 18.3% to Rs. 8.51 billion during the financial year supported by revenue expansion, whereas growth in other income was marginal. Administration and distribution expenses increased by 11.3% in line with capacity expansions in several business lines and increased staff costs. Primary contributors to growth in consolidated EBIT\* were the Hand Protection (15.57%), and Purification (13.07%) Transportation (13.5%) sectors. Meanwhile, the Group's consolidated EBIT margin widened to 9.19% in comparison to the previous year's 8.94%. Although several sectors including Purification and Plantations experienced margin compression due to volatilities in commodity

\*Before inter-sector adjustments

## Financial review

prices, consolidated profitability was upheld by wider margins in Hand Protection and Textiles



sectors demonstrating the stability in earnings arising through diversification.

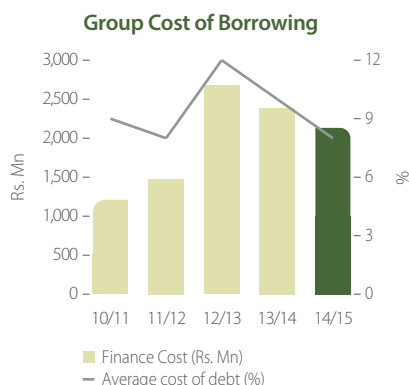
### Sector profitability margins (%)

	2015	2014
Fibre	1.5%	0.5%
Hand Protection	10.4%	6.8%
Purification Products	10.9%	12.6%
Textiles	2.6%	0.1%
Construction Materials	18.5%	16.9%
Agriculture	12.3%	12.8%
Plantations	4.1%	8.6%
Transportation & Logistics	9.5%	9.5%
Consumer Products	2.7%	4.5%
Power and Energy	28.2%	29.9%
Leisure and Aviation	16.6%	19.0%
Investments and Services *	183.7%	138.0%

\*Dividend income received by Hayleys PLC captured in the Investments and Services cluster.

### Net Finance Costs

Consolidated Net Finance costs declined by 0.57% to Rs. 2.13 billion, supported by the drop in market interest rates during the year, despite a 12.53% increase in total borrowings to Rs. 29.06 billion. Although finance income contracted as yields on the Group's fixed income investments fell, a 11% reduction in finance expenses allowed Net Finance cost to decline. The Group pursued a strategy of converting its short-term borrowings to longer-tenured loans, resulting in a decline in its Average Weighted

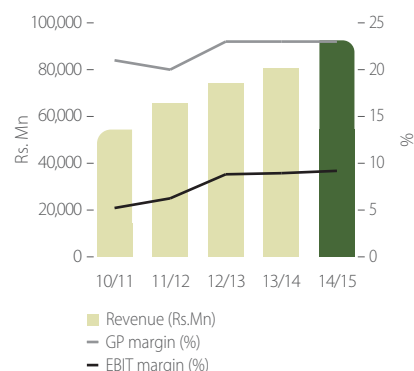


Cost of Debt - The Hayleys PLC Company accounted for around 28% of the Group's finance costs, followed by Leisure and Aviation (13.2%) and Purification (12.6%). Overall, the Group's average borrowing rate was around 8% during the year.

### Taxation

The Group's total tax expense increased by 10.2% to Rs. 1.51 billion during the year, with all sectors turning to profitability during the year. The largest contributors to the Group's tax expense during the year were the Transportation and the Hand Protection sectors. The effective tax rate of the Group was 24%, compared to 27% the previous year; the reduction reflects higher profit contributions from the Hand Protection sector where the profit from local operations are taxed at 12%. Please refer Note 11 to the Financial Statements of this Annual Report, for further information on the Group's tax expense.

### Group Profitability Trends



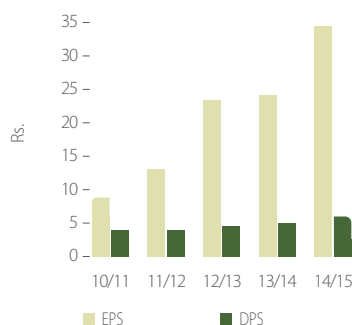
### Profit for the year

Group profit for the year increased 31.7% in comparison to 2013/2014 to a record high of Rs. 4.89 billion. Purification, Hand Protection and Transportation sectors surpassed the Rs. 1.0 billion profit before tax mark for the year. The Group's net profit margin widened to 5.3% during the year, from 4.6% the previous year, supported by improved profitability margins in several key business sectors. Non-controlling interest grew by 21.3% to Rs. 2.31 billion whereas profit attributable to equity holders of the parent increased by 42.7% to Rs. 2.58 billion. Overall, the Group's Return on Capital Employed (ROCE) remained relatively unchanged at 11.6% during the period.

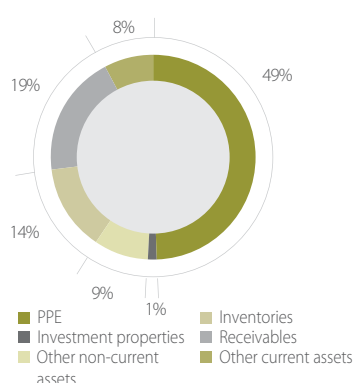
### Shareholder Returns

Earnings per share grew by 42.7% during the year to Rs. 34.42 whereas Dividend per share was Rs. 6.00 during the year. The strong growth in earnings together with improved investor confidence resulted in the Hayleys' share price increasing by 5% to close the year at Rs. 300.00. Share price performance of the Group's listed subsidiaries was also strong during the year.

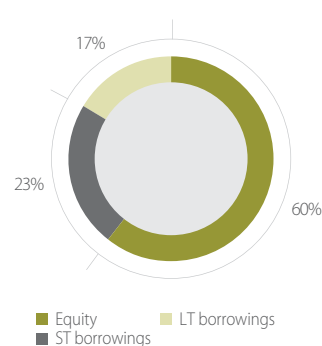
Shareholder Returns



Asset Composition - 2015



Group Funding Profile



## Asset Growth

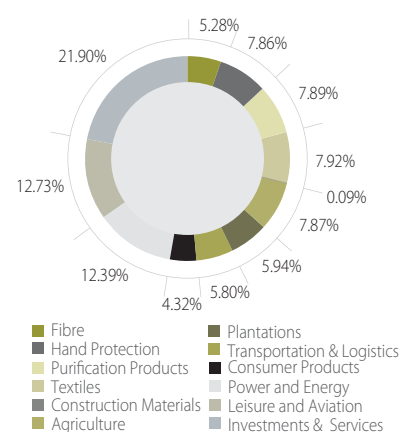
Group's consolidated asset growth was 14.8% during the year, led by additions to property, plant and equipment. Key acquisitions during the year were the purchase of Amaya Beach Pasikuddah Hotel for an investment of Rs. 568 million and Alufab PLC for a total consideration of Rs. 174 million. Other major investments included Rs. 525 million equity investment in Joule (Pvt) Ltd and Beta (Pvt) Ltd, two wind power plants. At Hayleys Company level, investments in subsidiaries increased marginally to Rs. 9.37 billion; with the objective of diversifying its risk exposure the Company disposed 19.6% of its stake held in Hayleys MGT Knitting Mills PLC during the year. Despite the disposal, we fully subscribed to outshare of Hayleys MGT's rights issue of Rs. 522 million in September 2014 as we are encouraged by the turnaround in the Company's performance and remain optimistic about its prospects. Overall, the Group's asset composition was relatively unchanged in comparison to the previous year. Meanwhile, working capital requirements for the year increased 9.14% to Rs. 18.53 billion during the year, stemming primarily from the purification and plantation sectors.

## Capital Structure

Equity funds accounted for 60.3% or Rs. 44.21 billion of the Group's capital employed during the year. Total borrowings increased 12.5% to Rs. 29.06 billion during the year, translating to a gearing ratio of around 40%. The debt was utilised primarily to fund the Group's new acquisitions and investments during the year. We also pursued a strategy of restructuring several of our short-term facilities to long-term borrowings, taking advantage of the relatively low interest rate scenario. The Group also raised Rs. 2.0 billion via a 4-year listed debenture, facilitating a reduction in its Average Weighted cost of debt. Approximately 42% of the Group's borrowings now comprise of long-term debt compared to 35% the previous year.

Approximately 21.9% of the Group's debt lies with Hayleys PLC, with the balance spread primarily between Leisure and Aviation (12.73%), Power and Energy (12.39%). Given the strong dividend up streaming from its subsidiaries, the Company can comfortably meet its short and medium term debt repayment obligations. Stronger overall performance during the year also resulted in an improvement in the Group's debt protection metrics; EBITDA/Debt cover improved marginally to 0.38 times (2014: 0.35) whereas operating cash flow/ debt cover also widened to 0.30 times (2014: 0.22 times)

## Sector-wise Breakdown of Borrowings



## Cash Flow

Increased business volumes in most of the Group's industry sectors resulted in a stronger cash flow generation during the year. Net Cash flow from operating activities increased by 55.4% to Rs. 8.63 billion during the reviewed period. Cash outflow from investing activities increased to Rs. 6.34 billion (2014: Rs. 3.69 billion) as a result of acquisitions and investments as discussed earlier. Meanwhile, net cash outflow from financing activities was Rs. 233.28 million during the year (compared to an inflow of Rs. 1.48 billion the previous year) due to settlement of debt.

## Sustainability review



**Improving the  
quality of ordinary  
people's lives...**

**We're committed to sustainable business  
- operations that take into account the  
many factors that go towards a truly  
environmentally friendly and community  
conscious business model...**

## Environmental Performance

Natural Capital is a critical input to the Group's value creation process and all our sectors continue to demonstrate strong commitment towards ensuring that our impact on the environment is minimal. Our approach towards managing the environmental inputs and outputs of our processes are guided by the Group's common Environmental policy, which details the requirements, performance criteria, guidelines and responsibility for all environmental aspects. Multiple sectors within the Group have obtained and continue to comply with domestic and global environmental certifications, demonstrating our commitments towards safeguarding the natural capital. We also place particular emphasis on the use of our products and take every effort to ensure that our products have the lowest possible adverse impact on the environment.

### Managing Inputs Raw Materials

The Group consumes a wide variety of raw materials, which account for a significant portion of our manufacturing costs and determine the overall quality of our products. The Group's raw material usage policy is centred on responsible product stewardship and the practices of the 3R concept- reduce, reuse and recycle for all raw materials that are procured. Material usage is tracked on a consistent basis using suitable indicators across several of our sectors with actionable plans to optimise material usage. During the year, the usages of raw materials in our key manufacturing sector companies are given in Table 1. We hope to widen the scope and coverage of our material tracking processes in the future.

Raw material consumption has increased in line with the rise in operational activity for most of the Group's sectors. We have focused on improving the quality and sustainability of our raw material sources by engaging with our suppliers to provide technical and financial support, as discussed further in subsequent sections of this report.

Natural Capital is a critical input to the Group's value creation process and all our sectors continue to demonstrate strong commitment towards ensuring that our impact on the environment is minimal



Sector	Raw Materials	Unit	2014/2015	2013/2014
<b>PLANTATIONS</b>	Bought Leaf	Kg	13,671,176	9,780,229
	Bought Latex	Kg	280,211	527,311
<b>PURIFICATION</b>	Coconut shell charcoal	MT	105012	82346
<b>FIBRE</b>	Raw, processed and other fibre materials	MT	29,317	23,162
	Timber	Square Meters	1,029,510	903,654
<b>CONSTRUCTION MATERIAL</b>	Scrap metal	Kg	1,827,104	1,915,585

Table 1 : Raw material usage

### Energy

Our primary energy sources are fossil fuels, electricity from the national grid and renewable energy. Total energy consumption during the year increased over the previous year, in line with the expansion of manufacturing capacities and business operations, although energy intensity of several sectors improved. The sectors have undertaken several initiatives to improve energy efficiency and reduce dependence on fossil fuels including the following;

- The Plantation sector engages in the generation of renewable energy through four hydro plants and fuel wood plantation. The sector also installed energy efficiency capacitor banks, equipment and lighting systems whilst awareness programmes targeting employees and resident communities are conducted on a regular basis.



## Sustainability review

- The Textile sector has introduced a range of variable frequency motors and drives to reduce power consumption and also installed energy efficient production machinery
- In the Purification sector pollutant gases and heat discharged from the production process are used to generate electricity, which is supplied to the national grid.
- The Fibre sector has installed a bio-energy plant in the industrial fibre facility to reduce dependence on fossil fuels
- In the Leisure sector, energy efficient lighting and cooling systems have been implemented in all hotels, and awareness programmes on energy management are conducted for staff on a continuous basis. Hunas by Amaya generates hydro power which is used to power garden lights.

### Water

Several sectors within the Group consume significant amounts of water in their value creation process; resultantly conserving water is a key focus area in the Group's environmental sustainability agenda. In addition to water stewardship, all our business sectors are mandated to ensure that water discharge meets all applicable regulatory requirements. Initiatives undertaken by the sectors to reduce the consumption and preserve the quality of water include recycling used water and engaging in water treatment prior to discharge among others.

### Managing Outputs Effluents and Waste

All sectors engage in the segregation and disposal of waste, in compliance with regulatory requirements and industry best practice. Details regarding the disposal of hazardous and non-hazardous waste generated during the year are given in Table 2 in respect of Agriculture, Plantations, Purification, Construction Materials, Transport and Fibre. We hope to widen our coverage of this environmental indicator in the future.



Method of Disposal	Hazardous (MT)	Non-hazardous (MT)
Re-use		4224.01
Re-cycle		215.1
Incineration	34.2	-
Landfill		413.0
On-site storage	43.67	117.74
Composting		201.82
Other	384.42	321.86

Table 2: Waste disposal

### Carbon Footprint

The calculation of the carbon footprint is based on the WBCSD/WRI Greenhouse Gas Protocol Corporate Standard, and we have used the most recent versions of applicable calculation tools. We have continued to extend our coverage of calculation and our reporting of Greenhouse Gas emissions now covers all our sectors under Scope 1 and 2, whilst Scope 3 remains selective based on data availability. The data presented is analysed at Sector level and not from an individual company perspective. This could result in differences in the assignment of Scopes for purchased electricity, although the consolidated data remains unaffected.

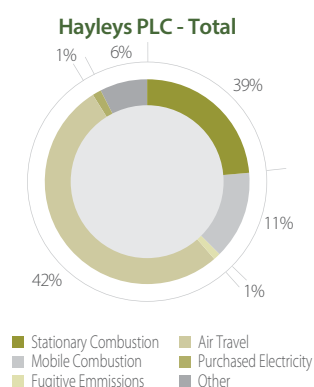
For the first time the Group has obtained external assurance on its carbon footprint calculation. This has enabled the Group to obtain more accurate and specific information regarding the Group-wide carbon footprint. Going forward we intend to utilise the inputs of this process to adopt a focused and strategic approach towards reducing our carbon footprint in the future.

During the year under review, the Group's total GHG emissions increased by 18% to 95,043 tonnes carbon dioxide equivalent (tCO<sub>2</sub>e) as operational activity increased across several sectors and due to the quality of data gathered. The Hand Protection, Textiles and Plantations sectors were the key contributors to the increase in the carbon footprint during the year, whereas Purification, Transportation and Logistics and Agriculture recorded a decline in the carbon footprint.

Analysed based on the scope of emissions, Purchased Electricity under Scope 2 accounted for the largest share of emissions with a share of 42% followed by Stationary Combustion under Scope 1. Based on generation of carbon footprint by sector, the manufacturing sectors of Textiles, Purification, and Hand Protection together with Plantations were the largest contributors to Group numbers. Although total

## Carbon Footprint by Sector and scope, tonnes CO2 Equivalent

Sector	Scope 1	Scope 2	Scope 3	Other	Sector Total (14/15)	% Share by sector (14/15)	Sector Total (2013/2014)
<b>MANUFACTURING</b>							
Fibre	528	2,019	17	245	2,809	3.0	1,684
Hand Protection	9,775	5,627	45	684	16,132	17.0	11,716
Purification	6,595	5,430	101	660	12,785	13.5	18,705
Textiles	16,463	9,022	23	1,096	26,604	28.0	18,088
Construction Materials	2,269	2,669	15	324	5,279	5.5	4,776
<b>AGRICULTURE AND PLANTATIONS</b>							
Agriculture	1,565	746	31	90	2,432	2.6	2,495
Plantations	2,342	9,153	25	1,248	12,768	13.4	8,879
<b>SERVICES</b>							
Transportation & Logistics	7,181	357	64	503	8,106	8.5	8,332
Consumer	9	27	14	219	269	0.3	336
Leisure & Aviation	1,855	3,218	49	391	5,513	5.8	3,809
Power & Energy	20	112	49	123	305	0.3	220
Investment & Services	-	547	1	66	614	0.6	106
<b>Holding Company</b>	8	1,264	-	154	1,426	1.5	1,401
<b>Total by Scope</b>	48,610	40,192	434	5,803	95,043		80,547



GHG emissions increased during the year, most of the Group's sectors recorded a reduction in emission intensity during the year under review.

### Impact of Climate Change

Several of the Group's key sectors are exposed to potential risks stemming from climate change. This includes manufacturing companies which utilise indigenous raw materials,

Agriculture and Plantation Sectors which are highly vulnerable to inclement climatic and weather conditions as well as the Leisure Sector, in which the country's natural landscape and bio-diversity is an essential component of the value proposition. The Group attempts to

mitigate the risks arising from climate change through its integrated environmental and social sustainability management framework, which strives to ensure the development of sustainable raw material suppliers, minimise the Group's carbon footprint and improve energy efficiency among others.

Sector	Emission Intensity- tCO2e/Rs. million	
	(2014/2015)	(2013/2014)
Fibre	0.64	0.45
Hand Protection	1.08	0.87
Purification	1.24	1.80
Textiles	3.11	2.26
Construction Materials	1.56	1.70
Agriculture	0.29	0.33
Plantations	1.00	0.92
Transportation & Logistics	0.57	0.68
Consumer Products	0.05	0.06
Leisure & Aviation	1.13	0.87
Power & Energy	0.09	0.03
Investments & Services	0.81	0.12

## Sustainability review

Hayleys creates value for its employees primarily by providing a great place to work as part of highly motivated teams alongside people who are inspired to excel. Governance structures, policy frameworks, systems and processes have been put in place to support employee productivity goals and how the Group creates value for employees

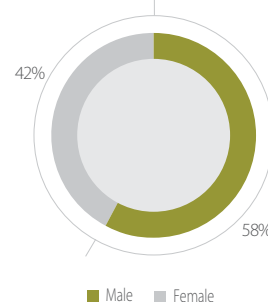
### Social Performance

#### The Value Creators

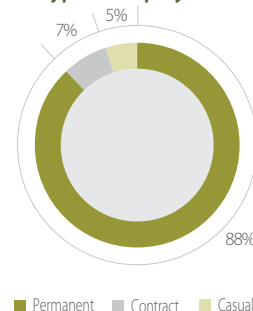
The Hayley's team of 35,093 employees is spread across all provinces in Sri Lanka and bound by common goals and shared values, creating value for our stakeholders. They are at the heart of our innovations and growth, driving diverse businesses to dominant market positions through their collective efforts. A diverse mix of skills, talent and experience managed through governance structures and policy frameworks combined with an organisation culture developed over 137 year gives the Hayleys team a unique competitive advantage in today's competitive landscape. As a Group we are able to provide exciting opportunities for talented and ambitious professionals who aspire to realise their full potential in their chosen fields. We also have the ability to attract top talent in the market through a combination of remuneration, benefits and potential for personal growth ensuring that there is a sufficient talent pipeline to build on our achievements.

As a Group we are able to provide exciting opportunities for talented and ambitious professionals who aspire to realise their full potential in their chosen fields.

Gender Diversity







Type of Employment



## Creating Value for Employees

### Creating Value for Employees

Great people, great teams, great place to work

COMPENSATION, REWARDS & RECOGNITION	ENGAGEMENT	TRAINING & DEVELOPMENT	RECRUITMENT & RETENTION
			
<ul style="list-style-type: none"> <li>Amount paid as remuneration Rs 14 bn</li> <li>Chairman's Awards - 10 Recipients</li> </ul>	<ul style="list-style-type: none"> <li>More than 150 Staff Events</li> </ul>	<ul style="list-style-type: none"> <li>Investment - Rs. 50 mn</li> <li>34,941 training hours</li> </ul>	<ul style="list-style-type: none"> <li>Equal Opportunity Employer</li> <li>99% retention rate</li> </ul>

Hayleys creates value for its employees primarily by providing a great place to work as part of highly motivated teams alongside people who are inspired to excel. Governance structures, policy frameworks, systems and processes have been put in place to support employee productivity goals and how the Group creates value for employees.

#### HR Governance

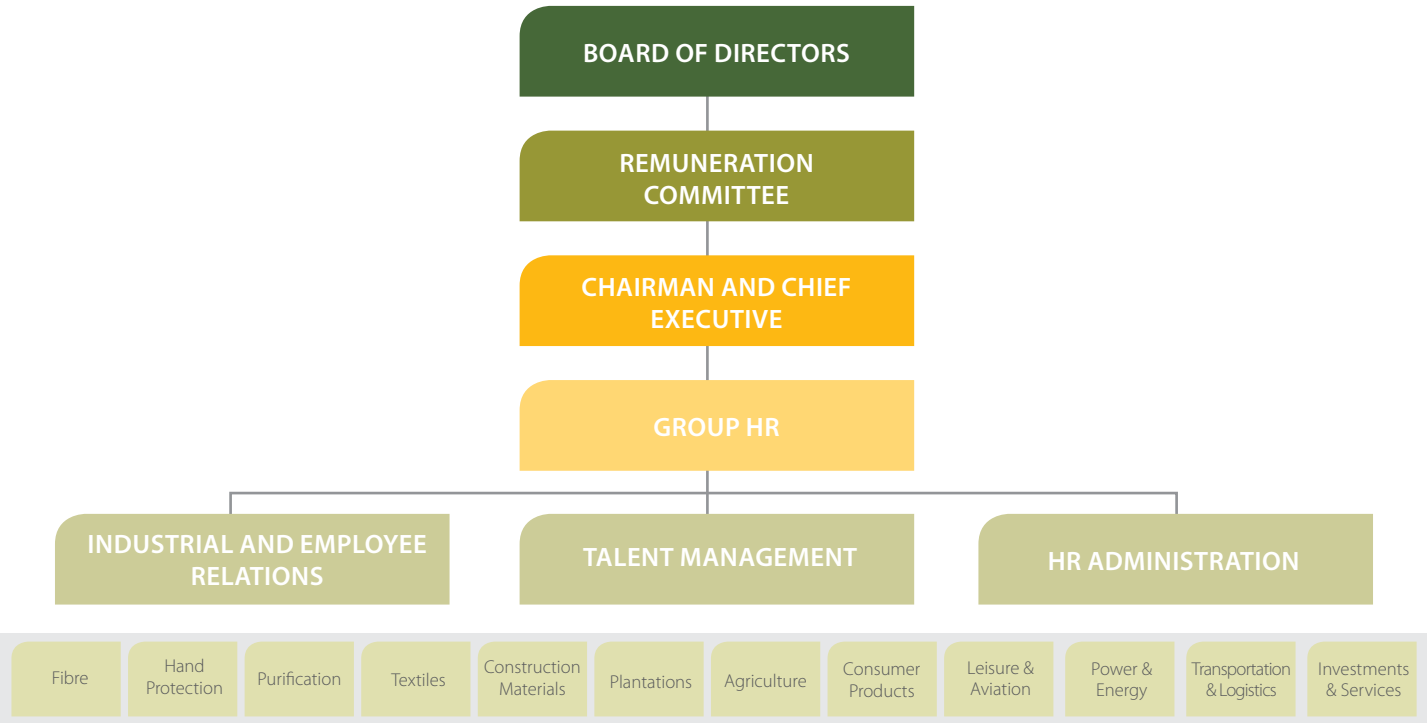
All human resource activity within the Group is co-ordinated centrally with HR departments of each sector to ensure uniformity in policy frameworks and application of the policies. The governance structure for the group is shown on page 50.

The Group HR function has three specialised areas which are Industrial & Employee Relations, Talent Management and HR Administration. These three departments provide support to sector HR departments which are our front liners for Talent Management.



## Sustainability review

### Governance Structure



### UN GLOBAL COMPACT PRINCIPLES

- Principle One - Support and respect protection of internationally proclaimed human rights
- Principle Two - Ensure they are not complicit in human rights abuses
- Principle Three - Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle Four - the elimination of all forms of forced and compulsory labour;
- Principle Five - the effective abolition of child labour; and
- Principle Six - eliminate discrimination in respect of employment and occupation

A sound HR Group policy framework was put in place this year to ensure that all companies within the Group conform to agreed policies that are in accordance with regulation and standards of best practice voluntarily adopted by the Group

A sound HR Group policy framework was put in place this year to ensure that all companies within the Group conform to agreed policies that are in accordance with regulation and standards of best practice voluntarily adopted by the Group. Voluntary standards impacting HR include the GRI G4 standards on Labour and Human Rights and the UN Global Compact Principles 1 to 6. As most countries we operate

in have less stringent labour laws, the policy framework developed for Sri Lanka is adopted across all our operations.

### Recruitment

Hayleys Group has long been recognised as a great place to start careers due to the many opportunities provided for development through lateral movement across business



## HR Policy Framework

HUMAN RESOURCES POLICIES	TALENT MANAGEMENT	HEALTH & SAFETY	THE HAYLEYS WAY
<ul style="list-style-type: none"> <li>Human Rights</li> <li>Whistleblower</li> <li>Grievance Handling</li> <li>Anti-Sexual Harassment</li> <li>Anti-Corruption &amp; Anti-Bribery</li> <li>Leave</li> <li>Industrial Relations</li> </ul>	<ul style="list-style-type: none"> <li>Recruitment</li> <li>Talent Management</li> <li>Learning &amp; Development</li> <li>Job Description &amp; Job Evaluation</li> <li>Performance Management</li> <li>Exit Interview</li> </ul>	<ul style="list-style-type: none"> <li>Health &amp; Safety</li> </ul>	<ul style="list-style-type: none"> <li>Code of Business Conduct</li> </ul>

sectors, opportunities for promotion, competitive remuneration and benefits and a robust training and development programme. The Group focuses on recruitment of young qualified professionals at junior executive level who are included in a 3 month induction programme at sector level with high level mentoring and on the job experience. They are then included in a Group induction programme within 3 months of joining. The long induction programme ensures that they understand our values and culture – the Hayleys Way. We also recruit at other levels for our business needs and ensure that sufficient training is provided to enable outstanding performance. We are an equal opportunity employer with zero tolerance of child labour and forced labour in accordance with the UN Global Compact principles. The Table inset indicate adherence to Group policy in this regard. During the year, we added a total of 267 new recruits to the Group, which represented 0.8% of the total workforce.

### Talent Development

Recruiting the crème de la crème of talent means we have a pool of ambitious people who are eager to develop themselves to become the next generation of leaders in the Group. A robust talent management framework is in place to monitor performance, identify training

needs and develop their potential in alignment with corporate goals. Leadership development is a key area of focus to ensure retention of star performers and depth in succession planning.

All permanent employees have bi-annual performance evaluations to facilitate structured feedback on performance highlighting areas for improvement and other development needs. This year we have introduced objective criteria for transfers increasing transparency in the process.

We are also approved training organisations for the following professional bodies:

- Institute of Chartered Accountants of Sri Lanka,
- Chartered Institute of Management Accountants, UK
- Chartered Institute of Marketing, UK

Consequently, employees who are members of the above bodies have mentored trainees in accordance with the rigorous practical training requirements of these bodies assisting them to obtain qualifications that support lifelong career development.

Many of our Group companies are also approved training organisations for National Apprenticeship and Industrial Training Authority and have trained many apprentices during the year.

### Employee Benefits

As a diversified conglomerate, Hayleys Group has a baseline package of benefits that are applicable throughout the Group which include medical insurance covering both hospitalisation and out-patient treatments, workmen's compensation for life and disability both at work and during travel to or from work, maternity leave, reimbursement of professional subscriptions. Additionally, some sectors offer additional benefits such as additional leave allocations and discounted hotel rates. All permanent employees are enrolled in to the statutory Employee Provident Fund and the Employee Trust Fund for which the employer contributions amount to 12% and 3% of the gross salary with no further obligations. The Group retirement gratuity policy offers employees with over 20 years' service rates which are above the statutory rate of ½ month pay per year of service with a maximum of 1½ month's pay per year of service for employees with over 30 years' service. Further information is provided on page 194 on defined benefit plan obligations.



## Sustainability review

### Health & Safety

Employee health and safety is a key focus area and a Group policy is in place in this regard which establishes a baseline standard across the Group. Many sectors which involve varying degrees of occupational health and safety risks have in place more stringent policies that go well beyond the legal requirements to manage the risk. Sectors with higher levels of risk have established Occupational Health & Safety (OHS) Committees with workforce representatives and management included in the committees to facilitate OHS risk management and implement use of protective equipment in the workplace.

The following sectors have had zero incidents of fatalities, injuries and occupational diseases with no lost days or absenteeism recorded as a result of the same:

- Power & Energy
- Agriculture
- Consumer

The Plantation Sector is the largest employer within the Group with a workforce exceeding 22,000. The injury statistics are representative of the number of people employed by the sector in comparison to the other sectors.

<b>No. of Lost Days</b>	<b>1,453</b>
-------------------------	--------------

### Industrial Relations

Our employees have freedom of association and consequently, many of our operations have active trade unions that negotiate on behalf of their members. Approximately 69% of Group staff are covered by collective agreements. Consequently, industrial relations is a significant aspect for the Group as it has a direct impact on our ability to fulfil customer orders on time, affects labour productivity and our reputation. A separate department of the Group HR function supports our sector HR functions in this regard as it involves specialised knowledge and skills. Collective Bargaining agreements are in place for the sectors specified in the table inset and strict

	Average Training Hours	Total Training Hours
<b>Gender Breakdown</b>		
Male	3.94	27,795
Female	1.00	7,146
<b>Category Breakdown</b>		
Executive	7.44	20,187
Clerical and Supervisory	1.38	4,652
Manual	14.14	12,670

adherence to minimum notice periods regarding operational changes is observed. As a policy, Hayleys Group seeks proactive engagement with trade union representatives on a regular basis to identify areas of concern facilitating harmonious industrial relations.

### Employee engagement

As a geographically and sectorally diverse Group, we rely on structured communication for Group level employee engagement. Consequently we have upgraded our intranet to include a social networking interface enabling employees to share their ideas and capture best practice for sharing with other sectors. The intranet also hosts information relevant to employees including the Code of Ethics, whistle-blowing policies, other HR policies and useful information. We also publish a newsletter quarterly titled Connect in Sinhala and English which contains highlights of Group activities. The Plantations sector has their own newsletter in English &

Tamil catering to the needs of the employees in the sector.

Group-wide social activities are handled by Hayleys Group Recreation Club to which employees subscribe. Hayleys PLC also contributes in cash and kind to the activities of the HGRC who have an active calendar to engage employees. Affairs of the Club are managed by a committee that is elected in accordance with the constitution of the Club and they are aided by committees for sports, dance, entertainment and religious activities. Teams are fielded for all mercantile sports events. HGRC also organises inter group events to encourage team building and provide a forum to form relationships with colleagues in other business sectors. The children's Christmas party, annual year end dance, family fun day are highlights which employees look forward to. HGRC also provides death benefits, marriage

Sector	No. of Formal Committees	Workforce Representation
Agriculture	1	16%
Construction Material	1	100%
Fibre	4	13%
Plantations	3	5%
Purification	4	100%
Shared Services	1	100%
Transport	1	100%

Table 3: Health and Safety Committee Representation

Sector	Collective Bargaining Agreement in Place	% of employees covered by collective agreement	Minimum Notice Period observed regarding operational changes
Plantations	Yes	98%	1 month
Purification	Yes	60%	2 weeks
Hand Protection	Yes	56%	-
Agriculture	Yes	8%	-
Fibre	Yes	55%	1 month

benefits and gifts for newborns. HGRC activities are in addition to sector welfare committees who have their own agenda. Consequently there are high levels of engagement at both Sector and Group level.

## Caring for Our Employees

Hayleys PLC goes beyond regulation and voluntary standards to facilitate the socio-economic progress of our employees. In the Plantation Sector where many workers do not have their own home, we have initiated a project – A Home For Every Plantation Worker.

## Employee Retention

Our employee turnover is low at approximately 1%, a result of high levels of employee engagement and robust HR policies applied in a consistent and fair manner.

## Employee Recognition

The Chairman's Awards which was launched in 2013 seeks to reward and recognize exceptional teams and/or individuals across the Hayleys Group who have supported the Group vision and goals. The awards recognise innovative, creative and outstanding work, development and successful implementation of projects, policy and systems and work performance which is above and beyond what is normally expected of an employee. This programme plays an essential role in building a culture of continuous improvement, a culture of innovation and creativity.

	
<b>LIVING ENVIRONMENT</b>	<ul style="list-style-type: none"> <li>Assist in building new houses for the worker family</li> <li>Improvement to existing houses</li> <li>Infrastructure support related projects</li> </ul>
<b>HEALTH &amp; NUTRITION</b>	<p>Each family is assisted through continued pre-school, child support and medical facilities to enhance their quality of life.</p> <ul style="list-style-type: none"> <li>Preventive and curative health care for workers/families</li> <li>Maternal care – pre-natal &amp; post-natal</li> <li>Expanded program on immunization</li> <li>Child development centres for child growth &amp; development.</li> </ul>
<b>COMMUNITY CAPACITY BUILDING</b>	<p>The programme empowers each employee through Estate Worker Co-operatives and enhances the individual's value to the community.</p> <ul style="list-style-type: none"> <li>Nursery and Pre school facilities for workers' children</li> <li>Recreation facilities</li> <li>Empowerment of workers through Estate Worker Housing Cooperatives</li> <li>Skill &amp; social development programmes</li> </ul>
<b>EMPOWERMENT OF YOUTH</b>	<p>The programme also places special emphasis on training and guidance of youth, empowering them with better life skills.</p> <ul style="list-style-type: none"> <li>Monitoring of child development according to ILO standards</li> <li>Guidance provided in assistance to continue education</li> <li>Vocational training &amp; awareness programs</li> </ul>

*A Home for Every Plantation Worker*

## Sustainability review

The Chairman's Awards which was launched in 2013 seeks to reward and recognize exceptional teams and/or individuals across the Hayleys Group who have supported the Group vision and goals



*Chairman's Awards 2014*

### Way Forward

Our employees are the value creators in the Group and enabling and empowering them is key to our sustainable growth. We will focus on three key areas in the coming year to ensure that our employees efforts optimise growth and returns in a sustainable manner.

**High performance leadership** - These strategies will ensure that we are able to attract, develop and retain the next generation of leaders who are empowered and accountable. Our businesses will be supported to deliver outstanding performance driven by leaders who stretch the capabilities of our employees facilitating growth beyond their aspirations

while providing the required support to achieve the stretched targets. We will leverage our diverse talent pool to develop a new generation of leaders who will have the opportunity to test and prove their mettle in our high performing teams.

### An aligned and entrepreneurial Group -

We will look for stronger alignment of Group activities to drive synergistic growth for the Group. Transformation of processes and policies will be undertaken where necessary to ensure that we continue to be a fit for purpose organisation which is able to leverage the scale of the Group in response to the changing competitive landscape. As entrepreneurship is essential for growth, we will reward and encourage entrepreneurial behaviour within the organisation.

**Passionate Ownership** - A conglomerate needs to drive ownership of goals and results to ensure that every business takes responsibility for the contribution made to the whole in order to move together as a cohesive whole. However, we all share a common culture and values that is the thread that binds us all together. We have the capability to inspire each other to reach higher as we share best practice in each team and innovate in our areas of specialisation. Strategies will be implemented to create an engaging environment where individuals and teams will be successful.

## **Community engagement**

A photograph of two young girls of South Asian descent hugging outdoors. The girl in the foreground is wearing a yellow sleeveless top and has her arms around the girl behind her. Both girls are smiling warmly at the camera. The background is a soft-focus green, suggesting a park or garden setting.

# **Improving the quality of ordinary people's lives...**

**People are our business - the thousands of people who trust in us to deliver the best choices, the best solutions, the best partnerships that bring win-win results for everyone. Both locally and internationally, we believe we can offer new and exciting ways for people to keep enhancing their quality of life...**



## Community engagement

Our approach towards engaging with the communities we operate in is based on meaningful and active collaboration, participation and dialogue which results in mutually beneficial relationships. The community engagement projects initiated by the Group help in forming strong links with the local communities, enhancing corporate reputation and competitiveness, retaining employees and contributing towards the economic and social development of residents.

During the year, sector companies engaged in numerous community engagement initiatives. From a holistic perspective, all initiatives carried out during the year aspired towards improving the Quality of Life of the communities we operate in. All projects can be classified into the following four key areas of focus. We hope to further the coverage of our community engagement disclosures during the next financial year, with the inclusion of Group-wide spend on community engagement activities.



Our approach towards engaging with the communities we operate in is based on meaningful and active collaboration, participation and dialogue which results in mutually beneficial relationships



### Health and Sanitation

Focussed investments in improving health and living conditions and hygiene in local communities with the objective of contributing towards the long-term improvement of health conditions is a key area of focus in the Group's overall sustainability strategy. Accordingly, the Group-wide initiative 'Puritas Sath Diyawara' was launched in August 2014 as the Group's foremost CSR initiative for the financial year.

### Puritas Sath Diyawara



The Group's primary motivation for this project stemmed from the increasing prevalence of Chronic Kidney

Disease (CKD), particularly in the North Central Province of the country. CKD is estimated to have affected around 400,000 individuals and claimed more than 20,000 lives so far and is found to be spreading rapidly to North Western, Eastern and Uva Provinces. Affecting



predominantly male farmers in agricultural areas, the disease has resulted in a multitude of socio economic challenges for farming communities and emerged as a major health problem in rural Sri Lanka.

The objective of Puritas Sath Diyawara is to combat the rising prevalence of CKD by providing purified water to the families of the affected areas. During the year under review, the Group commissioned its first Reverse Osmosis Plant under this project in Maithreepura Padaviya at a total investment of Rs. 3.5 million with a targeted beneficiary population of over 1500. In addition to water purification, the project encompasses broader community development programmes as follows;

- Knowledge hub consisting of a library and internet facility
- Sustainable environmental management via the established model organic farm
- Awareness sessions / campaigns on safe handling of pesticides, best agricultural, health and sanitation practices
- Health camps and screening of villagers to identify the affected people and the level
- Entrepreneurship development activities to increase the income level of the villagers.



*Purified drinking water for villagers through the Puritas Sath Diyawara Project*

Implemented initially at village level, the project will ultimately be transferred to the Community Based Organization (CBO) of the village. In order to ensure the equal and fare distribution of treated water, a distribution mechanism is established. A tailor mounted bowser attached to a two wheel tractor will be used to distribute treated water to the docking stations in each population clusters based on the household

density in the village. There are more than 30 docking stations established in five villages.

Over the short-to medium term, 2 more projects are nearing completion while 4 more will be commissioned, making it a total of 10 plants, which will directly benefit more than 3,500 families and 15,000 individuals.

Company		Village	DS Division	No. of CKD Affected People	No. of Families Benefited	No. of People Benefited	Amount Invested	No. of Litres Purified per day
1	Haycarb PLC & Puritas (Private) Limited	D10, Maithreepura	Padaviya	90	500	1,500	Rs. 3.5 mn	10,000
2	Hayleys Advantis	Balayawewa	Padaviya	64	350	1,500	Rs. 3.5 mn	10,000
3	Hayleys Plantations Sector	Kiriketuwewa & Sinhala Ataweerawewa	Kebithigollewa	68	600	2,400	Rs. 3.5 mn	10,000
4	Hayleys Industrial Solutions Ltd	Pihimbiyagollewa	Rambewa	46	300	1,200	Rs. 3.5 mn	10,000
5	Hayleys Agriculture Holdings Ltd	Nikawewa – Left	Weli-Oya	62	320	1,600	Rs. 3.5 mn	10,000
6	Alumex PLC	Billewa	Mahawilachchiya	91	300	1,200	Rs. 3.5 mn	10,000
<b>Total</b>				<b>421</b>	<b>2,370</b>	<b>9,400</b>	<b>Rs. 21 mn</b>	<b>60,000</b>

## Community engagement

Our initiatives have directly contributed towards developing livelihoods of our suppliers, through skill development, technical guidance, job creation and facilitating marketing and distribution linkages among others

### Health Camps and Awareness Campaigns

The Hayleys Group is a member of the Lanka Business Coalition on HIV/AIDS (LBCH). Numerous awareness programmes are developed to create awareness for employees and vulnerable communities of the Groups Business Units. During the year Hayleys Group marked World AIDS day on the 1st of December 2014 by conducting several projects to raise awareness. For example, Rileys (Pvt.) Ltd organized a Non Communicable Diseases (NCD) Clinic and AIDS Awareness Programme in October 2014 at its Katana factory premises.

The Divulapitiya Medical Health office members comprising of 4 Doctors, 5 Public Health officers and 6 nurses participated at this event in which more than 235 employees underwent screening. Also, a workshop promoting awareness was conducted by a Medical Officer at the Hayleys MGT Training auditorium in Kalutara. A large number of people including shop floor employees, executives together with the members of the Management Team participated in the programme.

### Developing Livelihoods

All our industry sectors have placed emphasis on creating value throughout their respective supply chains, with the objective of building a pool of sustainable suppliers. Our initiatives have directly contributed towards developing livelihoods of these suppliers, through skill development, technical guidance, job creation and facilitating marketing and distribution linkages among others which have collectively led towards improving the quality of life of our suppliers. The key ongoing programmes carried out by the sectors are as follows;

### Firstlight by Dipped Products



The purpose of the Firstlight programme is to produce gloves based on Fair Trade principles of sourcing. The result, is a product that meets all relevant laws and regulations as well as DPL's quality standards, yet ensures that a fair price is paid to farmers who produce the latex raw material. Through this programme, DPL has become the world's first ethical glove manufacturer.

Small suppliers tend to be highly sensitive to price. DPL uses a broader, two-pronged strategy to help them retain this supplier base. On one hand, the company helps empower small rubber farmers at community level through the Firstlight programme. This initiative has yielded excellent results. On the other hand, DPL helps them manage their money through educational programmes on micro-financing and personal financial management and by working together with banks to make financial assistance available to small suppliers on concessionary terms. These methods are designed to be sustainable and to yield results over the long term.

Firstlight is a multifaceted programme, implemented through specially established co-operatives of rubber smallholders.

Benefits extended to farmers and their communities include the following:

- Free tapping knives, rain guards and tappers' flashlights
- Access to low-cost insurance



*Firstlight programme*

Firstlight reflects DPL's commitment towards sustainability – commercial, social and environmental. It is a multifaceted programme, implemented through specially established co-operatives of rubber smallholders

- Access to low-cost fertilizer, with distribution carried out through the programme
- Free community health camps
- Funeral funds
- Workshops on financial management
- Training and technical support

#### Principles & Practices

- 1. A fair price for field latex**  
DPL makes transparent pricing offers, based on published Colombo RSS1 auction prices. No discounts are deducted for middleman's margin, brokerage, transport to the processing centre or to the Colombo auctions or for warehousing cost.
- 2. Educate and empower smallholders to help them optimize their income**  
This is mainly accomplished through field training in a wide range of areas: tapping techniques, bark conservation, field hygiene, nursery maintenance, planting techniques, application of the 5S principle on rubber plantations, quality control to enhance productivity and improve quality, etc. A quarterly newsletter is also circulated among participating farmers.

- 3. Provide inputs for crop protection and increased yield**

This includes material assistance to set up rubber plant nurseries, the distribution of collecting cups to improve hygiene and quality, helping to minimise wastage through the reduction of scrap latex and the distribution of high quality tapping knives, rain guards, aprons, fertilizer and flashlights.

- 4. Fund and support community capacity building**

Assistance to farmer communities includes health and eye clinics, where medicines and eyeglasses are prescribed and distributed, 5S programs for farmers and schoolchildren, insurance, safe drinking water supplies for schools and the distribution of schoolbooks and bags, the additional development of schools and pre-schools, HIV/AIDS awareness programmes and sponsored recreational activities of various kinds.

Firstlight reflects DPL's commitment towards sustainability – commercial, social and environmental. The programme was first conducted in Moneragala, the least-developed district in Sri Lanka, where rubber cultivation is relatively new. This programme has now extended to other areas.

- **Haritha Angara by Haycarb**

Launched by Haycarb in 2014, the Haritha Angara project aims to empower Sri Lankan charcoal makers through the provision of technical support and guidance on ecologically friendly charcoaling processes and, buy back of charcoal agreement. An island-wide initiative supporting nearly 500 suppliers and 3000 families, the project has gained immense popularity in Polonnaruwa, Anuradhapura, Jaffna, Mullativu, Suyambalanduwa, Ampara, Balangoda etc.

The project encourages the conversion of traditional open pit charcoaling sites to environmentally friendly manufacturing and provides technical support and interest free long term financing to build pits with combustion chambers. Haycarb has also partnered with a similar programme conducted by the Coconut Development Authority which provides technical support for greener charcoaling in all districts. By attracting domestic shells for charcoaling purposes, the initiative also minimises waste at household level whilst providing a regular market for production inclusive of premium pricing mechanisms. The Company also opened two new procurement sites to facilitate suppliers from the South, North and North Central Provinces. Haritha Angara has been successful in generating new employment opportunities and encouraging empowerment in rural Sri Lanka.

- **Seaweed Project by Hayleys Agriculture**

Initiated in collaboration with NARA, NAQDA, Coast Conservation Authority, Sri Lanka Navy and the Ministry of Fisheries, the project aims to improve the livelihoods of impoverished families in the Northern Province, by providing them with a source of supplementary income through aqua-agriculture. The Project also contributes towards marine conservation as seaweeds have water purifying properties and

## Community engagement

enhances polyculture production. Red seaweed has multiple applications as an input material in food processing and extracting enzymes and has seen growing demand from countries such as Philippines, China, Australia and USA.

The Project's unique business model provides farmers with the infrastructure, education and training on the basis of a buy back agreement. This has facilitated the connection of these fishing communities with the international market, providing them a sustainable livelihood and supplementary source of income. As families which have borne the brunt of the country's 3-decade ethnic conflict, this project has contributed directly towards improving their quality of life. The project is targeted primarily towards empowering women and women headed households. Regular training sessions and workshops are conducted by experts to improve technical knowledge and promote sustainable agricultural practices. Furthermore, infrastructure and services needed for the production process are designed and constructed locally further providing work for local labour. Given the relatively low risk exposure of the project, several coastal communities have shown interest in engaging in this project to generate an alternative source of income.

The seaweed project has created many job opportunities in the rural areas of the previous conflict areas. Currently the Hayleys Seaweed project provides additional incomes to over 5,000 farmers with a target of reaching 20,000 in the neighbouring villages in Mannar and Jaffna while 1,000 families benefited indirectly from this in the first year of its inception.

### ● Athwela by Rileys Foundation



Athwela, launched by Rileys, one of the Group's value added fibre product manufacturers

strives to develop a sustainable supplier base through the provision of necessary training and assistance to rural families in

Sri Lanka to develop skills and knowledge to supply coconut husk fibre, manufacture twisted fibre brushes and rods with their own fibre. Initially introduced in the Kurunegala district, the project reach has now been expanded to other areas.

Rileys engages twisted fibre brush production know-how from Japan to provide exclusive training to families, facilitating skill development, greener practices and high quality production. In addition the company has invested and developed an extensive training and QC scheme to facilitate such projects.

Transparent buy back agreements are in place to ensure a source of income to these families. The project currently benefits more than 150 out sourced units/sub-contractors, and fulfils around 60% of the Company's fibre requirements & 80 % of brushmat assembly process. The project has also enabled the emergence of small scale entrepreneurs, who have expanded capacity utilising the training and technical support provided, thereby creating more job opportunities and livelihood for rural folk in the island.

### ● Fabricator Training Programmes by Alumex

As an ongoing programme since 1998, Alumex conducts island-wide training programmes completely free of charge for fabricators/ technocrats, providing practical insights into the application and usage benefits of aluminium profiles, component usage, new products and technologies. In addition to training at the Company's own fully equipped training centre at its factory premises, outstation training is carried out by three training teams at training centres in collaboration with the Vocational Training Authority. The training is targeted towards a wide range of fabricators and technocrats including students of VTA affiliated Technical Colleges, CECB, Buildings Department, Provincial Councils, ICTAD, Contractors, Sri Lanka Army, Navy, Air Force and other Technical Colleges (Government/ Non-Government) island wide.

The different types of programmes carried out at the training centre are as follows;



Seaweed farming





*'Home for every plantation worker' aims to uplift the living standards of our estate communities*

- a. Skill Development Programmes for Fabricators- These programmes cover estimation, fabrication, identification of profiles, and correct usage of profiles etc.
- b. Government, Non-Governmental, Private Sector Institutional training for industry stakeholders

These programmes are held in accordance with the requests received by Alumex and are customised based on the requirements of the participants.

- c. Technical Training Institutes  
Alumex Training Centre operates closely with the Vocational Training Authority (VTA) in order to upgrade the knowledge and skills of Aluminium Fabrication Training Instructors, affiliated to VTA, NAITA and Government Technical Colleges.

- d. National Vocational Qualification (NVQ Level 3 & Level4)  
Alumex Training Centre facilitates students at Aluminium Fabricator Training Centre's under NGO's Island wide to obtain National Vocational Qualification Certification (NVQ).

Since inception the Company has trained over 10,000 fabricators/ technocrats and has exclusively signed up with VTA (Vocational Training Authority) to conduct the NVQ Level 3 Fabricator Training Programme at five centres in Northern Province (Jaffna, Vauniya, Killinochchi, Mannar, Mullativu), Galle, Rathnapura, Kurunegala & Rathmalana. Alumex is actively engaged in developing NVQ Level 4 Advanced Fabricator Training Programme with VTA at present.

## ● BPO Service Centre in Uduvil



Hayleys Business Solutions International, together with the Foundation for Advancing Rural Opportunity Sri Lanka (FARO), Information Communication Technology Agency of Sri Lanka and Uduvil Girls College established the first BPO facility in the country's Northern Province.

The first of its kind in the Northern Province, the project provides the opportunity for fifteen youth from Uduvil to work as Trainee Associates and provide accounting and related services to HBSI. These services are provided from Uduvil using advanced information communication technology solutions. The project also feature an own and operate business model with the BPO fully owned by the selected youth, under the guidance of the project partners. In addition to empowering rural youth, the project provides the opportunity for these individuals to pursue a sustainable career in the expanding BPO industry.

## Improving living conditions

The Group Sustainability and Corporate Responsibility policy highlights the importance of contributing towards improving the living conditions of the communities we operate in. This includes investments in enhancing housing conditions, sanitary and hygiene, and electrification among others.



## Community engagement

### Home For Every Plantation Worker- KVPL and TTE



Since coming under the Group's purview both plantation sector companies, KVPL and TTE have invested substantial financial and human capital

in uplifting the living standards of its employees and estate community of nearly 150,000 individuals. In 2006, the sector launched a unique, multi-dimensional initiative 'A Home for Every Plantation Worker'. The widely successful initiative has brought about significant improvements in the quality of life of our estate community families and was featured in "Global Positioning Sri Lanka's best" a booklet published by the Global Compact Sri Lanka Network, at the UNGC International Network Conference in Mexico. The Project consists of four key pillars designed to enhance the social and cultural lives of our communities and develop them to be empowered stakeholders of the estates.

**Living Environment:** Our initiatives include the improvement of housing, water, sanitation, recreation and learning facilities and are implemented in collaboration with the Plantation Development Project (PDP), Plantation Human Development Trust (PHDT), National Housing Development Authority (NHDA), Ministry of Livestock and Rural Community Development, MJF Foundation and reputed non- government organisations.



Work environment improvement activity	No of units
New Housing Units	26
Sanitation-Toilets	142
Number of new electricity connections	200
Number of new water schemes	16
Upgraded houses	42

Health and Nutrition	No of participants
No of dental clinics	1,286
Eye care operations	809
Postnatal clinics	754
Medical Camps	4,715

Community Capacity Building	Number of beneficiaries
Awareness on micro financing	1,154
Household cash management	1,786
Safe working methods	1,627
Happy family concept	7,254

Youth Empowerment	Number of beneficiaries
Awareness on health and safety	2,193
Youth empowerment programmes	926
Awareness on first aid	2,005

**Health and Nutrition:** Our initiatives include preventive healthcare through immunisations, antenatal and postnatal care, and guidance on nutrition, early childhood development support and auxiliary medical services. In addition to providing financial support for health and nutritional aspects, we conduct structured awareness programmes and training sessions throughout the year.

**Youth Empowerment:** Working in collaboration with government institutes and reputed NGO's we provide vocational training on a range of subjects for estate community youth. These training initiatives are also inclusive of scholarships for tertiary education, based on merit and talent.

**Community Capacity Building:** These initiatives are done in collaboration with the Estate Worker Housing Co-operative Society, and include disbursement of micro financing loans, dental clinics, Scholarships, Eye clinics and other donations. In addition we also conduct awareness training programmes on an array of subjects including dengue prevention, waste management, and prevention of drugs/alcohol among others.

#### Other Projects

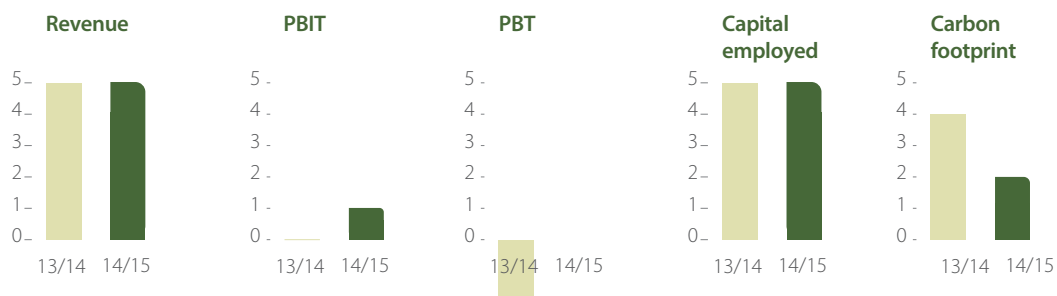
In addition to the specific programmes detailed above, sector companies continue to engage in numerous CSR activities during the year. These included health camps, blood donation programmes, contributions for religious and cultural initiatives and other donations among others.

## Sector Reviews

### Fibre



#### SECTOR CONTRIBUTION TO GROUP (%)



## Sector Reviews

### Fibre

Hayleys Fibre sector is Sri Lanka's leading manufacturer and exporter of value added coconut fibre products such as Brushware, Floor Coverings, Erosion Control, Bio Engineering Products, Rubberised Coir and Mattresses. Reputed globally for its innovative and tailor-made solutions, the sector manufactures and distributes more than 105 products in over 1200 variations locally and internationally. It is the country's largest exporter of brushware, commanding an estimated market share of 23%. We serve more than 200 customers distributed among 40 countries representing all the continents of the globe.

Hayleys Fibre sector is Sri Lanka's leading manufacturer and exporter of value added coconut fibre products such as Brushware, Floor Coverings, Erosion Control, Bio Engineering Products, Rubberised Coir, Mattresses.

#### Sector Operations

Cluster	Business Lines	Notes
<b>Brushware</b>	We manufacture a range of brushware for industrial and household use	Contributes 22.4% and 18.3% to sector revenue and pre-tax profit respectively.
<b>Floor Coverings</b>	We produce a range of coir and rubber based mats including scraper mats, woven coir and, flocked mats textile based looped pile mats, bathroom mats and other specialty mats.	Contributes 19.7% and 9.1% to sector revenue and pre-tax profit respectively.
<b>Industrial Fibre</b>	Products include bristle fibre, twisted fibre, coir fibre pith, pith briquettes for horticulture, twine, woven geotextiles, erosion control blankets, vegetation fascines and coir beds for ornamental and decorative use.	Contributes 60.7% and (31%) to sector revenue and pre-tax profit respectively.

#### Industry Overview

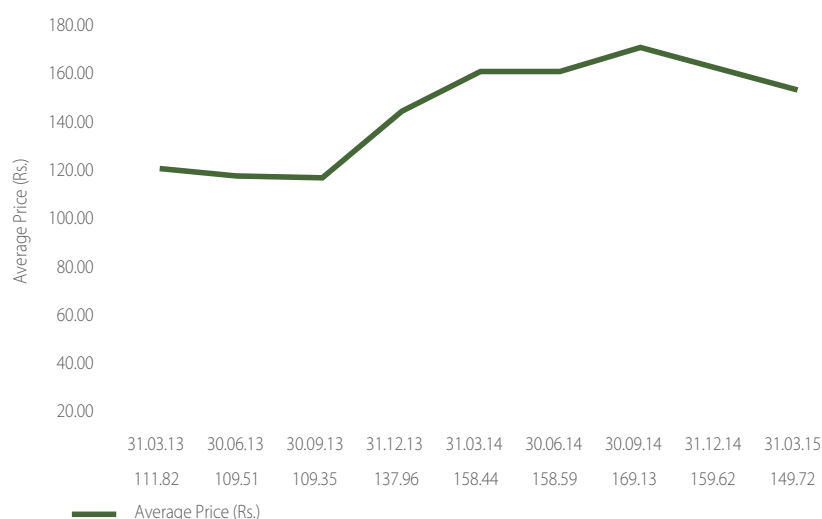
Sri Lanka is the world's 4th largest coconut producer and largest supplier of Golden Brown fibre to the world market (Source: Asia and Pacific Coconut Community). The country produces four main categories of fibre-bristle, omat, mixed mattress which are exported after processing further into value added production such as Floor Coverings, Brushware, Erosion Control, Bio Engineering Products, Rubberised Coir and Mattresses among others. In recent years, global fibre demand of approximately 700,000 tonnes per annum has outstripped global supply, which is estimated at around 500,000 tonnes per annum. China is the world's leading consumer of raw fibre produce, absorbing nearly 75% of total production (Source: Asian and Pacific Coconut Community). Increased demand for primary fibre (mattress, bristle and twisted fibre) to China has caused



a global scarcity of raw materials, resulting in escalating prices and higher cost of production for value added producers.

During the first seven months of 2014, raw fibre exports from Sri Lanka increased 55% to Rs. 4.66 billion whilst finished fibre products (including brushes, coir mats and rugs, coir fibre pith) grew 33% to Rs. 12.85 billion. Meanwhile, the local purchase price of raw fibre increased to record highs during the year, in line with increasing demand for direct exports. It is imperative that concerted efforts are made to introduce productivity enhancing technology to suppliers and millers in order to ensure the sustainability of value added fibre based production in the country.

## Movements in fibre prices



## Strategy and Performance

	2014/15	2013/14	%
Revenue (Rs.mn)	4,419	3,693	20%
PBIT (Rs.mn)	66	18	273%
PBT (Rs.mn)	9	(114)	92%
PAT (Rs.mn)	(20)	(144)	114%
Total Assets (Rs.mn)	6,669	5,772	16%
Total Debt (Rs.mn)	1,684	1,285	31%
Capital Employed (Rs.mn)	4,004	3,637	10%
Head Count	1,340	1,297	3%
Profit (Loss) per employee (Rs.mn)	(0.02)	(0.11)	86%
Carbon Footprint (tCO2e)	2,808	1,684	67%
ROCE	1.64%	0.80%	106%

The Fibre sector's revenue growth was 20% during the review period. The European region is our largest market, accounting for around 30% of our total sales; during the year, we pursued growth in the Scandinavian, Western European and Asian markets. During the year, EU countries continued to struggle with difficult economic conditions. This affected our performance with growth in Southern European markets such

as Spain and France slowing down followed by the depreciation of the Euro by a large extent. In addition, the steep depreciation of the Rouble caused a downturn in the Russian Market which further impacted profitability. We also continued to focus on widening our offerings of value added products adding over 100 new variations to our product range during the year. This, together with a reduction in

finance costs in line with the decline in interest rates enabled us to achieve a PBT of Rs. 9 mn compared to a loss of Rs. 114 mn the previous year. Losses arising from re-structuring of the sector to focus on higher value adding products impacted profitability negatively during this year as we recognised all identifiable losses over this period. We look forward to a year of strong growth following the restructuring carried out during the reporting period.

## Environmental Performance

The sector's Environmental policy is centred on minimising the adverse environmental impacts of its manufacturing process and developing solutions which support environmental conservation, including erosion control products and horticultural solutions. Several companies within the sector have obtained ISO-14000 Environment Management Systems certification and Ravi Industries Ltd, the sector's premium brush manufacturer has obtained Forest Stewardship Council (FSC) certification. The sector is also fully compliant with all Environmental regulations and licenses have been duly obtained where necessary.



## Sector Reviews

### Fibre

#### Sustainability Review

Stakeholder	Role in Value Creation	Results in 2014/15
<b>Investors</b>	Providers of financial capital	Earnings growth - 92% Return on Equity - 4%
<b>Employees</b>	Facilitate value creation through their efforts	Total Payments to Employees - Rs. 224.29 million
<b>Suppliers</b>	Provide high quality coconut husk fibre	Total Payments to Suppliers - Rs. 2.64 billion
<b>Customers</b>	Being the leading value added fibre product manufacturer in Sri Lanka, the integration of sustainability principles and our uncompromising product quality serve us in enhancing our value proposition to the customers.	Total Sales- Rs. 4,419 million
<b>Regulators</b>	Regulators ensure compliance with environmental, labour and other laws of the country. The Coconut Development Authority facilitates the development of the country's coconut industry and supports exports to establish relationships with overseas buyers.	Total taxes paid - Rs. 20 million
<b>Communities</b>	Farming communities which provide our raw materials for production.	Investments in community engagement projects: Rs. 2.6 million

The European region is our largest market, accounting for around 30% of our total sales; during the year, we pursued growth in the Scandinavian, Western European and Asian markets.

The material issues for the Fibre sector are;

ENVIRONMENT
<ul style="list-style-type: none"> <li>Materials</li> <li>Products and Services</li> <li>Emissions</li> <li>Energy</li> <li>Effluents and Waste</li> </ul>

SOCIAL
<ul style="list-style-type: none"> <li>Training and Development</li> <li>Diversity and Equal Opportunity</li> <li>Health and Safety</li> <li>Products and Services</li> <li>Local Communities</li> </ul>

**Materials:** The key raw material consumed by the sector is coconut husk fibre, which is obtained through an extensive network of suppliers. Other materials utilised include timber, Polypropylene, Palmyrah, Recycled Rubber, PVC solutions. In the Industrial fibre segment, up to 15% waste is recycled and used as input materials. Total raw material consumption during the year was 29,317 MT and 1 million sq. meters of timber, reflecting a 26.57% y-o-y increase in Metric tons and a 13.95% y-o-y increase in timber consumption compared to the previous year.

**Emissions:** Measures in place to reduce the sector's carbon footprint include the installation of the Bio Energy plant in our Industrial fibre facility. On average the sector's CO<sub>2</sub> emissions of 5500 MT per annum is approximately 25% lower than industry standard. During the year under review, the sector's total GHG emissions increased by 66.8% to 2,808 tCO<sub>2</sub>e primarily due to increased capacity in several product lines.



# The Quality of Life



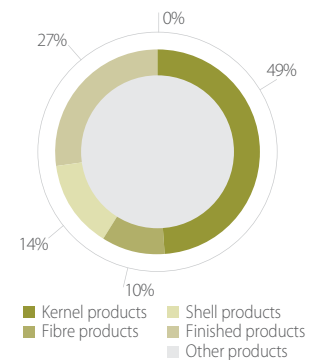
## Social Performance

In ensuring that our products persistently meet the quality requirements of our global clientele and are in line with industry best practice, we have obtained and continue to comply with several local and international quality certifications. Several companies in the sector have obtained ISO 9001 Quality Management, Business Social Compliance Initiative (BSCI), Supplier Ethical Data Exchange (SEDEX) SEDEX Members Ethical Trade Audit (SMETA) certifications; During the year, the floor

**Effluents and Waste:** Solid waste generated in the manufacture of brushware and floor coverings are incinerated in its entirety. During the year a total of 76.8 MT of solid waste was recycled by the sector.

**Products and Services:** The sector is a leading producer of erosion control products including geo blankets, geo textiles and geo logs. We manufacture a range of products that are intended for applications on moderate to severe slopes. The applications of the products are as follows;

## Coconut based exports



### GEO BLANKETS

- Supports plant growth and root development
- Steeper slopes, riverbanks and highway constructions
- Gardening Applications
- Roof Greening

### GEO TEXTILES

- Drainage systems
- Filtration Applications
- Sediment Controlling
- Erosion Controlling
- Moisture Barriers
- Wind Barriers and Reinforcements

### GEO LOGS

- Riverbank Stabilisation with Riverbank greening
- Sediment Controlling
- Silt Checks
- Shore line Protection
- Estuaries Protection
- Wave attenuator

## Sector Reviews

### Fibre

	2014/15	2013/14
Raw Fibre	9,691 Mt	12,054 Mt
Processed Fibre	7,020 Mt	10,244 Mt
Yarn	786 Mt	810 Mt
Rods	481 Mt	528 Mt
Tawashi	2,937 Mt	3,060 Mt
Timber	903,654 Sq. M	1,029,510 Sq. M
Cut Fibre	695 Mt	840 Mt
Palmyrah	248 Mt	284.2 Mt
GI Wire	1209 Mt	1,341 Mt
Flock Powder	2.5 Mt	2.7 Mt
DOP	76.0 Mt	78.4 Mt
PVC	72 Mt	75 Mt

We constantly engage with our customers to identify their requirements and delivery value through our range of product offerings.

coverings segment successfully obtained the SA8000 certification, and is currently working towards obtaining the BRC (British Retail Consortium) certification, which will allow our floor covering sector to be the only organization to be BRC certified in Sri Lanka.

#### Our Customers

We constantly engage with our customers to identify their requirements and delivery value through our range of product offerings. The strength of our customer relationships have allowed us to withstand adverse macro-economic conditions and demonstrate resilience over the years. During the year, the sector was successfully in securing 84 new accounts, contributing Rs. 322.6 mn.

#### The length of relationship with our customers

	5 – 10 years	11 – 20 years	21 years & above
Industrial Fibre	65	60	25
Floor Coverings	18	31	10
Brushware	15	20	-
TOTAL	98	111	35

#### Supplier and Community Development

Our suppliers consist of corporates and small holders with whom we have developed long-standing, mutually beneficial relationships. In order to ensure the sustainability of our suppliers and generate value along our supply, several companies within the sector have implemented supplier development initiatives. The Ravi Foundation for Community Development was initiated by the Group's brush manufacturing arm and focuses on developing capacity, productivity and quality of suppliers and improving education levels among supplier communities. The Foundation engages with the supplier communities through;

- Formulating and implementing Community Development Projects
- Facilitating micro finance and developing access to donor financing
- Facilitating integrating marketing communications for the projections

During the year, 3 such development projects were carried out at an investment of Rs. 2.6 million and is estimated to have benefited 700 - 750 individuals residing in Ekala, Kurunegala, Galgamuwa, Mawathagama, Keppitigala, Kubugete, Kegalle. Rajangana.

The Rileys Foundation for Community Development, initiated by the sector floor covering manufacturing segment introduced project 'Athwela' with the objective of developing skills, knowledge and creating livelihoods through generating an alternative income source for rural Sri Lankan families. Introduced in Ridiyagama, Rileys provided an exclusive training programme on the supply of twisted fibre, facilitating increased production through the introduction of better technology and skills. In addition to generating employment to over 200 individuals, the project has also enabled the emergence of several small scale entrepreneurs engaging in twisted fibre rod production.

## Length of Relationships with Suppliers

	Below 5 years	5 – 10 years	11 – 20 years	21 years & above
Industrial Fibre	25	13	9	-
Floor Covering	76	25	22	8
Brushes	115	110	125	100
TOTAL	216	148	156	108



of discerning customers. Increase in production capacity in Erosion Control and Brushware range will allow us to add more impetus to our marketing efforts to capitalize on the increasing global demand for these products. From a sustainability perspective, we will strive to add value to our supplier base in order to encourage greener practices, and manufacture products of world class quality.

## Our Team

The Fibre sector generates employment to 1,340 individuals. We are committed to ensuring that all our employees operate in decent and healthy working conditions and are entitled to human and labour rights and regulations. Continuous focus is placed on up skilling our people and providing opportunities for development; in 2014/15 we provided a total of 3,014 training hours.

## Way Forward

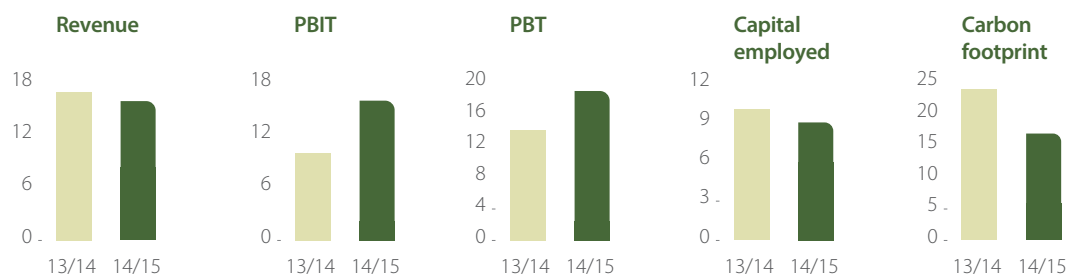
The company will continue to focus on its value added core products, whilst driving lean management processes, together with energy saving initiatives in order to attain sustainable best practices. We remain optimistic regarding the growth prospects of the sector, with the key focus on New Product Development and will continue to invest in new technology harnessing growth potential serving the needs

## Sector Reviews

# Hand Protection



## SECTOR CONTRIBUTION TO GROUP (%)



A key contributor to the group's top line, the Hand Protection sector comprises companies engaged in the manufacturing, marketing and distribution of latex gloves to over 70 countries through their manufacturing facilities located in Sri Lanka & Thailand. Dipped Products PLC serves approximately 5% of the demand for household and industrial gloves worldwide. Ranked amongst the world's top 5 manufacturers in the hand protection industry, our focus on product innovation coupled with our understanding of client requirements sharpened over four decades provides us a competitive edge in an industry with a large number of players.

## Industry Overview

The outlook for the hand protection industry is positive with growth forecasts around 4.5% according to industry observers in terms of quantity. Growth of the industry is supported by increasing focus on health and safety aspects and in the workplace, more stringent regulation of standards for healthcare driven by healthcare sector reforms and an ageing population. Improvement in global economic growth and demand from emerging markets have also served to sustain growth of this industry. Demand for nitrile gloves and other synthetic rubber products show higher growth over natural rubber products in chemical, oil and gas industries. The US remains the single largest importer of gloves whereas Malaysia commands the top position in medical glove exports.

Sri Lanka is an established player in the market and has contributed to the growth of this sector. With the Government policies to support the rubber industry as one of the key contributors to the National Economy, one could expect the favourable conditions in Sri Lanka for glove manufacturing to exploit the greater potential for manufacturing gloves.

Dipped Products PLC serves approximately 5% of the demand for household and industrial gloves worldwide.

## Sector Composition

Company	Key Business Lines
Dipped Products PLC	Manufacture of industrial, household and medical gloves
Grossart (Pvt) Ltd.	
Neoprex (Pvt) Ltd.	
ICOQUANTI SpA.	
D P L Premier Gloves (Pvt) Ltd.	
D P L Universal Gloves (Pvt) Ltd.	
Hanwella Rubber Products Ltd	
Dipped Products (Thailand) Ltd	

## Performance

	2014/15	2013/14	%
Revenue (Rs.mn)	14,970	13,377	12%
PBIT (Rs.mn)	1,554	906	72%
PBT (Rs.mn)	1,503	907	66%
PAT (Rs.mn)	1,204	665	81%
Total Assets (Rs.mn)	10,737	9,703	11%
Total Debt (Rs.mn)	2,506	2,426	3%
Capital Employed (Rs.mn)	6,756	6,468	4%
Head Count	2,209	1,809	22%
Profit (Loss) per employee (Rs.mn)	0.54	0.37	48%
Carbon Footprint (tCO2e)	16,132	11,716	38%
ROCE	23%	14%	64%



## Sector Reviews

### Hand Protection

#### Strategy and Performance

Hayleys Hand Protection sector produces both natural gloves and synthetic gloves and is the largest manufacturer of gloves in the country. The main focus of the sector is in industrial and household gloves produced in Sri Lanka whilst the facility, Dipped Products Thailand Ltd (DPTL) produces disposable medical gloves. DPTL is a fully owned manufacturing subsidiary in Thailand.

DPL's new manufacturing facility, DPL Premier Gloves was incorporated in the previous financial year. In addition, DPL Universal Gloves was incorporated in 2014/15 which will entirely focus on value added industrial glove products and is expected to commence operations in the coming financial year. Both these new entities have been established in the Biyagama Free Trade Zone.

DPTL delivered a positive contribution to the sector performance demonstrating a turnaround in its performance arising from the

strategic initiatives that were implemented. DPL's marketing subsidiary ICOGUANTI SpA based in Italy continued to deliver commendable performance despite numerous challenging conditions in Europe.

This year's main focus was to consolidate its manufacturing base whilst adding new capacity. In addition, improving customer service, shortening order delivery lead times and further improvements to our product offer enabled gaining customer confidence which has been the underlying drivers of the current year's performance.

#### Sustainability Review

Stakeholder	Role in value creation	Results in 2014/15
<b>Investors</b>	Providers of financial capital	Earnings growth - 81% Return on Equity - 13.83%
<b>Employees</b>	Facilitate value creation through their efforts	Total Payments to Employees - Rs. 7,557 million
<b>Customers</b>	Distributing and Marketing gloves to industrial customers and retail chains worldwide	Export sales - Rs. 14,924 million
<b>Suppliers</b>	Supply of quality chemicals and materials	Total payments to suppliers - Rs. 4,744 million
<b>Farmers</b>	Provide the major raw material, fresh natural latex to DPL factories	Purchases from farmers - Rs. 347 million Significant investments in training and other related services
<b>Regulators</b>	Ensure compliance with environmental, labour and other laws of the country whilst Department of Inland Revenue monitors payment of taxes.	Income Tax - Rs.300 Million
<b>Community</b>	<ul style="list-style-type: none"> <li>The farming communities in our cultivation areas</li> <li>Communities around our processing and manufacturing facilities</li> </ul>	Community engagement projects including continued strengthening of DPL's flagship Firstlight smallholder rubber farmers initiative

As the first ethical glove manufacturer in the world, DPL is firmly committed to sustainability principles with regards to environment and social performance, reaching beyond legal requirements and industry norms to ensure that

the company remains sensitive to concerns of communities.

DPL operates an environmental management system (EMS) complying with ISO 14000:1

standards. The company also has a strategic community project with the smallholder rubber farmers named Firstlight which is a unique supply chain integration programme. (Refer section under Social Performance).

## Environmental Performance

An environmental policy is in place and implementation of the same is the responsibility of the DPL team and involves creating awareness on environmental regulations, adopting best practices and monitoring performance against appropriate KPI's. The impact on the environment from all aspects of processes is strictly monitored to minimise environmental impact. All factories in Sri Lanka have environmental management systems in accordance with the ISO 14001/2004 standard whilst the Thailand factory is in the process of obtaining certification.

Water is a key resource associated with glove manufacturing. During this financial year, DPL invested in a Reverse Osmosis plant to enhance water recycling at one of our factories. Similar systems are planned to be implemented in the upcoming year to further reduce water.

## Social Performance

DPL's Firstlight Community and Integrated Supply Chain Management Programme launched in 2006 takes a holistic approach to meaningful engagement contributing to the socio economic progress of the communities which impact their operations. The project targets farming communities that supply latex and is based on the following principles:



Natural field latex is supplied by over 8000 suppliers who vary from large multinationals to rubber smallholders. It is noteworthy that over 35% of our primary raw material, is supplied by over 3000 rubber smallholders. The Firstlight programme has enabled us to broad base our supply whilst improving the quality of raw materials and also developing livelihoods in rural villages.

Our products are designed for hand protection in a variety of domestic, industrial and medical applications. Globally renowned certifications provide assurance to our customers that our products conform to the required standards. All our production facilities are ISO 90091:2008 certified confirming consistency in meeting customer requirements. Our Thailand facility

Principle	Activity
Fair price for field latex	Smallholders who supply latex to DPL are assured of a fair price and precise measurements of quality and quantity supporting livelihoods in villages. Over 800 smallholders have been enrolled in the Firstlight programme to date.
Educate and empower to maximise income	DPL trains and nurtures smallholders providing technical knowledge to facilitate sustainable growth in yields.
Implements and input material to protect and augment crop	Smallholders are provided implements and other input material to maximise productivity in a sustainable manner.
Sustaining of Rubber properties and preserving forest cover	Sustaining smallholder interest in maintaining their rubber properties facilitates provision of forest cover reducing the impact of increasing urbanisation.
Community capacity building	DPL has undertaken school development projects, pre-school development projects, development of plant nurseries, support of cultural events, health and eye camps and other projects under this.

## Sector Reviews

### Hand Protection

We rely on a team of over 2,000 employees for delivering our corporate goals. Empowerment of this team has been the key to unleashing their potential enabling a continuous improvement in our performance.



#### Way Forward

The forthcoming financial year will see DPL strengthening its marketing efforts, increasing production capacity and focusing on adding value to its existing portfolio of products and processes. In expanding the range and capacity of our products, we hope to commission three new production facilities during the year including a plant for unlined natural and nitrile industrial gloves and supported gloves. Ensuring the sustainability of our raw material supply through relocating the latex centrifuging operation to rubber growing areas will also be given priority during the year. Our marketing efforts will focus on customer acquisition through increasing awareness in new market segments and retaining existing customers. Overall, we remain optimistic regarding the growth opportunities of the sector and are confident that our long-standing industry expertise, deep insights into customer needs and the inherent soundness of our strategies will enable us to successfully withstand competition and generate significant value to all our stakeholder groups.

is certified as ISO 13485 compliant relevant to the Healthcare industry. The British Retail Consortium Global Standard for Consumer Products, Article 11B of the Personal Protective Equipment (PPE) Directive 89/686/EEC, FSC CoC and ISO 17025:2005 laboratory accreditation provides further assurance to customers on the quality of our products.

We rely on a team of over 2,000 employees for delivering our corporate goals. Empowerment of this team has been the key to unleashing

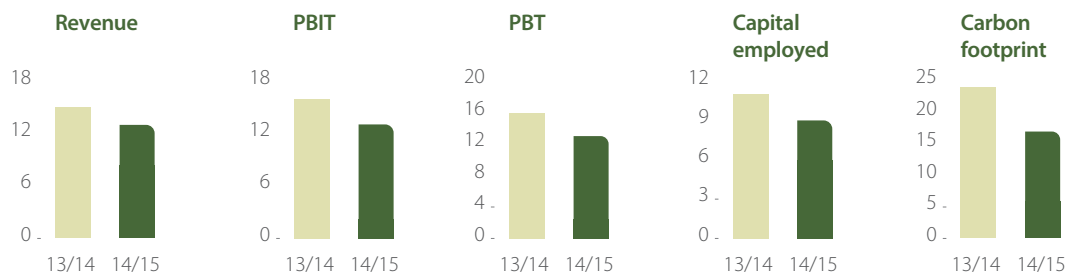
their potential enabling a continuous improvement in our performance. The team includes 44 staff who are engaged in innovation and product development which has enabled us to expand our portfolio of products. Employees have received a total of over 8,000 hours of training for the period. Employees enjoy the benefits offered across the group and our low attrition rate of is testimony to our commitment to the well-being of our employee.

## Sector Reviews

## Purification



### SECTOR CONTRIBUTION TO GROUP (%)





## Sector Reviews

### Purification

We are the world's leading manufacturer of coconut-shell based activated carbon with a global reputation for quality combined with innovative and sustainable methods of production. Drawing from over 42 years of experience, we produce high quality activated carbon for a full spectrum of applications including water treatment, gold extraction, air purification and energy storage.

#### Industry Overview

Unique properties of Activated Carbon enable it to be an effective agent for purification and recovery of trace impurities. It is used in a variety of applications including water purification, gold extraction, air purification, energy storage and food and beverage processing among others. Global demand has generally been on the rise over the past decade or so, driven by more stringent pollution regulations and rising manufacturing activity. However, the drop in gold prices and the resultant slowdown in the gold mining industry during the last two years have exerted pressure on the price for activated carbon in the gold mining segment. Furthermore, the lower than anticipated recovery of Europe, Australia and Japan together with the influx of supplies from new manufacturers in India, Philippines and

The sector has continued to expand its production capacity and now operates six manufacturing facilities in Sri Lanka, Thailand and Indonesia with an annual production capacity of 40,000 tonnes.

#### Sector Operations

Key Business Lines	Highlights
Manufacture and marketing of coconut shell based activated carbon	The sector's key earnings generator, contributing 96% and 92% to the group revenue and pre-tax profit respectively during the year.
Environmental engineering systems solutions-operated under Puritas (Pvt) Ltd, a subsidiary of Haycarb PLC	Accounted for approximately 4% and 8% of the sector's revenue and pre-tax profit respectively.

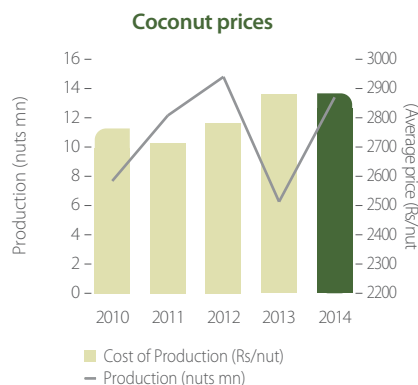
Indonesia created a situation of over-supply, leading to severe price competition. Sourcing raw materials for production also continues to be a challenge, particularly for coconut-shell based activated carbon producers. In Sri Lanka and in India, the price of coconut shell charcoal increased significantly during the year, exerting

pressure on profitability margins. Against this backdrop, Haycarb has focused on developing sustainable supply chain relationships to ensure the security of raw materials.

The sector's revenue grew by 15% during the year, driven by volume increases and aggressive

#### Strategy and Performance

Rs. Million	2014/15	2013/14	%
Revenue (Rs.mn)	11,934	10,339	15%
PBIT (Rs.mn)	1,304	1,293	1%
PBT (Rs.mn)	1,070	1,044	3%
PAT (Rs.mn)	874	892	(2%)
Total Assets (Rs.mn)	10,040	8,801	14%
Total Debt (Rs.mn)	2,516	2,462.6	2%
Capital Employed (Rs.mn)	8,793	7,262	21%
Head Count	1,150	1,118	3%
Profit (Loss) per employee (Rs.mn)	0.8	0.8	-5%
Carbon Footprint (tCO <sub>2</sub> e)	12,785	18,705	(32%)
ROCE	15%	18%	(17%)





expansion in new market segments and new applications. Capacity expansion during the year was supported by the first full year of operations of Haycarb's latest production facility in the Palu Province in Indonesia and productivity improvements. Focus was placed on strengthening our presence in emerging markets and consolidating the market positions in our traditional markets. Resultantly, sales to the Asian region now account for close to 32% of our total sales, followed by USA (28%) and Europe (16%). We also focused on harnessing our research and development, technical and engineering skills to innovate and differentiate our product range to manufacture the entire spectrum of coconut-shell based activated carbon. We continued to make inroads in the manufacture of specialised high-value carbons, enabling us to increase our market share in USA, Asia, Europe and Africa. The Company enhanced its value added carbon range and customer base through its product development and marketing initiatives as a part of its long term strategic direction.

On the other hand, persistent increases in raw material prices that could not be passed to customers negatively impacted profitability margins. The margins were also challenged by the exchange rate depreciation of Euro, Australian Dollar and Japanese Yen. In our Indonesian operations, the positive impact on the top line that accrued as a result of depreciation of the Indonesian currency was negated by



*Activated carbon products*

the significant exchange losses on US Dollar denominated borrowings. Over the last few years, Haycarb has strived to develop supply chain partnerships to ensure the security of raw materials and pursued geographical expansion of its manufacturing facilities to mitigate supplier related risks. We strengthened our relationships with charcoal suppliers in all manufacturing locations. During the year, we also focused on driving operational efficiencies through lean initiatives and enhancing staff productivity.

Our subsidiary, Puritas (Pvt) Ltd is engaged in the provision of environmental engineering systems and solutions. Revenue from this division increased by 25% during the year, whereas PBT grew by 26% to reach Rs. 81 million. Growth was driven primarily by the expansion in small to medium-scale turnkey projects for water purification in the region. Looking ahead, we also intend to diversify our earnings profile through further expansion of this segment, by venturing into large scale projects and expanding into captive regional markets.

## Sustainability Review

Stakeholder	Role in Value Creation	Results in 2014/15
<b>Investors</b>	Providers of financial capital	Earnings growth - (2)% Return on Equity - 12%
<b>Employees</b>	Facilitate value creation through their contributions	Total Payments to Employees - Rs. 940 million
<b>Customers</b>	Global distributors that supply activated carbon products to end customers	Total Revenue - Rs. 11.9 Billion
<b>Suppliers</b>	Supply of coconut shell charcoal, the key raw material for production	Payments to suppliers - Rs. 5,098 million
<b>Regulators</b>	Regulators ensure compliance with environmental, labour and other laws of the country. The Department of Inland Revenue monitors payment of taxes.	Income Tax paid - Rs. 183 Million
<b>Communities</b>	Supplier and local communities based around our procurement networks, manufacturing locations and general public	Investments in Community Engagement- Rs. 5.5 million

## Sector Reviews

### Purification

The material issues of the Purification sector are;

#### ENVIRONMENT

- Products and Services
- Materials
- Emissions
- Waste and Effluents
- Water
- Energy

#### Environmental performance

Haycarb's environmental policy emphasises the importance of nurturing and sustaining a healthier environment by minimising pollution in the production process and all areas of application. All manufacturing facilities are certified with NSF Certifications for water grade productions. Additionally Sri Lanka manufacturing facilities are also certified with ISO-14000:2004 Environmental Management Systems. All manufacturing facilities are compliant with the environmental regulations and best practices

**Materials-** The primary raw material in Haycarb's production process is coconut shell charcoal. During the year, total raw material usage increased 28% in line with capacity increases and the first full year of operation of the second manufacturing plant in Indonesia. Haycarb has pioneered pollution-free charcoaling through its a patented centralized charcoaling process where the gases released during the process are combusted in a boiler to run a steam turbine. The 'Haritha Angara' initiative provides raw material suppliers with technical assistance and financial support to convert traditional open pit charcoaling sites to environmentally friendly manufacturing. This greener method of charcoaling prevents the release of noxious gasses such as Carbon Monoxide into the environment. Introduced in Sri Lanka, the initiative was rolled out to our Thailand suppliers during the year

#### SOCIAL

- Occupational Health and Safety
- Diversity
- Training and Development
- Local Communities
- Supplier Assessment
- Customer Health and Safety

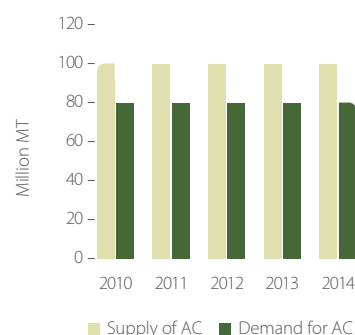
Raw Material	2014/15	2013/14
Coconut Charcoal (MT)	105,012	82,346

**Emissions:** Haycarb has patented the first of its kind, premium green carbonizing process which features the lowest carbon footprint. Pollutant gases and heat discharged from the production process are used to generate electricity, which is supplied to the national grid. Approved and registered with the United Nations Framework Convention on Climate Change (UNFCCC), this process allowed Haycarb to trade carbon credits under the Kyoto Protocol. Energy saving initiatives successfully launched and implemented in the last two years has further significantly reduced consumption of fossil fuel in all manufacturing locations. Haycarb has also pioneered the use of post-production process waste heat for steam generation facilitating lower carbon footprint. During the year under review, the sector's carbon footprint declined sharply by 46.0% to 12,785 tCO<sub>2</sub>e whereas emission intensity also fell to 1.07 from 1.80 the previous year.

**Products and Services:** We continue to focus on developing specialised activated carbon products which can be utilised to recycle waste water. Our product range directly contributes towards reusing waste water thereby reducing the dependence on fresh water and the quantum of waste water entering sewers and septic systems. Furthermore, water purification

projects undertaken by Puritas (Pvt) Ltd in Sri Lanka and Maldives is estimated to purify a total of 20.5 million litres of water daily.

Global market



**Effluents and Waste-** Spent carbons undergo a unique regeneration process in our Regeneration plant in Thailand. This allows customers to reuse spent carbon at a lower cost eliminating the need for unnecessary incineration or landfill disposal. The regeneration process releases no hazardous chemicals or gasses to the environment, minimising our environmental footprint. Water waste arising from our production facilities are treated at effluent treatment plants prior to being discharged.

#### Social Performance

##### Our People

The sector's workforce consists of 1,150 employees, located in the manufacturing facilities as well as global distribution centres. During the year, we added 32 employees to our team. We have focused on enhancing staff productivity through training and work improvement team concepts. We respect the right for freedom of association, and our Sri Lankan and Indonesian employees are

With consistent capacity increases in recent years, along with augmented marketing resources in key target markets, we are well positioned to exploit the growth in the global activated carbon market.

unionised. We maintain an open dialogue with union representatives and industrial relations are harmonious. Remuneration and other working conditions are governed by collective agreements and reflect our commitment to providing a conducive and satisfactory work environment. Health and safety considerations are of paramount importance, and we strive to create an illness-free, injury-free environment within our facilities.

#### Suppliers

Our raw materials are supplied by around 1,200 coconut small holders, of which over 80% is sourced locally. We continuously engage with

our suppliers, providing technical guidance and financial support to ensure the continuity and quality of raw material supplies. Haycarb's innovative Haritha Angara project has enabled suppliers to minimise environmental pollution. We are also committed to paying a fair price for the raw materials, thereby supporting livelihoods and increasing employment opportunities in the respective areas.

#### Community Engagement

The sector's key community engagement project during the year, Puritas Sath Diyawara, involves the provision of purified water to families in the North Central Province with the objective of mitigating the spread of Chronic

Kidney Disease (CKD). CKD is estimated to have affected around 400,000 people in the North Central Province, and research has indicated that access to purified water is the primary solution for mitigating and reversing the impact of the disease. Under this project, Puritas commissioned its first Reverse Osmosis Plant in Maithreepura, Padaviya, fully funded by the Haycarb Group as its key CSR initiative of the year, providing access to purified water for nearly 1500 people. The program also includes livelihood development activities, health camps, awareness building programmes and health and hygiene camps targeted towards combatting the ill effects of CKD.

Following the success of this project, Hayleys Group pledged to complete a total of 10 Purification Plants during the current and next fiscal year to provide clean drinking water to approximately 15,000 individuals. Design input and construction will be carried out by Puritas on behalf of the sponsoring sectors of the Hayleys Group. The total cost for each village is projected at around Rs. 3.5 million which will be totally funded by each sector that sponsored the project.

#### Way Forward

The global activated carbon market is estimated to grow at around 8% over the next few years, as increasing pollution driven by industrialisation will result in higher demand for water and air purification systems. With consistent capacity increases in recent years, along with augmented marketing resources in key target markets, we are well positioned to exploit this growth and increase our market share, particularly in emerging markets. We will also focus on developing innovative product applications to broaden the scope of our product range. The environmental engineering solutions division is a key growth area for the sector and opportunities in the tourism sector together with renewed focus on environmental concerns is anticipated to propel demand for these services over the medium to long-term.



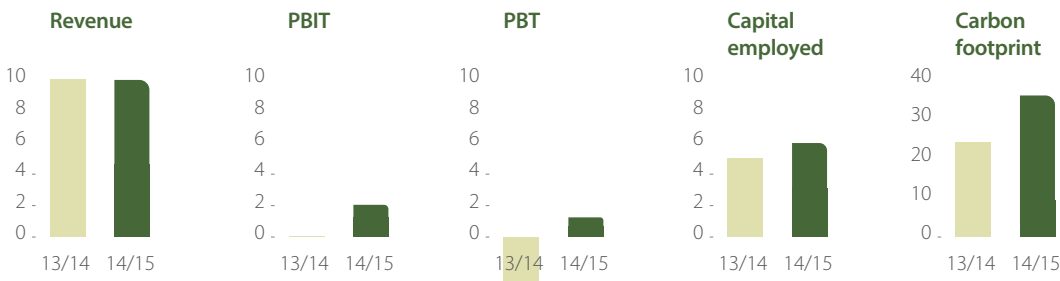
*Puritas Sath Diyawara - Child enjoying purified water*

Sector Reviews

Textiles



SECTOR CONTRIBUTION TO GROUP (%)







Hayleys MGT Knitting Mills PLC is a leading textiles manufacturer in Sri Lanka supplying fabric to leading global fashion brands with the capability of catering to the customers' entire portfolio of requirements.

Hayleys MGT Knitting Mills PLC is a leading textiles manufacturer in Sri Lanka supplying fabric to leading global fashion brands with the capability of catering to the customers' entire portfolio of requirements. Focussing on positioning itself in the high value fabrics range, the company has matured as an innovator in the field with the launch of "Inno" in 2015 successfully differentiating itself from competitors in the country. Healthy global prospects for the global apparel industry coupled with strong growth in the local apparel manufacture industry augur well for the growth of this sector.

## Industry Overview

The global apparel industry is economically significant supporting trade, employment and economic growth in a number of countries and is estimated at over US\$1.1 trillion. A large number of players and supply chains that span continents have resulted in long production cycles making this a critical factor for effective competition in the industry. It is a dynamic and vibrant industry with rapid change in trends, seasonal variation and a wide range of customer preference creating a high degree of product differentiation with a wide range in value as well. However, price per unit has declined consistently over the years increasing pressure on margins and driving innovation to facilitate cost minimisation. Key players have also focussed on sustainability

practices along the value chain to manage risk arising from poor environmental and social practices leading to certifications by independent third parties and customers. The US is the largest player with a market size estimated at US\$ 225 bn whilst China is the fastest growing and forecast to become the largest market by 2017.

The Sri Lankan apparel manufacturing sector demonstrated a healthy growth of 9.8% as demand picked up in the US, UK and even the Euro area. The country markets itself as an ethical sourcing destination with a tag line "Garments without guilt" based on high standards for employment and environment regulation with key players going beyond legal requirements to manage risk arising from social and environmental factors. Total apparel exports for 2014 amounted to US\$ 4.7 bn, with the Euro Area and the US accounting for 46% and 42% of the apparel exports of the country.

Growth of the textile industry in Sri Lanka is directly co-related to the demand for apparel exports in the country. A key import substitution initiative for the country, the industry has been successful in capturing market share from other countries strengthening the country's attractiveness as an ethical sourcing destination. Proximity to apparel manufacturers and the high social and environmental standards maintained by both apparel manufacturers and fabric mills are key competitive advantages for Sri Lankan fabric mills. However, yields continue to be impacted by high energy costs whilst growth is hampered by complex border tariff arrangements which reduces the competitiveness of the country's products. Recently announced discussions to review the country's eligibility for GSP+ concessions by the EU are a positive development which will serve to increase the competitiveness of the fabric mills.

The textile sector growth outperformed the growth of the apparel sector during the period 2010 to 2014 with the value add almost doubling as fabric mills increased capacity as indicated by the graphs below. Encouragingly, the total value of textiles imported as well as textiles imported



## Sector Reviews

### Textiles

as a percentage of total imports have declined over the same period. Industry capacity utilization has increased over the years as evinced by the Factory Industry Capacity Utilisation Index which was 70% at the end of 2014. Consequently, it is expected that leading players will enhance capacity which may change the dynamics of the Sri Lankan fabric market with a related change in market shares.

Hayleys MGT operates a fully integrated fabric mill with the capability to complete the entire product portfolio of the customer, offering end to end solutions from design, development, printing, brushing and sueding of pure and blended polyester and cotton fabrics. Market share is evenly distributed amongst the key players in the country and innovation is key to gaining competitive advantage. Launch of our own branded fabric "Inno" in February 2015 gives the company a unique positioning within the Sri Lankan textile manufacturing industry as an innovative manufacturer. The company has achieved a remarkable turnaround in performance during the financial period under review and is well positioned for growth in a higher valued adding segment of the market.

Hayleys MGT has a proven track record of socially and environmentally responsible business practices that is highly valued by its customers. These pillars of our performance are part of the company's risk management and compliance processes and are subject to verification by third parties for certification purposes.

#### Environmental Performance

The company's environment policy is embedded in to the related business processes with clearly defined responsibilities and benchmarks for performance. The sector adopts a cycle of identifying the material environmental aspects, measuring and monitoring performance and initiating action to minimise environmental impacts and manage related risks. Hayleys MGT ensures that we use high quality inputs to prevent allergies and skin irritations and also enhance the feel of the fabrics that are worn by people. Therefore, 100% of our principal

#### Performance

	2014/15	2013/14	%
Revenue (Rs.mn)	8,543	7,995	7%
PBIT (Rs.mn)	222	4	>1,000%
PBT (Rs.mn)	86	(171)	150%
PAT (Rs.mn)	89	(181)	150%
Total Assets (Rs.mn)	4,661	3,481	34%
Total Debt (Rs.mn)	2,527	2,205	15%
Capital Employed (Rs.mn)	4,642	3,571	30%
Head Count	1,394	1,253	11%
Profit (Loss) per employee (Rs.mn)	0.06	(0.14)	144%
Carbon Footprint (tCO2e)	26,604	18,088	47%
ROCE	4.8%	0.1%	>1,000%

raw materials, yarn, dyes and chemicals, are sourced from suppliers with environment related certifications. The increase in consumption is attributable to increased production during the reporting period. Other factors relating to raw material have improved such as the percentage of recycled yarn used as raw materials minimising wastage.

Energy is a material aspect for Hayleys MGT as it accounts for 10% of the cost of production. Consequently, energy management is a key focus area and a number of initiatives have been taken to reduce the energy intensity measures and also to shift to greener source of energy such as bio mass.

Water is a material aspect as our dyeing process requires significant quantities of water for the dyeing process. Every effort is made to ensure that we minimize the usage of water and the following initiatives have been implemented in this regard:

- Introduction of new dye machines with low liquor ratios
- Reduction in re dyeing due to dyeing defects
- Continuous process improvements

Emissions are a material aspect due to the significant consumption of fossil fuels in the manufacturing process which in turn gives rise to emissions of CO<sub>2</sub>. Consequently, emissions are monitored on a regular basis and measures are implemented to reduce the same. We have improved efficiencies in boilers which has reduced the consumption of furnace oil by 11% and also introduced battery operated material handling equipment to reduce emissions.

We have invested in effluent treatment plants and all treated water is checked in house once in two hours to ensure compliance with regulatory requirements. Regular checks are carried out by external agencies such as the Central Environment Authority (CEA), the Water Board and the Board of Investment (BOI) in addition to the in-house checks and we have had no issues of non-compliance during the reporting period. Treated water is discharged to the river via large water fountain located by the main public road for the public to witness the clarity of water discharged by the Company to the "Kalu Ganga"

Water Quality parameters	Regulatory Requirement	Hayleys MGT Actuals
pH at 25 0C	6.5 – 8.5	8.3
Temperature 0C	40	30
BoDs at 20 0C Mg O2 /L	30	15
CoD Mg O2 /L	250	110
Total suspended solids Mg/L	50	10

## Solid Waste-MT

Method	Type	2013/14	2014/15
Incineration	Sludge	538	1,070
Total hazardous waste		538	1,070
Sale for reuse	Fluff	96	103
	Fabrics strips, off cuts, etc.	429	670
Sale for Re-cycle	Cardboards, yarn cones, etc	540	525
	Polythene	70	85
Total non-hazardous waste		1,135	1,383

Employee Type	Total Hours of Training
Cl., Sup. & Allied Grades	4,677
Manual Grade	566
Executive & above	3,580
Total	8,823

## Average training hours

Grade	Average training hours per employee		
	Male	Female	Overall
Executive & Above	16.46	3.10	19.56
Supervisory	19.92	1.14	21.06
Manual	1.14	0.01	1.15
Overall	9.34	0.475	9.81

Waste yarn and fabric are sold to villagers who use this for cottage industries such as making wicks for oil lamps, rugs and other products. This has facilitated development of livelihoods for people in the village making articles for household use. The sludge from effluent treatment plants is incinerated by a third party facility specializing in incineration of industrial waste in an environmentally responsible manner. There is no waste that reaches landfills from the factory as all solid waste is sorted and disposed in a responsible manner.

## Social Performance

Hayleys MGT has a team of 899 full time employees and 113 trainees from the National Apprentice & Industrial Training Authority. High levels of engagement and robust training and development programme has led to a high staff retention rate of 96% for the period under review. Female participation is limited to 43% due to the manual nature of the work. It is a fairly young workforce with 58% below the age of 38. A recruitment policy of giving preference to local residents has resulted in over 75% of the employees living within the neighbouring villages of the factory.

Hayleys MGT is an approved training provider for the National Apprentice and Industrial Training Authority (NAITA) and the Apprentice Training Institute (ATI). A total of 8823 training hours were dedicated for the employees, averaging 9.81 hours per employee for the year. We supported relevant lifelong qualifications for 29 employees through Sri Lanka Institute of Textile and Apparel for which the company invested US\$4,500 facilitating the promotion of 28 employees during the year.

Health and Safety of its employees is a key priority and measures implemented include enforcement of the use of safety gear, safety education and joint worker management committees on Health and Safety that represent an average of 15% of the workforce. A continuous commitment to upgrade safety at work place has rewarded the company with reduced number of

## Sector Reviews

### Textiles

Coupled with positioning of the country as an ethical sourcing destination, recent initiatives to review Sri Lanka's eligibility for GSP+ concessions are expected to enhance the growth prospects of the textile and garment industry.

Year	Rate of Injury	Occupational Diseases	Lost Days	Work Related Fatalities
2012/13	2.94	0	229	0
2013/14	2.15	0	124	0
2014/15	2.00	0	120	0

lost dates, injury rates, zero work related fatalities and occupational diseases over the past 3 years.

All employees are evaluated twice a year against predetermined goals and assessment criteria which are communicated at the beginning of the year based on the company's goals. Competencies and personal development are discussed and feedback is encouraged to facilitate a fair appraisal process. Training

requirements are also assessed as part of the appraisal process based on competency gaps.

Remuneration is competitive and all employees are paid above the minimum wage requirements. All the employees are eligible for benevolent benefits and gratuity payments with leave allocations and gratuity above the required legal norms. The company engages in non-work

related activities to foster fellowship amongst its employees and nurture company loyalty.

Hayleys MGT has a zero tolerance policy on bribery and corruption and awareness is created in this regard at orientation programs and reinforced regularly. During the year, we terminated the services of an executive who had taken a bribe from the manpower supplier. There are no pending legal cases on issues of bribery or corruption.

The Company maintains harmonious relations with its three trade unions through monthly meetings which provide an effective forum for constructive dialogue between the management and the unions. Salary increments and other worker conditions have been implemented after collective bargaining although there is no documented agreement.

As the largest employer in the village, we are conscious of our role in the socio economic progress of the village. Our community engagement is summarised below:

#### Way Forward

The future of the textile industry is positive both locally and globally mainly due to the robust growth of the apparel sector supported by a positive economic outlook for USA, UK and the Euro Area. Coupled with positioning of the country as an ethical sourcing destination, recent initiatives to review Sri Lanka's eligibility for GSP+ concessions are expected to enhance the growth prospects of the textile and garment industry. Pressure on margins is likely to increase which is a feature across the entire value chain in the apparel sector. Hayleys MGT's proven innovation capability and development of its branded fabric provides a competitive advantage for growth and improved returns. Economies of scale and innovation in both product development and processes will be the key to competing effectively in this vibrant industry.

#### Supporting livelihoods

- 85% employees from village
- Sale of scrap for use in cottage industries

#### Humanitarian Aid

- Dry rations for flood victims in 15 villages
- Purification of 100 drinking water wells

#### Preserving the Environment

- Collaborating with Green Forest Association to plant rare varieties of indigenous plants

#### Preserving local culture

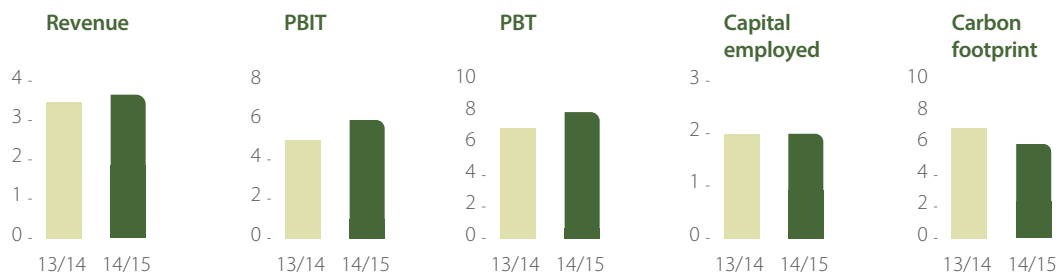
- Sponsorship of New Year Festival
- Main Sponsor of "Unduwap Perahera" at Gallena Raja Mahaviharaya, Warakagoda

## Sector Reviews

### Construction Materials



#### SECTOR CONTRIBUTION TO GROUP (%)





## Sector Reviews

### Construction Materials

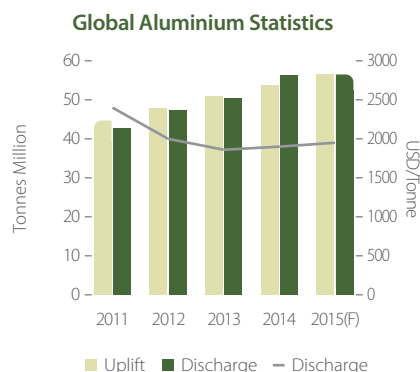
The Alumex Group is Sri Lanka's premier manufacturer of aluminium extrusions, commanding a dominant market share of 53%, a leadership position it has retained since 1998. As a fully integrated manufacturer of Aluminium profiles, the Group offers a comprehensive range of architectural, residential and industrial products to the top and middle tier of the construction industry. The superior quality of our products and the adoption of global best practices have enabled the Group to also establish itself internationally, manufacturing aluminium profiles under license for several leading global producers.

#### Industry Overview

The versatile properties of Aluminium has rendered it one of the most widely use metals and global demand has continued to rise in line with rapid urbanisation and infrastructure growth in developing economies. The relatively weak investment climate which prevailed in the developed economies in 2014 resulted in global aluminium demand falling marginally short of global production, leading to a near 4% drop in global prices. Looking ahead, however, the global aluminium market is anticipated to grow at a CAGR of 7.6% over the next four years, with the demand and supply gap expected to narrow over the short to medium term. In Sri Lanka, demand for aluminium extrusions has continued to surge in line with the expansion of the country's construction sector, the key driver of economic growth over the last few years. Construction sector growth was 20.2% in 2014, accounting for 9.7% of the country's GDP. Mega infrastructure development projects including high-rise buildings and apartment complexes have propelled demand for aluminium products, which is further expected to grow by approximately 45% by 2019.

Alumex Group's revenue growth was 20% during 14/15, reflecting the continued expansion in the country's construction sector and the Group's increased capacity levels. The reduction in global primary aluminium prices during the year had a favourable impact on the Group's profitability margins. Resultantly, the

The Alumex Group is Sri Lanka's premier manufacturer of aluminium extrusions, commanding a dominant market share of 53%, a leadership position it has retained since 1998.



Source: International Aluminium Institute



Source: Central Bank of Sri Lanka

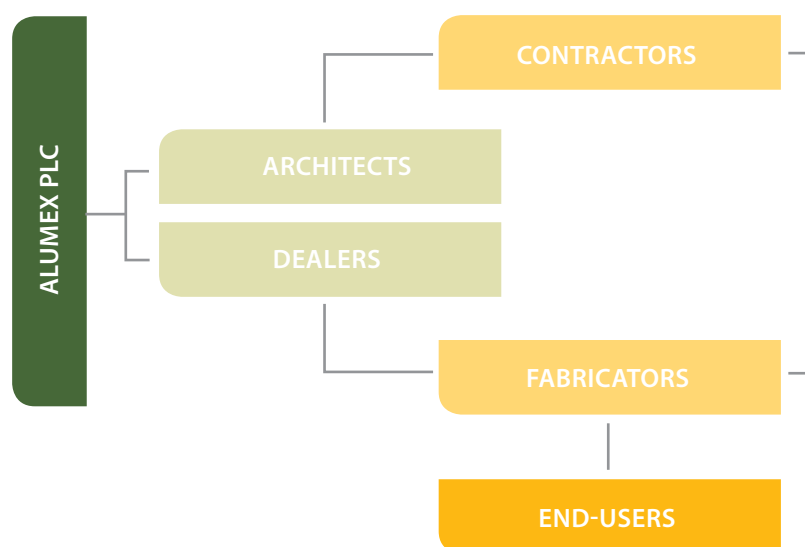
#### Strategy and Performance

	2014/15	2013/14	%
Revenue (Rs.mn)	3,377	2,804	20%
PBIT (Rs.mn)	625	474	32%
PBT (Rs.mn)	628	464	35%
PAT (Rs.mn)	498	379	31%
Total Assets (Rs.mn)	2,378	1,753	36%
Total Debt (Rs.mn)	27	53	(48%)
Capital Employed (Rs.mn)	1,707	1,499	14%
Head Count	545	481	13%
Profit (Loss) per employee (Rs.mn)	0.91	0.79	16%
Carbon Footprint (tCO2e)	5,279	4,776	10%
ROCE	36.6%	31.6%	16%

\* Tonnes of CO2 Equivalent

Sector pre-tax profit grew 32% during the year, reaching record profitability of Rs. 628 million during 14/15. The Sector also commissioned its new powder coating plant during the year, which is expected to increase powder coating capacity by 100% over the short to medium term. This, together with the acquisition of an land for further capacity expansions, resulted in the Sector's total assets growing by 21%.

The Sector adopts a strategic and targeted approach towards supporting the needs of its key customer segments consisting of architects/ consultants, dealers, fabricators and end-users. Alumex continues to maintain a high level of engagement with the country's leading architects, and was the primary sponsor for 'Architects' exhibition for the fifth year running. The Sector's dealer network, consisting of around 60 island-wide dealers and over 10,000 fabricators undergo structured training on the uses and benefits of architectural profiles; these training programmes are conducted on a continuous basis at the Group's state-of-the-art training centre.



## Sustainability Review

Stakeholder	Role	Results in 2014/15
Investors	Providers of financial capital	Earnings growth - 31% Return on Equity - 30%
Employees	Facilitate value creation through their efforts	Total Payments to Employees- Rs. 291 million Investments in Training and Development - Rs. 1.3 million
Customers	Our customers are aluminium fabricators who manufacture customised products for end users according to their specifications	Training programmes - 26 Investments in training (customers and dealers) - Rs. 7.8 million Sales- Rs. 3,377 million
Architects	Key influencers for design in the construction industry where our materials are used	Sponsorship provided for 'Architects' exhibition - Rs. 4 million
Dealers	Make our products available island-wide and provide us feedback on our products and regional requirements	Training programmes - 24

## Sector Reviews

### Construction Materials

Stakeholder	Role	Results in 2014/15
Suppliers	Two key suppliers provide 70% of our primary raw material with 17 other suppliers providing the remainder which comprises of chemicals for coating and finishing.	Payments to Suppliers- Rs.2,704 million
Regulators	The Central Environmental Authority monitors compliance with environmental legislation.	Expenditure on environmental protection initiatives- Rs. 21 million
Community	<ul style="list-style-type: none"> <li>The community around our manufacturing facilities</li> <li>The end users of our products which are incorporated in to their homes and workplaces</li> </ul>	Investments in Community Engagement- Rs. 2.4 million



#### Environmental Performance

**Effluents and Waste:** Waste water from the factory is treated at an effluent treatment plant located within the premises prior to being discharged. The quality of the discharged water has been certified by Lindal Industrial Laboratory Limited and graded as ISO/IEC 17025. During the year, total waste water treated was 60,571 cubic meters. Meanwhile, the solid waste consisting primarily of sludge is also treated and sent to Holcim Lanka (Geocycle) for incineration; total volume of solid waste during the year was 1233 MT.

	14/15	13/14
Total water discharge (lts)	60,571	60,280
Solid Waste (MT)	1,233	1,114

**Materials:** The main raw materials for the Group's production process are aluminium billets/logs which are imported in its entirety. Aluminium scrap metal, which is a secondary input, is sourced locally. The Group purchases scrap metal, which is subsequently recycled and used in its production process. Recycling scrap metal generates a host of environmental benefits, including reduced energy intensity, freeing up landscape for non-recyclable waste, and reduced energy intensity and emissions in comparison to the extraction of raw metals through traditional mining. During the year,

The material issues for the Construction sector are;

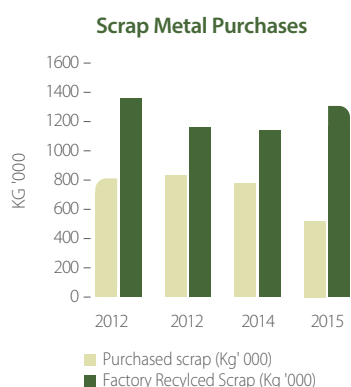
#### ENVIRONMENT

- Environmental
- Emissions
- Energy
- Effluents and Waste

#### SOCIAL

- Training and Development
- Diversity and Equal Opportunity
- Health and Safety
- Products and Services
- Local Communities

Alumex purchased Rs. 106 Million worth of scrap metal which constituted approximately 9% of its total raw material inputs.



**Emissions:** The emissions from the factory consist of flue gases arising from the oil fired burners. Flue gas from the melting furnace includes fumes and ash from the melting process. These are trapped using a scrubber and neutralized or settled prior to disposal. During the year, purchased electricity gave rise to the highest level of emissions followed by stationary combustion. We report Greenhouse Gas (GHG) emissions based on the WBCDS/WR1 Greenhouse Gas Protocol Corporate Standard. During the year under review, the sector's total emissions (calculated under Scope 1, 2 and 3) increased 10.5% to 5278.60 Tonnes of CO2 equivalent in line with increased operational activity. However, the emission intensity factor (defined as tonnes of CO2 equivalent to each rupee of revenue) declined to 1.59 from 1.70 a year earlier.

The Alumex Group's team comprises of over 500 employees of which 80% make up the permanent cadre. In 2014, we added 50 employees to our pool of which 38 were for new positions created during the year.



## Social Performance Our People

	Training Hours		
	Male	Female	Total
Executive	2,805	190	2,995
Clerical	710	112	822
Manual	978	0	978

The Alumex Group's team comprises of over 500 employees of which 80% make up the permanent cadre. In 2014, we added 50 employees to our pool of which 38 were for new positions created during the year. Attracting and developing a qualified talent pool is of paramount importance to the Group and multiple initiatives are in place to up-skill employees and create a conducive work environment. The total investment in training and development was Rs. 2.3 million with



## Sector Reviews

### Construction Materials

employees undergoing 4,795 hours of training during the year. Alumex is also an approved training partner for the National Apprentice and Industrial Training Association, Vocational Training Institute as well as military forces. Productivity indicators have continued to trend upwards, with profit per employee widening 22% during 2014. The Group's occupational health and safety policy framework details the standards, procedures and guidelines for maintaining a work environment which is free of hazards and work-related risks.

#### Customers

Alumex has a high level of engagement with its dealer network and fabricators and is the industry pioneer in providing training to these parties on a continuous basis. Training is conducted by three teams at the Companies state of the art fabricator training school located in factory premises as well as in outstation locations. The training programmes which are completely free of charge to the fabricators, provides practical insights into the application and usage benefits of aluminium profiles, component usage, new products and technologies. During the year, the Group conducted 44 such training programmes in total supporting nearly 1,892 fabricators and other participants.

	Number of participants trained in 2014/15
Factory premises	542
Central Province	154
Eastern Province	67
Northern Province	61
Sabaragamuwa	95
Southern Province	146
North Central	102
Uva	40
Western Province	685
TOTAL	1,892

In addition, Alumex conducted further training of Professional and Private institutions where 6 programs were conducted with 118 participating. The summary by type of institute/ organization is given below.

#### Way Forward

The launch of the Group's newest product range targeting the domestic market is anticipated to present a multitude of exciting opportunities over the medium term. The product range, LUMIN, consists of high-end aluminium extrusions for modern homes and the Group intends to establish three concept/design centres to promote this range. Strengthening warehouse capacity in outstations is also a strategic priority for the ensuing year and will enable the dealer network to access our products more conveniently. We will also seek increased penetration in regional markets, including India, Bangladesh and Burma with the introduction of our proprietary windows and door profiles.

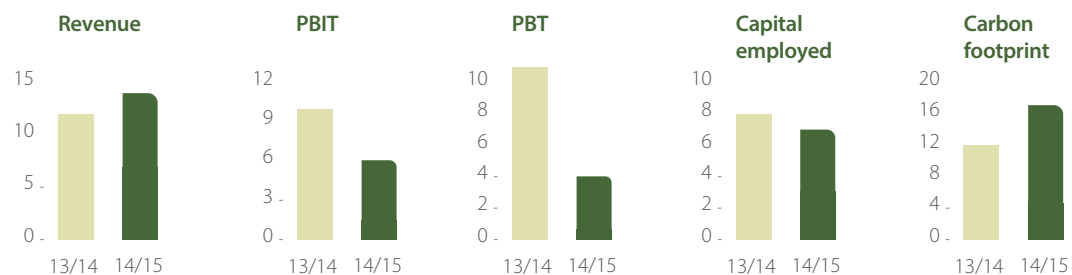
Training program	No. of Training Programs	No. of Participants	Amount (Rs)
VTA training	8	203	1,253,742
Government Institutions	12	367	1,880,613
Dealers & Fabricators	24	1,322	3,794,050
Professional and Private Institutions	6	118	940,306
Total	50	1,921	7,868,711

## Sector Reviews

## Plantations



### SECTOR CONTRIBUTION TO GROUP (%)



## Sector Reviews

### Plantations

#### Plantations

The Group is amongst the country's largest plantation sector operators, with its subsidiaries Kelani Valley Plantations PLC (KVPL) and Talawakelle Tea Estates PLC (TTE) collectively accounting for 3.9% and 3.4% of Sri Lanka's tea and rubber production. Cultivating 44 tea and rubber estates covering 25000 hectares, KVPL and TTE provide employment to over 20,000 workers and make substantial investments in uplifting the living standards of nearly 150,000 individuals residing in the estates. Hayleys is also involved in the blending and export of value added tea, exporting its Mabroc range of branded tea to over 50 destinations.

The Group is amongst the country's largest plantation sector operators, with its subsidiaries Kelani Valley Plantations PLC (KVPL) and Talawakelle Tea Estates PLC (TTE) collectively accounting for 3.9% and 3.4% of Sri Lanka's tea and rubber production.

#### Sector Operations

Cluster	Operations	Highlights
<b>Kelani Valley Plantations</b>	Production and processing of low-grown and high-grown varieties of black tea, green tea and rubber	Contributed 37% and 27% to sector revenue and PBT respectively.
<b>Talawakelle Tea Estates</b>	Production and processing of low-grown and high-grown black and green tea	Accounted for 34% and 66% of plantation sector revenue and PBT respectively in 2014/15.
<b>Mabroc Tea (Pvt) Ltd</b>	Export of value added tea through blending, packaging and branding bulk tea.	A key growth area for the Group, the subsidiary contributed 28%. It recorded a financial loss during the year.
<b>Hayleys Global Beverages Ltd</b>	The processing of instant tea	The Group's latest venture and currently in the implementation phase.

#### Industry Overview

The plantation sector is a vital component of Sri Lanka's economy, with tea and rubber generating 15% of total export earnings and accounting for more than 30% of the country's total agricultural workforce. The 3rd largest global tea producer, Sri Lankan tea has ranked among the world's finest due to its strong flavour and aroma. Notwithstanding its global

attractiveness, the sustainability of the country's tea sector is threatened by multiple internal and external challenges. On the one hand, political and economic instability in key buying markets have thwarted demand and increased price competition, whereas Sri Lanka's low labour productivity and persistent increases in labour costs have inserted severe pressure on the profit margins of regional plantation companies (RPCs). Labour costs account for close to 70% of

total cost of production in Sri Lanka, compared to approximately half that in other major tea producing nations such as Kenya and India, whilst labour productivity in Sri Lanka is also significantly lower. For instance, a Kenyan worker who plucks an average of 48kg receives roughly US\$ 2 per day, a counterpart in Sri Lanka who plucks 18kg receives approximately US\$ 4.6 per day, more than double the amount received by a Kenyan worker.

# The Quality of Life

Despite these challenges, the RPCs have continued to make substantial investments in uplifting the living standards of estate communities. Since privatisation, investments in improving fields, factories, living conditions of estate families, health and education infrastructure totalling around Rs. 55.0 billion have resulted in significant reductions in infant mortality rates, maternal deaths, increase in water availability, improvement to housing conditions and sanitation facilities. For instance, according to the Plantation Human Development Trust (PHDT) since privatisation 60% of RPC employees have been provided with new or upgraded houses.

Sri Lanka's total tea production dipped marginally to 338 Mn kg in 2014, as adverse weather conditions affected cultivation and labour productivity. Demand was significantly affected due to political instability and economic woes in several of our prime buying markets in Middle East and Eastern Europe. The drastic drop in rubber prices from the same key markets further compounded this situation. Rubber production was also negatively impacted by inclement weather and auction prices declined by around 20% as stockpiles in China and Japan resulted in a slowdown in demand.

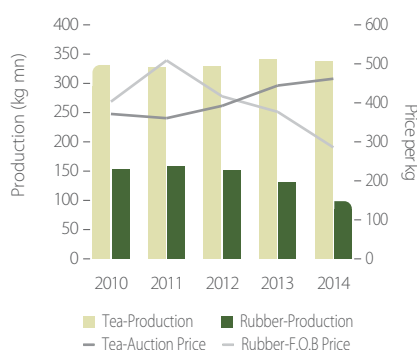
## Strategy and Performance

Plantation sector revenue growth was 32% during the period, upheld by stronger prices commanded by our superior quality tea, although production was affected by unfavourable weather. Profitability however was substantially impacted as climatic misfortunes necessitated increased expenditure within the estates. Overall, the sector's PBT declined 46% to Rs. 370 million during the period. Sector assets expanded by 7% in 2014, due to new construction and acquisition.

### Kelani Valley Plantations PLC

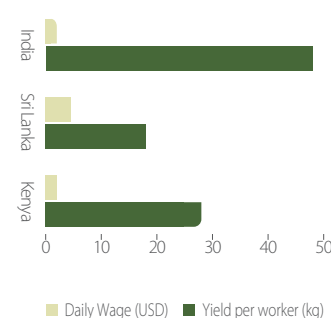
KVPL's revenue growth was marginal at 27% during the year, although profitability declined in line with the sharp drop in rubber prices. Resultantly, KVPL's pre-tax profit fell by 78% to Rs. 102 million during the period. Despite a challenging external environment,

## Sri Lanka's Tea and Rubber Production



Source: Central Bank of Sri Lanka

## Sri Lanka - Tea Industry Labour Productivity



	2014/15 15 Months*	2013 12 Months	Annualized %
Revenue (Rs.mn)	12,679	9,597	32%
PBIT (Rs.mn)	566	826	(45%)
PBT (Rs.mn)	358	701	(46%)
PAT (Rs.mn)	257	583	(51%)
Total Assets (Rs.mn)	10,433	9,822	7%
Total Debt (Rs.mn)	1,894	1,355	23%
Capital Employed (Rs.mn)	5,521	5,481	8%
Head Count	22,356	23,427	(6%)
Profit (Loss) per employee (Rs.mn)	0.01	0.02	(42%)
Carbon Footprint (tCO2e)	12,768	8,879	44%
ROCE	10.3%	13.8%	(35%)

\*KVPL and TTE changed the financial year ends to 31st March from 31st December resulting the consolidation of 15 months.

we maintained focus on the key strategic imperatives of improving productivity, replanting and maintaining our land assets, portfolio diversification and expanding our range of teas. As a result of these efforts KVPL commands the highest auction prices for rubber whilst yields are among the highest among RPCs.

### Talawakelle Tea Estates PLC (TTE)

TTE's with revenue and pre-tax profit grew by 32% and 24% respectively during the year. TTE leads the industry in pricing due to its unparalleled quality and strong brand recognition and was ranked No.1 for low grown elevation prices for the 10th consecutive year and No 1 in the high grown elevations for the consecutive 10th year except year 2012. We deployed our resources effectively to strengthen

## Sector Reviews

### Plantations



our productivity enhancing initiatives and achieve cost efficiencies, in order to counter the external adversities during the year.

#### Mabroc

Revenue from this cluster grew by 50% during the period, compared to the previous year. However, margins were pressured due to the currency crisis in the Eastern Europe and continued instability in the Middle Eastern region.

#### Sustainability Review

Stakeholders	Role	Key Results
<b>Investors</b>	Providers of Financial Capital	Earnings declined - (51%) Return on equity - (6%)
<b>Employees/Trade Unions</b>	Facilitate value creation through their efforts	Total payments to employees - Rs. 5.86 billion Value of other benefits to employees - Rs. 25 million Investments in training and development - Rs. 2.4million
<b>Customers/Brokers</b>	Our customers are primarily broking companies which connect us to global consumers of our products.	Total Sales - Rs. 12.68 billion
<b>Suppliers</b>	Bought leaf and latex suppliers provide the primary input for our cultivation	Total purchases - Rs. 1,503 million
<b>Communities</b>	Communities residing within our estates, and families of our employees	Investments in uplifting living standards - Rs. 1.7 million Investments in health awareness and nutrition related programmes - Rs. 119 million
<b>Government and Regulatory Bodies</b>	Compliance to regulatory frameworks applicable to RPCs ensure conformance to good business practices	Taxes paid 152 million



## ENVIRONMENT

- Materials
- Emissions
- Effluents & Waste
- Compliance
- Bio diversity
- Products and Services

### Environmental Performance

Some of our estates are located in the crown of the hill capital and we are fully cognisant of our potential role in preserving the natural environment we operate in. Demonstrating our commitment to preserving and enhancing the quality of our natural environment, both plantation companies have obtained multiple local and international certifications on environmental management. KVPL has obtained the GLOBAL G.A.P (New Zealand) accreditation and Rainforest Alliance Certifications for 17 tea estates, whereas its rubber plantations have been certified by the Forest Stewardship Council TM. TTE has also obtained Rainforest Alliance

## SOCIAL

- Employment
- Labour /Management Relations
- Occupational Health & Safety
- Training and Education
- Local Communities

Certification, Ethical Tea Partnership and UTZ Sustainable Tea certification for several of its estates.

### Materials

Our material management policy is focused towards optimising usage to facilitate reductions in consumption and value addition along the supply chain to obtain inputs of superior quality. All raw material consumption is tracked consistently in both RPCs. We also proactively engage with our bought leaf and latex suppliers by providing technical support and guidance in order to ensure the quality of the supplies and long-term sustainability of their farms.

### Energy

Our approach towards energy management is aimed at reducing the dependence on fossil fuels and improving the energy efficiency within the factories. We engage in the production of renewable energy through the four hydro power plants and fuel wood plantation. During the year, we generated a hydro power capacity of 11,401,033KWh. The measures adopted to improve energy efficiency include the installation of energy efficient capacitor banks, machinery, equipment and lighting. Educational and awareness programmes are conducted on a regular basis targeting employees, suppliers, resident communities and service providers. Energy intensity per kg of crop has declined by 5%.

### Water

Cultivation of rubber requires significant amounts of water and our water management efforts strive to economise usage as well as adopt measures for water conservation. The measures implemented include monitoring water usage at all processing centres, awareness programmes targeted towards resident communities, watershed protection and enrichment among others. During the year, our total water consumption reduced by 1%.

### Emissions

The sector's total GHG emissions increased 43% to 12768 tonnes of CO2 equivalents during the year, due to the consolidation of an additional quarter. The Emission intensity factor (defined as tonnes of CO2/ Revenue Rs. Million) increased marginally to 0.96 from 0.92 the year before. Stationary Combustion was the largest source of GHG emissions for the sector.

	Units	2014/15	2013
Input supplies		-	-
Bought Leaf	Kilograms	13,671,176	9,780,229
Bought Latex	Kilograms	280,211	527,311
Associated Process Materials		-	-
Fuel	Litres	441,799	413,231
Firewood	Cubic Meters	59,311	88,347
Briquettes	Kilograms	486,945	460,700
Fertilizers	MT	6,573	6,566
Dolomite	MT	3,109	2,883
Agrochemicals	Litres	31,870	35,986
Packing Materials	Number	323,793	306,804

## Sector Reviews

### Plantations

#### Social Performance

##### Our People

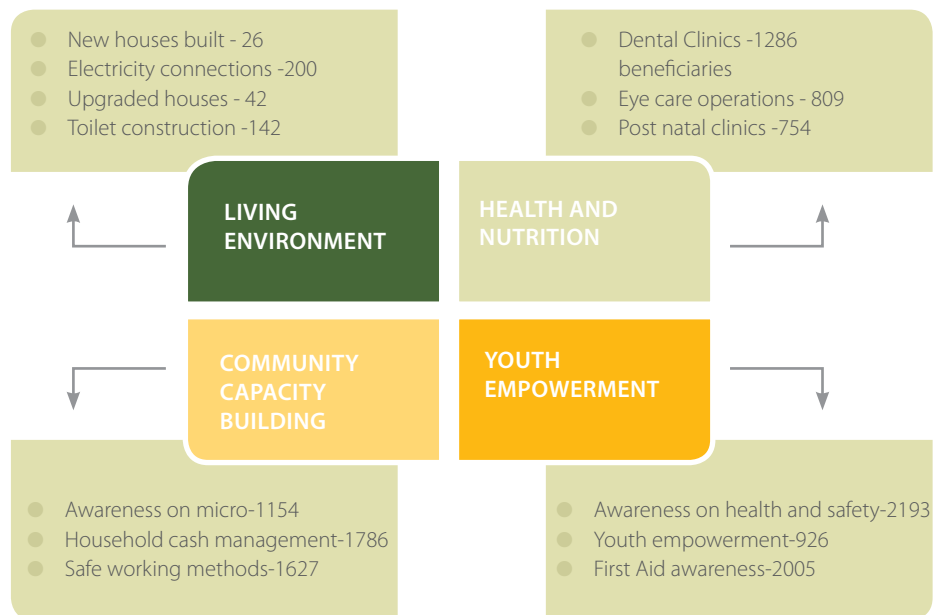
The sector employs a total of 22,356 staff members, of which 94% consist of manual grade category employees, spread across our estates and facilities. Given the economic and social profiles of our estate employees, we strive to create an inclusive platform to develop and uplift the living standards of our workers and their families. The workforce is covered by collective bargaining agreements with trade unions, which regulate wages and other employment conditions. Both our RPCs have in place comprehensive health and safety policies and guidelines to ensure that desired standards of occupational safety are met in all our estates. Health and safety training programmes and awareness campaigns are conducted regularly on multiple areas including general hygiene, self-protection, safety and fire drills and first aid. During the period, 36 structured health and safety programmes were conducted with a total participant base of over 1782. Injury rate for 2014/15 is 6.23%.

The benefits provided to our manual workforce include among others,

- Construction of new housing units, upgrading existing houses
- Providing water schemes, sanitation facilities, electrification for worker houses
- Development of access roads and other infrastructure
- Health and hygiene monitoring programmes, supplementary feeding programmes, immunization, maternity benefits, dental clinics etc.
- Providing micro financing facilities through Estate Worker Housing Co-operative Societies.

#### Community Engagement

Through multiple community engagement initiatives, the sector strives to uplift the overall living standards of around 100,000 individuals residing in and around its estates. The sector's multi-dimensional ongoing community engagement project 'A house for every plantation worker' has resulted in substantial improvements in the standard of living and quality of life of numerous estate families since 2006. The project addresses four key areas of development; living environment, health and nutrition, community capacity building and youth empowerment. During the year, total investment in community related initiatives was around Rs. 120 million, of the sector's total revenue. Key programmes carried out by the sector are as follows;



#### Way Forward

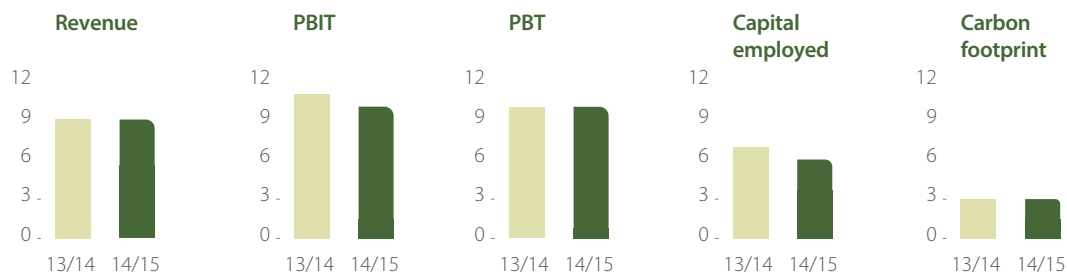
The short to medium outlook for the sector remains challenging, given geopolitical tensions in key buying markets and the anticipated fall in commodity prices. Meanwhile, a multitude of internal factors including adverse weather patterns, high cost of production and low labour productivity will further constrain performance. In order to effectively address these challenges, the Group intends to leverage its geographical presence and improve its land efficiency by diversifying its crop base to include non-traditional export crops such as spices and alternate beverage crops. We are also pursuing growth in value added tea exports, particularly instant tea, for which the groundwork is currently being carried out.

## Sector Review

## Agriculture



### SECTOR CONTRIBUTION TO GROUP (%)



## Sector Reviews

### Agriculture

An industry pioneer in agricultural innovation, Hayleys Agriculture Holdings has consistently demonstrated its commitment towards transforming agriculture to be ecologically more sustainable whilst developing livelihoods and increasing access to nutritious food. The Group's Agriculture Sector is the largest exporter of processed fruits and vegetable with a share of over 45%, and is the market leader in the provision of stainless steel agricultural sprayer equipment, combine harvesters and seed paddy. It also commands a respective 16% and 18% of the country's fertilizer and crop protection industries. A formidable player in the Animal Health Industry, the sector enjoys a

market share of around 22% in the Pet, Poultry and Large Animal sectors with a portfolio of globally renowned brands.

#### Industry Overview

Sri Lanka's Agriculture sector growth slowed to 1.3% in 2014 (2013: 4.7%) as adverse weather conditions affected the production of several crops during the year. Droughts prevalent during both paddy cultivating seasons, Yala and Maha resulted in annual production declining by 23% to 3.5 million metric tonnes. Meanwhile, other field crops consisting of maize, onions, chillies etc. recorded growth, with total production increasing 7.2% during the year. Overall, the agriculture sector contributed

10% to the country's GDP during the year. The overarching objective of the country's Agricultural policy is achieving food and nutrition security together with improving the living standards of the farming community through sustainable agricultural production technologies and marketing.

**Agriculture Sector Growth**



Source: Central Bank of Sri Lanka

#### Sector Operations

Cluster	Key Business Lines
<b>Crop Protection</b>	Crop management solutions for weed, pests and fungi
<b>Crop Production</b>	Supplier of potato seed, producer of seed paddy and other field crop seed such as Maize, B Onion, Chillies etc.
<b>Fertilizer</b>	Supplier of vegetable seed and speciality fertilizers Distribution of direct and blended fertilizers for a range of crops
<b>Agricultural Equipment</b>	Supplier of tractors, sprayers, combined harvesters, transplanters, milking machines etc.
<b>Animal Health</b>	Representing world renowned brands for the distribution of products and services which improve the quality of life and efficiency of livestock and companion animals.
<b>Exports</b>	Producer of horticultural plants, tissue cultured plantlets and flower seeds. Exporter of processed vegetable and fruit

## The Agriculture sector's revenue growth was 14% during the period, upheld by the relatively strong performance of the fertilizer, crop production and food exports clusters

### Strategy and Performance

The Agriculture sector's revenue growth was 14% during the period, upheld by the relatively strong performance of the fertilizer, crop production and food exports clusters whilst performance of the crop protection cluster was below expectations. Sector operating profit increased 10% to Rs. 1.04 billion during the year, supported by top line expansion.

Revenue growth from Fertilizers was 11% during 2014/15, helped by the increased demand from the tea small holder sector. Despite the restricted import quota for direct fertilizers we successfully pursued a strategy of providing specific blended fertilizer to improve crop productivity thereby optimising capacity utilisations to generate cost efficiencies and

profitability. We are engaged in research for the development of ecologically sustainable fertilizers in partnership with the Sri Lanka Institute of Nano Technology and have obtained a patent for a slow release fertiliser which will be commercially available in 2015. During the year we continued to provide agricultural advisory services to farmers to prevent abuse of fertilizer whilst enhancing land productivity.

Revenue and PBT from crop protection business line declined by 3% and 18% respectively during the year, reflecting the disappointing performance of the drought affected paddy sector. The Group represents leading international brands in this business line and have maintained long-standing

relationships with these organisations. The strategic thrust during the year was to harness research capabilities to develop greener products and expand training and extension services provided to farmers.

Crop Production business performance was encouraging with revenue growth of 18% during the year, led by increased volumes of seed potatoes and planting materials. During the year, we combined strengths with several government agencies to research more productive seed varieties and high quality planting materials. We also conducted several technical and educational programmes targeted towards encouraging ecological farming methods (discussed further in the Sustainability Review)

As a pioneer in mechanising agriculture, we have introduced several innovative equipment enhancing the labour productivity including mechanised transplanters, combined harvesters and milking machines. During 2014/15, revenue growth maintained its momentum as labour shortages continued to drive mechanisation in agricultural production. The Group also extended its services to the dairy industry, introducing technologies and equipment to enhance the productivity of small holders. We continue to promote increased mechanisation of agriculture to facilitate increased productivity and also to attract more youth in to pursuing careers in agriculture to facilitate growth of this vital industry.

The Animal Health business is engaged in the provision of medicaments nutritional products feed additives and services for poultry, pets and large animals. Revenue growth from this business line was 12% during the year and the Group continued to maintain its position as market leader in the pet and large animal categories. In 2014/15, the Group established a specialised laboratory in the NWP for the provision of feed analyses and disease diagnostic services.

	2015	2014	%
Revenue (Rs.mn)	8,424	7,395	14%
PBIT (Rs.mn)	1,039	943	10%
PBT (Rs.mn)	817	638	28%
PAT (Rs.mn)	632	474	33%
Total Assets (Rs.mn)	6,559	7,220	(9%)
Total Debt (Rs.mn)	2,510	2,758	(9%)
Capital Employed (Rs.mn)	5,058	4,350	16%
Head Count	1,189	1,143	4%
Profit (Loss) per employee (Rs.mn)	0.53	0.41	28%
Carbon Footprint (tCO2e)	2,432	2,495	(3%)
ROCE	20.5%	21.7%	(5%)



## Sector Reviews

### Agriculture

Revenue from food exports grew by 30% during the year, as the Group expanded its product range and pursued new markets. As the country's largest exporter of processed fruits and vegetables, the Group is a key supplier to international brands such as McDonalds and Subway and has strong market positions in several countries including Japan, Spain and the USA. Meanwhile, the Group plays a vital role in supporting smallholder farmers and inculcating sustainable agricultural practices across its island-wide out-grower network through agricultural advisory, training and mutually beneficial purchasing agreements.

The material issues of the Agriculture sector are;

#### ENVIRONMENT

- Materials
- Emissions
- Effluents & Waste
- Compliance
- Bio diversity
- Products and Services

#### SOCIAL

- Employment
- Labour /Management Relations
- Occupational Health & Safety
- Training and Education
- Local Communities

#### Sustainability Review

Stakeholder	Role in value creation	Results in 2014/15
<b>Investors</b>	Providers of financial capital	Earnings growth - 33% Return on Equity - 84%
<b>Employees</b>	Facilitate value creation through their efforts	Total Payments to Employees - Rs. 538 million Investments in Training and Development - Rs. 2.8 million
<b>Customers</b>	Our customers are farmers who use our products as inputs for cultivation and end-users of our export products	Domestic Sales - Rs. 6.46 billion Export sales - Rs. 2.24 billion Investments in agriculture extension services for farmers - Rs. 51 million
<b>Out-growers</b>	Cultivate a range of crops for the export market adopting innovative production technologies and sustainable agricultural practices.	Purchases from out-growers - Rs. 176 million Investments in training and other related services - Rs. 5.1 million
<b>Suppliers</b>	We represent global leaders in several of our business lines, including crop protection and agri equipment.	Total payments to suppliers - Rs. 5373 million
<b>Research Institutes</b>	We have partnered with the Sri Lanka Institute of Nano Technology, Universities and the Dept. of Agriculture to develop high yielding inputs and environmentally sustainable production technologies	Total investment in R&D - Rs. 4 million
<b>Regulators</b>	Regulators ensure compliance with environmental, labour and other laws of the country. The Department of Inland Revenue monitors payment of taxes.	Value Added Taxes - Rs. 82 million Income Tax - Rs. 136 million
<b>Community</b>	<ul style="list-style-type: none"> <li>● The farming communities in our cultivation areas</li> <li>● Communities around our processing and manufacturing facilities</li> </ul>	Investments in Community Engagement - Rs. 1.1 million



**Emissions:** The Agriculture sector's total GHG emissions declined 2.6% to 2432.3 tCO<sub>2</sub>e during the year whereas the emission intensity factor also reduced to 0.29, compared to 0.33 the previous year. Stationary combustion and purchased electricity were the largest sources of emission generation in the sector.

## Social Performance

**Building Value Chain Partnerships for Sustainable Sourcing:** We strive to propagate sustainable agricultural practices and generate equitable value through collaboration and partnerships throughout our supply chain. In all our business lines, Hayleys Agriculture has pioneered inclusive relationships with farmers and out-growers across the island to provide extension services targeted towards promoting greener agricultural practices, increasing efficiency and improving income levels.

## Our People

The Agriculture sector talent team consists of 1,189 employees, who are dispersed throughout the island. During the year 36 employees were added to the team. Continuous efforts placed on training and skill development have been rewarded by persistent improvements in

## Environmental performance

**Products and Services:** The sector's approach towards environmental sustainability centres on harnessing research capabilities to develop a product range that is ecologically sustainable. We have collaborated with multiple parties including Universities, the Institute of Nano

Technology and The Department of Agriculture to develop agricultural inputs and production technologies that are technically feasible, economically viable and environmentally sustainable.

### Fertilizer

Slow- release, low-volume fertilizers are being developed, which is expected to result in a reduction of fertilizer usage by around 50% thereby, preserving the quality of the soil.

### Crop Protection

Focus towards developing bio-pesticides which have a relatively low environmental footprint. Seven such products are currently in the pipeline.

### Crop Production

On-going research is targeted towards developing high-yielding varieties and seeds which consume relatively low water levels.

### Bio-Technology

Deploying research capabilities to develop high yielding planting materials, primarily through tissue culture and bio technological processes.

## Sector Reviews

### Agriculture

Business Line	Beneficiaries	Activities
<b>Fertilizers</b>	5000 network of island-wide farmers cultivating tea, rubber, coconut, vegetable and other field crops	Our agricultural advisory force consists of 600 trained technicians, who conduct awareness programmes throughout the island to providing guidance on the optimum use of fertilizers required to preserve the quality of the soil.
<b>Crop Protection</b>	220,000 network of farmers engaged in the cultivation of paddy vegetables and other field crops	Training and awareness programmes conducted to farmers, to encourage adequate harvesting intervals and the safe use of pesticides.
<b>Crop Production</b>	Out-grower network of over 750, with a geographical presence in six districts.	The out-grower network is provided with seed paddy, materials and technical know-how on cultivation. Adherence to good agricultural practices is incentivised. The Group also buys back the produce at prevailing market prices, providing a supplementary source of income the out-grower network.
<b>Exports</b>	12000-strong out-grower network	Out-growers are provided with inputs, planting materials and equipment. Also given guidance on increasing yields and innovative agricultural practices. Conforming to the quality requirements of export markets enables the transfer of knowledge and global best practices.

staff productivity; total investment in training and development during the year was Rs. 2.8 million whilst profit per employee improved 19% during the same period. A conducive work environment, created through attractive reward systems, high staff engagement and work-life balance initiatives has enabled us to achieve high talent retention levels of 92%. We are also an approved training partner for agriculture graduates and provide internship opportunities for university students on a consistent basis.

#### Community Engagement

The Group's latest venture seeks to improve the livelihoods of impoverished families in the Northern Province, by providing them with a source of supplementary income through aqua-agriculture. This project, conducted in partnership with the Coast Conservation

Authority, Sri Lanka Navy and the Ministry of Fisheries was initiated in 2014/15, involves the production of edible sea weed for export purposes. The Project also contributes towards marine conservation as seaweeds have water purifying properties and enhances polyculture production. Seaweed cultivation is conducted through fishing communities in Mannar and Jaffna, and has generated employment to over 1000 individuals and supported 250 families in its first year of operation. In addition to the equipment, individuals are supported with regular training sessions on cultivating methods and sustainable agricultural practices. By the 4th year of operation, this project is expected to generate 4000 direct employment opportunities.

#### Way Forward

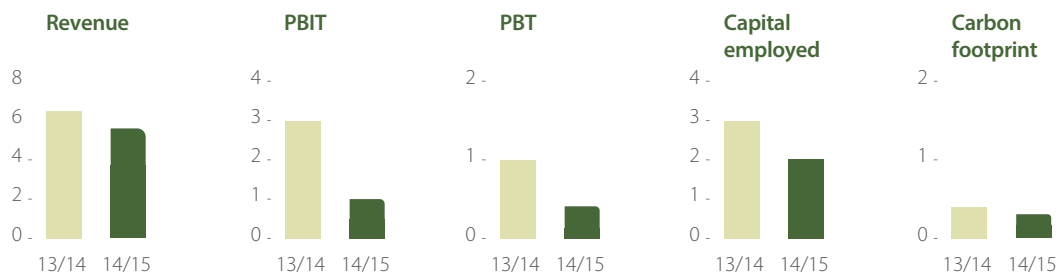
The Group will continue to pursue growth in new product segments and markets, with particular focus on expanding its range of export products and destinations. Addressing issues concerning food security through development of livelihoods whilst nurturing the environment is our key focus and our passion. Aqua-agriculture is a key growth area for the Group with cultivation of sea weed under the Northern Province project expected to double over the medium term. Collaborations with farmers and out-growers is expected to be further strengthened, as the Group's efforts towards introducing greener inputs and production technologies bear fruit. Overall, the Group will adopt a strategy of promoting sustainable agricultural practices through innovation, collaboration and value addition across its entire supply chain.

## Sector Reviews

## Consumer



### SECTOR CONTRIBUTION TO GROUP (%)



## Sector Reviews

### Consumer

The sector takes to the market a wide range of fast-moving consumer goods, lighting products, imaging solutions and healthcare products representing globally renowned brands including Proctor & Gamble, Phillips Lighting and Fujifilm. Through an extensive distribution network our products are made available in more than 90,000 outlets across the island and are reputed for superior quality and value for money.

The sector takes to the market a wide range of fast-moving consumer goods, lighting products, imaging solutions and healthcare products representing globally renowned brands including Proctor & Gamble, Phillips Lighting and Fujifilm.

#### Sector Operations

Cluster	Business Lines	Notes
<b>Home Products</b>	As the sole distributor for Proctor & Gamble, we take to the market a wide array of well-known home and personal care brands including Gillette, Olay, Pampers, Pantene and Head & Shoulders.	Contributes 50% to sector revenue and 51% to total sector GP.
<b>Lighting</b>	Consumer lighting solutions for domestic use, Professional lighting for commercial, industrial, outdoor lighting, and other projects.	Accounts for 28% of sector revenue 29% to total sector GP.
<b>Imaging</b>	Distributor for Fujifilm in Sri Lanka, we provide high quality photo film paper, chemicals, photo printing machinery and Fujifilm finepix cameras.	Accounts for 10% of sector revenue 9% to total sector GP.
<b>Healthcare</b>	Sole distributor for Blue Cross Pharmaceuticals in Sri Lanka marketing a range of therapeutic drugs and vitamins. The cluster is also the distributor for 3M first aid dressings, Bayer Glucometers and a range of other reputed Brands in Sri Lanka.	Accounts for 3% of sector revenue 4% to total sector GP.

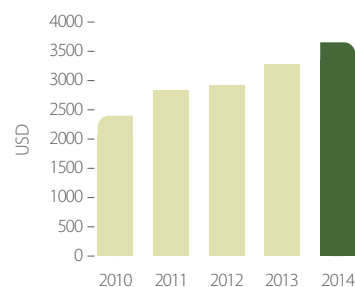
#### Industry Overview

Consumer spending is dependent on a multitude of factors including personal disposable incomes, inflation, borrowing costs and consumer sentiments. Sri Lanka's per capita GDP has continued to rise in line with the country's strong economic growth over the past few years, increasing by 11% in 2014 to reach USD 3,625. As disposable incomes grow, expenditure patterns change and consumers are likely to shift towards more lifestyle driven expenditure from basic expenditure such as food and transport. For instance, according to the Household Income and Expenditure Survey 2013 conducted by the Department of Census and Statistics of Sri Lanka, the average expenditure on Health and Personal care has increased to 8.5% of total non-food expenditure in 2013, compared to 7.9% in 2010.

Sri Lanka's FMCG sector, led by personal care products, is poised to record strong growth in the short to medium term supported by relatively benign inflation and substantial increases in salary and allowances for government workers. Furthermore, the millennials (Generation Y) offer a great opportunity for increasing penetration of lifestyle products and services including personal and home care consumer goods.

During the first half of the year, the industry experienced a cash crunch resulting in a lengthening of the receivables cycle. In order to mitigate liquidity risks arising from intensive working capital requirements, we took steps to restrain growth in the sector thereby impacting top-line and earnings growth. Our distribution network consists of modern trade (supermarkets,

#### Per capita income





Key commercial projects undertaken by the Lighting sector include Street Lighting along the Galle Road (Colpetty to Wellawatte), Departure/Arrival terminal lighting at the Bandaranaike International.

## % of average monthly household expenditure in major non-food categories

	2013	2010
Housing	18.1	19.1
Fuel and lighting	6.8	7.1
Clothing, Textile & Foot wear	4.6	5.0
Health & Personal Care	8.5	7.9
Transport & Communication	16.7	17.0
Education	5.6	5.6
Cultural & Entertainment	2.0	2.2
Non-durable household goods	1.2	1.5
Durable household goods	3.9	4.3
Other non-consumer costs	29.8	26.6
Liquor, Narcotics and Tobacco	2.7	3.7

Source: Department of Census and Statistics

## Strategy and Performance

	2015	2014	%
Revenue (Rs.mn)	5,185	5,252	(1%)
PBIT (Rs.mn)	140	235	(40%)
PBT (Rs.mn)	32	80	(60%)
PAT (Rs.mn)	10	60	(83%)
Total Assets (Rs.mn)	2,508	2,457	2%
Total Debt (Rs.mn)	1,378	1,394	(1%)
Capital Employed (Rs.mn)	1,689	1,760	(4%)
Head Count	286	294	(3%)
Profit (Loss) per employee (Rs.mn)	0.04	0.21	(82%)
Carbon Footprint (tCO2e)	269	336	(20%)
ROCE	8.28%	13.33%	(38%)

mini markets etc) and open trade (through distributors); changes in VAT regulations affecting supermarkets has resulted in a decline in the gross margins, thereby affecting the sector's overall performance.

In Lighting, the sector provides a range of domestic and commercial lighting solutions. Key commercial projects undertaken by the sector include Street Lighting along the Galle Road (Colpetty to Wellawatte), Departure/Arrival terminal lighting at the Bandaranaike International. The imaging and healthcare sectors are still relatively small contributors to sector profits.

## Environmental Performance

The Environmental footprint of the Consumer sector is relatively low, as its operations are mainly of a trading nature. The only significant environmental impact arises from the Transportation of consumer goods; however we do not currently track this indicator. Meanwhile, Hayleys Lighting has pioneered and popularised the use of energy efficient LED lighting in the country. The latest range of Phillips LED's launched is 50% efficient than the CFL's and is an eco-friendly product which does not contain any mercury. The longevity of the product coupled with the efficiency is expected to transform the lighting industry in the near future. Given the superiority of the Brand, Hayleys is expected to achieve market leadership position.

## Social Performance

### Our Team

The Consumer sector's team comprises 286 employees, located across the country. Opportunities for career progression, skill development and attractive financial and non-financial remuneration have facilitated a conducive work environment. Training and development programmes for staff are targeted towards driving performance, personal development and achieving work-life balance. The sector invested Rs. 3.3 million in staff training during the year, with an average employee undergoing 14 hours of training.

## Sector Reviews

### Consumer

#### Sustainability Review

Stakeholder	Role in Value Creation	Results in 2014/15
<b>Investors</b>	Providers of financial capital	Earnings growth - (83%) Return on Equity (37.84%)
<b>Employees</b>	Facilitate value creation through their efforts	Total Payments to Employees - Rs. 313 million Investments in Training and Development - Rs. 3.3 million
<b>Dealers/ Distributors</b>	Distribute our products to end-consumers located island-wide	Total Sales - Rs. 5,135 million Financial assistance to dealers/distributors - Rs. 1,113 million
<b>Principals</b>	Manufacture and sell wide array of superior quality products under globally renowned brands	Payments to Principals - Rs. 2,511 million
<b>End-Customers</b>	Purchase and consume the array of products marketed	Total Sales (MRP equivalent) - Rs. 6,663 million
<b>Regulators</b>	Regulators ensure compliance with environmental, labour and other laws of the country.	Total taxes paid - Rs. 1,529 million

The material issues for the Consumer sector are;

#### ENVIRONMENT

- Products and Services
- Transport
- Energy

#### SOCIAL

- Training and Development
- Local Communities

#### Community Engagement

The sector also proactively engages with corporates and communities to raise awareness on the importance of energy conservation. During the year, Hayleys Lighting and Light Craft partnered with Unilever (Sri Lanka) to create awareness amongst employees on the importance of conserving energy and raising awareness on future trends in green energy. Furthermore, as part of its World Environment Day Celebrations, Hayleys Lighting distributed a booklet to leading corporates in Kandy featuring tips on how to conserve electricity and cut energy costs.

#### Way Forward

The outlook for the Consumer sector is encouraging, given the low inflationary environment and increasing trend in consumer spending on personal care and home products. Over the short-to medium term, focus will be placed on increasing product offerings and leveraging our existing distribution network to market a wider range of products. This is anticipated to allow more control over the value chain, thus enabling us to effectively manage working capital in line with our risk appetite. We hope to capitalise on the Group's strengths in agriculture and Agri manufacturing to build our own portfolio of high quality consumer products. Concurrently, we will continue to focus on expanding the lighting and imaging business lines, through increased customer touch points and a superior product range.

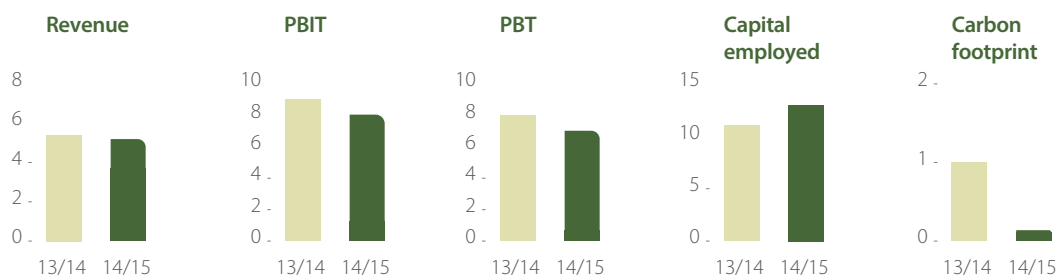


## Sector Reviews

### Leisure and Aviation



#### SECTOR CONTRIBUTION TO GROUP (%)



## Sector Reviews

### Leisure and Aviation

Hayleys PLC is a leading player in the country's leisure sector, owning and operating 4 and 5-star hotel rooms. The Group owns 7 resort properties through the Amaya Resorts and Spas chain of hotels and 1 city hotel, The Kingsbury. In aviation, the Group act as General Sales Agent (GSA) for several of the world's leading passenger and cargo airlines. Hayleys Travels is a leading outbound travel operator offering ticketing, holidays and related services. It also has a strong presence in Destination Management and represents several global tour operators.



#### Sector Operations

Cluster	Business Lines
<b>Hotels and Resorts</b>	<p>The Amaya Resorts and Spas chain consists of,</p> <ul style="list-style-type: none"> <li>● Amaya Lake Dambulla</li> <li>● Amaya Hills Kandy</li> <li>● Hunas Falls by Amaya</li> <li>● Langdale by Amaya</li> <li>● Bungalow by Amaya</li> <li>● Signature by Amaya</li> <li>● Amaya Beach Pasikuddah</li> </ul> <p>The Kingsbury is a 229-room, five star hotel in the capital, Colombo</p>
<b>Aviation</b>	<ul style="list-style-type: none"> <li>● The Group acts as a GSA for several leading global passenger and cargo airlines.</li> <li>● Hayleys Airport Services offers flight handling supervision, terminal services and cargo handling for several international airlines.</li> <li>● Hayleys Aviation Supply Services engages in supplying aviation handling material for cargo and ground handling operations</li> </ul>
<b>Travels and Tours</b>	<p>Handles multiple aspects of travel and destination management for outbound travel and inbound tours including air and ground transport, accommodation and excursions.</p>

Hayleys PLC is a leading player in the country's leisure sector, owning and operating close 4 and 5-star hotel rooms

## Industry Overview

The country's Hotels and Restaurants sub-sector has played an increasingly important role in economic growth over the past few years, contributing 1.2% to GDP growth in 2014. The sub-sector maintained its growth momentum during the year, expanding by 11.5% as tourist arrivals surged by 19.8% during the year to reach 1.53 million. Meanwhile, there has been a gradual shift in the source markets for the country's tourism sector, with arrivals from traditional markets of Western Europe declining as a percentage of total arrivals whilst East Asia and East Europe have increased its market share, led by China. Supported by the surge in arrivals, occupancy rates at graded hotel establishments increased to 74.3% during the year (2013: 71.7%) with total tourist guest nights increasing by 37.9% in 2014.

Although the country's hotel sector is well poised to benefit from the country's positioning as a top tourist destination, the growth of the sector is likely to be challenged by several constraining factors over the short to medium term. With the entrance of several new domestic and international players to the sector together with existing players expanding capacity, total room capacity increased by 1855 to reach 18,078 graded rooms in 2014. The increased supply of graded hotel rooms has led to severe price competition and margin erosion, particularly given the prevalent shift in spending patterns of tourists. Furthermore, the dearth of trained industry personnel to support the anticipated boom in tourism, may impact the growth prospects of the country's hotel sector.

**Tourist Arrivals into the country**



**Source Markets-Sri Lanka tourist arrivals**

Region	2013 (% share)	2014 (% share)
Europe	42.9	41.4
North America	5.2	4.8
East Asia	14.4	18.3
South Asia	25.6	24.3
Australasia	4.8	4.3
Others	7.2	6.9

Source: Sri Lanka Tourism Development Authority

The sector's revenue growth was 13% during the year under review, driven by strong top line growth of Hotels & Resorts, Travels and Destination Management companies whereas the Aviation cluster recorded mixed results. Sector profitability growth was slower at 2%, affected by losses stemming from Amaya Beach, Pasikudah, which was added to the Group's chain of hotels during the year. Sector asset growth of 17% also primarily reflects the acquisition of Amaya Beach during the year.

## Strategy and Performance

	2014/15	2013/14	%
Revenue (Rs.mn)	4,847	4,308	13%
PBIT (Rs.mn)	806	817	-1%
PBT (Rs.mn)	550	538	2%
PAT (Rs.mn)	472	472	0%
Total Assets (Rs.mn)	9,288	7,949	17%
Total Debt (Rs.mn)	4,059	2,675	52%
Capital Employed (Rs.mn)	9,854	7,475	32%
Head Count	1,412	1,610	(12%)
Profit (Loss) per employee (Rs.mn)	0.33	0.29	14%
Carbon Footprint (tCO2e)	5,513	3,809	45%
ROCE	8.2%	10.9%	(25%)



## Sector Reviews

### Leisure and Aviation



**Hotels and Resorts:** The Group has focused on a strategy of consistently expanding its room capacity and upgrading its properties to differentiate its offering. Over the years, all resorts within the cluster have been upgraded from 3-star category to 4, 5-star and boutique hotel categories. Three Group hotels (Signature by Amaya, Langdale by Amaya and Hunas by Amaya) have been classified as Small Luxury Hotels by Small Luxury Hotels of the World.

The Kingsbury turned in a strong year of performance, and was a significant contributor to cluster profitability. Hotels and Resorts saw a Revenue growth was 12% during the year, supported by good occupancy levels as tourist traffic into the country increased.

**Aviation:** Within Aviation, the Group acts as a GSA for several leading global passenger and cargo airlines. The cluster performance is directly linked to the performance of the Principal, which determines the number of flights/schedules, type of aircraft and overall strategic direction. Given the inherent volatility from this business, the Group sought to diversify its risk exposure through expanding its presence in the Aviation Supplies business which involves providing services and materials to airlines and airports. This business line is a key growth area for the cluster, and prospects appear promising.

**Travels and Tours:** The outbound travel business performed well during the year, with revenue growth of 27% outperforming the industry's growth of 5%. In inbound tours, the Group focused on capturing market share through aggressive promotional activities resulting in strong top line growth.

#### Environmental Performance

The sector's Environmental Policy framework is implemented uniformly across all its resorts. Material environmental aspects are measured and monitored on a consistent basis and action is taken to minimise the adverse impacts. Several of the Group's hotels have obtained HACCP certifications and several properties have been bestowed local and international recognition for eco-friendly operations. In 2014, Hunas by Amaya emerged Best Sustainable Hotel in Asia Pacific under the EU Switch Asia Greening Awards.

#### Sustainability Review

Stakeholder	Role in Value Creation
<b>Investors</b>	Providers of financial capital
<b>Employees</b>	Facilitate value creation through their efforts
<b>Customers</b>	We attract guests to our resorts through tour operators and online booking engines. In Aviation, value is generated through our B2B customers.
<b>Suppliers</b>	A range of local and international suppliers provide inputs for our hotel and resort operations
<b>Regulators</b>	Regulators ensure compliance with environmental, labour and other laws of the country. Sri Lanka Tourist Development Authority is responsible for promoting Sri Lanka as a tourist and travel destination.
<b>Community</b>	A range of ongoing livelihood development and community engagement projects are carried out

# The Quality of Life



of chemicals and artificial materials in the water purification process.

**Waste and Effluents:** Solid waste discharged from the hotel operations are separated into plastics, paper and wet garbage. Plastic and paper wastage are sent to third party recyclers approved by the Central Environment Authority whereas the wet garbage is sent to poultry production and piggeries.

**Emissions:** The sector's carbon footprint increased by 44.7% to tCO<sub>2</sub>e to 5,513 during the year. Purchased electricity and stationary combustion are the leading sources of emissions in the sector.

## Social Performance

We are committed to maintaining the highest standard of quality and care at our hotels and the multiple awards and certifications obtained by our portfolio is a testament to this standard of care. All our hotels have obtained HACCP Food Safety Management certification and during the year, the Kingsbury hotel was awarded the Best Hotel with an A+ grade at the City Food Safety High Achievers Awards Ceremony.

## Our People

The leisure and aviation sector employs a total of 1,412 workers. Approximately 40% of the resort workforce is hired from the local communities and are trained in multiple aspects related to hotel management. During the year, sector employees underwent 1,087 hours of training. We have focused on developing multi-skilled employees through focused training. Attractive remuneration, opportunities for development, a conducive work environment and emphasis on health and wellness are characteristic of the sector's employee value proposition. Comprehensive health and safety guidelines are in place in all resorts and the sector has an impressive record with zero injuries recorded during the year.

The material issues for the Leisure and Aviation sector are;

## ENVIRONMENT

- Energy
- Water Management
- Waste and Effluents
- Bio-diversity
- Emissions

**Energy:** Energy efficient lighting and cooling systems have been implemented in all hotels, and awareness programmes on energy management are conducted for staff on a continuous basis. Electricity usage is tracked and monitored on a consistent basis, in order to identify areas for potential savings through proactive measures. Hunas by Amaya engages in the generation of hydro power to fulfil its energy requirements, thereby reducing the dependence on fossil fuels and electricity generated thereof is used to power the garden.

## SOCIAL

- Training and Education
- Occupational Health and Safety
- Customer Health and Safety
- Local Communities

The hotel is also in the process of replacing its existing lighting systems with energy efficient solutions, and currently close to 60% of its lighting requirements is fulfilled through LED lights.

**Water:** Waste water management is an important element in the sector's environmental policy. In all our resorts waste water is recycled and used for gardening and organic farming. Amaya Lake has also deployed a fully eco-friendly water sewage plant, minimising the use

## Sector Reviews

### Leisure and Aviation



The Aviation cluster employs a total workforce of 136. A high priority is being placed on gender equality in employment and a strong drive which took place during the year towards this objective has resulted in approximately 34% of the Executive cadre being female.

#### Community Engagement

In addition to generating direct employment opportunities in the local communities, we also support indirect employment through purchasing local produce for consumption within the hotels, thereby stimulating economic activity in the area. The resorts also engage in multiple community engagement projects throughout the year; Amaya Lake provided donations to construct a library at a historical temple and renovation of a neighbouring

road during the year. Hunas by Amaya has implemented a Foundation for Children which provides the annual requirement of stationary for neighbouring children from low-income families. The hotel is also used as a model for operations and a familiarization facility for the Supply and Secretariat School of the Sri Lanka Naval and Maritime Academy of the Sri Lanka Navy. Each year two batches visit the hotel on familiarization and education tours where they are educated on the hotel operations.

During the year under review, Hunas also launched a program to encourage guests and villagers to engage in environmental conservation through a tree planting initiative in bare land belonging to the hotel.

#### Way Forward

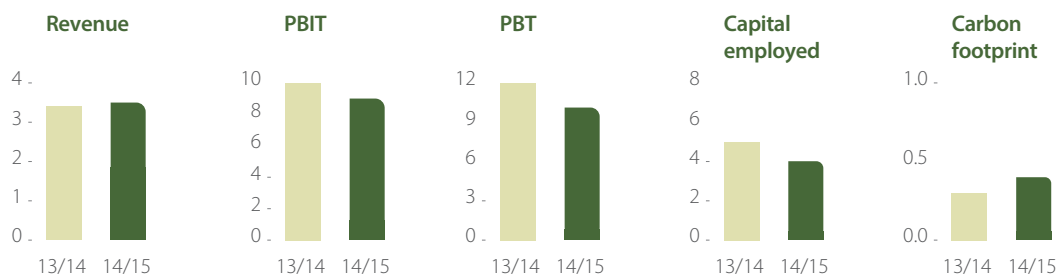
The short to medium term outlook for the country's tourism sector is encouraging, and the Group's focus on expanding capacity and upgrading its properties over the last few years has allowed it to position itself as one of the country's leading leisure sector operators. The next financial year will see the addition of an eco-lodge to our portfolio and also capacity expansion in the city hotel through combining an apartment complex as an option for long-stay guests. Sustainability considerations will continue to be of focal importance and we have already embarked on obtaining the Green Globe Certification for several of our resorts. Over the longer term, we are well positioned to further expand room capacity given our land bank of close to 30 acres in coastal areas of the country. The Aviation sector is expected to have much potential for growth with further deregulation of the country's Aviation industry. This will encourage new airlines to enter the market and provide opportunities for current online airlines to enhance frequency and capacity. The travel business is also expected to grow taking into account the easing of visa restrictions to western countries as well as visa-on-arrival facility granted by India.

## Power and Energy



**HAYLEYS**  
Industrial  
solutions

### SECTOR CONTRIBUTION TO GROUP (%)



## Sector Reviews

### Power and Energy

The Group supplies close to 2% of the country's total renewable energy supply, with an installed capacity of 35MW generated through hydro and wind power plants. The sector also engages in the supply of industrial raw materials, medical equipment, building management solutions and chemicals and dye for the textile industry among others.

The Group supplies close to 2% of the country's total renewable energy supply, with an installed capacity of 35 MW generated through various joint ventures in hydro and wind power plants.

#### Sector Operations

Cluster	Business Lines	Notes
<b>Renewable Power Generation</b>	Provides 5 MW of hydro power and 30MW of wind power to the national grid.	Contributes approximately 30% and 82% to sector revenue and profit respectively.
<b>Industrial Raw materials</b>	The cluster caters to Food & Beverage, Plastic & Resins, Paint and rubber chemicals, cosmetic and detergents, and construction chemicals industries.	Accounts for 15% of sector revenue and 7% of sector profit.
<b>Building Management Solutions</b>	Diesel power generating units, fire prevention and detection systems, electronic telecommunication projects, air conditioning, industrial pumps, energy solutions and material handling equipment.	Accounts for 29% of sector revenue and 8% of sector profit.
<b>Colour Solutions</b>	Provision of colour solutions, primarily for the textile industry and also markets to no-textile colours & auxiliaries.	Accounts for 9% of sector revenue and 1% of sector profit.
<b>Lifesciences</b>	Medical imaging and related products and services, scanning and analytical equipment and consumables for analytical and scientific testing.	Accounts for 15% of sector revenue and 4% of sector profit.

#### Industry Overview

Sri Lanka's energy requirements are still fulfilled predominantly through hydro and thermal sources, supported by non-conventional renewable energy (NCRE) sources which have continued to account for an increased share of power generation in recent years. The primary sources of NCRE are small hydro power plants (capacity less than 10 MW), wind, solar and biomass plants. In 2014, the drought conditions that prevailed in several catchment areas resulted in a contraction in hydro power generation by 39.4% during the year whereas

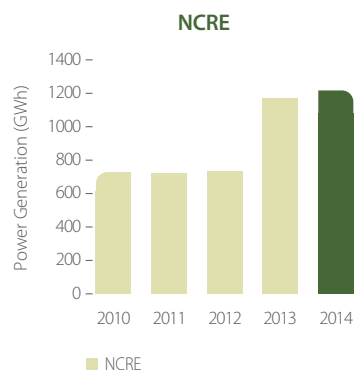
generation through fuel oil and coal (thermal sources) increased by 32.1% and 118% respectively

The Sri Lanka Sustainable Energy Authority (SLSEA) continues to actively promote the adoption and sustainable use of all forms of renewable energy in the country and envisages that 20% of the country's power requirements will be sourced by NCREs by 2016. Sri Lanka's geo-climatic conditions are conducive for increased power generation of renewable energy; for instance, the SLSEA estimates that

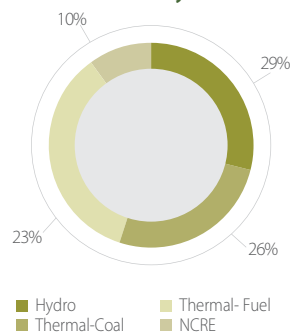
windy land represents close to 6% of Sri Lanka's total land area, providing good-to-excellent wind resource potential.

**Power:** The cluster recorded a significant top-line during the period upheld by contributions stemming from the renewable energy sources. During the year, the Group invested Rs. 525 mn in two new wind power projects with a collective capacity of 20MW in Palai, Elephant Pass. These plants will have a full year of operations in FY 2015-16.





**Power Generation by source - 2014**



*The Industrial Raw Materials division is the largest importer of gelatine in Sri Lanka*

**Industrial Raw Materials:** The cluster's revenue grew by 14% driven by increased sales to F&B and Rubber chemicals industry. We focused on a strategy of expanding market share by widening our product offerings and strengthening existing partnerships with multinationals and large local conglomerates. Profitability during the year was also supported by converting small indent businesses to ex-stock business which commands wider profitability margins.

**Building Management Solutions:** The cluster recorded a top-line growth of around 10% during the year, as expansion in the branch networks of corporates, particularly in the North and Eastern provinces necessitated the installation of fire protectors, generators and air conditioners. Furthermore, there was increased demand for security systems and entertainment solutions in line with capacity expansions and upgrades in the hotel sector. During the year, we also launched the Grundfos industrial pumps and transport and material handling business lines.

**Hayleys Lifesciences:** Focused expansion in the medical & analytics segment and the re-launch of ultra sound scanning resulted in a top line growth of 30% during the year. Profit growth was also supported by improved debt collection. We further expanded our product portfolio during the year with the introduction of water chemicals for laboratories and scientific testing equipment for research institutes.

## Strategy and Performance

	2014/15	2013/14	%
Revenue (Rs.mn)	3,246	3,002	8%
PBIT (Rs.mn)	916	898	2%
PBT (Rs.mn)	824	769	7%
PAT (Rs.mn)	793	681	16%
Total Assets (Rs.mn)	4,837	4,611	5%
Total Debt (Rs.mn)	936	986	(5%)
Capital Employed (Rs.mn)	3,464	3,361	3%
Head Count	262	228	15%
Profit (Loss) per employee (Rs.mn)	3.03	2.99	1%
Carbon Footprint (tCO2e)	305	220	39%
ROCE	26%	27%	(4%)

## Sector Reviews

### Power and Energy

**Colour Solutions:** Cluster revenue growth was 15% during the year, upheld mainly by growth in the local printing operations together with the revival of exports to Bangladesh, a market which adversely impacted by political instability in 2013/14. We added an environmentally friendly eco-colour range to the portfolio and also ventured into reactive dyes with an Indian partner. Over the longer- term the cluster envisions providing total colour solutions across

all industry segments, venturing beyond the traditional textile colour solutions.

#### Environmental Performance

Continuous use of fossil fuels in generating power result in the emission of greenhouse gases causing severe climatic changes and affecting the planet's ecological balance. Persistently increasing energy demands and depleting natural resources have pushed

industries to search for non-conventional, greener energy alternatives. Having recognised the importance of renewable energy in bridging this gap, Hayleys PLC has increased its focus on this sector over the last few years and has continued to increase generation capacity through investments in small hydro and wind power plants. The Group's annual renewable power generation of 50GW is estimated to result in reduction of carbon emissions, given the alternative equivalent generation of thermal power.

#### Sustainability Review

Stakeholder	Role in Value Creation	Results in 2014/15
<b>Investors</b>	Providers of financial capital	Earnings growth - 16% Return on Equity - 29%
<b>Employees</b>	Facilitate value creation through their efforts	Total Payments to Employees - Rs. 247 million Investments in Training and Development - Rs. 8 million
<b>Customers</b>	The Ceylon Electricity Board makes payments based on existing tariff rates for the renewable energy generated. Industrial raw materials and other sector services are primarily targeted towards B2B customers.	Total payments from CEB - Rs. 988 million Total other sales- Rs. 2,257 million
<b>Business partners</b>	Renewable energy partners engage in the construction and operation of the power plants.	Mawanana 4.3MW plant construction commenced
<b>Suppliers/ Principals</b>	A range of local and international suppliers provide superior quality products for sale	Payments to Suppliers - Rs. 1,258 million
<b>Regulators</b>	Regulators ensure compliance with environmental, labour and other laws of the country.	Total taxes paid - Rs. 127 million

The material issues for the Power & Energy sector are;

#### ENVIRONMENT

- Energy
- Products and Services
- Water Management
- Waste and Effluents
- Emissions

#### SOCIAL

- Training and Education
- Occupational Health and Safety
- Local Communities

**Emissions:** The sector's total GHG emissions increased 38.6% to tCO<sub>2</sub>e 305.0 during the year, whereas emission intensity also increased to 0.09 from 0.03 the previous year. Purchased Electricity and Other Sources (under Scope 3) are the lead sources of emissions for the Power and Energy sector.

Renewable energy will be a key growth area for the Group and we will continue to invest in increasing our generation capacity.

## Way Forward

Renewable energy will be a key growth area for the Group and we will continue to invest in increasing our generation capacity. A 4.3 MW hydro power plant is under construction in Mawanana in Galle and is expected to be commissioned in 2016. In the other clusters, the Group will seek to broaden its product and service offerings and pursue growth in new markets to retain and increase its market share.



## Social Performance

### Our People

The sector's total workforce consists of 275 employees, with an average age of less than 34 years. We have emphasized the importance of developing skills and providing opportunities for career progression and during the year our staff underwent 876 hours of local training, translating to an average of 4.0 hours per employee. Staff turnover levels were at an average level of 6.9% during the year. We continued to maintain a good health and safety record during the year, with total injuries at the workplace being zero.

## Community Engagement

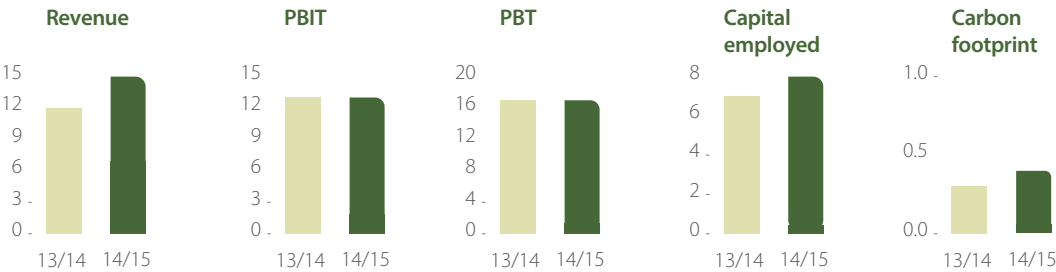
As part of our commitment to support the Hayleys Group initiative on improving the lives of the Chronic Kidney Disease (CKD) affected communities in the North Central Province of the country, the Power & Energy sector sponsored a Reverse Osmosis plant for the people of the Phimbiyagollewa. The total investment for this was Rs. 3.5 million. CKD is estimated to have affected around 400,000 individuals so far. Through this RO plant, over 10,000 litres of purified water will be provided to the community and will benefit over 300 families.

Sector Reviews

Transportation and Logistics



SECTOR CONTRIBUTION TO GROUP (%)



The Hayleys Advantis Group of Companies (Advantis) is the largest player in Sri Lanka's transportation and logistics industry, offering a vast gamut of services from packing personal effects, providing logistics support services for national infrastructure projects and the global movement of cargo. The Group currently handles approximately 14% of total annual container throughput of the Colombo Port. It is the country's largest freight forwarding and shipping agency house and is also the market leader in providing third-party logistics solutions in the country. Advantis offers the widest coverage of comprehensive and integrated end-to-end logistics solutions.

The Hayleys Advantis Group of Companies (Advantis) is the largest player in Sri Lanka's transportation and logistics industry, offering a vast gamut of services from packing personal effects, providing logistics support services for national infrastructure projects and the global movement of cargo.

## Sector Operations

Cluster	Key Business Lines	Notes
<b>International Freight Management</b>	Shipping Freight Forwarding Air Express Transportation	<ul style="list-style-type: none"> <li>The Transportation and Logistics sector's largest business line. Represents some of the world's leading shipping lines and freight forwarders and the world's largest air express transportation company.</li> </ul>
<b>Integrated Logistics</b>	Third Party logistics Free Zone logistics Energy logistics	<ul style="list-style-type: none"> <li>Cluster companies offer integrated end-to-end logistics services</li> <li>Market leaders in their respective competitive space.</li> </ul>
<b>Marine Services</b>	Chartering Ship Owning and Operating Marine Support	<ul style="list-style-type: none"> <li>The fastest growing sector in the Group.</li> <li>A regional leader in marine services, with strong linkages which facilitate marine operations, bunkering and offshore support.</li> </ul>
<b>Terminals and Engineering</b>	Inland Container Depot Operations Logistics Engineering Logistics Products Project Logistics	<ul style="list-style-type: none"> <li>Offers a diverse array of innovative solutions ranging from inland container depot operations to conversion of containers for multiple purposes.</li> <li>The project logistics division offers door-to-door project logistics solutions for heavy lifts, oversized and specialized cargo.</li> </ul>
<b>International Operations</b>	Operations in India, Maldives and Myanmar.	<ul style="list-style-type: none"> <li>The newest cluster within the Transportation and Logistics sector. An amalgamation of the vast service offering of Advantis at various international locations.</li> </ul>



## Sector Reviews

### Transportation and Logistics

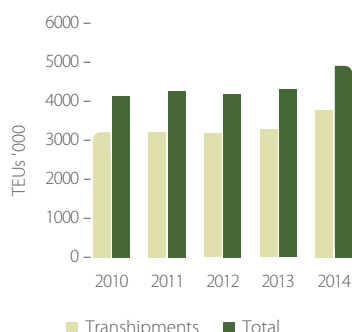
#### Industry Overview

Sri Lanka's port activities strengthened in 2014, driven by the gradual recovery of foreign trade and continued improvement in infrastructure. Growth of total container throughput at the Colombo Port was up by 14% by the end of December 2014, reaching 4.9 Million TEUs whilst transshipment volumes also recorded a strong growth of 15.5% during the same period. Meanwhile, port sector development continued during the year, with the Sri Lanka Ports Authority (SLPA) implementing several

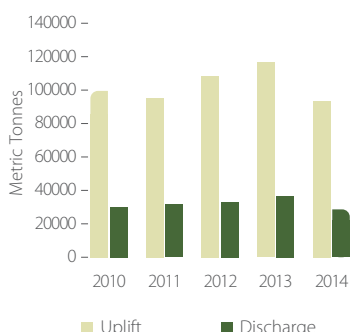
efficiency and productivity enhancing initiatives. The recently commissioned deep water terminal, Colombo International Container Terminal (CICT), stimulated transshipment and relay volumes and is expected to be a catalyst in positioning the Port of Colombo as a regional maritime hub. In line with the Master Plan of the Colombo Port Expansion project, construction of the East Container Terminal is expected to be completed shortly, catering to a new generation of deep draft vessels and increased container handling capacity.

Transportation sector revenue growth was 19% during the year, upheld by strong performance in the Shipping Agency and Ship-owning and operating businesses. Sector PBT expanded by 19% during the same period to reach Rs. 1.33 billion. Overall, the performance of the sector was driven by increased activity in the country's port sector, as well as the Group's proactive approach towards seeking growth in new markets and customer acquisition. On the other hand, competitive pressures continued to intensify in several of the Group's key business lines leading to increased margin compression.

Industry Performance Ports



Air Freight



#### International Freight Management

Cluster growth during the year was led by the Group's shipping services which performed well against a backdrop of increased domestic and transshipment volumes at the Colombo Port. The Freight forwarding business, however, was affected by a decline in project cargo volumes and pressure on margins arising through increased competition, although the Group continued to maintain its dominant market position. The Air Express Transportation arm achieved higher volumes, although performance was relatively unchanged over the previous year, due to pressure on margins.

#### Integrated Logistics

The Integrated Logistics cluster recorded mixed results during the year. The Group continued to sustain its leadership position in Third Party Logistics (3PL) in a challenging environment which saw margin compression. Focus was placed on streamlining and re-engineering key processes to drive efficiencies and improve customer service. In free-zone logistics, the Group set up a specialised facility in the Katunayake Free Zone, enabling local and foreign companies to conduct international trade, without attracting local taxes, duties and other levies. Leveraging on its expertise in 3PL, the new facility offers state-of-the-art warehousing services and value addition capabilities. Meanwhile, performance of the energy logistics arm was below expectations as oil and gas exploration activities in the Mannar Basin slowed during the year.

#### Strategy and Performance

	2014/15	2013/14	%
Revenue (Rs.mn)	14,181	11,936	19%
PBIT (Rs.mn)	1,347	1,137	18%
PBT (Rs.mn)	1,335	1,118	19%
PAT (Rs.mn)	990	823	20%
Total Assets (Rs.mn)	8,844	6,595	34%
Total Debt (Rs.mn)	1,848	1,224	51%
Capital Employed (Rs.mn)	6,132	4,595	33%
Head Count	2,563	2,697	(5%)
Profit (Loss) per employee (Rs.mn)	0.39	0.31	27%
Carbon Footprint (tCO2e)	8,106	8,332	(3%)
ROCE	22.0%	24.8%	(11%)

## Marine Services

Cluster growth was bolstered during the year by the satisfactory performance of the Ship Owning and Operating arm. On the other hand, the Marine Support arm performed below expectations as oil and gas exploration activities did not materialise as expected and steep decline in bunker oil prices impacted overall performance.

## Terminals and Engineering

The Container Depot Operations recorded significant volume growth in line with capacity expansions and the overall expansion in shipping sector activities. The Project Logistics division benefited from its diverse portfolio, with increased infrastructure project contracts increasing revenue. Logistics Engineering, which consists of converting ocean-going containers to temporary accommodation units, recorded another exciting year, expanding its reach to new market segments and remains a key growth area for the Group.

## International Operations

Set up during the year under review, the International Operations cluster comprises of the Group's operations in regional markets, currently India, Maldives and Myanmar. Aiming



to replicate its domestic success overseas, the Group acquired a significant stake in Maldives' largest logistics provider and deepened existing agent relationships. The Group aims to strengthen capabilities in this operation further, in order to provide integrated, end-to-end logistics services. The Group further expanded

its regional presence through a joint-venture operation in Myanmar. The unit which currently offers 3PL solutions aims to expand further to capitalise on potential growth opportunities in the country. The Group also has a strong presence in 3PL in South India, and will seek to further expand this operation.

## Sustainability Review

Stakeholder	Role	Results in 2014/15
<b>Investors</b>	Providers of financial capital	Earnings growth - 20% Return on Equity - 23%
<b>Employees</b>	Facilitate value creation through their efforts	Total training hours - 4,900 Improvement in staff satisfaction - 75% Employee Retention - 84.57%
<b>Customers</b>	Our customers are primarily B2B and originate from multiple regions, giving the Group a truly global presence	Total Sales- Rs. 14,135 million Average Customer Satisfaction Rate - 87%
<b>Global partners/ principals</b>	We represent some of the world's leading shipping lines, freight forwarders and the world's largest air express transportation company in Sri Lanka.	Average length of Relationships - over 20 years

## Sector Reviews

### Transportation and Logistics

#### Sustainability Review

Stakeholder	Role	Results in 2014/15
<b>Government and Industry Associations/Councils</b>	We maintain a co-operative relationship with the government and industry bodies and have a strong voice in lobbying for positive change within the industry.	No. of Councils with company representation - 52 No. of memberships - 99
<b>Suppliers</b>	Majority of our procurement is done locally, excluding the industrial machinery and equipment which is imported.	Growth in supplier base - 57%
<b>Community</b>	<ul style="list-style-type: none"> <li>The communities around our industrial facilities</li> <li>The rural communities which indirectly benefit from our investments in national infrastructure projects</li> </ul>	

The material issues for the Transportation and Logistics sector are;

ENVIRONMENT	SOCIAL
<ul style="list-style-type: none"> <li>Environmental</li> <li>Emissions</li> <li>Energy</li> <li>Effluents and Waste</li> </ul>	<ul style="list-style-type: none"> <li>Training and Development</li> <li>Diversity and Equal Opportunity</li> <li>Health and Safety</li> <li>Products and Services</li> <li>Local Communities</li> </ul>

#### Environmental Performance

##### Emissions

Concerted efforts have been implemented to reduce the carbon footprint across the Advantis Group of Companies. The Sector takes all efforts to utilise battery operated machinery in its warehouses and facilities, which leads to lower energy consumption and zero emissions. Within the Air Express Transportation business, we have emulated the practices of the Parent Company by implementing the carbon neutral envelope shipping program, which tracks the CO2 emitted through the shipment and also introduced the first ever electric delivery van as part of its green initiative to gradually convert to vehicles powered by renewable energy. These efforts, collectively led to a 2.8% reduction in the sector's carbon footprint during the year under review. Mobile combustion is the leading source of emission generation in the sector.



## Energy Consumption

The electricity consumption across the group was 2,362,553.13 Kwh which is an increase of 12% from the previous year in line with the increased operational activity.

Fuel consumption across the group is as follows;

Petrol	Ltrs	95,402
Diesel	Ltrs	472,857
IFO	MT	680.18
MGO	MT	595.88

## Waste Management

The Group's primary waste materials consist of metal, e-waste and paper. E-waste is collected and disposed through a third-party approved by the Central Environment Authority whilst waste metal is accumulated and disposed through metal collectors. Furthermore, Group-wide initiatives are in place to encourage the re-use of paper to minimise wastage.

## Social Performance

### Our Team

The Advantis Team of 2,563 employees is the driving force behind the Group's success and has enabled us to differentiate ourselves in an increasingly competitive landscape. The team includes 230 employees who were added during 2014/15, of which 108 were to fill new positions created during the year. Talent retention levels were healthy at approximately 85%. The Advantis Spirit which was introduced in 2013/14 has inspired our team to inculcate the Group's corporate values of Honour and Integrity, Openness and Trust, Humility, Socially Responsible Behaviour and Going Beyond.

### Engagement

The Group has a high level of employee engagement, facilitated through multiple formal and informal mechanisms. The Employee Opinion Survey is conducted bi annually and provides an effective platform for all employees to voice concerns and provide feedback. The last survey revealed an improvement in employee satisfaction rate by 7.5% compared to the previous survey. Meanwhile, sporting, cultural

The Advantis Group is aptly positioned to capitalise on the potential expansion in the country's port and shipping sector, resultant from the government thrust towards stimulating exports and the port expansion plans which will attract increased traffic to the Colombo Port.

and other activities are organised throughout the year, providing an opportunity for employees to build relationships and encourage interaction.

### Health and Safety

The Group's Health and Safety policy framework sets out the guidelines and processes in place to minimise potential health and safety risks to its workforce and communities in which it operates. The EHS Committee is represented by all SBUs/SSUs and plays a proactive role in nurturing a health and safety awareness culture. The Committee convenes monthly to share knowledge and learning experiences, assess health and safety training needs and review past programmes among others. Health and Safety awareness is promoted using multiple tools such as Injury Statistics Boards, Accident Reporting, Tool Box Talk and Safety Behavioural Observation.

### Learning and Development

Meanwhile, we have continued to invest in equipping our people with the required training for both career and personal development. During the year under review, we focused on strengthening our Middle Management team, as we strive towards empowering leadership teams. The first workshop of the series- 'Giftwork' was conducted by the Great Place to Work® Institute, during the year in review. Total training hours for the year was approximately 4900 hours.

### Way Forward

The Advantis Group is aptly positioned to capitalise on the potential expansion in the country's port and shipping sector, resultant from the government thrust towards stimulating exports and the port expansion plans which will attract increased traffic to the Colombo Port. The Group sees tremendous growth potential in the free-zone logistics business and construction of the 2nd phase of the specialised warehouse in Katunayake is already underway. Reinventing the Group's success in regional markets will be a key priority over the medium term and the Group will continue to proactively seek opportunities for growth outside Sri Lanka. Whilst increasing competitive pressures will continue to hamper profitability margins, the Group will focus on further enhancing customer service and continuously innovating and refining its service offering to retain its competitive edge.

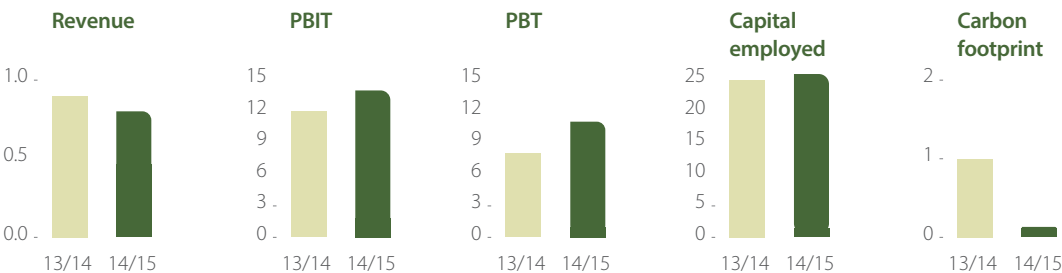


Sector Reviews

Investment and Services



SECTOR CONTRIBUTION TO GROUP (%)





The sector includes the Group investment companies and Hayleys Business Solutions International (Pvt) Ltd which specialises in providing a range of Business Process Outsourcing (BPO) solutions to domestic

and overseas corporates and Shared Services Operations (SSO) catering to the Group's diverse industry sectors. State-of-the-art technology solutions and strong capabilities in Finance and Accounting and BPO services as well as

Software Engineering Services that has enabled us to add substantial value to our clients through facilitating leaner and more efficient business models.

## Sector Operations

Cluster	Business Lines
Shared Services Operations (SSO)	Finance and Accounting service and payroll processing for the Group's business sectors.
Business Process Outsourcing Operations (BPO)	Provide Finance and Accounting services, Payroll Processing Services, Information Technology Operational services, and Consultancy Services to onshore and offshore clients.

Global companies have increasingly pursued off-shoring of key business processes, driven by estimated cost savings of up to 50%, flexible cost structures, increased efficiency and higher service levels offered by BPO's...

The sector acquired a controlling stake of Alufab PLC at an investment of LKR 174 million during the period under review. Alufab PLC is engaged in the fabrication and installation of aluminium framed glazed architectural systems.

### Industry Overview

Global companies have increasingly pursued off-shoring of key business processes, driven by estimated cost savings of up to 50%, flexible cost structures, increased efficiency and higher service levels offered by BPO's together with increased ability to focus on core competencies. Industry experts anticipate that the global BPO industry will grow at a compound annual growth rate of around 5.7% over the short to medium term, with growth stemming primarily from the Asia Pacific region. For Sri Lanka, the BPO/KPO industry is anticipated to increasingly contribute towards economic growth and is a key priority in the

country's development agenda. The country's high literacy rate, educated and English speaking workforce, talent pool for specific skills such as finance and IT, investor friendly policies, conducive business environment and infrastructure renders it an attractive location for offshore services. In 2014, Sri Lanka ranked 16th in the Global Services Location Index (GSLI) which assesses the best destinations in providing off-shoring services. Sri Lanka has also received the "Outsourcing Destination of the Year" award from the National Outsourcing Association (NOA), UK for two consecutive years (2013 and 2014). Sri Lanka's revenue from ICT exports grew by 4.3% to reach USD 748 million in 2014 and sector growth has been over 100% over the past five years. Sector employment has increased from 33,700 in 2007 to an estimated 75,100 in 2013 and number of companies in the sector has increased from 170 in 2007 to over 220 in 2013. The industry is expected to

generate an export income topping USD 1.0 billion in 2015. Over the longer-term, the vision is to generate USD 5 billion revenue, create 200,000 direct jobs and 1,000 start-ups by 2022.

The sector's revenue growth was 4% during the year, supported by the expansion in both the BPO and SSO clusters. Profitability remained relatively unchanged, with post tax profit of Rs. 5.03 million during the year. Our BPO sector caters primarily to the SME sector in the Australian market and we operate this business through HBSI (Hayleys Business Solutions International) a BOI Company. International marketing is carried out through "Haydea" brand. Revenue growth from this line of business was 10% during the year. Enhancing productivity was a strategic priority during the year, with the objective of enhancing accuracy, timeliness and overall customer experience of our internal and external clientele. We also focused on further streamlining our business processes through the use of technology and productivity improvements, which resulted in improving efficiency levels.

The operational activity of SSO grew during the year, with cluster revenue expanding by 16%. Emphasis was placed on generating new business in the Consultancy arm, which offers a broad array of services ranging from Shared Service Creation to Business Transformation.

## Sector Reviews

### Investment and Services

#### Strategy and Performance

	2014/15	2013/14	%
Revenue (Rs.mn)	758	781	(3%)
PBIT (Rs.mn)	1,394	1,078	29%
PBT (Rs.mn)	851	541	57%
PAT (Rs.mn)	838	499	68%
Total Assets (Rs.mn)	20,229	17,712	14%
Total Debt (Rs.mn)	6,981	6,601	6%
Capital Employed (Rs.mn)	20,687	16,774	23%
Head Count	257	236	9%
Profit (Loss) per employee (Rs.mn)	3	2	54%
Carbon Footprint (tCO2e)	2,039	1,624	(26%)
ROCE	6.7%	6.4%	(5%)

\*Hayleys PLC centre revenue and dividend income is classified under this sector

During the year, we successfully facilitated the implementation of a shared services operation for leading corporates.

#### Environmental Performance

The environmental footprint of the sector's operations is relatively low, with materials, waste and energy intensity being the key environmental impacts. In aligning ourselves with the Group's 3R approach towards materials, we strive to minimise the usage of paper which is our primary raw material. The BPO operation is entirely paper-free and the limited amount of paper utilised by the SSO operation is recycled by the Group. Suppliers who provide computer and printing hardware (toners, cartridges etc.) are screened to ensure compliance to environmental regulations and industry best practices. All e-waste is sent for recycling to a registered recycler. During the year, total paper

#### Sustainability Review

Stakeholder	Role in Value Creation
Investors	Providers of financial capital
Employees	Facilitate value creation through their specialized knowledge and efforts Productivity through multi-skilling and learning enabling them to handle larger volumes of work
Customers	Hayleys Group internal customers and onshore and offshore BPO customers obtain our range of services
Joint Venture Partner	Facilitates the sourcing of BPO contracts from Australia and New Zealand
Regulators and Industry Associations	Regulators ensure compliance with environmental, labour and other laws of the country. The Sri Lanka Association of Software and Service Companies (SLASSCOM), strive to create a conducive environment for the expansion of the IT and BPM industry and facilitates the creation of a progressive national policy framework.

The material issues for the Investment and Services sector are;

ENVIRONMENT	SOCIAL
<ul style="list-style-type: none"> <li>● Effluents and Waste</li> <li>● Energy</li> <li>● Emissions</li> <li>● Supplier Assessment</li> </ul>	<ul style="list-style-type: none"> <li>● Occupational Health and Safety</li> <li>● Training and Development</li> <li>● Local Communities</li> </ul>

Sri Lanka's IT/BPO industry is poised to record rapid expansion over the medium to long-term and the Group's capabilities, insights and expertise has allowed us to position ourselves to be a benefactor of this growth.

usage increased by 8% in line with the increased operational activity. Total e-waste generated amounted to 10 MT, reflecting an increase of 3% over the previous year.

**Energy:** The sector's total energy usage increased by 4% during the year. Several energy saving initiatives were launched during the year, including awareness campaigns for staff, learning forums on energy preservation.

#### Social Performance

Sector employee management is governed by a comprehensive HR policy framework and common code of ethics. Our HBSIL team comprises of 124 dynamic individuals with strong technical capabilities, who are at the core of our drive for excellence. During the year, we grew our team further by adding 19 new employees to our team. Exposure to diverse industries and global best practices ensure that our trainees are equipped with the skills and experience to progress along their chosen career paths. We are an accredited employer for providing professional training and continued professional development of several local

and international professional accounting qualifications, including ACCA, CIMA, CMA and CASL. All efforts are made to ensure healthy, safe working environment; all teams are represented in the sector's Health and Safety Committees which convene monthly. In ensuring a comfortable work environment we also stress the importance of ergonomics in work design, work floor management and working patterns. The facilities are equipped with break out areas, optimal lighting and safety equipment; employees are encouraged to adopt suitable postures and seating positions and are provided with opportunities to monitor their Body Mass Index. These efforts have enabled the sector to maintain a strong health and safety record with no loss of work times due to health and safety issues during the period. Opportunities for career growth, a high level of employee engagement and attractive remuneration has allowed us to maintain relatively low employee turnover rates for BPO industry of approximately 22%.

**Community Development:** In collaboration with The Foundation for Advancing Rural Opportunity in Sri Lanka (FARO), Information Communication Technology Agency of Sri Lanka (ICTA-SL), Uduville Girl's College and the Hayleys' Investment and Shared Services sector, we established the first BPO operation in the Northern Province. Operated under an own and manage model, fifteen youth from Uduville were given the opportunity to work as Trainee Associates in providing accounting and related services to our BPO segment.

#### Way Forward

Sri Lanka's IT/BPO industry is poised to record rapid expansion over the medium to long-term and the Group's capabilities, insights and expertise has allowed us to position ourselves to be a benefactor of this growth. Over the short to medium term, we will also focus on broadening the scope of our services, in both the BPO and SSO business segments and hope to introduce secretarial software as a service to our domestic and international clients. We are also pursuing innovation led growth through SAS (Statistical Analysis Systems) particularly for legal, secretarial and leisure industries. Operating in an industry which is challenged by high employee turnover, we will proactively seek to improve retention turnover through strategies aimed at motivating and developing our staff in a conducive work environment. Our Software Engineering business is expanding to cater to Sri Lankan and International corporate clients through cloud based systems. Currently, they already have more than 10 proven products ready to be customized, configured and implemented for new corporate clients.





# Setting Quality standards

At Hayleys we believe that good corporate governance is integral to the structures and processes that the Boards have put in place to inform, advise, manage and supervise the activities of the Group toward the achievement of its strategic objectives.



## The board of directors



**Mohan Pandithage** Chairman & Chief Executive

**Dhammika Perera** Co-Chairman

**Rizvi Zaheed**

**Nimal Perera** Non-Executive Director

**Sarath Ganegoda**

**Rajitha Kariyawasan**

## The Quality of Life



**Dr. Harsha Cabral PC** Independent Non-Executive Director  
**Dr. Mahesha Ranasoma**  
**Mangala Goonatilleke** Independent Non-Executive Director  
**Lalin Samarawickrama**  
**Ruwan Waidyaratne**  
**Hisham Jamaldeen** Independent Non-Executive Director

## The board of directors

### **Mohan Pandithage** **Chairman & Chief Executive**

Joined Hayleys Group in 1969. Appointed to the Board in 1998. Chairman and Chief Executive of Hayleys PLC since July 2009. Fellow of the Chartered Institute of Logistics & Transport (UK). Honorary Consul of United Mexican States (Mexico) to Sri Lanka. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Ship's Agents. Recipient of the Best Shipping Personality award by the Institute of Chartered Shipbrokers, Excellence Leadership Recognition - Institute of Chartered Accountants of Sri Lanka.

### **Dhammika Perera** **Co Chairman - Non Executive**

Appointed to the Board in 2008. Co-Chairman of Hayleys PLC since September 2014. He is quintessential business leader, with interests in a variety of key industries including Hydropower generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. He enriches the Board with over 25 years of experience in building formidable businesses through unmatched strategic foresight. He serves as the Chairman of Sampath Bank PLC, Vallibel One PLC, Vallibel Finance PLC, Vallibel Power Erathna PLC, Royal Ceramics Lanka PLC, The Fortress Resorts PLC, Delmege Limited and Sun Tan Beach Resorts Ltd. He also serves as the Executive Deputy Chairman of LB Finance PLC and Deputy Chairman of Horana Plantations PLC, and Lanka Tiles PLC. He also serves on the Boards of Amaya Leisure PLC, Lanka Ceramic PLC, Haycarb PLC, Hayleys MGT Knitting Mills PLC, The Kingsbury PLC and Dipped Products PLC.

### **Rizvi Zaheed**

Joined Hayleys in 1981. Appointed to the Group Management Committee in 2001. Appointed to the Board in August 2004. Holds a BA (Hons.) Degree from the University of Kelaniya and an MBA Degree from the University of Colombo. Member of the Agri Cluster of the National Council for Economic Development. Represents

Hayleys on the Board of Sri Lanka Institute of Nanotechnology (SLINTEC). Chairman of the National Agribusiness Council. Serves as Co-Chair of the National Biotechnology Council and is a Member of the University Grants Commission Standing Committee on Agriculture and Livestock and a Member of the Floriculture and Food & Beverage Advisory Committees of the Sri Lanka Export Development Board. Council Member of the Sri Lanka Council for Agricultural Policy Research (CARP). Member of the main committee of the Ceylon Chamber of Commerce and formerly Chairman of the Agriculture & Livestock Steering Committee and Vice-Chairman of the Imports Section, Ceylon Chamber of Commerce. Vice Chairman of CSR Sri Lanka. Has responsibility for the Agriculture sector.

### **Nimal Perera** **Non-Executive Director**

Appointed to the Board in July 2009. He is a renowned business magnate, stock trader and shareholder of many companies in the country. He serves on Boards of Pan Asia Banking Corporation PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Lanka Ceramics PLC, Horana Plantations PLC, Swisstek Ceylon PLC, N P Capital Limited and N Capital (Pvt) Ltd as the Chairman, Royal Ceramics Lanka PLC as the Managing Director, Vallibel One PLC as the Deputy Chairman, LB Finance PLC as an Executive Director, Vallibel Power Erathna PLC and The Fortress Resorts PLC as an Alternate Director. He also holds directorships in Kingsbury PLC, Haycarb PLC, Talawakelle Tea Estates PLC and Amaya Leisure PLC.

### **Sarath Ganegoda**

Rejoined Hayleys in March 2007. Appointed to the Group Management Committee in 2007. Appointed to the Board in September 2009. Fellow Member of Institute of Chartered Accountants of Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Worked for Hayleys and Diesel & Motor Engineering

PLC between 1987 and 2002, ultimately as an Executive Director of the latter. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and overseas. Has responsibility for the Strategic Business Development Unit and the Consumer Sector.

### **Rajitha Kariyawasan**

Joined Hayleys Group in January 2010. Appointed to the Group Management Committee in February 2010. Appointed to the Board in June 2010. Holds a B Sc Eng. (Electronics and Telecommunications) from the University of Moratuwa, Sri Lanka. Fellow Member 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. Has responsibility for the Purification Products sector.

### **Dr. Harsha Cabral, PC** **Independent Non-Executive Director**

Appointed to the Board in February 2011. He is a President's Counsel with twenty-seven years' experience in the field of Company Law, Intellectual Property Law, International Trade Law & Commercial Arbitration. Holds a Doctorate in Corporate Law from the University of Canberra, Australia. Member of the Law Commission of Sri Lanka, Advisory Commission on Company Law in Sri Lanka, Council of the University of Colombo, Council of Legal Education and Academic Board of Studies of the Institute of Chartered Accountants of Sri Lanka. He is one of the architects of the new Companies Act of Sri Lanka. He serves as the Chairman of the Tokyo Cement Group of Companies and serves as the Independent Non-Executive Director on the Boards of DIMO PLC, Alumex PLC, Union Bank PLC, Richard Pieris Distributors Ltd., Lanka Orix Finance PLC, Tokyo Super Cement Co. (Lanka) Ltd. & Fuji Cement Co. Commercial Leasing & Finance Ltd. Tokyo

Power (Lanka) Ltd. Hambana Petrochemicals Ltd, Browns Investments PLC, BRAC Finance PLC, Tokyo Eastern Power (Lanka) Ltd, Serves on several Audit Committees, Nomination Committees and Remuneration Committees, chairing some of them. Dr. Cabral is the author of several books on Corporate Law and Intellectual Property Law.

## **Dr. Mahesha Ranasoma**

Joined Dipped Products Limited in August, 2010 as an Executive Director and took over as Managing Director from April 2011. Appointed to Hayleys Group Management Committee in January 2011 and to the Board on 1st April, 2011. Former Country Chairman/Managing Director of Shell Gas Lanka Ltd. and Shell Terminal Lanka Ltd. Holds First Class Honours Degree in Engineering from the University of Peradeniya, a Doctorate from Cambridge University, UK and an MBA with Distinction from Wales University, UK. Director of Kelani Valley Plantations PLC, Talawakelle Tea Estates PLC, Mabroc Tea and Hayleys Global Beverages (Pvt) Ltd. Has overall responsibility for the Hand protection sector.

## **Mangala Goonatileke**

### **Independent Non-Executive Director**

Appointed to the Board in June 2011. He is a Finance professional with over 25 years of post-qualification experience. He has held senior managerial positions in leading Public, Multinational and Private Companies during his career. He is an Associate Member of the Institute of Chartered Management Accountants (U.K.), and a Chartered Global Management Accountant, passed finalist of Institute of Chartered Accountants of Sri Lanka and has a Post Graduate Diploma in Management from PIM of University of Sri Jayawardenepura. Currently serves as a Group Executive Director of DSL Group of Companies, independent Director of Colombo Land Development Company PLC, Pan Asia Bank, Royal Ceramic PLC.

## **Lalin Samarawickrama**

Appointed to the Board and the Group Management Committee in June 2011. He is an internationally qualified Hotelier having gained most of his Management experience in the UK, working for large international hotel chains over a long period of time. First Sri Lankan Manager to be appointed by the Beaufort International Chain of Hotels to run the first seaside boutique resort. Member of the Institute of Hospitality, UK (formerly HCIMA) and of the Royal Society of Health, London. Has several years of experience in the trade. He is the Managing Director of the Amaya Hotels Group, The Kingsbury PLC and Hunas Falls PLC. Director of The Fortress Resorts PLC, Royal Ceramics Lanka PLC and Kelani Valley Plantations PLC. Is responsible for the Hotels & Resorts in the Leisure & Aviation Sector.

## **Ruwan Waidyaratne**

Joined Hayleys Advantis Group in 1985. Appointed to the Hayleys Group Management Committee in February 2011. Was appointed as the Managing Director of Hayleys Advantis Group in April 2011 and appointed as an Executive Director of the Hayleys PLC Board in April 2013. He serves as the Vice Chairman of Ceylon Association of Ships' Agents. Former Chairman of the Sri Lanka Freight Forwarders' Association (SLFFA) and currently functions as a Member of the Advisory Council of the Association. Member of the Steering Committee on Ports, Shipping, Aviation and Logistics affiliated to the Ceylon Chamber of Commerce. Holds an MBA from the Edith Cowan University of Western Australia and has undergone executive development programmes with the National University of Singapore, Indian School of Business and INSEAD. Has overall responsibility for the Transportation Sector.

## **Hisham Jamaldeen**

### **Independent Non-Executive Director**

Appointed to the Board in February 2014. A Financial Professional with over 10 years of experience. Fellow of the Association of Certified Chartered Accountants, UK. Holds a degree in Engineering and Business from the University of Warwick, UK. Currently serves as a Director of Steradian Capital Investments (Pvt) Ltd responsible for Financing, Corporate Structures, Acquisitions and Development. Executive Director of the following Real Estate Development Companies focusing on the housing sector, Alexandra Holdings (Pvt) Ltd, Mulberry Holdings (Pvt) Ltd, Thudella Holdings (Pvt) Ltd, and Baseline Holdings (Pvt) Ltd. Also a Director of Almond Trees (Pvt) Limited.

## Group management committee



**Mohan Pandithage**

Please refer profile in Board of Directors

**Rizvi Zaheed**

Please refer profile in Board of Directors

**Sarath Ganegoda**

Please refer profile in Board of Directors

**Rajitha Kariyawasan**

Please refer profile in Board of Directors

**Dr. Mahesha Ranasoma**

Please refer profile in Board of Directors

**Lalin Samarawickrama**

Please refer profile in Board of Directors

**Ruwan Waidyaratne**

Please refer profile in Board of Directors



**Chrishan Mendis**

Joined Hayleys in 1983. Appointed to the Group Management Committee in 2001. Holds a B.Sc. (Hons.) Degree from the University of Colombo. Fellow Member of Chartered Institute of Management Accountants, (UK) and Chartered Institute of Marketing, (UK) and a Chartered Marketer. Was based in the UK from 2010 to 2013 being responsible for the marketing network of the Fibre Sector in the UK and Europe. Was appointed as Managing Director of all Fibre sector companies from January 2014 and has overall responsibility for the sector.

**Johann Wijesinghe**

Joined the Group in 2008 and was appointed to the Group Management Committee in 2011. Currently serves as Managing Director of Hayleys Leisure Holdings and Alufab PLC and Executive Director of S&T Interiors (Pvt) Ltd. He holds an MBA from the University of Leicester (UK) and is a Member of the Chartered Institute of Marketing (UK). Holds over 20 years' experience in the Aviation industry. Prior to joining Hayleys, held several senior positions for the Sri Lankan Airlines including management positions in Europe, Middle East and the Far East and the Head Office in



Colombo. Possesses over 5 years' experience in the Hotel industry. He is responsible for the Aviation sector, hotel development, Aluminium fabrication and interior fit-out businesses of the Group.

**Dr. Arul Sivagananathan**

Joined Hayleys in January 2011 as the Managing Director of Hayleys Business Solutions International Pvt Ltd. Appointed to Hayleys Group Management Committee in June 2011. Currently serves as the Managing Director of Hayleys Industrial Solutions Group. Prior to joining Hayleys, held a senior management position in a BPO company listed in the NYSE and overlooked operations across Chennai and Sri Lanka. Holds an Honours Degree in Civil Engineering from the University of London, an MBA from Cranfield University (UK), Doctorate from USA and is a Fellow Member of the Chartered Institute of Management Accountants (UK). Vice Chairman of CIMA Sri Lanka board and SLASSCOM and board member of Board of Studies of Postgraduate Institute of Management (PIM). Has responsibility for the Power & Energy, BPO & Shared Services Sectors.





## **Dilhan De Silva**

Joined Hayleys in November 2011 as the Group Chief Financial Officer. Appointed to Group Management Committee in January 2012. Prior to joining Hayleys PLC, served Delmege Limited as Group Finance Director and progressed to the position of Group Chief Executive Officer. Has over 20 years of experience in numerous industries. Member of the Chartered Institute of Management Accountants (UK), Institute of Chartered Accountants of Sri Lanka, Certified Management Accountants of Sri Lanka, Certified Management Accountants of Australia and Certified Practicing Accountants of Australia. Has responsibility for Group Services.

## **Roshan Rajadurai**

Rejoined the Group in January 2013 as the Managing Director of Kelani Valley Plantations PLC and Talawakelle Plantations PLC and was appointed to Group Management Committee in the same month. Prior to rejoining Hayleys, served as Director/CEO of Kahawatta Plantations PLC and held Senior Plantation Management positions in Kelani Valley Plantations PLC from 1993 to 2001. Holds a BSc, in Plantation Management and holds an MBA from Post Graduate Institute of Agriculture, Peradeniya. Fellow Member of National Institute of Plantation Management. Currently serves as the Chairman of the Planters' Association of Ceylon. Member of the Sri Lanka Tea Board, Rubber Research Board, Tea Council of Sri Lanka



## **Rohan Goonetilleke**

Joined the Group as Managing Director /CEO of Hayleys MGT Knitting Mills PLC in March 2013, and was appointed to the Group Management Committee in the same month. Prior to Joining the Group, served as Director of Brandix X'pressions (Pvt) Ltd and CLT Apparel (India) Pvt. Ltd, a fully owned subsidiary of Brandix Lanka Ltd. Has held the posts of Managing Director/ CEO of Textured Jersey Lanka (Pvt) Ltd, Linea Clothing (Pvt) Ltd, a subsidiary of MAS Holdings (Pvt) Ltd and the CEO of Elpitiya Plantations PLC. Holds a degree in Engineering (B.Sc. Eng.) from the United Kingdom. Has responsibility for the Textile Sector.

## **Ms. Surani Amerasinghe**

Joined Hayleys in May 2014 as Head of Group Human Resources and appointed to Group Management Committee in the same month. Prior to joining Hayleys, served as Human Resources Director, Ceylon Tobacco Company and transferred to British American Tobacco



Head Office in London as Senior HR Business Partner CORA and Legal, overlooking HR for Corporate and Regulatory Affairs and Legal functions globally. Possess experience heading Human Resources in numerous industries and in different markets including Singapore, China, the United Kingdom and India. Is a Hotelier by profession with a Diploma in Hotel Management from Hotel Consult Cesar Ritz in Switzerland and Masters in Business administration from American City University. Has responsibility for Group Human resource management, Corporate Communications/ Sustainability and Group Security.

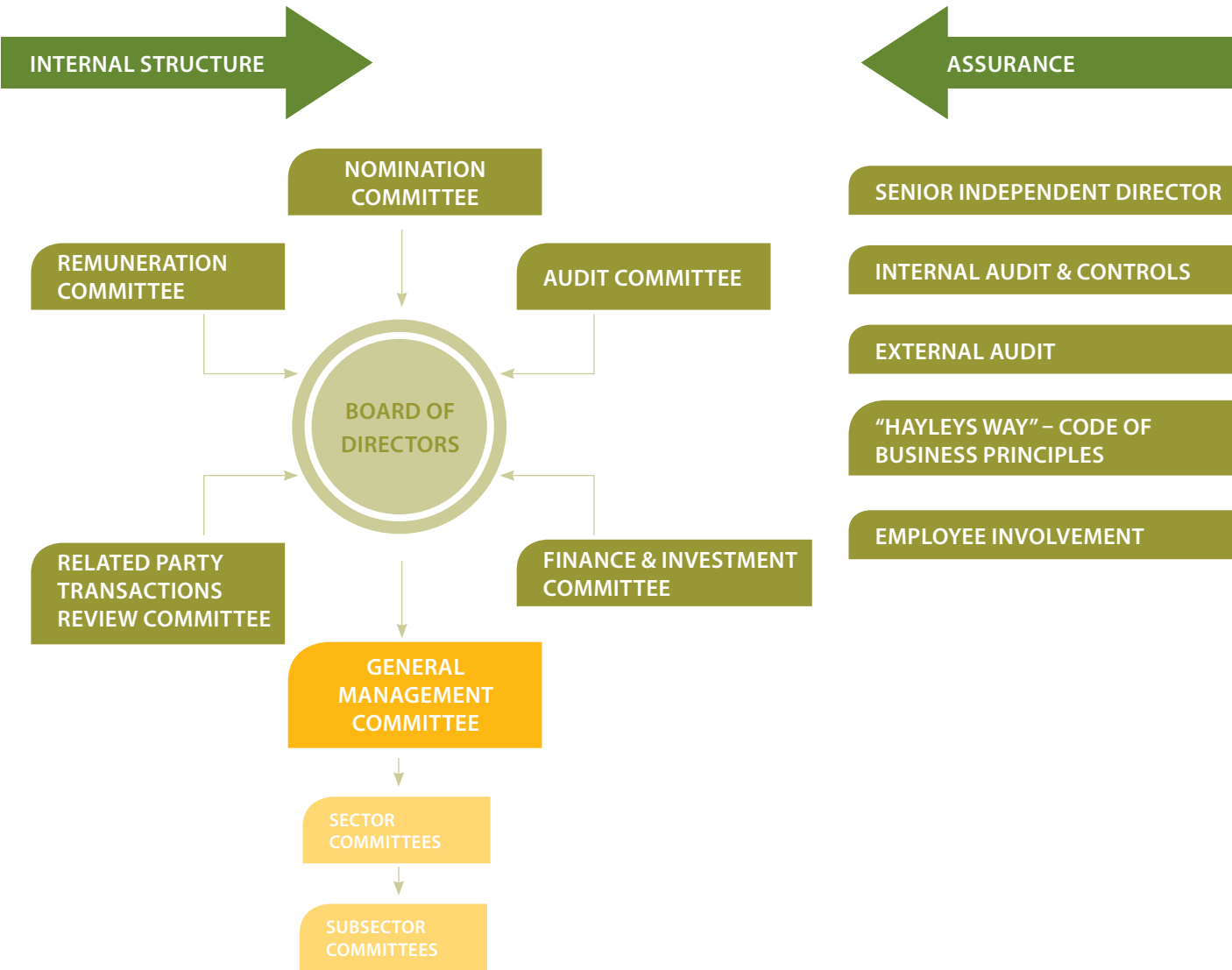
# Governance report

**Corporate Governance**  
Hayleys is committed to doing what is right in its business and places equal emphasis on the quality and the quantity of its profits. We strive to uphold the trust our stakeholders; shareholders, customers, employees, communities and Government Authorities have placed in us, by being ethical and transparent

in pursuit of our corporate goals in line with our Values. Corporate governance is fundamentally about balancing stakeholder interests taking in to account their roles in the value creation processes of the Group. Shareholders appoint the Board of Directors at the Annual General Meeting and the Board is responsible for putting in place sufficiently robust governance

structures and policy frameworks to enable value creation, compliance with external and internal regulations and optimal resource allocation. Achieving a balance between accountability and assurance (conformance) on the one hand and value creation and resource utilisation (performance) on the other is our goal .

The governance structure of the Group is diagrammatically depicted below:



Hayleys is committed to doing what is right in its business and places equal emphasis on the quality and the quantity of its profits.

Operations of the Hayleys Group is governed by the Companies Act No.7 of 2007, the Continuing Listing Requirements of the Colombo Stock Exchange and the voluntarily adopted Code of Best Practice on Corporate Governance jointly issued by the Securities Exchange Commission and the Institute of Chartered Accountants of Sri Lanka. We are guided by the G4 Guidelines published by the Global Reporting Initiative for determining materials aspects of our environmental and social performance which goes beyond regulatory requirements, promoting transparency in reporting.

This report follows the structure of the Code of Best Practice on Corporate Governance to facilitate comprehensive disclosure in a concise manner and is also referenced to the CSE Continued Listing Requirements where applicable.

#### An Effective Board (Principle A.1)

The highest decision making body of the Hayleys PLC is the Board of Directors which comprises of 7 executive Directors, 5 Non

Executive Directors of which, 3 are independent non-executive Directors.

- Mr. A.M. Pandithage - Chairman & Chief Executive
- Mr. K.D.D. Perera - Co Chairman (Non Executive)
- Mr. M.R. Zaheed - Executive Director
- Mr. W.D.N.H. Perera - Non Executive Director
- Mr. S.C. Ganegoda - Executive Director
- Mr. H.S.R. Kariyawasan - Executive Director
- Dr. H. Cabral PC - Independent Non Executive Director
- Dr. K.I.M. Ranasoma - Executive Director
- Mr. L.T. Samarawickrama - Executive Director
- Mr. M.D.S. Goonatileke - Independent Non Executive Director
- Mr. R. Waidyaratne - Executive Director
- Mr. M.H. Jamaldeen - Independent Non Executive Director

Hayleys Group Services (Pvt) Ltd., provide company secretarial services with competent legal professionals who are registered as company secretaries with the Registrar of Companies. Profiles of the Directors are given on pages 132 to 133.

The board has appointed 05 committees in compliance with governance codes and best practice to ensure due attention is given to specific areas.

#### Regular Meetings (Principle A 1.1)

	Area of Governance	# of Principles
The Company	The Board	11 Principles
	Directors' Remuneration	3 Principles
	Relations with Shareholders	3 Principles
	Accountability & Audit	5 Principles
Shareholders	Institutional Investors	2 Principles
	Other Investors	2 Principles
Sustainability	Sustainability Reporting	1 Principle

Board Committee	Areas of Oversight	Composition
<b>AUDIT COMMITTEE</b>		
Report of the Audit Committee is given on pages 166 to 167	<ul style="list-style-type: none"> <li>● Financial Reporting</li> <li>● Internal Controls</li> <li>● Internal Audit</li> <li>● External Audit</li> </ul>	Comprises four non-executive directors of whom three are independent directors including the Chairman.

## Governance report

Board Committee	Areas of Oversight	Composition
<b>NOMINATIONS COMMITTEE</b>		
Report of the Nominations Committee is given on page 163.	<ul style="list-style-type: none"> <li>● Appointment of Key Management Personnel</li> <li>● Succession Planning</li> <li>● Effectiveness of the Board and its Committees</li> <li>● Code of Ethics</li> </ul>	Comprises three non-executive directors of whom one is an independent director and one executive Director who is the Chairman.
<b>REMUNERATION COMMITTEE</b>		
Report of the Human Resources & Remuneration Committee is given on page 164.	<ul style="list-style-type: none"> <li>● Remuneration policy for Group with particular reference to Key Management Personnel</li> <li>● Goals and targets for Key Management Personnel</li> <li>● Performance evaluation</li> <li>● HR Policy</li> <li>● Organisation structure</li> </ul>	Comprises five non-executive directors of whom three are independent directors including the Chairman.
<b>RELATED PARTY TRANSACTION REVIEW COMMITTEE</b>		
	<ul style="list-style-type: none"> <li>● Related party transaction policy</li> <li>● Disclosure of related party transactions</li> </ul>	Comprises two non executive directors and one executive director.
<b>RELATED PARTY TRANSACTION REVIEW COMMITTEE</b>		
	<ul style="list-style-type: none"> <li>● Finance and investment functions</li> <li>● Integration Planning</li> <li>● Investor relations</li> </ul>	Comprises one non executive director, four executive directors and the Group Chief Financial Officer.

Board meetings are held monthly whilst special Board meetings are convened as the need arises. During 2014/15 the Board held 12

scheduled meetings and 1 strategy meeting. Additionally the following sub-committees also met regularly as summarised below.

Board functions are supported by robust information technology enabling Board

Directors	Board Meetings	Audit Committee	Remuneration Committee
Mr.A.M.Pandithage	13/13		
Mr.K.D.D.Perera	11/13		02/02
Mr.M.R.Zaheed	12/13		
Mr.W.D.N.H.Perera	7/13	0/09	02/02
Mr.S.C.Ganegoda	11/13		
Mr.H.S.R.Kariyawasan	13/13		
Dr.H.Cabral PC	10/13	06/09	02/02
Dr.K.I.M.Ranasoma	13/13		
Mr.M.D.S Goonatilleke	10/13	09/09	02/02
Mr.L.T.Samarawickrama	11/13		
Mr.R.Waidyaratne	12/13		
Mr.M.H.Jamaldeen	13/13	08/09	02/02
Total No. of Meetings	13	09	02

## BOARD HIGHLIGHTS 2014/15

- Mr. K. D. D .Perera was appointed as the Non- Executive Co-Chairman with effect from September 2014.
- Establishment of the Related Party Transaction Review Committee to review all related party transactions of the Group .
- Establishment of the Finance & Investment Committee to provide oversight of the finance and investment functions of the Group.
- Mr. M.H. Jamaldeen, appointed as a member after the 2012/13 Annual General Meeting was re-elected to the Board as a Director.
- Dr. K I M Ransoma, Mr. K D D Perera, Mr L T Samarawickrama re-elected to the Board as Directors.

members to access their Board papers via secure connections and participate in meetings even remotely. Board members spent a minimum of 52 hours on matters related to the Board whilst members of the Audit Committee spent a further 36 hours on matters delegated to the committees.

Board members are provided opportunities to gain an understanding or obtain clarifications on matters set before the Board or its sub-committees through presentations made by the Group Management Committee and

their teams. The Board is also updated on matters including progress in implementation of the strategic goals, financial, social and environmental performance, changes and challenges presented by the operating environment, recommend policy frameworks and executive governance structures on a regular basis. Active participation of the Non Executive Directors is facilitated by the Chairman to ensure that there is diverse perspective are considered in the matters deliberated by the Board. All directors receive minutes of the monthly Hayleys Group Management

Committee meeting to provide further information on issues discussed and views expressed at the same.

Hayleys PLC has adopted an approach that empowers sectors to manage their performance within a common policy framework and risk appetite. Executive Committees have been established by the Board to support this approach whilst facilitating collaboration, discussion and debate on matters considered critical for the Group's operations as listed below.

Management Committees	Purpose and tasks
Hayleys Group Management Committee (HGMC)	HGMC members are responsible for the strategic planning, development and implementation of policy frameworks, risk management and the performance of the key business lines or support functions managed by them. The plans are approved by the Board as part of the annual strategic planning and budgeting process and they also monitor performance against agreed targets set out in the strategic plans on a monthly basis.
	The responsibilities of the HGMC are as follows:
	Recruitment, remuneration and discipline of all personnel
	Training and succession planning
	Negotiation with trade unions and manual and clerical personnel
	Financial Planning and performance reviewing
	Maintenance of safety and ethical standards
	Management of risk and following implicit and explicit guidelines set by the Group
	Safeguarding assets and avoiding deterioration of value through aging or obsolescence
	Providing support to the Board and the HGMC in pursuing Hayleys Group objectives and standards.



## Governance report

Management Committees	Purpose and tasks
Chief Executives Forum (CEO Forum)	The CEO's Forum is chaired by the Executive Chairman and Chief Executive Officer and brings together the management staff of all the companies on a quarterly basis to facilitate communication. Matters discussed at the forum include common group matters including policy direction, performance, areas of concern and sharing of best practice within the group.
Functional Clusters	<p>Finance, Corporate Communications, Information Technology &amp; HR Clusters have been established previously and bring together representatives from the different parts of the Group. These Clusters serve as forum to communicate relevant matters, identify areas of special interest and concern and discuss these, and share and spread best practices.</p> <p>All Financial Controllers of sectors are required to report in writing to the Group Chief Financial Officer on a quarterly basis, bringing to his notice any significant aspect of risk or concern regarding the business activities of their sector and the financial statements submitted by them. This reporting may be more frequent if circumstances warrant it. These are subject to active discussion at the CFO Forum which takes place every 6 weeks so that matters are debated among the CFO's of the Group.</p>

### Board Responsibilities (Principle A 1.2.)

The Board responsibilities are set out in the Board Charter which includes a schedule of Powers Reserved For the Board.

#### KEY BOARD RESPONSIBILITIES

- Setting strategic direction
- Financial reporting
- Ensuring that Key Management Personnel have the required skills, experience and knowledge to implement strategy
- Succession Planning
- Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management;
- Ensuring compliance with all laws, regulations and ethical requirements
- Ensuring that key stakeholder interests are considered in corporate decisions
- Ensuring that businesses are developed in a sustainable manner
- Ensuring adoption of appropriate accounting policies and fostering compliance with financial regulations
- Ensuring optimal resource allocation for sustainable value creation

The Board provides guidance for the formulation of the Group's short, medium and long term strategic plans and approves the same at meetings convened specifically for this purpose. The Board monitors performance against agreed Key Performance Indicators at monthly meetings of the Board whilst specialised areas identified for oversight by Board Committees are monitored by the Committees who have reported on progress and concerns to the Board.

The Nominations Committee assists the Board in succession planning at Board and Group Management Committee levels and reviews appointment of Key Management Personnel.

The Audit Committee is tasked with ensuring effective systems to secure integrity of information, internal controls and is supported by the Internal Audit function of the Group. The Directors' statement on internal control over financial reporting on page 162 provides further information in this regard.

The Audit Committee and Board review accounting policies annually to ensure that they are in line with the business model of the Group and the Sri Lanka Financial Reporting Standards. Clarification is sought from the relevant Chief Financial Officers and external auditors when significant changes in accounting policies are deemed necessary. During the year the Board has amended the accounting policies to comply

with the requirements of Sri Lanka Financial Reporting Standards as set out in page 199 of the Financial Statements.

The Related Party Transaction Review Committee assists the Board in reviewing all related party transactions carried out by the Company and the listed companies in the Group .

The Finance and Investment Committee provides oversight of the finance and investment functions of the Group, assist the Board in evaluating investment, acquisition, enterprise services, joint venture and divestiture transactions in which Hayleys PLC its subsidiaries and associate companies engages as part of its business strategy from time to time.

### Act in Accordance with laws (Principle A.1.3)

The Board has put in place a framework of policies, procedures and a risk management framework to ensure compliance with relevant laws, and international best practice with regards to the operations of the Group. The Board obtains independent professional advice as deemed necessary and these functions are co-ordinated by the Group Legal Department or Group Finance, as and when it is necessary.

During the year professional advice was obtained on various matters including following;

- Actuarial valuation of the retirement benefits.
- Valuation of lands
- Accounting, legal and tax aspects.

The expenses in this regard were borne by Hayleys Group.

## Access to advice and services of Company Secretary (Principle A.1.4)

All Directors have the opportunity to obtain the advice and services of the Company Secretarial function provided by Hayleys Group Service (Pvt) Ltd. who are responsible for ensuring follow up of Board procedures, compliance with rules and regulations, directions and statutes, keeping and maintaining minutes and relevant records of the Group.

## Independent judgement (Principle A.1.5)

All Directors bring independent judgment to the scrutiny of decisions taken by the Board on issues of strategy, performance, resources and business conduct. Composition of the Board ensures that there is a sufficient balance of power and contribution by all directors minimising the tendency for one or few members of the Board to dominate Board processes or decision making. Many of the Board members are independent professionals who are required to conform to codes of conduct which require the exercise of independent judgement in discharge of their duties.

## Dedicate adequate time and effort to matters of the Board and the Company (Principle A.1.6)

Dates of regular Board meetings and Board Sub-Committee meetings are scheduled well in advance and the relevant papers are circulated a week prior to the meeting giving sufficient time for review. There is provision to circulate papers closer to the meeting on an exceptional basis. Directors are also encouraged to clarify matters with the Group Management Committee whose members are frequently required to make presentations to the Board as well.

It is estimated that non-executive directors dedicate not less than 13 days per annum for the affairs of the Group and those directors who are also on Audit Committee dedicate a further 9 days for the affairs of the Group.

## Training for Directors (Principle A.1.7)

Every new Director and existing Directors are provided training on general aspects of directorship and matters specific to the industry. Directors recognize the need for continuous training and expansion of their knowledge and skills to effectively discharge their duties and are encouraged to attend sessions of the Sri Lanka Institute of Directors and other corporate forums on relevant matters. As independent professionals, many of the directors also conform to Continuing Professional Development requirements.

## Division of Responsibilities between the Chairman and CEO (Principle A.2)

The functions of Chairman and Chief Executive are vested in one person as the Board is of the opinion that it is the most appropriate arrangement for Hayleys PLC which is one of the largest conglomerates in the country with over twelve diverse business entities arranged in sectors. The management structure of the Group has a sector focus with separate Boards for holding companies of key sectors which includes Independent Non Executive Directors which plays a key role in facilitating effective Corporate Governance within the Group. The Executive Directors and HGMC members are responsible for the businesses conducted by the Group and effectively function as CEOs of these businesses. The Board has also appointed Mr.K.D.D.Perera as the Co-Chairman during the year and Dr H Cabral, PC, Non- Executive Director functions as the Senior Independent Director ensuring governance within the Board is preserved and stakeholder concerns are addressed. The Senior Independent Director is responsible for;

- Setting the Company's values and standards and ensuring that its obligations to shareholders and others are understood and met.

- Upholding high ethical standards of integrity and probity.
- Supporting executives in their leadership of the business, whilst monitoring their conduct.
- Promoting high standards of corporate governance and compliance with the provisions of the Combined Code whenever possible.
- Be available to shareholders in case they have concerns which cannot, or should not, be addressed by the Chairman or Executive Directors.
- Act on the results of any performance evaluation of the Chairman.
- Maintain sufficient contact with major shareholders, when requested, to understand their issues and concerns thereby assisting the Board to develop a balanced understanding.

## The Chairman's role (Principle A.3)

The Chairman is responsible for the efficient conduct of Board meetings and ensures the effective participation of both Executive and Non Executive Directors. He encourages all Directors to make an effective contribution for the benefit of the Company and maintains a balance of power between Executive and Non Executive Directors. It is also the responsibility of the Chairman to ensure that views of Directors on issues under consideration are ascertained; and that the board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders. The Chairman maintains close contact with all Directors and, where necessary, holds meetings with Non-Executive Directors without Executive Directors being present.

### ROLE OF CHAIRMAN

- Efficient conduct of the Board Meetings.
- Maintains a balance of power
- Ascertained the views of Directors

## Governance report

### Financial Acumen (Principle A.4)

The Board of Directors, collectively, have experience in all business sectors in which where Hayleys operates and are supported by relevant academic and professional qualifications. There are four Chartered/ Management Accountants on the Board as follows.

- Mr.S.C. Ganegoda
- Mr.M.D.S. Goonatilleke
- Mr.H.S.R. Kariyawasan
- Mr.M.H. Jamaldeen

### Board Balance (Principle A.5)

The board comprises 7 executive directors and 5 non executive directors of whom 3 are independent directors. The non-executive directors are professionals/academics/business leaders, holding senior positions in their respective fields. Three Non-Executive directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement. Each Non Executive Director submits a declaration of independence/ non independence in a prescribed format and the Board has determined the independence of Directors based on these declarations which happens on an annual basis. The Board being of opinion that Mr. M.H Jamaldeen has the capability to conduct himself in an independent and impartial manner on matters deliberated by the Board. Therefore, the Board is of the opinion that his independence will not be affected by his spouse, Mrs. I.Jamaldeen being an Alternate Director of the Kingsbury PLC. Accordingly the following directors are deemed to be independent:

- Dr.H.C.Cabral, PC
- Mr.M.D.S.Goonatilleke
- Mr.M.H.Jamaldeen

Since the Chairman and Chief Executive is the same person, Dr. H Cabral, PC who is an

Independent Non-executive Director functioned as the Senior Independent Director. He is available for confidential discussions with other Directors who may have concerns which pertain to significant issues that are detrimental to the Group. The Chairman meets with NEDs only, without the Executive Directors being present as necessary.

Board minutes are prepared in order to record any concerns of the Board as a whole or those of individual Directors regarding matters placed for their approval/guidance/action. These minutes are circulated and formally approved at the subsequent Board meeting. Additionally, directors have access to the past Board papers and minutes in case of need.

If a Director resigns over an unresolved issue, the Chairman will bring the issue to the attention of the Board. The Director concerned is also required to provide a written statement to the Chairman for circulation to the Board.

### Supply of Relevant Information (Principle A.6)

The Chairman ensures that all directors are properly briefed on issues arising at Board Meetings by requiring management to provide comprehensive information including both quantitative and qualitative information for the monthly Board Meetings 7 days prior to the Board/Sub-Committee meetings. The Directors have free and open access to Management at all levels to obtain further information or clarify any concerns they may have. As described above, they also have the right to seek independent professional advice at the Company's expense and copies of advice obtained in this manner are circulated to other directors who request it. Any Director who does not attend a meeting is updated on proceedings prior to the next meeting through:

- Formally documented minutes of discussions.
- By clarifying matters from the Board Secretary

- Separate discussions at start of meeting regarding matters arising for the previous meeting.
- Archived minutes and board papers accessible electronically at the convenience of the directors.

Directors also have an open invitation to attend the meetings of the Management Committees and have the opportunity to interact with senior management after Board Meetings. Directors are provided with monthly reports on performance, minutes of review meetings and such other reports and documents as necessary. The Chairman ensures all Directors are adequately briefed on issues arising at meetings.

### Appointments to the Board (Principles A.7)

Nomination Committee makes recommendations to the Board on all new Board appointments. Nomination Committee of Hayleys PLC consists of the following Directors.

- Mr.A.M. Pandithage - Chairman
- Mr.K.D.D. Perera
- Mr.W D N H Perera
- Dr H Cabral, PC

The Board believes it is appropriate for the Chairman & Chief Executive to chair this committee and that the composition of the committee ensures its balance. The Nomination Committee Report is given on page 163.

The Nomination committee annually assesses board-composition to ascertain whether the combined knowledge and experience of the board matches the strategic demands facing the company. The findings of such assessment are taken into account when new Board appointments are considered. Following details of new Directors are disclosed on their appointment to the Colombo Stock Exchange, selected newspapers and Annual Report,

- a. A brief resume of the Director;
- b. The nature of his expertise in relevant functional areas;

- c. The names of companies in which the Director holds directorships or memberships in Board Committees; and
- d. Whether such Director can be considered 'independent'.

## Re-Election (Principle A.8)

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 names of Directors submitted for election or re-election are accompanied by a resume to enable shareholders to make an informed decision on their election. The Provisions of the Articles of the Company do not require the Director who is the Chief Executive to retire by rotation.

## Appraisal of Board Performance (Principle A.9)

The Chairman and Remuneration Committee is responsible for evaluating the performance of the Executive Directors. The Board undertakes an annual self evaluation of its own performance and of its Committees and the responses are collated by the Board Secretary who compiles a report which is submitted to the Chairman and discussed at a Board Meeting.

Board evaluated its performance according to following guidelines.

- Strategies developed and implemented.
- Board image.
- Compliance with laws and regulations.
- Quality of participation in the meetings.
- Effectiveness of systems and procedures.

## Disclosure of Information in respect of directors (Principle A.10)

Information specified in the Code with regards to Directors are disclosed within this Annual Report as follows:

- Name, qualifications, expertise, material business interests and brief profiles on pages 132 to 133.
- Related party transactions on page 256.
- Membership of sub-committees and attendance at Board Meetings and Sub-Committee meetings on page 138.

## Appraisal of Chief Executive Officer (Principle A.11)

Prior to the commencement of each financial year the Board in consultation with the CEO, set reasonable financial and non financial targets which are in line with short, medium and long term objectives of Hayleys, achievement of which should be ensured by the Chief Executive. A monthly performance evaluation is performed at which actual performance is compared to the budget. The Chief Executive is responsible to provide the board with explanations for any adverse variances together with actions to be taken.

## Directors' Remuneration Procedure (Principle B.1)

The Remuneration Committee determines the remuneration of the Chairman/Chief Executive and the Executive Directors and sets guidelines for the remuneration of the management staff within the Group. Please refer page 164 Remuneration Committee Report for the terms of reference for Remuneration Committee.

The Remuneration Committee comprises the following Non- Executive Directors and the Chairman of this committee is appointed by the Board.

- Dr. H. Cabral, PC – Chairman
- K.D.D. Perera
- W.D.N.H Perera
- M.D.S. Goonatilleke
- M.H. Jamaldeen

The Board as a whole determines the remuneration of the NED's. The NED's receive a fee for being a Director of the Board and additional fee for being a member of a Committee. They do not receive any performance related/ incentive payments.

Remuneration Committee consults the Chairman about its proposal relating to the remuneration of other Executive Directors and have access to professional advice from within and outside Hayleys PLC, in discharging their responsibilities. No Director is involved in deciding his own remuneration.

## Level & Make Up of Remuneration (Principle B.2)

The Remuneration Committee determines the combination of remuneration needed to attract, retain and motivate Executive Directors of the quality required to achieve corporate goals. The Remuneration Committee ensures that the remuneration of executives of each level of management is competitive and in line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is competitive with those of comparative companies. The Remuneration Committee reviews data concerning executive pay among the Group Companies.

A performance based incentive has been determined by the remuneration committee to ensure that the total earnings of the executives are aligned with the achievement of objectives and budgets of the group companies. Presently the Group does not have an executive Share Option Schemes. The Remuneration Committee follows the provisions set out in Schedule D of the Code as required. No special early termination clauses are included in the contract of employment contract of executive directors that would entitle them to extra compensation. However any such compensation would be determined by the Board of Directors.

Remuneration for NEDs reflect the time commitment and responsibilities of their role, taking into consideration market practices. NEDs

## Governance report

are not included in share options as there is no scheme in existence.

### Disclosure of Remuneration (Principle B.3)

The Report of the Remuneration Committee is set out on page 164 which includes a statement on Remuneration Policy. Please refer page 203 for the total Directors' Remuneration.

### Relations with Shareholders (Principle C.1)

The Annual General Meeting is used for constructive engagement with shareholders. Hayleys PLC has in place an effective mechanism to count all proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hand, except where a poll is called. Hayleys PLC proposes a separate resolution at the AGM on each substantially separate issue.

The adoption of the Annual Report of the Board of Directors and the Financial Statements is considered as a separate resolution. The Chairman of Hayleys PLC ensures the Chairmen of the Audit, Remuneration and Nomination Committees to be available to answer questions at the AGM if so requested by the Chairman.

A copy of the Annual Report including financial statements, notice of the meeting and the Form of Proxy are sent to shareholders 15 working days prior to the date of the AGM as required by the Statute in order to provide the opportunity to all the shareholders to attend the AGM.

A summary of the procedures governing voting at General Meeting is circulated to shareholders with every notice of the General Meeting.

### Disclosure of Major Transactions (Principle C.2.)

The shareholder engagement mechanisms are set out in the Stakeholder Engagement section of the report on pages 25 to 27 which includes the Annual General Meeting. Shareholders and a dedicated page of the Hayleys website [www.hayleys.com/investor-relations](http://www.hayleys.com/investor-relations) which provides the following information:

- Hayleys PLC Annual Report
- Stock information
- Stock Exchange announcements

Comments and suggestions can be sent through [info@cau.hayleys.com](mailto:info@cau.hayleys.com)

The Group has an open door policy, which enables shareholders to keep in constant touch, visit and obtain information from the Company Secretaries and engage in dialogue. Please refer "Stakeholder Engagement" provided on pages 25 to 27 for details of the policy and methodology for communication with shareholders. Details of contact person disclosed in the inner back cover of the Annual Report.

The Company Secretary maintains a record of all correspondence received. All major issues and concerns of shareholders are referred to the Board of Directors with the views of the management.

For major issues after referring to the Hayleys Board of Directors, the Company Secretary sends the response to the relevant shareholder and for other issues the Company Secretary responds directly to shareholders.

### Material Transactions (Principle C.3)

Transactions, if any, which materially affect the net asset base of Hayleys PLC, will be disclosed in the Quarterly / Annual Financial Statements. During the year, there were no major transactions as defined by Section 185 of the Companies Act no 07 of 2007 which materially affect the net asset base of Hayleys PLC or consolidated group net asset base.

### Accountability & Audit (Principle D.1.)

The Board recognises its responsibility to present a balanced and understandable assessment of the Group's financial position, performance and prospects in accordance with the requirements of the Companies Act No 07 of 2007. The Financial Statements included in this Annual Report are prepared and presented in accordance with Sri Lanka Accounting Standards. The Annual Report also conforms

to the G4 standard on Sustainability Reporting published by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council.

Hayleys PLC has complied with the reporting requirements prescribed by the Colombo Stock Exchange.

The following specialised information requirements are also included in this Annual Report:

- The Annual Report of the Board of Directors on the Affairs of the Company given on pages 153 to 160 cover all areas of this section.
- The "Statement of Directors' Responsibilities" is given on page 165
- The Directors' Statement on Internal Controls is given on page 162
- The "Independent Auditors' Report" on page 171 For the Auditor's responsibility.
- The Financial Review, the Value Creation Report on pages 40 to 43.

There has been no serious loss to convene and an EGM but would be complied with if such situation arises.

### Internal Control (Principles D.2.)

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

The Group's Management Audit & System Review Department (MA & SRD) plays a significant role in assessing the effectiveness and successful implementation of existing controls and strengthening these and



establishing new controls where necessary. The MA & SRD's reports are made available to the Chairman & Chief Executive and the Chairman of the Audit Committee. Group's Management Audit & System Review Department (MA & SRD) is responsible for internal audit function.

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

The Board has reviewed the effectiveness of the system of financial controls for the period up to the date of signing the accounts. There is a direct channel between the Head of MA & SRD and the Chairman of the Audit Committee without the interference of any Directors or Executives.

The Audit Committee reviews internal control issues and risk management measures identified by Group's Management Audit & System Review Department (MA & SRD) and evaluate the adequacy and effectiveness of the risk management and internal control systems including financial reporting.

#### Audit Committee (Principle D3)

The Board has established an Audit Committee which has oversight responsibility for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the external auditors. The composition of the Audit Committee is as follows:

- Mr.M.D.S Goonatileke - Chairman
- Mr.W.D.N.H Perera
- Dr . H. Cabral. PC
- Mr.M H Jamaldeen

Hayleys Group Services ( Pvt ) Ltd, serves as the its Secretary. The Chairman & Chief Executive and Group CFO are invited to attend Meetings, and other Executive Directors attend meetings

as required. The input of the statutory auditors is obtained where necessary.

The Audit Committee reviews the scope and results of the audit and its effectiveness, and the independence and objectivity of the auditors. They also review the nature and extent of non-audit services provided by the auditors to ensure that auditor's are able maintain objectivity and independence.

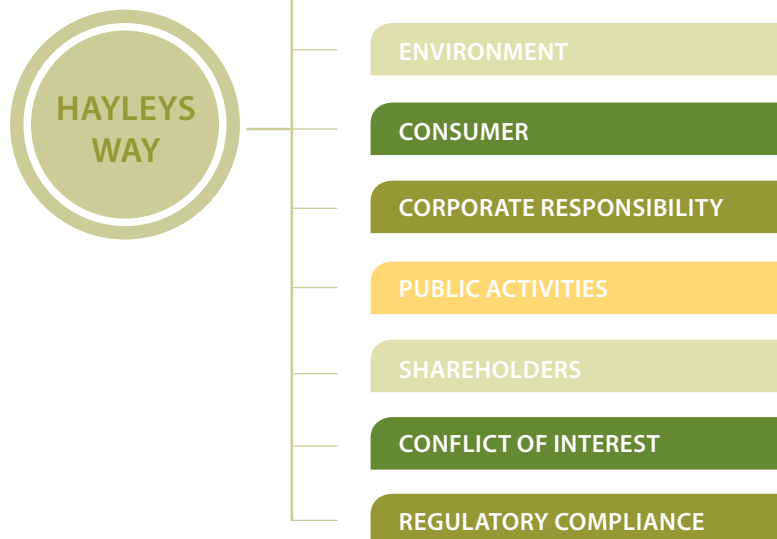
The Terms of Reference of the Audit Committee have been approved by the Board. This addresses the purpose of the Committee, its duties and responsibilities including the scope and functions of the Committee which are summarised in the Audit Committee Report on pages 166 to 167.

Names of the members of the Audit Committee disclosed on pages 166 to 167 under the Section on the " Audit Committee Report" and the disclosure of the independence of the Auditors is disclosed in page 166 under the section on the "External Audits" in the "Audit Committee Report" on pages 166 to 167 of this Report.

#### Code of Business Conduct & Ethics (Principles D.4.)

Hayleys has developed " The Hayleys Way"- The Ethical Road Map for Code of conduct for its employees including key management personnel. It is based on the following principles:

1. The Hayleys Group is committed to conducting its business operations with honesty, integrity and with respect to the rights and interests of all stakeholders.



## Governance report

2. All Hayleys companies and employees are required to comply with the laws and regulations of the countries in which it operates.
3. Every employee shall be responsible for the implementation of and compliance with the Code in his/her environment.

The Code of Conduct provides guidelines for employees on the conduct of its businesses and operations in all the countries we operate in.

### Corporate Governance Disclosures (Principle D.5)

The Corporate Governance Report set out on pages 136 to 147 (of which this paragraph is part of) describes the extent to which Hayleys PLCs' adheres to established principles and practices of good Corporate Governance.

### Institutional Shareholders (Principles E 1 & 2)

There are regular meetings with shareholders (based on their requests) on matters which are relevant and of concern to the general membership. Voting of the shareholders is critical in carrying out a resolution at the AGM. The Chairman ensures the views of the shareholders are communicated to the Board as a whole.

Shareholders are provided with Quarterly Financial Statements and the Annual Report, which the Group considers as its principal communication with them and other stakeholders. These reports are also made available on the Group's website and are

provided to the Colombo Stock Exchange. Any information that the board considered as price sensitive is disseminated to the shareholders by way of announcements to the CSE and press releases.

Shareholders may bring up concerns they have, either with the Chairman & Chief Executive or the Group's Secretarial Department as appropriate. Discussions are held with Institutional Investors, involving the Chairman, and other Executive Directors where necessary. This process is supported by the Strategic Business Development Unit and the Corporate Affairs Unit. During these meetings, the Directors ensure protection of share price sensitive information that has not been made available to the company's shareholders. The Institutional Investors are encouraged to give due weight to all relevant matters relating to the Board structure and composition.

### Other Investors (Principles F1 & 2)

Individual investors are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions. They are also encouraged to participate in General Meetings of companies and exercise their voting rights. Information is disseminated to all shareholders as specified in the Stakeholder Engagement section on page 147.

### Sustainability Reporting (Principle G)

Hayleys PLC has included Sustainability Reporting in this Integrated Annual Report which provides information on policies

and procedures implemented to develop a sustainable business environment with disclosures on the following aspects:

- Economic sustainability Refer pages 287 to 290
- The environment Refer pages 287 to 290
- Labour practice Refer pages 287 to 290
- Society Refer pages 287 to 290
- Product responsibility Refer pages 287 to 290
- Stakeholder identification, engagement & effective communication Refer pages 287 to 290
- Sustainable reporting and disclosure Refer pages 287 to 290

## Compliance With CSE Continuing Listing Rules

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys's Extent of Adoption
7.10.1(a)	Non-Executive Directors	Compliant	Five out of twelve Directors are NEDs
7.10.2(a)	Independent Directors	Compliant	Three of Five Non-Executive Directors were Independent
7.10.2(b)	Independent Directors	Compliant	All NEDs have submitted their confirmations on Independence as per the criteria set by Hayleys PLC, which is in with the regulatory requirements.
7.10.3(a)	Disclosure relating to Directors	Compliant	The Board assessed the independence declared by the Directors and determined the Directors who are independent and disclosed same in item A.5 of SEC & CASL on page 142.
7.10.3(b)	Disclosure relating to Directors	Compliant	The Board has determined that all Non-Executive Directors except for Mr. K.D.D Perera and Mr. W.D.N.H. Perera satisfy the criteria for "independence" set out in the Listing Rules.
7.10.3(c)	Disclosure relating to Directors	Compliant	Please refer pages 132 to 133 for the brief resume of each Director.
7.10.3(d)	Disclosure relating to Directors	Compliant	Disclosed the appointments of new Directors to the Colombo Stock Exchange when it is disclosed to the public. Brief resumes of the Directors appointed during the year have been provided to the Colombo Stock Exchange.
7.10.5 (a)	Composition of Remuneration Committee	Compliant	Please refer the Remuneration Committee Report on page 164 and Principles B1 to B3 on pages 143 to 144 of this Corporate Governance Report. The remuneration paid to Directors is given in the note 10 to the financial statements on page 203.
7.10.5(b)	Functions of Remuneration Committee	Compliant	
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	Compliant	
7.10.6(a)	Composition of Audit Committee	Compliant	Refer Audit Committee Report on pages 166 to 167 and disclosures under Principle D3 on page 145 of this report.
7.10.6(b)	Audit Committee Functions	Compliant	
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	Compliant	

# Risk Management

The Group is exposed to a multitude of risks in its external and internal environments, given the breadth of its operations and wide industry presence. Risk management is therefore a vital element of the Group's operations and risk considerations form a critical input in all business decisions. A structured and transparent Enterprise Risk Management (ERM) system, adopting guidelines presented by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) is in place to identify, manage and mitigate risks in a consistent and structured manner. A comprehensive policy framework, risk governance structures, defined responsibilities for risk identification, measurement, mitigation and reporting have nurtured the creation of an organisation-wide risk culture.

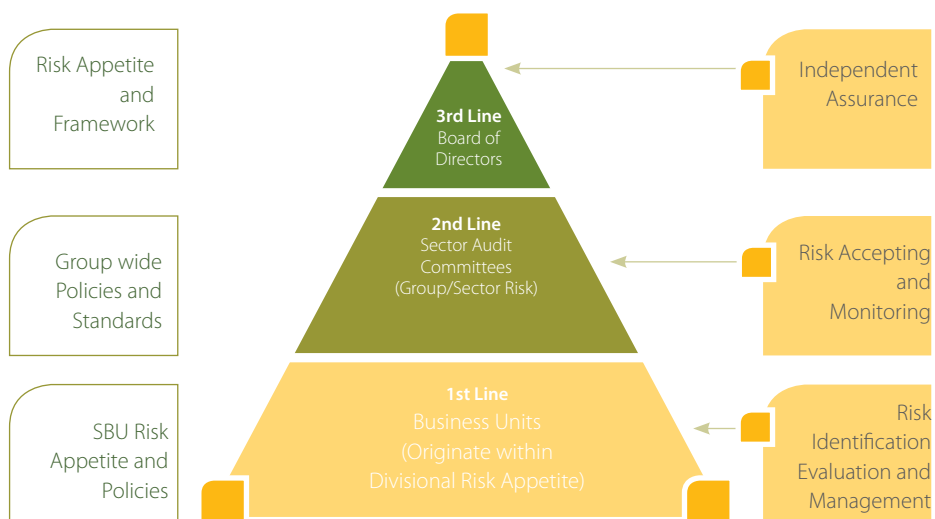
## Risk Governance

The Board of Directors holds oversight responsibility of the Group's risk strategy and ERM processes and is supported by Board level and Executive level committees. The Group Audit Committee is responsible for ensuring the reliability and accuracy of the financial statements and the effectiveness of the internal control systems. In addition, sector levels Audit Committees are also in place to ensure effective management of risk at sector levels. During the year, the Group further strengthened its sector level risk management and all sectors are now inclusive of Audit Committees. At executive level, risk management is facilitated by the Hayleys Group Management Committee (HGMC), Treasury Unit, Strategic Business Development Unit (SBDU), Group Legal & Management Audit & System Review Unit.

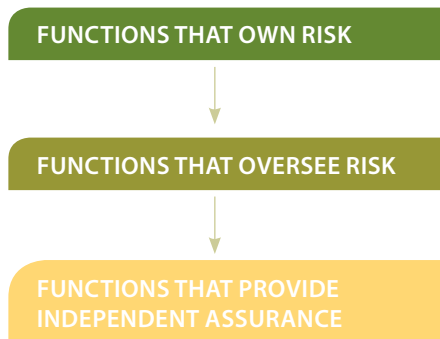
Group Management Audit and Systems Review Unit (MA&SRD)-The unit plays a crucial role in centrally identifying the financial and operational risk originating in the sectors and relevant business units. Deviations from defined risk parameters are monitored by the unit on a consistent basis together with the effectiveness of the internal control systems in place. Findings are reported to the GMC and discussed at monthly cluster meetings.

## Our Approach to Risk Management

The Group's risk management framework is based on the Three Lines of Defense governance model which ensures the clear identification and segregation of duties and enables the Group to effectively manage its risks through a transparent and consistent framework. The model makes a clear distinction between three groups involved in effective risk management, at multiple levels within the



## Organisation



A structured and transparent Enterprise Risk Management (ERM) system, adopting guidelines presented by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) is in place to identify, manage and mitigate risks in a consistent and structured manner

	Scope	Responsibility	Implementation
1ST LINE OF DEFENSE	Risk Identification, Risk Management and Self-Assurance	Divisional business units- Risk owners and managers	Operational management is responsible for the identification, assessment, control and mitigation of risks which in turn guide the development of internal policies and procedures. Risks are self-evaluated and managed within the approved risk appetite limits set by the Group's Risk Management policy.
2ND LINE OF DEFENSE	Risk Management and Oversight	Sector Audit Committees and Sector Management	Sector Audit Committees are responsible for the development of risk appetite parameters, risk management frameworks, policies and risk concentration controls.  Sector management develops division specific risk appetite statements, policies, controls, procedures and reporting which are aligned to the Board's Statement of Risk Appetite and the risk management frameworks approved by the Board of Directors.
3RD LINE OF DEFENSE	Independent Assurance	Group Assurance Function	The Assurance function is responsible for the independent evaluation of the adequacy and effectiveness of the Group's overall risk management framework and controls. Board of Directors is responsible for overall independent assurance.



## Risk Management

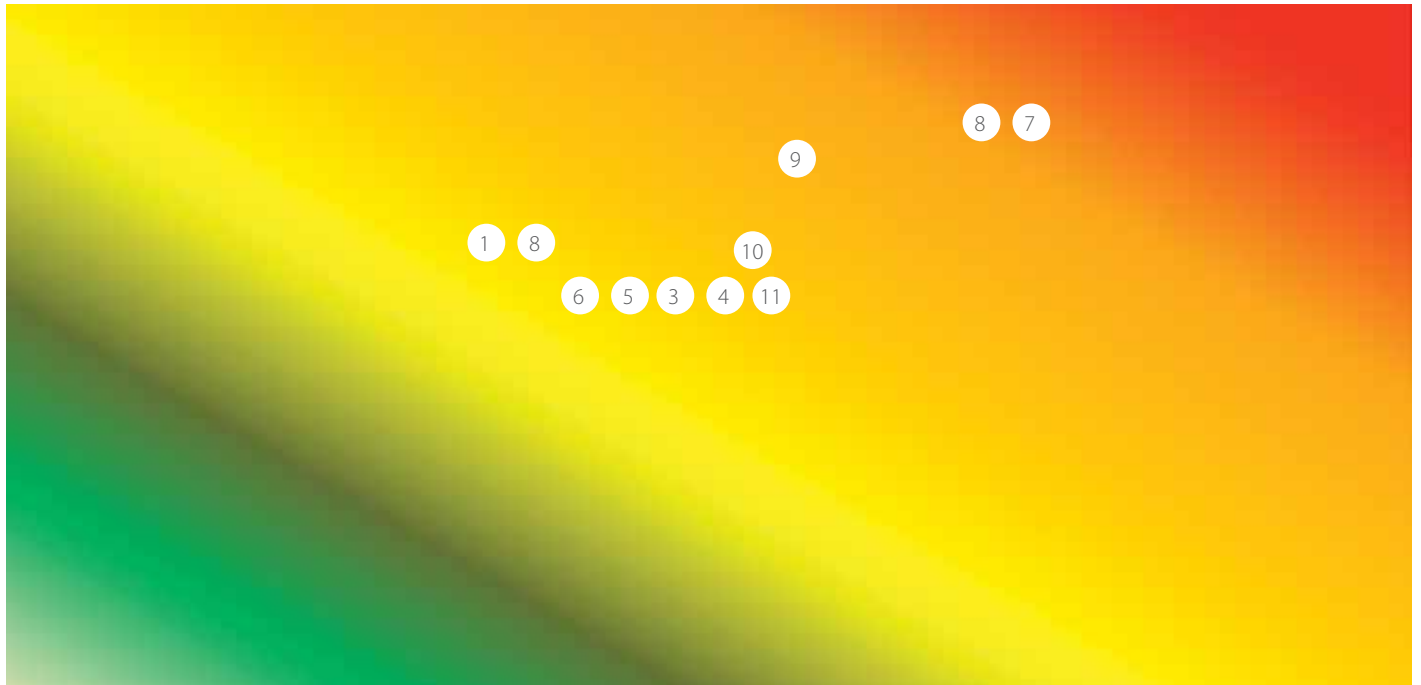
### Enterprise Risk Management Process

The Risk Management process in place ensures the clear allocation and segregation of responsibilities relating to risk identification, assessment, mitigation, monitoring, control and communication.



## Risk Performance

The Group's key risk exposures are broadly classified as Strategic, Operational, Compliance and Financial Risks. Group-wide key risk exposures and the mitigating actions put in place to manage these risks effectively are discussed in the following section.



These risks have a relatively minor impact and are not reported on.



The risks in this area have a moderate impact on our operations and are discussed partially in the report



These risks have a significant impact on our operations and are discussed fully in this report.

- 1 Macro-economic Environment
- 2 Changes in commodity prices and other major inputs
- 3 Industry competition
- 4 Talent Attraction and Retention
- 5 Foreign Exchange Risk
- 6 Interest Rate Risk
- 7 Environmental sustainability
- 8 Impact on Communities
- 9 Supply chain related risks
- 10 IT related risks
- 11 Liquidity Risk

## Risk Management

Risk/Risk Exposure	Impact on our operations	Our Response
<b>Macro-Economic Environment</b>	Changes arising from monetary and fiscal policy, macro-economic variables such as interest rates and exchange rates can have a direct impact on our profitability and cash flow position	<ul style="list-style-type: none"> <li>The Strategic Business Development Unit consistently monitors changes in the macro- economic front</li> <li>Industry sectors presenting opportunities for growth and potential risks are identified and form an input into the Group's strategic agenda</li> </ul>
<b>Changes in commodity prices and other major inputs</b>	Our manufacturing sector companies are particularly exposed to the risks of commodity price fluctuations, as it can potentially impact profitability margins.	<ul style="list-style-type: none"> <li>We have formed strategic relationships with a diverse pool of suppliers, enabling flexibility in pricing contracts</li> <li>Hedging mechanisms are used wherever possible to mitigate exposure to commodity price fluctuations.</li> </ul>
<b>Competition</b>	Intense price competition in several of our key businesses can affect our profitability margins and sales due to price undercutting by industry players.	<ul style="list-style-type: none"> <li>Strong brand recognition in most of our key product lines</li> <li>Reputation for high quality and innovative products, allowing us to withstand price competition to a certain degree</li> <li>Strategic and long-term relationships with a loyal customer base in several key business lines.</li> </ul>
<b>Talent Attraction and Retention</b>	Attracting and retaining staff with the correct skills, attitudes and values	<ul style="list-style-type: none"> <li>Attractive financial and non-financial remuneration</li> <li>Substantial investments in training and developing our people</li> <li>Robust recruitment procedures</li> <li>Conducive work environment with high level of staff engagement, work-life balance and wellness initiatives.</li> </ul>
<b>Foreign Exchange Risk</b>	Fluctuations in exchange rates can have significant impacts on our cash flows and profitability, as approximately 60% of our revenue is generated through exports.	<ul style="list-style-type: none"> <li>Consistent monitoring of forex rates and outlook by the Treasury Unit</li> <li>Forward exchange contracts and other hedging mechanisms utilised whenever possible</li> </ul>
<b>Interest Rate Risk</b>	Fluctuations in market interest rates have an impact on our profitability and capital position, due to changes in asset values which are linked to market rates as well as its impact on borrowing costs	<ul style="list-style-type: none"> <li>Interest rate trends and outlook are monitored on a consistent basis</li> <li>Interest rate sensitivity analysis is done regularly to measure the potential impacts of rate variations.</li> <li>Consistent negotiations with banks to obtain attractive interest rates.</li> </ul>
<b>Environmental Impacts</b>	Financial and reputational losses may arise from non-compliance of environmental regulations and industry best practices	<ul style="list-style-type: none"> <li>Comprehensive Environmental Management Policy</li> <li>Measuring, monitoring and reviewing key environmental impacts against defined criteria</li> <li>Environmental Certifications obtained by most industry sectors</li> </ul>
<b>Local Communities</b>	Risks arising from inadequate engagement with local communities, which can lead to reputational damage and destruction of assets	<ul style="list-style-type: none"> <li>Substantial investments in community projects by all sectors</li> <li>Continuous and open dialogue maintained with local communities</li> <li>Value addition to supplier and local communities through providing training, financial support and technical guidance.</li> </ul>
<b>Supply Chain Risks</b>	Operational disruption can occur due to inadequate quantity or quality of raw material supplies	<ul style="list-style-type: none"> <li>Consistent engagement with a diverse pool of suppliers to maintain strong relationships</li> <li>Structured processes are in place to add value to our supplier base through livelihood development programmes, technical support and guidance on enhancing quality</li> </ul>
<b>IT related risks</b>	Inability to obtain timely and accurate information due to failures in IT systems and potential disruption to operations can lead to significant financial losses.	<ul style="list-style-type: none"> <li>Comprehensive IT policy is in place throughout the Group</li> <li>Contingency plan and business continuity plan are in place</li> </ul>
<b>Liquidity Risks</b>	Risks arising from shortfalls in liquidity, which would result in the Group's inability to meet its short-term financial obligations.	<ul style="list-style-type: none"> <li>Strong relationships with banks and unutilised funding lines.</li> <li>Consistent monitoring of asset and liability maturity mismatches.</li> </ul>

## Annual report of the board of directors

### 1. General

The Board of Directors of Hayleys PLC has pleasure in presenting their Report on the affairs of the Company together with the Audited Consolidated Financial Statements for the year ended 31st March 2015. The details set out herein provide the pertinent information required under Section 168 of the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules and the recommended best practices on Corporate Governance.

### 2. Review of the Business

#### 2.1 Principle Business activities of the Company and the Group .

Hayleys PLC is a holding company that owns, directly or indirectly, investments in the numerous companies constituting the Hayleys Group and provides services to its Group companies. The Group consists of a portfolio of diverse business operations. The main subsidiaries and equity accounted investees of Hayleys PLC are listed on pages 284 to 286.

The Principle activities of the Group are categorized into different business groupings i.e. Manufacturing, Agriculture & Plantations, Transportation & Logistics, Consumer Products, Power & Energy and Leisure & Aviation. A grouping may consist of a number of sectors. The main activities of the sectors are described in the Management Discussion & Analysis section (pages 31 to 35) of this Report.

#### 2.2 Review of operations of the Company and the Group

The Group's businesses and their performance during the year, with comments on financial results, are reviewed in the Chairman's Review (pages 16 to 21), and Management Discussion & Analysis (pages 31 to 35) sections of this Annual Report. Those also provide an overall assessment of the state of affairs of the Group and the Company with details of important events that took place during the period. The investment activities during the year include the following;

The Company, in September 2014, acquired the majority stake in Alufab PLC, a company involved in the Aluminium fabrication industry. Subsequent to the resultant mandatory offer, the Company holds 62.48% of Alufab PLC. The relevant financials of this company has been included in the Group Consolidated Financial Statements.

In June 2014, Hayleys PLC divested 20% of its 79% holding in Hayleys MGT Knitting Mills PLC to facilitate the restructuring process of the Subsidiary. Subsequently, in August 2014, Hayleys MGT Knitting Mills PLC had a successful rights issue of 4 new shares for every 11 shares held.

Hayleys PLC, in order to restructure its debt portfolio, raised Rs. 2.0 bn from a successful issue of Debentures in March 2015.

#### 2.3 Financial Statements of the Company and the Group

The Financial Statements of the Company and the Group are given on pages 171 to 271.

#### 2.4 Auditors' Report

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 171.

#### 2.5 Accounting Policies and changes during the year

The accounting policies adopted in the preparation of the Financial Statements are given on pages 184 to 200. Changes in accounting policies made during the accounting period are described under Note 4.7 of the Accounting Policies.

#### 2.6 Entries in the Interests Register

The Company, in compliance with the Companies Act No.7 of 2007, maintains an Interests Register. Particulars of entries in the interest registers of the Company and those

subsidiaries which have not dispensed with the requirement to maintain interest registers as permitted under Section 30 of the Companies Act are detailed below.

#### 2.6.1 Directors' interest in transactions

The Directors of the Company and its Subsidiaries have made the general disclosures provided for in section 192(2) of the Companies Act No.7 of 2007. Note 39 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

#### 2.6.2 Directors' interests in shares

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

#### Hayleys PLC

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

- 1,000,000 shares were purchased by Mr.K.D.D. Perera.
- 10,000 shares were purchased and 2,500 shares were disposed by Mr.M.D.S. Goonatilleke.
- 40,000 shares were disposed by Mr.L.T.Samarawickrama .

#### Subsidiaries

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

#### Hunas Falls Hotels PLC

- 6,373 shares were purchased by Mr. S C Ganegoda.

## Annual report of the board of directors

### *The Kingsbury PLC*

- 1,562,147 shares were purchased by Vallibel One PLC (Mr.K.D.D.Perera has the controlling interest in Vallibel One PLC). 127,581 shares were purchased by Mr.M.H.Jamaldeen
- 100,000 shares were disposed by Mr W D N H Perera.

### *Amaya Leisure PLC*

- 230,000 shares were disposed by Mr.S Senaratne.
- 851,524 shares were disposed by Mr.W.A.D.C.J.Wickramasinghe.
- 100,000 shares were disposed by Elles (Pvt) Ltd. (Mr.L.T.Samarawickrama has the controlling interest in Elles (Pvt) Ltd).

### *Alumex PLC*

- 5000 shares were purchased and 5,000 shares were disposed by Star Packaging (Pvt) Ltd (Mr.H.H.Abdulhusein, a Non-Executive Director of Alumex PLC is also the Managing Director of Star Packaging (Pvt) Ltd. 501,300 shares were purchased by Star Pack Investments (Pvt) Ltd (Mr. M.H. Abdulhusein a non executive Director of Alumex PLC is a Director/shareholder of Star Pack Investments (Pvt) Ltd).
- 163,082 shares were purchased by Akbar Brothers (Pvt) Ltd (Mr.A.A. Akbarally, a Director and Mr.T.Akbarally, an alternate Director of Alumex PLC are also Directors of Akbar Brother (Pvt) Ltd
- 25,000 shares were purchased by Rosewood (Pvt) Ltd (Mr.R.P.Pathirana, a Director and Mr.A.J.Hirdaramani, an alternate Director of Alumex PLC are also Directors of Rosewood (Pvt) Ltd
- 233,949 shares were purchased by Mr.R.P.Pathirana.

- 4,036,465 shares were disposed by Ceylon Knit Trend Ltd (Mr.R.P.Pathirana, a Non-Executive Director of Alumex PLC is also a Director of Ceylon Knit Trend Limited)
- 1,413,500 shares were disposed by Zenith Insurance Brokers (Pvt) Ltd (Mr.A.J.Hirdaramani an alternate Director of Alumex PLC is also a Director of Zenith Insurance Brokers (Pvt)

### *Alufab PLC*

- 5,825 shares were purchased by Mr.S.C.Ganegoda

### *Hayleys M G T Knitting Mills PLC*

- 10,000 shares were purchased by Mr.R.N.Somaratne
- 1,090 shares were purchased by Mr.K.D.D.Perera from the Rights Issue.
- 1,343,160 shares were purchased by Hayleys Advantis Ltd from the Rights Issue (Hayleys Advantis Ltd, is a subsidiary of Hayleys PLC)
- 925,935 shares were purchased by Hayleys Agriculture Holdings Ltd from the Rights Issue (Hayleys Agriculture Holdings Ltd, is a subsidiary of Hayleys PLC)
- Mr.R.P.Pathirana who held 3409 shares resigned during the year.

### *Dipped Products PLC*

- 4,800 shares were purchased by Mr.S.P.Peiris, a Director of Dipped Products PLC
- 300,000 shares were purchased by Hayleys PLC (Hayleys PLC, is the Ultimate Parent Company of Dipped Products PLC)

### *Kelani Valley Plantations PLC*

- 426,900 shares were purchased by DPL Plantations (Pvt) Ltd (DPL Plantations (Pvt) Ltd, is the Parent Company of Kelani Valley Plantations PLC)

### **2.6.3 Payment of remuneration to Directors**

Executive Directors' remuneration is established within an established framework by the Board's Remuneration Committee, to whom this task has been entrusted. The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company. The total remuneration of Executive Directors for the year ended 31st March 2015, which is also given in note 2.7, includes the value of perquisites granted to them as part of their terms of service. The total remuneration of Non Executive Directors for the year ended 31st March 2015, which is given in note 2.7, is determined according to scales of payment decided upon by the Board previously. The Board is satisfied that the payment of remuneration is fair to the Company.

### **2.6.4 Insurance & Indemnity**

The Company has obtained a Corporate Guard insurance policy from AIG Insurance Ltd providing worldwide cover to indemnify all past, present and future Directors and Officers (D & O) of Hayleys PLC and its Subsidiaries at a premium of Rs. 4.5mn. The limit on liability of the cover is US\$5mn

### **2.7 Directors' remuneration**

Directors' remuneration, in respect of the Company for the financial year 2014/15 is Rs. 187.2 mn (Rs. 167.0 mn) consisting of Rs. 179 mn for Executive Directors and Rs. 8.2 mn for Non Executive Directors.

Directors' remuneration in respect of the Company's Subsidiaries for the financial year 2014/15 is Rs 489.3 mn (Rs. 446.8 mn) consisting of Rs. 459.2 mn for Executive Directors and Rs. 30.1 mn for Non Executive Directors

### **2.8 Corporate Donations**

Donations by the Company amounted to Rs. 310,090. (Rs. 498,002) which includes a sum of Rs.139,000 (Rs 127,000 made to Government approved charities).

Donations by the Subsidiaries amounted to Rs. 16.1 mn (Rs. 14.1 mn).



No donations were made for political purposes.

### 3. Future Developments

Information on future developments are contained in the Chairman's Review (page 21), and sector reviews (page 63 to 127) sections of this Annual Report.

### 4. Group Revenue and International trade

The revenue of the Group was Rs 92.6 bn (Rs 80.5bn.) in the year under review. A detailed analysis of the Group's revenue, profit and asset allocation relating to different segments of the Group's businesses is given in Note 6 to the Financial Statements.

The Group's exports from Sri Lanka, amounted to Rs. 41.9 bn (Rs.36.8 bn) at f.o.b. value in the year under review.

The Group's revenue from International Trade, which includes the revenue of overseas subsidiaries in addition to exports from Sri Lanka, amounted to Rs. 53.1 bn (Rs. 45.6 bn) in the year under review.

Trade between Group Companies is conducted at fair market prices.

### 5. Dividends and Reserves

#### 5.1 Dividends

The Group's profit before taxation amounted to Rs ,6.4bn( Rs.5.1 bn). After deducting Rs 1.5bn (Rs 1.4bn) for taxation the profit was Rs. 4.9 bn (Rs. 3.7bn). When an amount of Rs.2.3bn (Rs1.9bn.) for minority interests was deducted , the Group profit attributable to equity holders of the company for the year was Rs. 2.6bn (Rs 1.8bn). A sum of Rs.450mn (Rs 375mn) has been set aside for proposed dividends. .

The Directors have confirmed that the Company satisfies the solvency test requirement under section 56 of the Companies Act No.7 of 2007 for the first & final dividend proposed. A solvency certificate has been sought in respect of the first & final dividend of Rs. 6.00 per share (Rs.5.00) proposed to be paid to the holders of

issued ordinary shares of the Company as at the close of business on 26th June 2015, the dividend represents a redistribution of dividends received by the Company and therefore will not be subject to the 10% tax deduction otherwise applicable.

#### 5.2 Reserves

Total Group Reserves at 31st March 2015 amounts to Rs27.7bn ( Rs.22.6bn) comprising Capital Reserves of Rs 1.3 bn(Rs1.4 bn), Other components of equity of Rs. 11.5bn (Rs. 9.0bn ) and Revenue Reserves of Rs.14.8 bn (Rs 12.2.bn). The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

### 6. Property, plant and equipment

Capital expenditure during the year, on Property, Plant & Equipment ( including capital work –in-progress), Biological assets,Investment properties, Intangible assets by the Group and the Company amounted to Rs 5.7 bn (Rs 3.5bn) and Rs64.3 mn.(Rs68.3mn) respectively.

Information relating to capital expenditure on Property, Plant & Equipment ( including capital work –in-progress), Biological assets, Investment properties, Intangible assets, are given in Notes 14 to 17 to the Financial Statements.

Extents, locations, number of buildings and valuations of the properties of the Group are given in Statement of Value of Real Estate on page 273.

### 7. Market value of Freehold land

The freehold land of the Group has in general been subjected to routine revaluation by independent qualified valuers. The most recent revaluations in respect of the Group were carried out as at 31st March 2015. Details of revaluations, carrying values and market values are provided in Note 14 to the Financial Statements. The Statement on Value of Real Estate on page 273 gives details of freehold land held by the Group.

### 8. Issue of Shares and Debentures

#### 8.1 Issue of Shares and Debentures by the Company

The Company did not issue any shares during the year ended 31st March 2015.

Twenty million (20,000,000) Senior, Unsecured, Listed, Redeemable, Rated four year (2015/2019) and Five year (2015/2020) debentures at a face value of Rs.100/- each were issued, during the accounting period, by the Company raising Rs 2bn The funds were utilized to restructure the debt portfolio as detailed in the offer document.

#### 8.2 Issue of Shares and Debentures by subsidiaries and equity accounted investees.

Hayleys M G T Knitting Mills PLC , a subsidiary of Hayleys PLC , issued 55,397,570 new ordinary shares at Rs.9/50 per share through a rights issue, in the ratio of 4:11, during the year to increase the Stated Capital of the Company by Rs. 526,276,915, thereby strengthening its balance sheet and enabling repayment of short term debt.

#### 8.3 Stated Capital and Debentures

The stated capital of the Company, consisting of 75,000,000 Ordinary shares, amounts to Rs.1,575mn as at 31st March 2015. There was no change in stated capital during the year.

The debentures of the Company, consist of the following:

- Two Million (2,000,000) Rated, Unsecured, Listed, Redeemable, three year (2013/16) debentures amounting to Rs. 2,000 mn
- Twenty Million (20,000,000) Senior, Unsecured, Listed, Redeemable, Rated four year (2015/2019) and Five year (2015/2020) debentures amounting to Rs.2,000 mn

### 9. Share Information

Information relating to earnings, dividend, net assets, market value per share , share trading and distribution of shareholding is given on pages 276 and 277.

## Annual report of the board of directors

### 10. Substantial Shareholdings

#### 10.1 Major shareholdings

Details of the twenty largest shareholders of ordinary shares with the percentage of their respective holdings are given on page 276.

#### 10.2 Public holding

There were 3,102 (3,194) registered shareholders as at 31st March 2015. The percentage of shares held by the public, as per the Colombo Stock Exchange rules, being 38.66 % (39.95%) representing 3,089 shareholders.

### 11. Directors

#### HAYLEYS PLC

The names of the Directors who held office during the financial year are given below. The brief profiles of the Board of Directors appear on pages 32 to 33

#### Executive Directors

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

Mr. M.R. Zaheed

Mr. S.C. Ganegoda

Mr. H.S.R.Kariyawasan

Dr. K.I.M. Ranasoma

Mr. L.T. Samarawickrama

Mr. L.V.R.Waidyaratne

Non-Executive Directors

Mr. K.D.D. Perera - (Co-Chairman)

Mr. W.D.N.H. Perera

Ms. D.S.N. Weerasooriya (Alternate Director to Mr K.D.D. Perera resigned w.e.f 31st May 2014)

Non-Executive Independent Directors

Dr. H. Cabral, PC

Mr. M.D.S. Goonatilleke

Mr. M.H. Jamaldeen

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

Ms. D S N Weerasooriya who served as the alternate Director to Mr K D D Perera resigned with effect from 31st May 2014.

Messrs. M.D.S.Goonatilleke, W.D.N.H.Perera, S.C.Ganegoda and L.R.V.Waidyaratne retire by rotation and being eligible offer themselves for re-election.

### SUBSIDIARIES

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

#### Fibre

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

#### Hand Protection

A.M.Pandithage	K.D.D. Perera	S.C.Ganegoda
Dr.K.I.M. Ranasoma	F. Mohideen	N. A. R. R. S. Nanayakkara
R K Withanachchi	M. Bottino	B.A Mahipala
K.A.L.S. Fernando	S Rajapakse	T.G.Thoradeniya
M. Orlando	B D K Pathirage	S.P.Peeris
S.A.N.Pushpakumara	A.Orlando	(Ms D S N Weerasooriya (Alternate)
(V.Rocchetti)	(V.R.Gunasekera)	

#### Purification Products

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

## Agriculture

A.M.Pandithage	M.R.Zaheed	S.C. Ganegoda	L.K.B. Godamunne	S.M.Gamage
Ms. J. Dharmasena	D.Nilaweera	K R Rajapakse	R Seevaratnam	A.N.K. Perera
M.Symons	H.PLin	G.Olbrechts	A.C.Pathirage	S.Yamada
S.Kodama	Ms. D.G.Talpahewa	P.Patnaik	A.Patnaik	S.I.H.M.Musfigur
L.N.Abesekara	(M.M.M De Silva)			

## Plantations

A.M.Pandithage	K.D.D.Perera	W D N H Perera	Dr K I M Ranasoma	S.C.Ganegoda
L.T.Samarawickrama	W.G.R. Rajadurai	G.K. Seneviratne	L.N.De S Wijeyeratne	N A R R S Nanayakkara
S. Siriwardana	Dr.S.S.S.B.D.G. Jayawardena	Malik J Fernando	N.R.Ranatunge	C.V. Cabraal
Prof.U Liyanage	Ms M D A Perera	D.S.Seneviratne	M F M Ismail	G.A.R.D.Prasanna
N.Weeraratne	R.M.Hanwella	D S Wijesekera	S.Rajapakse	J.A.G. Anandarajah
NT Bogahalanda (M.M.M.De Silva)	R A B Ranatunga	F. Mohideen	Merrill J Fernando	D.C.Fernando (Alternate)

## Industry Inputs

A.M.Pandithage	M.R.Zaheed	S.C.Ganegoda	M.D.S. Goonetilleke	Dr A Sivagananathan
L.J.C.De Silva	D.D.W. Siriwardene	D. Hewageegana	C.Wijesundera	(M.M.M De Silva)
(P T S De Silva)				

## Power & Energy

A.M.Pandithage	H.S.R. Kariyawasan	Dr K I M Ranasoma	A.R.De Zilva	B.Balaratnarajah
D.D.W. Siriwardene	D.S.Arangala	V.K.Hirdaramani	Merill J Fernando	Malik J Fernando
M.Najmudeen	R.P.Pathirana	A.A.Akbarally	Dr A Sivagananathan	W.G.R.Rajadurai
(Y.P.A.S.Pathiratna)	(M.M.M De Silva)	(R A A W Rajakaruna)		

## Consumer Products

A.M.Pandithage	M.R.Zaheed	S.C.Ganegoda	M D S Goonetilleke	G.A.B.I.Silva
D.D.W.Siriwardena	R Seevaratman	A.R.Zubair	H.D.M.PS.Karunatilleka	(M.M.M De Silva)

## Investments & Services

A.M.Pandithage	M.R.Zaheed	S.C.Ganegoda	D.D.W. Siriwardene	Ms.L.Y.Pararasasegaram
L D E A De Silva	Dr.A. Sivagananathan	Ms. M P Abeyesekera	Ms.S. Abeytunge	Ms. D.G. Talpahewa
G A Dandeniya	R.G.P.M.N.S. Piyaweera	P B F Cooray	D G Jayasinghe	C Perera
(M.M.M De Silva)	(S.P.Dissanayake)	(S Balasubramaniam)		

## Annual report of the board of directors

### Transportation & Logistics

A.M.Pandithage	S.C. Ganegoda	L.R.V. Waidyaratne	S.R. Sadanandan	T.U.K. Peiris
A.B.Ratnayake	(Ms) E.M.C.S. Gamage	A.M.Senaratna	R. Seevaratnam	Pl. Cumaratunga
F.T. Salem	C.D.La Ferriere	L.B Culas	M.G. Gomez	I Saleem
K.L.C.Fernando	PS Gunawardena	K.Wai Chak	R.W.P.Polonowita	S.I. Ramakrishnan
D.D.W. Siriwardene	Ms.Y.N.Perera	S. N Wickremesooriya	C.I.J. Charles	M I S Sabar
A.H.Kulasinghe	M.D.D.Pieris	O Kubota	N P Samarasinghe	M. Masri
F.S.Abeygoonewardena	P Jayanetti	J.R.Hill	M. Saitoh	M.R.S.M.S.R.C. Samaratunge
I A M Gahazali	L.D.E.A.De Silva	J C Anandappa	H A H Rodrigo	P.D. Good
S Mahadeva	A F K Kulasinghe (Alternate)	V.V.P. Daluwatte	K Wada	P H Rohani
T J G Decarpentrie	L.L.Quan	Ma Honghan	M. Haijiao	M.Nabeel
I.I.Rushdhee	A.Saa'id	R.Hassan	R S Ramakrishnan	(B.P.R.Liyanage)
(C. Perera )	(S J Wijesinghe)	(C H Pieris)	(C N Allis)	(T Kimura)

### Leisure & Aviation

A.M.Pandithage	K.D.D. Perera	W.D.N.H.Perera	S.C.Ganegoda	L.T.Samarawickrama
S.J.Wijesinghe	N.J.De S. Deva-Aditya	L.N.De.S.Wijeyeratne	Ms.R.N.Ponnambalam	J.G.Victoria
K.A.Y.P.Sumanapala	Ms.V.Jayasundera	C J Wickramasingha	D E Silva	B C S A P Gooneratne
S B Rangamuwa	J P Van Twest	E.J.Pietersz	D.J.A.Wijesinghe	S.D.D.K. Senaratne
M D S Goonetilleke	A K Dheerasinghe	J A S S Adihetti	M H Jamaldeen	P S Araratratne
(Ms) I. Jamaldeen (Alternate)	K D H Perera	H Somashantha (Alternate)	S Senaratne	S H Amarasekera
J A S S Adihetti	W.D. De Costa	Capt. J.L.C.Fernando	D.L.C.Fernando	R.S.Tissanayagam
P.N.R.Dias	T.W.De Silva	K.T.M. De Soysa	(S.P.Dissanayake)	(Ms. D S N Weerasooriya)

### Textiles

A.M.Pandithage	K.D.D Perera	S.C. Ganegoda	E.R.P.Goonetilleke	H Somashantha
R.N. Somaratne	Dr.N.S.J.Nawaratne	A.S. Jayatilleke	(R.Seevaratnam)	(R.P.Pathirana)
(J.A.S. Piyawardena)	(Ms. D.S.N. Weerasooriya (Alternate) )			

### Industrial Material

A.M.Pandithage	S.C. Ganegoda	Dr H. Cabral	R.P.Pathirana	A.A.Akbarally
D.W.P.N.Dediwela	H.H.Abdulhusein	R.P.Peris	T.Akbarally(Alternate)	
S. Munaweera	A.S.Jayatilleke	A.J.Hirdaramani (Alternate)	D.V.Press	
S.J.Wijesinghe	P.J.Claesson			

## 12. Disclosure of Directors' dealing in Shares and Debentures

Directors' dealings in shares are given under note 2.6.2 of this report.

Directors' holdings, in ordinary shares of the Company are given on page 277.

None of the Directors hold debentures in Hayleys PLC.

## 13. Employee share ownership plans

The Group does not operate any share option schemes.

Details relating to Hayleys Employees Share Trust is given in Note 23 to the financial statements.

## 14. Directors' disclosure of interest

Disclosure of interest by the Directors of the Company and its subsidiaries are detailed in Note 2.6 above,

## 15. Environmental Protection

The Group's efforts to conserve scarce and non-renewable resources, as well as its environmental objectives and key initiatives, are described in the Environment Performance section of the Sustainability Review on page 45 to 47.

## 16. Statutory payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government, other regulatory institutions and those related to employees have been made on time.

The declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on page 165.

## 17. Events occurring after the reporting date

No event of material significance that requires adjustment to the Financial Statements, has occurred subsequent to the date of the reporting date, other than those disclosed in Note 35 to the Financial Statements on page 253.

## 18. Going concern

The Directors, after considering the financial position, operating conditions, regulatory and other factors including matters addressed in the Corporate Governance Code, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the Financial Statements.

## 19. Exposure to risk

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

## 20. Appointment of Auditors

Messrs Ernst & Young, Chartered Accountants, are deemed re-appointed, in terms of section 158 of the Companies Act No.7 of 2007, as Auditors of the Company.

## 21. Auditors' Remuneration and Interest in contracts

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

The Auditors, Messrs Ernst & Young were paid Rs. 1.6 mn (Rs.1.5 mn), and Rs. 39.6 mn

(Rs. 35.9 mn) as audit fees by the Company and its Subsidiaries respectively. In addition, they were paid Rs. 0.6 mn (Rs. 1.1 mn) and Rs 17.4 mn (Rs 14.7mn.), by the Company and its Subsidiaries respectively, for non-audit related work, which consisted mainly of tax consultancy services.

In addition to the above, Group companies, both local and overseas, engage other audit firms. Audit fees and payments relating to non-audit work in respect of these firms amount to Rs. 16.5 mn (Rs.16.3 mn) and Rs. 8.1 mn (Rs. 6.8 mn) respectively.

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

## 22. Ratios and Market price information

The ratios relating to equity and debt as required by the listing requirements of the Colombo Stock Exchange are given in pages 108 and 278 of this Report.

## 23. Employees & Industrial Relations

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

Details of Group's human resource practices and employee and industrial relationships are given in Social Performance section of the Sustainability Review.

The number of persons employed by the Group at year-end was 35,093 (36,224).

## 24. Shareholders

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



## Annual report of the board of directors

### 25. Internal Controls

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

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

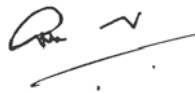
### 26. Corporate Governance

The Company has complied with the Corporate Governance rules laid down under the listing rules of the Colombo Stock Exchange. The Corporate Governance Report on pages 136 to 146 discusses this further.

### 27. Annual General Meeting

The Annual General Meeting will be held at Victorian Ballroom, The Kingsbury Hotel, No. 48, Janadhipathi Mawatha, Colombo 01, at 10.00 a.m. on Friday, 26 June 2015. The Notice of the Annual General Meeting appears on page 292.

For and on behalf of the Board



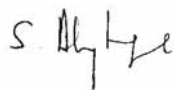
**A.M. Pandithage**

Chairman & Chief Executive Director



**S.C. Ganegoda**

Director



**Hayleys Group Services (Pvt) Ltd**

Secretaries

20th May 2015

Comparative figures are shown in brackets.

# Chairman/chief Executive's and group chief financial officer's responsibility statement

The Financial Statements of Hayleys PLC and the Consolidated Financial Statements of the Group as at 31st March 2015 are prepared and presented in compliance with the requirements of the following.

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

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 recognized in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits, and to discuss

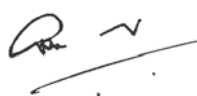
auditing, internal control and financial reporting issues. The Independent Auditors and the Internal Auditors have full and free access to the Audit Committee to discuss any matter of substance.

The Financial Statements were audited by independent external auditors, Messers Ernst & Young , Chartered Accountants, the independent external auditors. Their report is given on page 171 of the Annual Report.

The Audit Committee approves the audit and non audit services provided by the External Auditor, in order to ensure that the provision of such services does not impair their independence.

#### 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 other than disclosed in the Note 35 to the Financial Statements in this Annual Report.



**A.M. Pandithage**  
*Chairman & Chief Executive*



**L. D.E. A. De Silva**  
*Group Chief Financial Officer*

20th May 2015

# Directors' statement on internal controls

The following statement fulfils the requirement to publish the Directors' Statement on internal control as per the Code of best practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka.

The Board of Directors is responsible for maintaining a sound system of internal controls to safeguard shareholder's investments and the Company's assets. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and Group. This process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The Board has implemented the following to obtain reasonable assurance that proper systems of internal controls are in place:

- Instituted various committees to assist the Board in ensuring the effectiveness of Company's operations and the operations are in accordance with the corporate strategies and annual budget.

- The Management Audit and System Review Division ( MA & SRD) to review and report on the internal control environment in the Company and Group. Audits are carried out on all subsidiaries in accordance with the annual audit plan approved by the Audit Committee. Findings are submitted to the Audit Committee for review at their periodic meetings.

- The Audit Committee reviews internal control issues identified by MA & SRD and management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Audit Committee meetings are tabled at the Board meetings of Hayleys PLC.

- The adoption of new Sri Lanka Accounting Standards comprising LKAS and SLFRS in 2014, processes that are required to comply with new requirements of recognition, measurement, presentation and disclosures were introduced and implemented. Continuous monitoring is in progress to ensure effective implementation of the required processes.

- The comments made by External Auditors in connection with the internal control system during the financial year 2013/14 were taken into consideration and appropriate steps have been taken to incorporate them where appropriate.

## Conclusion

The Board having implemented the above is aware that such systems are designed to manage rather than eliminate the risk of failure to achieve business objective and can only provide reasonable and not absolute assurance against material misstatements of loss. The Board of Directors confirm that the financial reporting system of Hayleys PLC has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards, requirements of the Company's Act no 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.



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



**Sarath Ganegoda**  
*Director*



**Mangala Goonatillake**  
*Chairman, Audit Committee*

20th May 2015

## Nomination committee report

### Composition of the Committee

The Nomination Committee comprises three Non-Executive Directors and one Executive Director. The Nomination Committee comprised of the Following members;

A. M. Pandithage (ED ) - *Chairman*  
K.D.D.Perera (NED)  
W.D.N.H.Perera (NED)  
Dr. H. Cabral PC (IND/NED)

(ED- Executive Director,IND- Independent Director, NED- Non-Executive Director)

The brief profiles of the Directors are given on pages 132 to 133 of the Annual Report.

### The duties of the Committee

- Consideration of making any appointment of new Directors or re-electing current Directors to the Board.
- Provide advice and recommendations to the Board on any such appointment.
- Review criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment to the Board and Key Management Personnel in the Company.
- Consider if a Director is able to and has been adequately carrying out his or her duties as a Director, taking in to consideration the Director's number of Listed Company Boards on which the Director is represented and other principal commitments.
- Review the structure, size, composition and competencies of the Board and make recommendations to the Board with regard to any changes.

- Recommend the requirements of new expertise and succession arrangements for retiring Directors.
- Recommend on any matter referred by the Board of Directors.

### Re- election of Directors at the Annual General Meeting

Messrs M.D.S. Goonatilleke, W.D.N.H. Perera, S.C. Ganegoda and L.R.V. Waidyaratne were proposed for re-election to the Board at the Annual General Meeting to be held on 26th June 2015 and the Committee decided to recommend the said names to be approved by the Board of Directors.



**Mohan Pandithage**  
*Chairman*  
*Nomination Committee*

20th May 2015

# Remuneration committee report

## Composition of the Committee

The Remuneration Committee appointed by and responsible for the Board of Directors comprises five Non-Executive Directors of whom three including the Chairman are independent Directors. The Remuneration Committee comprised of the Following members;

Dr. H.Cabral, PC (IND/NED)- *Chairman*  
K.D.D.Perera (NED)  
W.D.N.H.Perera (NED)  
M.D.S. Goonatilleke (IND/NED)  
M.H. Jamaldeen (IND/NED)  
(IND- Independent Director, NED- Non-Executive Director)

The brief profiles of the Directors are given on pages 132 to 133 of the Annual Report.

The Chairman & Chief Executive assists the Committee by providing relevant information and participating in its analysis and deliberations, except when his own compensation package is reviewed.

## The Scope of the Committee

The Committee is vested with power to evaluate, assess, decide and recommend to the Board of Directors on any matter that may affect Human Resources Management of the Company and the Group and specifically include:

- Determining the compensation of the Chairman & Chief Executive, Executive Directors and the Members of the Group Management Committee.
- Lay down guidelines and parameters for the compensation structures of all management staff within the Group taking into consideration industry norms.
- Formulate guidelines, policies and parameters for the compensation structures for all Executive staff of the Company .
- Review information related to executive pay from time to time to ensure same is in par with the market/industry rates .

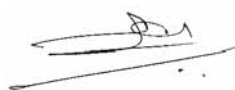
- Evaluate the performance of the Chairman & Chief Executive and Key Management Personnel against the predetermined targets and goals.
- Assess and recommending to the Board of Directors of the promotions of the Key Management Personnel, address succession planning.
- Approving annual salary increments, bonuses

## Remuneration Policy

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

## Meetings

The Committee held 2 times during the year under review. The attendance at the meetings given in table on page 138 of the Annual Report.



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

20th May 2015



## Statement of directors' responsibilities

The Directors are responsible under sections 150 (1), 151, 152 (1), & 153 of the Companies Act No. 7 of 2007, to ensure compliance with the requirements set out therein to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit & loss of the Company and the Group for the financial year.

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

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

They also confirm that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting standards ( SLFRS/ LKAS), Companies Act No 07 of 2007 and the listing rules of the Colombo Stock Exchange. Further, the financial statements provide the information required by the Companies Act and the listing rules of the Colombo Stock Exchange.

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

The Directors have taken reasonable measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of

internal control with a view to preventing and detecting fraud and other irregularities.

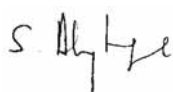
As required by section 56 (2) of the Companies Act, the Board of Directors has authorized distribution of the dividend now proposed, being satisfied based on information available to it that the Company would satisfy the solvency test after such distribution in accordance with section 57 of the Companies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

The external Auditors, Messrs Ernst & Young who were deemed 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 page 171 sets out their responsibilities in relation to the Financial Statements.

### Compliance Report

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

By order of the Board



**HAYLEYS GROUP SERVICES (PVT) LTD**

*Secretaries*

20th May, 2015

# Audit committee report

## Composition Of The Audit Committee

The Audit Committee, appointed by and responsible to the Board of Directors, comprises the following three Independent Non-Executive Directors and a Non-Executive Director.

M.D.S. Goonatileke (IND/NED) (*Chairman*)  
W.D.N.H.Perera (NED)  
Dr. H.Cabral, PC (IND/NED)  
Mr. M H Jamaldeen (IND/NED)

The Chairman of the committee, Mr. M D S Goonatileke, an Independent Non-Executive Director, is finance professional with over 25 years of post qualification experience. He is a member of the Institute of Chartered Management Accountants (U.K), passed finalist of the Institute of Chartered Accountants (Sri Lanka) and has a Postgraduate Diploma in Management from PIM of University of Sri Jayawardenepura.

Brief profiles of each member are given on pages 32 & 33 of this report. Their individual and collective financial knowledge and business acumen and the independence of the Committee, are brought to bear on their deliberations and judgments on matters that come within the Committee's purview. Company secretary act as the secretary to the audit committee. The Chairman & Chief Executive, Group Chief Finance officer and Head – Group Management Audit & System Review attend meetings of the Committee by invitation.

## Charter of the Audit Committee

The audit committee Charter is periodically reviewed and revised with the concurrence of Board of Directors. The terms of reference of the committee are clearly defined in the Charter of the Audit Committee.

'Rules on Corporate Governance' under listing rules of corporate governance under Colombo Stock Exchange and 'Code of Best Practice on Corporate Governance' issued jointly by Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri

Lanka further regulate the composition, role and functions of the Board Audit Committee.

## Meetings of the Audit Committee

The Committee met 9 times during the year. The attendance of the members at these meetings is stated in the table on page 138.

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

## The Objective and Role of the Audit Committee

The role of the committee, which has specific terms of reference, is described in the Governance Report on page 136 to 146.

## 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 Financial Reporting Standards. The methodology included obtaining statements of compliance from Heads of Finance and Directors-in-charge of operating units. The Committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system, also recognized the adequacy of the content and quality of routine management information reports forwarded to its members.

## Internal Audits

The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements. The

Group Management Audit & Systems Review Department reports on key control elements and procedure in Group companies that are selected according to an annual plan were reviewed.

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

The committee obtained and reviewed statements from the heads of business sectors identifying their Audit Committee Report 2015 respective major Business Risks, mitigatory action taken or contemplated for management of these risks. The COSO Enterprise Risk Reporting Process is presently being implementing within the group.

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

## Subsidiary Company Audit Committees

All listed subsidiaries and business sectors have appointed their own Audit Committees comprising Independent Non Executive Directors. These Audit Committees function independently of the Audit Committee of Hayleys PLC but have similar terms of reference. The minutes of their meeting are made available to Hayleys Audit Committee.

## External Audits

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

heads of business units. Remedial action was recommended wherever necessary.

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

### **Appointment of External Auditors**

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young, continued as Auditors for the financial year ending 31st March 2016.

### **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.

### **Ethics and Good Governance**

The committee continuously emphasized on upholding ethical values of the staff members. In this regard, Code of Ethics and Whistle-Blowers Policies were put in place and followed educating and encouraging all members of the staff. All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistle-Blowing or identified through other means. The Whistle-Blower Policy guarantees strict confidentiality of the identity of the Whistle-Blowers.

### **Sri Lanka Accounting Standards**

The Committee continued to monitor the progress of the mandatory implementation of Sri Lanka Accounting Standards (SLFRS/LKAS) which converged with International Financial Reporting Standards (IFRS) effective from January 1, 2012.

Committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Group companies and made recommendation to the Board of Directors.


The Committee would continue to monitor the compliance with relevant Accounting Standards

and keep the Board of Directors informed at regular intervals.

The committee has pursued the support of Messers Ernst and Young to assess and review the existing SLFRS policies and procedures adopted by the Group.

### **Evaluation of the Committee**

An Independent evaluation of the effectiveness of the committee was carried out by the other Members of Board during the year. Considering the overall conduct of the committee and its contribution to the overall performance of the Group, the committee has been rated as highly effective.



**M D S Goonatilleke**

*Chairman*

*Audit Committee.*

18th May 2015





# Delivering results of Quality

Our focus on bigger and better innovation, rolled out faster to more markets is a key driver behind our performance. The rollout of our brands to new markets also contributed strongly.



170	Financial Calendar
171	Independent Auditors' Report
172	Income Statements
173	Statements of Comprehensive Income
174	Statements of Financial Position
176	Statements of Changes in Equity
181	Statements of Cash Flows
184	Notes to the Financial Statements
272	Ten Year Summary
273	Value of Real estate
274	Country Report
276	Share Information
279	History of Dividends and Scrip Issues
281	Quarterly Performance
284	Group Companies
287	GRI Content Index Tool
291	Group value addition and distribution
292	Glossary of Financial Terms
292	Notice of Meeting
293	Form of Proxy
295	Investor Feedback Form

**FINANCIAL CALENDAR 2014/15**

1st Quarter Report	7th August, 2014
2nd Quarter Report	5th November, 2014
3rd Quarter Report	10th February, 2015
4th Quarter Report	20th May, 2015
Annual Report 2014/15	3rd June, 2015
64th Annual General Meeting	26th June, 2015
First and Final Dividend Proposed	26th June, 2015
First and Final Dividend Payable	8th July, 2015

## Independent auditors' report



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

Tel : +94 11 2463500  
Fax Gen : +94 11 2697369  
Tax : +94 11 5578180  
eysl@lk.ey.com  
ey.com

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

#### Report on the Financial Statements

We have audited the accompanying financial statements of Hayleys PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statements of financial position as at 31 March 2015, and the income statements and statements of comprehensive income, statements of changes in equity and, cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit

to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) In our opinion :
  - 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,
  - the financial statements of the Company give a true and fair view of its financial position as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
  - the financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

20 May 2015  
Colombo

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

A member firm of Ernst & Young Global Limited

## Income statements

For the year ended 31st March	Notes	Consolidated		Company	
		2015	2014 (Restated)	2015	2014
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Revenue</b>	6	92,561,865	80,478,609	284,949	228,494
Cost of sales		(71,268,719)	(61,713,381)	(164,457)	(168,537)
<b>Gross profit</b>		21,293,146	18,765,228	120,492	59,957
Group dividend		-	-	1,316,149	1,048,265
Other income	7	537,750	426,709	24,448	105,236
Distribution expenses		(2,589,099)	(2,445,692)	-	-
Administrative expenses		(10,585,170)	(9,389,015)	(62,453)	(90,831)
Other expenses	8	(146,081)	(161,574)	(75,578)	(81)
<b>Results from operating activities</b>		8,510,546	7,195,656	1,323,058	1,122,546
Finance income	9	452,332	757,373	104,455	345,680
Finance cost	9	(2,587,346)	(2,904,651)	(664,543)	(899,965)
<b>Net finance cost</b>		(2,135,014)	(2,147,278)	(560,088)	(554,285)
Share of profit of equity accounted investees (net of tax)		24,383	34,243	-	-
<b>Profit before tax</b>	10	6,399,915	5,082,621	762,970	568,261
Tax expense	11	(1,513,581)	(1,373,628)	(8,565)	(30,782)
<b>Profit for the year</b>		4,886,334	3,708,993	754,405	537,479
Profit for the year attributable to:					
Owners of the parent		2,581,298	1,808,523		
Non-controlling interest		2,305,036	1,900,470		
<b>Profit for the year</b>		4,886,334	3,708,993		
<b>Earnings per share</b>					
Basic, profit for the year attributable to ordinary equity holders of the parent (Rs.)	12	34.42	24.11		
Diluted, profit for the year attributable to ordinary equity holders of the parent (Rs.)	12	34.42	24.11		

Notes from pages 184 to 271 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

# Statements of comprehensive income

For the year ended 31st March	Notes	Consolidated		Company	
		2015	2014 (Restated)	2015	2014
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit for the year		4,886,334	3,708,993	754,405	537,479
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified subsequently to income statement</b>					
Revaluation of land		3,108,054	-	1,453,000	-
Share of other comprehensive income of equity accounted investees		119,796	-	-	-
Actuarial (loss)/ gain on employee benefit obligations	28	(7,228)	(81,953)	80,652	(79,571)
Income tax on other comprehensive income	11	5,392	579	-	-
<b>Items that may be reclassified subsequently to income statement</b>					
Net exchange differences on translation of foreign operations		(157,632)	(76,699)	-	-
Share of other comprehensive income of equity accounted investees		867	(485)	-	-
Net change in fair value of available-for-sale financial assets		20,555	(6,680)	-	-
<b>Total other comprehensive income/ (loss) for the year, net of tax</b>		<b>3,089,804</b>	<b>(165,238)</b>	<b>1,533,652</b>	<b>(79,571)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>7,976,138</b>	<b>3,543,755</b>	<b>2,288,057</b>	<b>457,908</b>
<b>Total comprehensive income for the year attributable to :</b>					
Owners of the parent		5,319,922	1,682,328		
Non- controlling interest		2,656,216	1,861,427		
		7,976,138	3,543,755		

## Statements of financial position

As at 31st March	Notes	Consolidated		Company	
		2015	2014 (Restated)	2015	2014
		Rs:'000	Rs:'000	Rs:'000	Rs:'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant & equipment	14	46,163,919	38,215,259	6,654,666	5,171,645
Investment properties	15	1,412,822	1,453,444	-	-
Biological assets	16	307,476	266,508	-	-
Intangible assets	17	5,715,803	5,541,287	-	-
Investments in subsidiaries	18	-	-	9,365,343	9,046,171
Investments in equity accounted investees	18	489,096	354,260	-	-
Other non-current financial assets	19	241,478	233,613	154,234	166,704
Other non-current assets	20	1,022,155	350,423	-	-
Deferred tax assets	27	386,698	381,567	-	-
<b>Total non-current assets</b>		<b>55,739,447</b>	<b>46,796,361</b>	<b>16,174,243</b>	<b>14,384,520</b>
<b>Current assets</b>					
Inventories	21	12,617,120	12,085,017	1,854	1,046
Amounts due from subsidiaries	39	-	-	1,400,260	1,092,669
Amounts due from equity accounted investees	39	49,854	11,582	-	-
Trade and other receivables	22	17,859,520	16,563,566	15,302	9,991
Other current assets	22	1,273,295	1,451,883	10,036	8,134
Income tax recoverable	30	219,469	170,754	1,752	-
Other current financial assets	19	39,562	53,388	11,170	21,906
Short-term deposits		2,413,781	1,536,101	546,292	-
Cash in hand and at bank		3,111,428	2,633,413	39,562	155,211
Assets classified as held for sale	40	3,021	3,021	-	-
<b>Total current assets</b>		<b>37,587,050</b>	<b>34,508,725</b>	<b>2,026,228</b>	<b>1,288,957</b>
<b>Total assets</b>		<b>93,326,497</b>	<b>81,305,086</b>	<b>18,200,471</b>	<b>15,673,477</b>
<b>Equity and Liabilities</b>					
Stated capital	23	1,575,000	1,575,000	1,575,000	1,575,000
Employee share trust loan	23	(148,558)	(488,261)	(148,558)	(488,261)
Capital reserves		1,303,980	1,429,680	13,226	13,226
Other components of equity		11,573,045	8,969,910	6,314,023	4,861,023
Revenue reserves		14,800,483	12,236,713	2,767,884	2,307,827
Total equity attributable to equity holders of the company		29,103,950	23,723,042	10,521,575	8,268,815
Non-controlling interest		15,105,525	12,614,224	-	-
<b>Total equity</b>		<b>44,209,475</b>	<b>36,337,266</b>	<b>10,521,575</b>	<b>8,268,815</b>



As at 31st March	Notes	Consolidated		Company	
		2015	2014 (Restated)	2015	2014
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Non-current liabilities</b>					
Interest-bearing borrowings	25	12,069,274	9,163,624	5,667,819	3,873,705
Grants	26	713,495	742,077	-	-
Deferred tax liabilities	27	1,363,237	1,249,322	-	-
Employee benefit obligations	28	4,958,643	4,630,864	415,617	450,560
<b>Total non-current liabilities</b>		<b>19,104,649</b>	<b>15,785,887</b>	<b>6,083,436</b>	<b>4,324,265</b>
<b>Current liabilities</b>					
Trade and other payables	29	11,943,409	11,667,947	293,963	336,705
Provisions	29	25,479	28,792	-	-
Other current liabilities	29	497,790	365,073	11,650	10,011
Other current financial liabilities	19	15,942	58,653	15,942	58,653
Amounts due to subsidiaries		-	-	21,597	23,557
Amounts due to equity accounted investees	39	20,888	25,950	-	-
Income tax payable	30	515,624	373,343	-	1,688
Current portion of long term interest-bearing borrowings	25	3,686,844	2,653,381	1,214,729	1,096,096
Short-term interest-bearing borrowings	31	13,306,065	14,008,462	37,579	1,553,687
Liabilities directly associated with assets classified as held for sale	40	332	332	-	-
<b>Total current liabilities</b>		<b>30,012,373</b>	<b>29,181,933</b>	<b>1,595,460</b>	<b>3,080,397</b>
<b>Total liabilities</b>		<b>49,117,022</b>	<b>44,967,820</b>	<b>7,678,896</b>	<b>7,404,662</b>
<b>Total equity and liabilities</b>		<b>93,326,497</b>	<b>81,305,086</b>	<b>18,200,471</b>	<b>15,673,477</b>

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



**Dilhan De Silva**

Group Chief Financial Officer

The Directors are responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board.



**Mohan Pandithage**

Chairman and Chief Executive

20th May, 2015



**Sarath Ganegoda**

Director

Notes from pages 184 to 271 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

# Statements of changes in equity

For the year ended 31st March 2015

Consolidated

	Stated capital	Employee share trust loan	Capital Reserves		
			Reserve on scrip issue	Other capital reserve	
	Rs. '000	Rs. '000	Rs.'000	Rs.'000	
<b>Balance as at 1st April 2014</b>	1,575,000	(488,261)	816,773	612,907	
Profit for the year	-	-	-	-	
<b>Other comprehensive income</b>					
Net exchange differences on translation of foreign operations	-	-	-	-	
Share of other comprehensive income of equity accounted investees	-	-	-	-	
Net change in fair value of available-for-sale financial assets	-	-	-	-	
Revaluation of Land	-	-	-	-	
Actuarial (loss)/ gain on employee benefit obligations	-	-	-	-	
Income tax on other comprehensive income	-	-	-	-	
<b>Total other comprehensive income</b>	-	-	-	-	
<b>Total comprehensive income for the year</b>	-	-	-	-	
<b>Transactions with owners, recorded directly in equity</b>					
Dividends to equity holders	-	-	-	-	
Recovery for the year	-	339,703	-	-	
Transfers	-	-	(47,787)	3,484	
<b>Total contributions by and distributions to owners</b>	-	339,703	(47,787)	3,484	
<b>Changes in ownership interests in subsidiaries</b>					
Acquisition of non-controlling interest with a change in control	-	-	-	-	
Acquisition of non-controlling interest without a change in control	-	-	47,815	(129,212)	
<b>Total changes in ownership interests in subsidiaries</b>	-	-	47,815	(129,212)	
Total transactions with owners	-	339,703	28	(125,728)	
<b>Balance as at 31st March 2015</b>	1,575,000	(148,558)	816,801	487,179	

**Revaluation Reserve** relates to the revaluation of land.

Details of the **Capital Reserves** are given in Note 24 to the Financial Statements.

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

Attributable to equity holders of the Company							Shareholders' funds	Non-controlling interest	Total Equity
Other Components of Equity			Revenue Reserves						
Revaluation reserve	Available-for-sale reserve	Foreign currency translation reserve	General reserve	Timber reserve	Retained earnings				
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
8,082,601	(4,857)	892,166	2,229,519	50,854	9,956,340	23,723,042	12,614,224	36,337,266	
-	-	-	-	11,914	2,569,384	2,581,298	2,305,036	4,886,334	
-	-	(84,751)	-	-	-	(84,751)	(72,881)	(157,632)	
119,796	867	-	-	-	-	120,663	-	120,663	
-	14,189	-	-	-	-	14,189	6,366	20,555	
2,677,465	-	-	-	-	-	2,677,465	430,589	3,108,054	
-	-	-	-	-	6,634	6,634	(13,862)	(7,228)	
-	-	-	-	-	4,424	4,424	968	5,392	
2,797,261	15,056	(84,751)	-	-	11,058	2,738,624	351,180	3,089,804	
2,797,261	15,056	(84,751)	-	11,914	2,580,442	5,319,922	2,656,216	7,976,138	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	(375,000)	(375,000)	(1,150,814)	(1,525,814)	
-	-	-	-	-	-	339,703	-	339,703	
-	-	-	(28,023)	-	72,326	-	-	-	
-	-	-	(28,023)	-	(302,674)	(35,297)	(1,150,814)	(1,186,111)	
-	-	-	-	-	-	-	525,495	525,495	
(22,835)	-	(101,596)	14,592	619	286,900	96,283	460,404	556,687	
(22,835)	-	(101,596)	14,592	619	286,900	96,283	985,899	1,082,182	
(22,835)	-	(101,596)	(13,431)	619	(15,774)	60,986	(164,915)	(103,929)	
10,857,027	10,199	705,819	2,216,088	63,387	12,521,008	29,103,950	15,105,525	44,209,475	

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

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

Notes from pages 184 to 271 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

## Statements of changes in equity

For the year ended 31st March 2014

Consolidated

	Stated capital	Employee share trust loan	Capital Reserves		
			Reserve on scrip issue	Other capital reserve	
	Rs. '000	Rs. '000	Rs.'000	Rs.'000	
<b>Balance as at 1st April, 2013</b>	1,575,000	(489,887)	767,380	610,296	
Profit for the year	-	-	-	-	
<b>Other comprehensive income</b>					
Net exchange differences on translation of foreign operations	-	-	-	-	
Share of other comprehensive income of equity accounted investees	-	-	-	-	
Net change in fair value of available-for-sale financial assets	-	-	-	-	
Actuarial (loss)/ gain on employee benefit obligations	-	-	-	-	
Income tax on other comprehensive income	-	-	-	-	
<b>Total other comprehensive income</b>	-	-	-	-	
<b>Total comprehensive income for the year</b>	-	-	-	-	
<b>Transactions with owners, recorded directly in equity</b>					
Dividends to equity holders	-	-	-	-	
Recovery for the year	-	1,626	-	-	
Transfers	-	-	-	2,413	
<b>Total contributions by and distributions to owners</b>	-	1,626	-	2,413	
<b>Changes in ownership interests in subsidiaries</b>					
Acquisition of non-controlling interest with a change in control	-	-	-	-	
Acquisition of non-controlling interest without a change in control	-	-	49,393	198	
<b>Total changes in ownership interests in subsidiaries</b>	-	-	49,393	198	
<b>Total transactions with owners</b>	-	1,626	49,393	2,611	
<b>Balance as at 31st March 2014</b>	1,575,000	(488,261)	816,773	612,907	

Attributable to equity holders of the Company							Shareholders' funds	Non-controlling interest	Total Equity
Other Components of Equity			Revenue Reserves						
Revaluation reserve	Available-for-sale reserve	Foreign currency translation reserve	General reserve	Timber reserve	Retained earnings				
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
8,093,806	(1,402)	908,458	2,234,731	41,377	8,512,025	22,251,784	11,173,102	33,424,886	
-	-	-	-	9,468	1,799,055	1,808,523	1,900,470	3,708,993	
-	-	(16,686)	-	-	-	(16,686)	(60,013)	(76,699)	
-	(446)	-	-	-	-	(446)	(39)	(485)	
-	(3,113)	-	-	-	-	(3,113)	(3,567)	(6,680)	
-	-	-	-	-	(111,391)	(111,391)	29,438	(81,953)	
					5,441	5,441	(4,862)	579	
-	(3,559)	(16,686)	-	-	(105,950)	(126,195)	(39,043)	(165,238)	
-	(3,559)	(16,686)	-	9,468	1,693,105	1,682,328	1,861,427	3,543,755	
						-		-	
-	-	-	-	-	(337,500)	(337,500)	(797,014)	(1,134,514)	
-	-	-	-	-	-	1,626	-	1,626	
-	-	-	15,190	-	(17,603)	-	-	-	
-	-	-	15,190	-	(355,103)	(335,874)	(797,014)	(1,132,888)	
-	-	-	-	-	-	-	46,192	46,192	
(11,205)	104	394	(20,402)	9	106,313	124,804	330,517	455,321	
(11,205)	104	394	(20,402)	9	106,313	124,804	376,709	501,513	
(11,205)	104	394	(5,212)	9	(248,790)	(211,070)	(420,305)	(631,375)	
8,082,601	(4,857)	892,166	2,229,519	50,854	9,956,340	23,723,042	12,614,224	36,337,266	



## Statements of changes in equity

For the year ended 31st March

Company

	Stated capital Rs. '000	Employee share trust loan Rs.'000	Capital Reserve	Other Component of Equity	Revenue Reserve		Total Rs.'000
			Other capital reserve Rs.'000	Revaluation reserve Rs.'000	General reserve Rs.'000	Retained earnings Rs.'000	

<b>Balance as at 1st April, 2014</b>	1,575,000	(488,261)	13,226	4,861,023	382,087	1,925,740	8,268,815
Profit for the year	-	-	-	-	-	754,405	754,405
<b>Other Comprehensive income</b>							
Actuarial loss on employee benefit obligations	-	-	-	-	-	80,652	80,652
Revaluation of land	-	-	-	1,453,000	-	-	1,453,000
Total other comprehensive income	-	-	-	1,453,000	-	80,652	1,533,652
<b>Total Comprehensive income for the year</b>	-	-	-	1,453,000	-	835,057	2,288,057
<b>Transactions with owners, recorded directly in equity</b>							
Repayment of employee share trust loan	-	339,703	-	-	-	-	339,703
Dividends to equity holders	-	-	-	-	-	(375,000)	(375,000)
Total contributions by and distributions to owners	-	339,703	-	-	-	(375,000)	(35,297)
<b>Total transactions with owners</b>	-	339,703	-	-	-	(375,000)	(35,297)
<b>Balance as at 31st March 2015</b>	1,575,000	(148,558)	13,226	6,314,023	382,087	2,385,797	10,521,575
<b>Balance as at 1st April, 2013</b>	1,575,000	(489,887)	13,226	4,861,023	382,087	1,805,332	8,146,781
Profit for the year	-	-	-	-	-	537,479	537,479
<b>Other Comprehensive income</b>							-
Actuarial loss on employee benefit obligations	-	-	-	-	-	(79,571)	(79,571)
Total other comprehensive income	-	-	-	-	-	(79,571)	(79,571)
<b>Total Comprehensive income for the year</b>	-	-	-	-	-	457,908	457,908
<b>Transactions with owners, recorded directly in equity</b>							
Dividends to equity holders	-	-	-	-	-	(337,500)	(337,500)
Recovery for the year	-	1,626	-	-	-	-	1,626
Total contributions by and distributions to owners	-	1,626	-	-	-	(337,500)	(335,874)
<b>Total transactions with owners</b>	-	1,626	-	-	-	(337,500)	(335,874)
<b>Balance as at 31st March 2014</b>	1,575,000	(488,261)	13,226	4,861,023	382,087	1,925,740	8,268,815

# Statements of cash flows

For the year ended 31st March	Consolidated		Company	
	2015	2014 (Restated)	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash generated from operations (Note A)	10,482,200	7,439,231	1,042,650	891,835
Employee benefit paid	(509,685)	(498,359)	(25,804)	(63,358)
Income tax paid	(1,341,151)	(1,387,774)	(12,005)	(36,929)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>8,631,364</b>	<b>5,553,098</b>	<b>1,004,841</b>	<b>791,548</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase and construction of property, plant & equipment	(5,451,733)	(3,453,473)	(64,261)	(68,310)
Investments in other non current assets	(714,713)	(46,080)	-	-
Development of biological assets	(9,285)	(3,423)	-	-
Grants received - capital	25,090	4,564	-	-
Improvements to investment property	(2,331)	(3,679)	-	-
Proceeds from disposal of property, plant & equipment	344,469	120,723	1,100	24
Proceeds from disposal of intangible assets	12,109	2,106	-	-
Proceeds from disposal of current financial assets	-	-	18,426	261,628
Proceeds from disposal of group companies	-	-	371,041	-
On acquisition of right to generate hydro power/ ERP System	(147,529)	(78,154)	-	-
Proceeds from sale of other current financial assets	23,741	12,923	-	2,615
Long term investments in group companies and others	(345)	(5,517)	(664,277)	(529,382)
Investment in equity accounted investees	(7,800)	-	-	-
Acquisition through business combinations	(669,058)	(690,187)	-	-
Interest received	155,689	181,929	22,051	88,014
Dividends received from equity accounted investees	18,088	12,033	-	-
Dividends received from non-group companies	83,613	257,736	73,876	253,221
<b>Net cash used in investing activities</b>	<b>(6,339,994)</b>	<b>(3,688,499)</b>	<b>(242,044)</b>	<b>7,810</b>
<b>Net cash inflow /(outflow) before financing</b>	<b>2,291,370</b>	<b>1,864,599</b>	<b>762,797</b>	<b>799,358</b>

## Statements of cash flows

For the year ended 31st March	Consolidated		Company	
	2015	2014 (Restated)	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Capital receipt/ (payment) on finance lease	(20,257)	21,321	-	-
Recovery of employee share trust loan	339,703	1,626	339,703	1,626
Interest paid (including interest capitalised)	(2,129,399)	(2,366,134)	(597,995)	(773,138)
Dividend paid to non-controlling interest	(1,150,814)	(797,014)	-	-
Proceeds from disposal of non-controlling interest	-	98,306	-	-
Proceeds from non controlling interest on issue of right in subsidiary	215,976	259,587	-	-
Proceeds from non controlling interest on initial public offer	-	107,613	-	-
Proceeds from interest-bearing borrowings	6,260,150	6,759,243	3,000,000	4,267,500
Repayment of interest-bearing borrowings	(3,286,820)	(2,226,204)	(1,120,083)	(698,183)
Payment of long term loan facility fee	-	(19,012)	-	(19,012)
Forward contract liability payment	(42,711)	-	(51,067)	-
Debenture redemption	(40,000)	-	-	-
Debenture issue fee	(4,106)	(21,818)	(11,604)	(21,818)
Dividends paid to equity holders of parent	(375,000)	(337,500)	(375,000)	(337,500)
Net cash inflow / (outflow) from financing activities	(233,279)	1,480,014	1,183,954	2,419,475
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>2,058,091</b>	<b>3,344,614</b>	<b>1,946,751</b>	<b>3,218,833</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>(9,837,833)</b>	<b>(13,182,447)</b>	<b>(1,398,476)</b>	<b>(4,617,309)</b>
<b>Cash and cash equivalents at end of the year (Note B)</b>	<b>(7,779,742)</b>	<b>(9,837,833)</b>	<b>548,275</b>	<b>(1,398,476)</b>

Notes from pages 184 to 271 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

For the year ended 31st March

	Consolidated		Company	
	2015	2014 (Restated)	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>A. CASH GENERATED FROM OPERATIONS</b>				
Profit before tax	6,399,915	5,082,621	762,970	568,261
<b>Adjustments for:</b>				
Net finance cost	2,135,014	2,147,278	560,088	554,285
Share of profits from equity accounted investees	(24,383)	(34,243)	-	-
Depreciation on property, plant & equipment	2,433,786	2,003,414	32,624	29,802
Depreciation on investment properties	5,998	3,150	-	-
Impairment of property, plant & equipment	16,520	50,493	-	-
Change in fair value of biological assets	(31,682)	(28,065)	-	-
(Gain)/loss on the disposal of property, plant & equipment	(25,093)	(31,260)	(60)	(24)
(Gain)/loss on the disposal of long term investment	(1,253)	-	(23,471)	(105,212)
(Gain)/loss on the disposal of current financial assets	-	81	-	81
Scrip Dividend	-	-	(77,465)	-
Amortisation of intangible assets	120,802	101,136	-	-
Impairment of intangible assets	-	9,864	-	-
Net gains/(loss) on translation of foreign currency	(110,231)	(125,609)	-	-
Impairment of trade & other receivables	(40,814)	70,673	-	-
Provision for unrealised profit and write-down of inventories	(2,873)	168,171	-	-
Impairment of other non current assets	42,981	17,323	-	-
Provision for post employee benefit obligations	813,861	748,835	71,513	61,633
Grants amortised	(53,673)	(45,709)	-	-
Net change in fair value of financial assets at fair value through profit or loss	-	(425)	-	-
Impairment of investments in subsidiaries	-	-	75,000	-
	11,678,875	10,137,728	1,401,199	1,108,827
(Increase)/decrease in trade and other receivables	(159,468)	(1,681,679)	(314,511)	377,504
(Increase)/decrease in inventories	(494,976)	(1,987,660)	(808)	236
Increase/(decrease) in trade and other payables	(542,231)	970,842	(43,230)	(594,732)
	10,482,200	7,439,231	1,042,650	891,835
<b>B. ANALYSIS OF CASH AND CASH EQUIVALENTS</b>				
Cash in hand and at bank	3,112,543*	2,634,528*	39,562	155,211
Short - term deposits	2,413,781	1,536,101	546,292	-
	5,526,324	4,170,629	585,854	155,211
Short-term interest bearing borrowings	(13,306,065)	(14,008,462)	(37,579)	(1,553,687)
Cash and cash equivalents	(7,779,742)	(9,837,833)	548,275	(1,398,476)

**C.** During the year Group acquired property, plant & equipment with an aggregate cost of Rs. 5,451.7 mn of which Rs. 6.76 mn was acquired by means of finance leases

\* Includes discontinued operations.

# Notes to the financial statements

## 1. CORPORATE INFORMATION

### 1.1 Reporting entity

Hayleys PLC is a Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The address of the Company's registered office and the principal place of business are given on the inner back cover.

### 1.2 Consolidated Financial Statements

The Consolidated Financial Statements of Hayleys PLC, as at and for the year ended 31st March 2015 encompass the Company, its Subsidiaries (together referred to as the "Group") and the Group's interest in Equity Accounted Investees (Associates and Joint Ventures).

### 1.3 Nature of operations and principal activities of the Company and the Group

Descriptions of the nature of operations and principal activities of the Company, its Subsidiaries and Equity Accounted Investees are given on pages 284 to 286. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

Hayleys PLC does not have an identifiable parent of its own.

### 1.4 Approval of Financial Statements

The Consolidated Financial Statements of Hayleys PLC and its subsidiaries (collectively, the Group) for the year ended 31st March 2015 were authorised for issue by the Directors on 20th May 2015.

### 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. BASIS OF PREPARATION

### 2.1. Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri

Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 07 of 2007.

### 2.2 Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position.

- Lands which are recognized as property plant and equipment are measured at cost at the time of the acquisition and subsequently land is carried at fair value.
- Financial instruments- fair value through profit or loss are measured at fair value.
- Financial instruments- available-for-sale financial assets are measured at fair value.
- Consumable biological assets are measured at fair value.

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

No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

### 2.3. Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees (Rs), which is the Group's functional and presentation currency, except for certain subsidiaries whose functional currencies are different as they operate in different economic environments (see note 34). All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand (Rs'000), except when otherwise indicated.

### 2.4 Materiality and Aggregation

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

## 3 BASIS OF CONSOLIDATION

Subsidiaries and Equity Accounted Investees are disclosed in Note 18 to the Financial Statements.

### 3.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or rights to variable returns from its involvement with the investee and when it 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

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.

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

#### 3.1.1 Business combination 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, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group



measures the non-controlling interest in the acquire either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combinations are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss recognised in Income Statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with LKAS 39 either in Income Statement or as a change to Other Comprehensive Income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS/LKAS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in Income Statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment. For the purpose of impairment testing, goodwill

acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion the cash-generating unit retained.

### 3.1.2 Transactions with non - controlling interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly through subsidiaries, is disclosed separately under "Non- controlling Interest".

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

### 3.1.3 Equity accounted investees (Investment in associates and joint ventures)

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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 unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint venture are accounted for using the equity method.

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

The Income Statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in Other Comprehensive Income of those investees is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group 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 and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the Income Statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The Financial Statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates

## Notes to the financial statements

the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit/ (loss) of an associate and a joint venture' in the Income Statement.

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

### 3.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 3.1.5 Foreign currency

#### 3.1.5.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates applicable on the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Foreign currency differences arising on retranslation are recognised in Income Statement. All differences arising on settlement or translation of monetary items are taken to Income Statement. Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are translated at the exchange rate that prevailed at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are

translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income or Income Statement also recognised in Other Comprehensive Income or Income Statement, respectively).

#### 3.1.5.2 Foreign operations

The results and financial position of all Group entities that have a functional currency other than the Sri Lankan Rupee are translated into Sri Lankan Rupees as follows:

- assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition are translated to Sri Lankan Rupees at the exchange rate prevailing at the reporting date;
- income and expenses are translated at the average exchange rates for the period.

The exchange differences arising on translation for Consolidation are recognised in Other Comprehensive Income. When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to the Income Statement as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to the Income Statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation.

#### 3.1.6 Consolidation of subsidiaries with different accounting periods

The Financial Statements of all subsidiaries in the Group other than those mentioned in Note 36 to the Financial Statements are prepared for a common financial year, which ends on 31st March.

The subsidiaries with 31st December financial year ends prepare for Consolidation purpose, additional financial information as of the same date as the Financial Statements of the parent.

The subsidiaries which are unable to prepare additional financial information then the parent uses the most recent Financial Statements of the subsidiaries and it's adjusted for the effects of significant transactions or events that occur between the date of those Financial Statements and the date of the Consolidated Financial Statements. The difference between the date of the subsidiary's Financial Statements and that of the Consolidated Financial Statements will not be more than three months.

#### 3.1.7 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.

## 3.1.8 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as land, at fair value at each balance sheet date. 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:

- Disclosures for valuation methods, significant estimates and assumptions Note 19
- Quantitative disclosures of fair value measurement hierarchy Note 19
- Property (land) under revaluation model Note 14
- Financial instruments (including those carried at amortised cost) Note 19

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 measurement date. 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 economic best 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 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability

and the level of the fair value hierarchy as explained above.

## 3.2 Assets and basis of their valuation

### 3.2.1 Property, plant & equipment

The group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services, for rental to other or for administration purpose and are expected to be used for more than one year.

#### 3.2.1.1 Basis of recognition

Property Plant and Equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

#### 3.2.1.2 Basis of measurement

Items of property, plant & equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any, whilst land is measured at fair value.

#### 3.2.1.3 Owned assets

The cost of property, plant & equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

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.

Revaluation of land is done with sufficient frequency to ensure that the fair value of the land does not differ materially from its carrying amount, and is undertaken by professionally qualified valuers.

## Notes to the financial statements

Any revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement, in which case, the increase is recognised in the Income Statement. A revaluation deficit is recognised in the Income Statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

### 3.2.1.4 Subsequent costs

The cost of replacing a component of an item of property, plant & equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised in accordance with the derecognition policy given below.

The costs of the repair and maintenance of property, plant & equipment are recognised in Income Statement as incurred.

### 3.2.1.5 Derecognition

The carrying amount of an item of property, plant & equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Any gains and losses on derecognition are recognised in Income Statement and gains are not classified as revenue. When revalued assets are sold, any amount related to the particular asset included in the revaluation reserve is transferred to retained earnings.

### 3.2.1.6 Depreciation

Depreciation is recognised in Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold right to land-	Over the lease period
Buildings-	20 – 50 years
Software-	03 – 05 years
Plant & machinery-	05 – 20 years
Stores equipment-	05 – 10 years
Motor vehicles-	04 – 05 years
Furniture, fittings & office equipment-	02 – 13 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognised.

The asset's residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end and adjusted prospectively, if appropriate.

### 3.2.1.7 Leased assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

### 3.2.1.8 Group as a lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Income Statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the Income Statement on a straight-line basis over the lease term.

### 3.2.1.9 Group as a lessor for operating leases.

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

## 3.2.2 Investment property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at its cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Income Statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. Transfers between investment property, owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

## 3.2.3 Intangible assets

### 3.2.3.1 Basis of recognition

An Intangible asset is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

### 3.2.3.2 Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the Income Statement in the year in which the expenditure is incurred.

### 3.2.3.3 Useful economic lives and amortisation

The useful lives of intangible assets are assessed as either finite or indefinite. Useful economic lives, amortisation and impairment of finite and indefinite intangible assets are described below;

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible assets.

### 3.2.3.4 De-recognition of intangible assets

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognised.

### 3.2.3.5 Leasehold rights

In respect of operating leases acquired under a business combination where the Group is lessee, Group determines whether the terms of each operating lease are favourable or unfavourable relative to market terms. The Group recognises an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms. Leasehold rights represent value of favourable lease terms.

### 3.2.3.6 Research and development

Research costs are expensed as incurred.

Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

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

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

During the period of development, the asset is tested for impairment annually if there are indicators of impairment.

### 3.2.3.7 Brand name

Brands acquired as part of a business combination, are capitalized as part of a Brand Names if the Brand meets the definition of an intangible asset and the recognition criteria are satisfied. Brand Names are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

### 3.2.3.8 Customer list

The present value of the income anticipated deriving from repeat customer list to of the travel agents as at the acquisition date is recognised as an intangible asset based on a valuation carried out by an independent valuer. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses.

Customer list recognised at the acquisition date will be amortised over the period over which income is anticipated to derive from repeat customers and reviewed annually for any impairment in value if there are indicators of impairment.

### 3.2.3.9 Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

### 3.2.3.10 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit and loss as incurred.

### 3.2.3.11 Amortisation

Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and brand name, from the date on which they



## Notes to the financial statements

are available for use. The estimated useful lives for the current and comparative periods are as follows:

- Right to generate hydro power – 15- 20 years
- Customer List – 5 years
- ERP Systems – 5-10 years
- Operating Lease – The Kingsbury PLC – 55 years
- Amaya Leisure PLC – 21 years

### 3.3 Financial instruments

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

#### 3.3.1 Financial assets

##### 3.3.1.1 Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, amounts due from subsidiaries, amounts due from equity accounted investees, quoted and unquoted financial instruments and derivative financial instruments.

##### 3.3.1.2 Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by LKAS 39.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance income or finance costs in the Income Statement.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under LKAS 39 are satisfied.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Income Statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Income Statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in other operating expenses for receivables.

##### *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

## **Available-for-sale financial investments**

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the income statement in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to Income Statement over the

remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Income Statement.

### **3.3.1.3 Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- 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 the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

### **3.3.1.4 Impairment of financial assets**

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### **3.3.1.4.1 Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan

## Notes to the financial statements

has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Income Statement.

### 3.3.1.4.2 Available-for-sale financial investments

The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from Other Comprehensive Income and recognised in the Income Statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair

value after impairment are recognised directly in Other Comprehensive Income.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates among other factors, the duration or extent to which the fair value of the investment is less than its cost.

### 3.3.2 Financial liabilities

#### 3.3.2.1 Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, amounts due to equity accounted investees and derivative financial instruments.

#### 3.3.2.2 Subsequent measurement

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of LKAS 39 are satisfied.

#### Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

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

#### Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Fair values of corporate guarantees to Banks are measured on a periodic basis and the same is recognized as finance income through inter-company current account balances. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

#### 3.3.2.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

### 3.3.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts And
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

### 3.3.4 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 19 to the Financial Statements.

### 3.3.5 Derivative financial instruments

#### 3.3.5.1 Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the Income Statement.

### 3.3.6 Impairment of non- financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently, if events or changes in circumstances indicate that they might be impaired.

#### Formers - Provision for impairment

In respect of formers, a 10% provision on the written down value is recognized as impairment in Income Statement.

#### 3.3.6.1 Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

#### 3.3.6.2 Impairment/ Reversal of impairment

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit

exceeds its recoverable amount. Impairment losses are recognised in Income Statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3.3.7 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

## Notes to the financial statements

### 3.3.8 Current assets

Assets classified as current assets on the Statement of Financial Position are cash and bank balances and those which are expected to be realised in cash during the normal operating cycle or within one year from the reporting date, whichever is shorter.

#### 3.3.8.1 Inventories

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

- All inventory items, except manufactured inventories and work-in-progress are measured at weighted average directly attributable cost.
- Manufactured inventories and work-in-progress are measured at weighted average factory cost which includes all direct expenditure and appropriate share of production overhead based on normal operating capacity but excluding borrowing costs.

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

#### 3.3.8.2 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

### 3.4 Liabilities and provisions

#### 3.4.1 Employee benefits

##### 3.4.1.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in profit or loss in the

periods during which services are rendered by employees.

The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

##### 3.4.1.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 28. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefit. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded. This liability is computed on the following basis:

Length of each service (Years)	No. of month's salary for completed year of service
Up to 20	1/2
20 up to 25	3/4
25 up to 30	1
30 up to 35	1 1/4
Over 35	1 1/2

### 3.4.2 Recognition of actuarial gains or losses

Actuarial gains or losses are recognised in full in the Other Comprehensive Income.

### 3.4.3 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

### 3.4.4 Provisions

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

### 3.4.5 Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of possible outcomes against their associated probabilities.

### 3.4.6 Capital commitments and contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the respective Note 32 to the Financial Statements.

### 3.4.7 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

## 3.5 Income Statements

For the purpose of presentation of the Income Statement, the function of expenses method is adopted.

### 3.5.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.



The specific recognition criteria described below must also be met before revenue is recognized.

## ***Sale of goods***

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

## ***Rendering of services***

Revenue from services rendered is recognised in profit and loss in proportion to the stage of completion of the transaction at the reporting date.

## ***Room revenue***

Room revenue is recognised on the rooms occupied on daily basis. Food and beverage revenue is recognised at the time of sale.

## ***Rental income***

Rental income is recognised in profit and loss as it accrues.

## ***Dividend***

Dividend income is recognised in profit and loss on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

## ***Commission***

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the commission earned by the Group.

## ***Grants***

Grants are recognised initially as deferred income when there is a reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group

for expenses incurred are recognised in profit and loss on a systematic basis in the periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit and loss on a systematic basis over the useful life of the asset.

## ***Gains and losses***

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and are recognised net within "other operating income" in Income Statement.

## ***Other income***

Other income is recognized on an accrual basis.

## **3.5.2 Expenses**

Expenses are recognized in the Income Statement on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to profit and loss in the year in which the expenditure is incurred.

### ***3.5.2.1 Operating leases***

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease.

### ***3.5.2.2 Borrowing costs***

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

### ***3.5.2.3 Finance income and finance costs***

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised

in Income Statement. Interest income is recognised as it accrues in Income Statement.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in Income Statement.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Foreign currency gains and losses are reported on a net basis.

## **3.5.3 Tax expense**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in Income Statement except to the extent that it relates to a business combination, or items recognised directly in Equity or in Other Comprehensive Income.

### ***3.5.3.1 Current tax***

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Current tax relating to items recognised directly in Other Comprehensive Income is recognised in Other Comprehensive Income and not in the Income Statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### ***3.5.3.2 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:

## Notes to the financial statements

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

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

taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside Income Statement is recognised outside Income Statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Tax withheld on dividend income from subsidiaries is recognised as an expense in the Consolidated Income Statement at the same time as the liability to pay the related dividend is recognised.

### 3.5.3.3 Sales tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables that are stated with the amount of sales tax. 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.

## 4. GENERAL

### 4.1 Events occurring after the reporting date

All material post occurred after the reporting date events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

### 4.2 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 4.3 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's Financial Statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

Pending the completion of detailed review, the financial impact is not reasonably estimatable at the date of the publication of these Financial Statements.

- SLFRS 9 - Financial instruments: classification and measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

This standard was originally effective for annual periods commencing on or after 01 January 2015. However the effective date has been deferred subsequently and the revised effective date is yet to be announced.

- SLFRS 14 Regulatory deferral accounts

The scope of this standard is limited to first-time adopters of SLFRS that already recognise regulatory deferral account balances in their financial statements. Consequently, the financial statements of rate regulated entities that already apply SLFRS, or that do not otherwise recognise such balances, will not be affected by this standard.

SLFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing SLFRS preparer, this standard would not apply.

- SLFRS 15 -Revenue from contracts with customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01 January 2017.

## 4.4 Plantations

The plantation companies in the Group adopt certain accounting policies, which differ from that of the rest of the Group, since their nature of operations is significantly different from that of the rest of the rest of the Group. The accounting policies adopted are in accordance with LKAS 41 Agriculture and CA Sri Lanka ruling on bearer biological assets.

Those accounting policies that significantly vary from the rest of the Group are given below.

### 4.4.1 Property, plant & equipment

#### 4.4.1.1 Permanent land development costs

Permanent land development costs are those costs incurred in major infrastructure development and building new access roads on leased lands.

The costs have been capitalised and amortised over the shorter of useful lives or remaining lease periods.

Permanent impairments to land development costs are charged to the Income Statement in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

#### 4.4.1.2 Biological asset

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber, other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes tea and rubber trees, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

The main variables in DCF model concerns

Variable	Comment
Currency valuation	Rs.
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each spice in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Group
Economic useful life	Estimated based on the normal life span of each species by factoring the forestry plan of the Group
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfil in bringing the trees in to saleable condition
Planting cost	Estimated costs for the further development of immature areas are deducted.
Discount Rate	Future cash flows are discounted at following discount rates: Timber trees 17.5%

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

The entity recognize the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – Property Plant & Equipment as per the ruling issued by CA Sri Lanka.

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 16 to the Financial Statements.

## Notes to the financial statements

The gain or loss arising on initial recognition of biological assets at fair value less cost to sell and from a change in fair value less cost to sell of biological assets are included in Income Statement for the period in which it arises.

### 4.4.1.3 Immature and mature plantations

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, interplanting and fertilising, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long-term loans used for financing immature plantations. The expenditure incurred on bearer biological assets (Tea, Rubber, Timber fields) which comes into bearing during the year, is transferred to mature plantations. Expenditure incurred on consumable biological assets are recorded at cost at initial recognition and thereafter at fair value at the end of each reporting period.

Permanent impairments to Biological Assets are charged to the Income Statement in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

### 4.4.1.4 Infilling cost on consumable biological assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only where the number of plants per hectare exceeded 3,000 plants and, also if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalised have been charged to the Income Statement in the year in which they are incurred.

### 4.4.1.5 Depreciation

Depreciation is recognized in Income Statement on a straight line basis over the estimated useful lives of each item of Property Plant and Equipment as follows,

Mature Plantations (Replanting and New Planting)

Description	Years
Mature plantations - tea	33
- Rubber	20
Sanitation, water & electricity supply	20

Depreciation methods, useful lives and residual values are reassessed at the reporting date. Mature plantations are reassessed at the reporting date. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less.

No depreciation is provided for immature plantations.

### 4.4.1.6 Leased assets

The leasehold rights of assets taken over from JEDB/SLSPC are amortised in equal amounts over the shorter of the remaining lease periods and the useful lives as follows:

Description	Year
Bare land	53
Improvements to land	30
Mature plantations (Tea & rubber)	30
Buildings	25
Machinery	20

### 4.4.2 Borrowing costs

Borrowing costs incurred in respect loans that are utilised for field development activities have been capitalised as a part of the cost of the relevant immature plantation. The capitalisation will cease when the crops are ready for commercial harvest.

### 4.4.3 Inventories

#### 4.4.3.1 Finish good manufactured from agricultural produce of biological assets

These are valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is the estimated selling price at which stocks can be sold in the ordinary

course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

### 4.4.3.2 Input material, spares and consumables

At actual cost on weighted average basis.

### 4.4.3.3 Agricultural produce harvested from biological assets

Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agriculture produce are valued by adding the cost of conversion to the fair value of the agricultural produce.

### 4.4.4 Grants and subsidies

Grants and subsidies are recognised at their fair value where there is a reasonable assurance the grant / subsidy will be received and all attaching conditions, if any, will be complied with. When the grant or subsidy relates to an income item is recognised as income over the periods necessary to match them to the costs to which it is intended to compensate on a systematic basis.

Grants and subsidies related to assets, including non-monetary grants at fair value are deducted at arriving at the carrying value of the asset (or are deferred in the Statement Financial Position and credited to the Income Statement over the useful life of the asset).

## 4.5 Statements of Cash Flows

The Statements of Cash Flows has been prepared using the "indirect method".

Interest paid is classified as an financing cash flow. Grants received, which are related to purchase and construction of property, plant & equipment are classified as investing cash flows. Dividend and interest income are classified as cash flows from investing activities.

Dividends paid are classified as financing cash flows. Dividends received by Hayleys PLC, which is an investment company, are classified as operating cash flows and are not disclosed separately in the Company Cash Flow Statement.

## 4.6 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Chairman to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chairman include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

## 4.7 Changes in accounting policies and disclosures.

### 4.7.1 SLFRS 10 - Consolidated financial statements

#### *New and amended standards and interpretations*

The Group applied, for the first time, certain standards and amendments that require restatement of previous Financial Statements. These include SLFRS 10 Consolidated Financial Statements, SLFRS 11 Joint Arrangements, SLFRS 13 Fair Value Measurement and amendments to LKAS 1 Presentation of Financial Statements. In addition, the application of SLFRS 12 Disclosure of Interests in Other Entities resulted in additional disclosures in the Consolidated Financial Statements.

With the adoption of SLFRS 10 in Sri Lanka with effect from 1st January 2014, the Group changed its accounting policy for determining whether an investee is a subsidiary based on the definition of control. The Group considers that control exists when the Company has power over an investee; has exposure or rights to variable returns from its involvement with the investee and when it has ability to use its power over the investee to affect the amount of the Company's returns.

With the adoption of SLFRS 10, the Group reassessed the control conclusion for its investees and the application of this standard did not result in significant changes to the consolidation of the Group results

### 4.7.2 SLFRS 11 - Joint arrangements

The application of SLFRS 11 impacted the Group's accounting of its interest in joint ventures, Bonterra Lanka Ltd. and Lakdiyatha (Pvt) Ltd. The Group has a 50% interest in Bonterra Lanka Ltd, a manufacturer and exporter of stitched blankets for soil erosion purposes. Prior to the transition to SLFRS 11, Bonterra Lanka Ltd was classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue, income and expenses was proportionately consolidated in the Consolidated Financial Statements.

The Group has reassessed interest in Lakdiyatha (Pvt) Ltd, a water purification company, services to hoteliers in Pasikuda. The Group has determined that it should be consolidated as an Associate and accounted using equity method (Please refer Note 18).

Upon adoption of SLFRS 11, the Group has determined its interest in Bonterra Lanka Ltd to be classified as a joint venture under SLFRS 11 and it is required to be accounted for using the equity method (refer Note 3.1.3 above).

The transition was applied retrospectively as required by SLFRS 11 and the comparative information for the immediately preceding period (2014) is restated. The effect of applying SLFRS 11 on the Group's Financial Statements is in Note 43.

### 4.7.3 SLFRS 12 - Disclosure of interests in other entities

SLFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in SLFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. While the Group has subsidiaries with

material non-controlling interests, there are no unconsolidated structured entities. SLFRS 12 disclosures are provided in Notes 18 and 38 to the Financial Statements.

### 4.7.4 SLFRS 13 - Fair value measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS.

SLFRS 13 defines fair value as an exit price. As a result of the guidance in SLFRS 13, the Group re-assessed its policies for measuring fair values. Application of SLFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

### 4.7.5 LKAS 1 Presentation of items of Other Comprehensive Income – Amendments to LKAS 1

The amendments to LKAS 1 introduce a grouping of items presented in Other Comprehensive Income. Items that will be reclassified ('recycled') to Income Statement at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land).

The amendments affect presentation only and have no impact on the Group's financial position or performance.

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### *Use of estimates and judgements*

The preparation of Financial Statements in conformity with SLFRS/LKAS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are based on historical experience and other factors,



## Notes to the financial statements

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.

### 5.1 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

### 5.2 Measurement of the recoverable amount of cash-generating units containing goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3.3.6.1. The basis of determining the recoverable amounts of cash generating units and key assumptions used are given in Note 17 to the Financial Statements.

### 5.3 Taxation

Uncertainties exist with respect to the interpretation of complex tax regulation, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and the complexity of existing contractual agreements, differences arising

between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognized 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 on upon the likely timing and the level of future taxable profits together as with future tax planning strategies.

### 5.4 Measurement of the defined benefit obligations

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 28 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

### 5.5 Impairment of property, plant and equipment and intangible assets other than goodwill

The impairment analysis is principally based upon discounted estimated cash flows from the use and eventual disposal of the assets. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in the discount rates could lead to impairment. Further details are disclosed in Note 14 and 17 to the Financial Statements.

### 5.6 Revaluation of land

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 valuation techniques such as open market value. Further details on Revaluation of land are disclosed in Note 14 to the Financial Statements.

### 5.7 Fair Valuation of Biological Assets

The group measures consumable Biological Assets at fair value with changes in value being recognised in the statement of income. Fair valuation involves assumptions which are given in page 216. Such estimations are subject to significant uncertainties.

### 5.8 Consolidation of entities with the Group holds 50% of the voting rights

Group holds 50% of the issued share capital of Carbokarn Co Ltd., Thailand which in turn is the Parent Company of two fully-owned subsidiaries; CK Regenco Systems Ltd. and Shizuka Co. Ltd. Although Group PLC holds 50% of the issued capital of CK, it is considered as a subsidiary for financial reporting after due consideration of the agreements with partners and the current operating method.

## 6. REVENUE

### 6.1 Industry Segment Revenue

For the year ended 31st March	Consolidated					
	Sale of goods	Rendering of services	Total Revenue 2015	Sale of goods	Rendering of services	Total Revenue 2014
	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Fibre	4,418,594	-	4,418,594	3,693,073	-	3,693,073
Hand protection	14,970,312	-	14,970,312	13,376,913	-	13,376,913
Purification products	11,933,849	-	11,933,849	10,338,685	-	10,338,685
Textiles	8,542,539	-	8,542,539	7,994,776	-	7,994,776
Construction materials	3,377,156	-	3,377,156	2,804,490	-	2,804,490
Agriculture	8,423,938	-	8,423,938	7,395,466	-	7,395,466
Plantations	12,678,649	-	12,678,649	9,596,803	-	9,596,803
Transportation & logistics	-	14,181,330	14,181,330	-	11,935,724	11,935,724
Leisure & aviation	-	4,846,799	4,846,799	-	4,308,197	4,308,197
Consumer products	5,184,704	-	5,184,704	5,252,132	-	5,252,132
Power & energy	988,034	-	988,034	1,012,829	-	1,012,829
Industry inputs	2,257,496	-	2,257,496	1,988,783	-	1,988,783
Investments & services	-	758,465	758,465	-	780,738	780,738
	72,775,271	19,786,594	92,561,865	63,453,950	17,024,659	80,478,609

### 6.2 Geographical Segment Revenue

For the year ended 31st March	Consolidated	
	2015	2014
	Rs:'000	Rs:'000
Asia (excluding Sri Lanka)	11,990,424	9,735,023
Australia	1,902,381	1,625,990
Europe	13,557,112	12,385,499
Americas	8,270,397	6,906,583
Africa	1,386,209	1,168,922
Indirect Exports	16,083,665	13,797,731
Sri Lanka	39,371,677	34,858,861
	92,561,865	80,478,609

### 6.3 Gross Revenue

For the year ended 31st March	Company	
	2015	2014
	Rs:'000	Rs:'000
Rent and building related income	284,949	228,494
	284,949	228,494

## Notes to the financial statements

### 7. OTHER INCOME

	Consolidated		Company	
	2015	2014	2015	2014
For the year ended 31st March	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Grants amortised*	53,673	45,709	-	-
Gain on disposal of property, plant & equipment	33,852	31,260	60	24
Change in fair value of biological assets	31,682	28,065	-	-
Gain on disposal of long-term investment	-	-	23,471	105,212
Gain on disposal of current financial assets	1,253	-	917	-
Sundry income/ scrap sales	306,707	213,960	-	-
Rent income	54,470	33,471	-	-
Indent commission	56,113	74,244	-	-
	537,750	426,709	24,448	105,236

\* Details of the grants are given in Note 26 to the Financial Statements.

### 8. OTHER EXPENSES

	Consolidated		Company	
	2015	2014	2015	2014
For the year ended 31st March	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Loss on disposal of property, plant & equipment	8,759	-	578	-
Impairment of property, plant & equipment	16,520	50,493	-	-
Impairment of investment in subsidiary	-	-	75,000	-
Loss on disposal of current financial assets	-	81	-	81
Amortisation of intangible assets	120,802	101,136	-	-
Impairment of goodwill	-	9,864	-	-
	146,081	161,574	75,578	81

### 9. NET FINANCE COST

	Consolidated		Company	
	2015	2014	2015	2014
For the year ended 31st March	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>9.1 Finance income</b>				
Interest income on loans and receivables	32,662	27,033	20,759	88,014
Interest income on bank deposits	123,027	154,896	1,435	-
Guarantee income	-	-	495	1,602
Dividend income on available-for-sale investments	83,613	257,736	73,876	253,221
Net change in fair value of financial assets at fair value through profit or loss	10,608	425	7,890	2,843
Foreign exchange gain	202,422	317,283	-	-
Total Finance income	452,332	757,373	104,455	345,680

For the year ended 31st March	Consolidated		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>9.2 Finance costs</b>				
Interest on long term loans	(1,054,987)	(953,488)	(474,250)	(431,651)
Interest on short term loans	(986,402)	(1,344,902)	(137,580)	(352,701)
Finance charges payable under finance leases	(94,347)	(87,552)	-	-
Net change in fair value of financial assets at fair value through profit or loss	(2,488)	(905)	(1,118)	(1,020)
Impairment of financial assets	(12,470)	(17,769)	(12,470)	(12,470)
Foreign exchange loss	(436,652)	(500,035)	(39,125)	(102,123)
Total Finance cost	(2,587,346)	(2,904,651)	(664,543)	(899,965)
<b>Net finance cost</b>	<b>(2,135,014)</b>	<b>(2,147,278)</b>	<b>(560,088)</b>	<b>(554,285)</b>

## 10 PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following:

For the year ended 31st March	Consolidated		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Directors' emoluments	676,484	613,868	187,200	167,039
Auditors' fees (includes overseas subsidiaries)				
Audit services				
- Ernst & Young	41,261	37,511	1,636	1,523
- Other auditors	16,534	16,323	-	-
Non audit services				
- Ernst & Young	18,020	15,848	578	1,080
- Other auditors	8,135	6,773	-	-
Depreciation on property, plant & equipment	2,433,786	2,003,414	32,624	29,802
Donations	16,418	14,138	310	498
Impairment/ (reversal) for trade and other receivables	(40,814)	70,673	-	-
Provision/ (reversal) for unrealised profit and write-down of inventories	(2,873)	168,171	-	-
Staff cost				
Defined contribution plan cost	1,220,244	1,099,900	58,862	58,081
Defined benefit plan cost	813,859	748,835	71,513	61,632
Other Staff cost (excluding defined contributions & defined benefits)	11,983,991	9,449,582	566,404	494,338
Staff training and development cost	49,952	51,165	8,041	7,373
Legal fees	38,105	41,337	-	-
Operating leases	317,906	119,105	-	-
Research and development cost	45,143	55,150	-	-

## Notes to the financial statements

### 11 TAXATION

#### 11.1 Tax Expense

For the year ended 31st March	Consolidated	
	2015 Rs:'000	2014 Rs:'000
<b>Consolidated Income Statement</b>		
<b>Current income tax</b>		
Income tax on current year profits		
Parent	8,565	30,782
Subsidiaries	1,059,773	988,427
	1,068,338	1,019,209
Under / (over) provision in respect of previous years	80,396	(2,700)
Irrecoverable ESC	406	1,570
<b>Deferred tax expense</b>		
Origination of temporary differences		
Parent	-	-
Subsidiaries	93,555	150,650
	93,555	150,650
Tax on dividend income	270,885	204,899
<b>Tax expense reported in the Income Statement</b>	<b>1,513,581</b>	<b>1,373,628</b>

For the year ended 31st March	Consolidated		Company	
	2015 Rs:'000	2014 Rs:'000	2015 Rs:'000	2014 Rs:'000
<b>11.2 Consolidated Statement of Other Comprehensive Income</b>				
<b>Deferred tax related to items charged or credited directly to other comprehensive income during the year :</b>				
Actuarial losses on defined benefit obligations	(5,392)	(579)	-	-
Income tax charged directly to other comprehensive income	(5,392)	(579)	-	-



## 11.3 Reconciliation of Accounting Profit to Income Tax Expense

For the period ended 31st March	Consolidated		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Profit before tax	6,399,915	5,082,621	762,970	568,261
Share of profit of equity accounted investees	(24,383)	(34,243)	-	-
Intra-group adjustments	2,170,844	2,146,061	-	-
	8,546,376	7,194,439	762,970	568,261
Disallowable expenses	3,991,676	3,149,313	259,396	306,624
Tax deductible expenses	(3,958,325)	(4,028,295)	(81,607)	(136,420)
Tax exempt income	(2,922,140)	(2,956,628)	(1,437,103)	(1,406,610)
Tax loss b/f	(5,500,565)	(6,397,716)	(2,658,425)	(2,427,504)
Adjustment for tax loss b/f	214,163	729,485	364,648	495,347
Tax loss c/f	6,565,902	5,500,565	2,804,742	2,658,425
Taxable income	6,937,086	3,191,164	14,621	58,123
Income tax @ 28%	509,836	560,483	4,094	16,274
Income tax @ 15%	47,182	82,913	-	-
Income tax @ 12%	172,680	85,314	-	-
Income tax at other tax rates	338,640	290,499	-	-
Income tax on current year profit	1,068,338	1,019,209	4,094	16,274
(Over)/under provision in respect of previous years	80,396	(2,700)	4,471	14,508
Irrecoverable ESC	406	1,570	-	-
	1,149,140	1,018,079	8,565	30,782
Origination of temporary differences	93,555	150,650	-	-
Tax on dividend income	270,885	204,899	-	-
Tax expense	1,513,581	1,373,628	8,565	30,782
<b>Effective tax rate</b>	<b>24%</b>	<b>27%</b>	<b>1%</b>	<b>5%</b>

**11.4** Corporate incomes taxes of Companies resident in Sri Lanka have been computed in accordance with the Inland Revenue Act No. 10 of 2006 as amended, whilst Corporate Taxes of non-resident companies in the Group have been computed in keeping with the domestic statutes in their respective countries.

Irrecoverable Economic Service Charge has been charged in the Income Statements.

Resident companies in the Group, excluding those which enjoy a tax holiday or concessionary rate of taxation, were liable to income tax at 28% during year of assessment 2014/15 (Y/A 2013/14 - 28 %).

## Notes to the financial statements

### 11.5 Tax Exemptions

#### 11.5.1 In terms of the Inland Revenue Act

- Ultracarb (Pvt) Ltd is entitled for a 6 years income tax holiday. The tax holiday period has commenced during the Y/A 2013/14.
- Haycarb Value Added Products (Pvt) Ltd is entitled for a 6 year income tax holiday. The tax holiday has commenced during the Y/A 2013/14.
- Hayleys Aquagri (Pvt) Ltd is entitled for a 4 year income tax holiday. The tax holiday has commenced during Y/A 2014/15.
- DPL Premier Gloves Ltd is entitled to a 9 year income tax holiday which is yet to commence.
- Profits of Civaro International Ltd is exempted in terms of section 13(ddd) of the Inland Revenue Act No.10 of 2006.
- Foreign dividends received are exempt from income tax in terms of the Inland Revenue Act.

#### 11.5.2 In terms of BOI Agreements

Companies enjoying Tax Holidays under BOI Law are as follows;

Logiwiz NW (Pvt) Ltd	5 year tax holiday ended 31 March 2015
TTEL Somerset Hydro Power (Pvt) Ltd	5 year tax holiday ending 22nd Sept, 2015
TTEL Hydro Power Company (Pvt) Ltd	5 year tax holiday ending 16th Oct, 2015
Alco Industries (Pvt) Ltd	5 year tax holiday ending March 31, 2015
Hayleys Business Solutions International (Pvt) Ltd.	5 year tax holiday ending March 31, 2017
Hayleys Agro Biotech (Pvt) Ltd	8 year tax holiday ending March 31, 2018
Nirmalapura Wind Power (Pvt) Ltd	6 year tax holiday ending March 31, 2019
Sun Tan Beach Resorts Ltd.	15 year tax holiday ending March 31, 2027

#### 11.5.3 Exemptions outside Sri Lanka

Shizuka Co.Ltd.	8 year tax holiday commenced during Y/A 2011/12
-----------------	---

### 11.6 Concessionary Tax Rates

#### 11.6.1 In terms of the Inland Revenue Act

In terms of Sections, 46, 48A, 51, 56, 56B, 59 and 59E of the Inland Revenue Act No 10 of 2006 as amended, the profits of companies listed below enjoy concessionary tax rates of income tax.

Kelani Valley Plantations PLC	Profits from agriculture
Talawakelle Tea Estates PLC	Profits from agriculture
Sunfrost (Pvt) Ltd	Profits from agriculture
HJS Condiments Ltd	Profits from agriculture
Hayleys Agro Farms (Pvt) Ltd	Profits from agriculture
Haycarb PLC	Profits from qualifying exports
Haycolour (Pvt) Ltd	Profits from qualifying exports
Mabroc Teas (Pvt ) Ltd	Profits from qualifying exports and agriculture
Meridian Exports (Pvt) Ltd	Profits from qualifying exports and agriculture
Blue Mountain Tea Exports (Pvt) Ltd	Profits from qualifying exports and agriculture
Hayleys MGT Knitting Mills PLC	Profits from qualifying exports & indirect exports
Hayleys Fiber PLC	Profits from qualifying exports & indirect exports
Creative Polymats (Pvt) Ltd.	Profits from qualifying exports & indirect exports
Ravi Industries Ltd	Profits from qualifying exports & indirect exports
Rileys (Pvt) Ltd.	Profits from qualifying exports & indirect exports
Haymat ( Pvt) Ltd.	Profits from qualifying exports & indirect exports
Toyo Cushion Lanka (Pvt) Ltd.	Profits from qualifying exports & indirect exports
Chas. P. Hayley & Co (Pvt) Ltd.	Profits from qualifying exports & indirect exports

Logiventures (Pvt) Ltd	Profits from qualifying exports
Puritas (Pvt) Ltd.	Profits from qualifying exports
DPL Plantations (Pvt) Ltd	Profits from agriculture
Hayleys Plantation Services (Pvt) Ltd.	Profits from agriculture
Hayleys Travels and Tours (Pvt) Ltd	Profits from promotion of tourism
Lanka Orient Express Lines Ltd	Profits from transshipment and services to foreign ships
Cosco Lanka (Pvt) Ltd	Profits from transshipment and services to foreign ships
Clarion Shipping (Pvt) Ltd	Profits from transshipment and services to foreign ships
N. Y. K. Line Lanka (Pvt) Ltd.	Profits from transshipment and services to foreign ships
The Kingsbury PLC	Profits from promotion of tourism
Hunas Falls Hotels PLC	Profits from promotion of tourism
Culture Club Resorts (Pvt) Ltd.	Profits from promotion of tourism
Bhagya Hydro (Pvt) Ltd	Profits from operating project for alternative energy

## 11.6.2 BOI Companies

As per agreements signed with the Board of Investment, the business income of the Companies listed below would be subject to a concessionary tax rate for the periods indicated below:

Kandyan Resorts (Pvt) Ltd.	02% on turnover for 15 years up to Y/A 2026/27
Texnil (Pvt) Ltd.	12% for 10 years up to Y/A 2022/23
Hanwella Rubber Products Ltd.	12% for 10 years up to Y/A 2020/2021
Grossart (Pvt) Ltd.	12% for 10 years up to Y/A 2019/2020
Dipped Products PLC	12% for 10 years up to Y/A 2018/2019
Logiwiz Ltd.	20% indefinitely
Neoprex (Pvt) Ltd.	12% for 10 years up to Y/A 2017/2018
Neluwa Cascade Hydro Power (Pvt) Ltd.	10% for 02 years up to Y/A 2016/2017
Logistics International Ltd.	15% for 20 years up to Y/A 2016/2017
Bonterra Lanka Ltd.	12% for 20 years up to Y/A 2015/2016
Moceti International (Pvt) Ltd.	10% for 02 years up to Y/A 2014/2015
Kalupahana Power Company (Pvt) Ltd.	10% for 02 years up to Y/A 2014/2015

## 11.6.3 Non Resident Companies

Corporate Income Taxes of non-resident companies are:

Company	Income tax rate
Haychem (Bangladesh) Ltd.	35%
PT Mapalus Makawanua Charcoal Industry	23%
Haycarb USA Inc.	34%
Logiwiz Logistics India (Pvt) Ltd.	30%
Eurocarb Products Ltd.	23%
Haycarb Holdings Australia (Pty) Ltd.	30%
Carbokarn Co. Ltd.	20%
ICOGUANTI S.p.A.	27.5%
CK Regen Systems Co.Ltd	20%
Haylex Japan	38%
Charles Fibre (Pvt) Ltd.	30%
PT Haycarb Palu Mitra	23%
Dipped Products (Thailand) Ltd.	20%
Nautical Maldives (Pvt) Ltd	15%
One World Logistics Maldives (Pvt) Ltd	15%
Super Logistics (Pvt) Ltd	15%
Total Transport Solutions Maldives (Pvt) Ltd	15%

## Notes to the financial statements

### 12 EARNINGS PER SHARE

#### Basic Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to owners of the parent and the weighted average number of ordinary shares outstanding during the year.

#### Diluted Earnings per Share

The calculation of diluted earnings per share is based on the profit attributable to owners of the parent and the weighted average number of ordinary shares outstanding after adjustment for the effect of all potentially dilutive ordinary shares.

There were no potentially dilutive ordinary shares outstanding at any time during the year /previous year.

Basic/diluted earnings per share is calculated as follows:

	Consolidated	
	2015	2014
Profit attributable to equity holders of the parent (Rs.'000)	2,581,298	1,808,523
Weighted average number of ordinary shares of the parent(i)	75,000,000	75,000,000
Basic/ diluted earnings per share (Rs.)	34.42	24.11
(i) Qualifying ordinary shares at beginning of the year	75,000,000	75,000,000
Qualifying ordinary shares at the end of the year	75,000,000	75,000,000

### 13 DIVIDENDS

	Company	
	2015 Rs.'000	2014 Rs.'000
First and final proposed dividend, Rs. 6.00 per share (2014 - Rs. 5 per share)	450,000	375,000
<b>Dividend per ordinary share (Rs.)</b>	<b>6.00</b>	<b>5.00</b>

- (i) The dividends represent re-distribution of dividends received by the Company and are therefore not subject to 10% tax deduction.
- (ii) The directors have recommended a Rs 6 /- per share first and final dividend for the year ended 31st March, 2015 to be approved at the Annual General Meeting on 26th June, 2015.

## 14 PROPERTY, PLANT & EQUIPMENT

### 14.1 Consolidated

As at 31st March	Land Rs.'000	Mature/ immature plantations Rs.'000	Buildings Rs.'000	Machinery & stores equipment Rs.'000	Motor vehicles Rs.'000	Furniture, fittings & office equipment Rs.'000	Total 2015 Rs.'000	Total 2014 Rs.'000
<b>Cost or valuation:</b>								
Gross book value								
<b>At the beginning of the year</b>	11,068,837	5,494,574	11,714,048	18,601,634	1,016,636	2,694,133	<b>50,589,862</b>	48,436,883
Revaluation of land	3,108,054	-	-	-	-	-	<b>3,108,054</b>	-
Acquisition through business combinations	21,563	-	1,568,024	211,200	7,124	337,239	<b>2,145,150</b>	31,675
Additions	115,153	596,832	1,078,323	2,570,608	182,317	376,447	<b>4,919,680</b>	2,947,962
Transfer from biological assets	-	3,273	-	-	-	-	<b>3,273</b>	-
Transfer from/ ( to) investment property	31,100	-	7,764	-	-	-	<b>38,864</b>	(325,083)
Disposals	(36,370)	-	(32,280)	(663,618)	(106,819)	(88,702)	<b>(927,789)</b>	(379,787)
Increase due to reassessment of liability	-	-	-	-	-	-	<b>-</b>	38,240
Effect of movements in exchange rates	73,319	-	(1,889)	349,503	2,306	(64,801)	<b>358,438</b>	(160,028)
<b>At the end of the year</b>	<b>14,381,656</b>	<b>6,094,679</b>	<b>14,333,990</b>	<b>21,069,327</b>	<b>1,101,564</b>	<b>3,254,316</b>	<b>60,235,532</b>	<b>50,589,862</b>
<b>Depreciation:</b>								
<b>At the beginning of the year</b>	148,691	1,150,656	2,019,532	8,660,109	587,640	1,627,692	<b>14,194,320</b>	12,606,575
Acquisition through business combinations	-	-	31,038	55,674	1,937	39,866	<b>128,515</b>	22,954
Depreciation for the year	33,759	248,512	395,290	1,322,713	144,640	288,872	<b>2,433,786</b>	2,003,414
Transfer from/ ( to) investment property	-	-	2,018	-	-	-	<b>2,018</b>	(60,208)
Disposals	-	-	(13,267)	(426,920)	(92,949)	(61,515)	<b>(594,651)</b>	(290,323)
Effect of movements in exchange rates	1,960	-	7,349	238,667	1,415	11,097	<b>260,488</b>	(88,092)
<b>At the end of the year</b>	<b>184,410</b>	<b>1,399,168</b>	<b>2,441,960</b>	<b>9,850,243</b>	<b>642,683</b>	<b>1,906,012</b>	<b>16,424,476</b>	<b>14,194,320</b>
<b>Impairment</b>								
<b>At the beginning of the year</b>	-	-	-	50,493	-	-	<b>50,493</b>	-
Effect of movements in exchange rates	-	-	-	(252)	-	-	<b>(252)</b>	-
Disposals	-	-	-	(13,872)	-	-	<b>(13,872)</b>	-
Impairment for the year	2,260	-	-	14,260	-	-	<b>16,520</b>	50,493
<b>At the end of the year</b>	<b>2,260</b>	<b>-</b>	<b>-</b>	<b>50,629</b>	<b>-</b>	<b>-</b>	<b>52,889</b>	<b>50,493</b>
<b>Net book value as at 31st March</b>	<b>14,194,986</b>	<b>4,695,511</b>	<b>11,892,030</b>	<b>11,168,455</b>	<b>458,881</b>	<b>1,348,304</b>	<b>43,758,167</b>	<b>36,345,049</b>
Capital work-in progress							<b>2,405,752</b>	1,870,210
<b>Carrying amount as at 31st March</b>							<b>46,163,919</b>	<b>38,215,259</b>



## Notes to the financial statements

### 14.2 Company

As at 31st March	Freehold Land	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Total 2015	Total 2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost or valuation:</b>							
At the beginning of the year	4,868,000	229,103	42,327	26,055	278,760	5,444,245	5,375,173
Revaluation of land	1,453,000	-	-	-	-	1,453,000	-
Additions	-	47,062	3,403	20,160	9,768	80,393	69,679
Disposals	-	(1,638)	-	-	(1,638)	(3,276)	(607)
At the end of the year	6,321,000	274,527	45,730	46,215	286,890	6,974,362	5,444,245
<b>Depreciation</b>							
At the beginning of the year	-	52,456	36,625	7,548	195,026	291,655	262,459
Depreciation for the year	-	3,362	1,320	3,990	23,952	32,624	29,802
Disposals	-	(61)	-	-	(1,598)	(1,659)	(606)
At the end of the year	-	55,757	37,945	11,538	217,380	322,620	291,655
Net book value as at 31st March	6,321,000	218,770	7,785	34,677	69,510	6,651,742	5,152,590
Capital work in progress	-	-	-	-	-	2,924	19,055
Carrying amount as at 31st March	-	-	-	-	-	6,654,666	5,171,645

### 14.3 Carrying value

As at 31st March	Consolidated		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
At cost	30,960,718	26,547,532	333,666	303,645
At valuation	11,457,692	8,349,638	6,321,000	4,868,000
On finance leases	3,745,509	3,318,089	-	-
	46,163,919	38,215,259	6,654,666	5,171,645

(l) No borrowing costs were capitalised in 2015 and 2014.

(ii) Group property, plant & equipment includes capitalised finance leases and leasehold rights on land. The carrying amount of these assets are:

As at 31st March	Consolidated			
	Cost	Accumulated depreciation/ amortisation	Carrying value 2015	Carrying value 2014
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Land	666,385	88,888	577,497	472,151
Mature/immature plantation	3,966,534	963,801	3,002,733	2,709,462
Buildings	266,377	166,169	100,208	70,512
Machinery & store equipments	86,755	71,467	15,288	14,553
Motor vehicles	141,000	91,360	49,641	51,290
Furniture fittings and office equipments	3,118	2,976	142	121
<b>Total</b>	<b>5,130,169</b>	<b>1,384,661</b>	<b>3,745,509</b>	<b>3,318,089</b>

(iii) Unexpired lease periods of land:

Kelani Valley Plantations PLC	32 Years
Kalupahana Power Company ( Pvt) Ltd	32 Years
HJS Condiments Ltd.	85 Years /78 Years / 20 Years
Talawakelle Tea Estates PLC	30 Years
The Kingsbury PLC	54 Years
Culture Club Resorts ( Pvt) Ltd	29 Years
Sun Tan Beach Resorts Ltd.	96 Years

(iv) Amounts by which values have been increased to in respect of land revalued by independent qualified valuers are indicated below, together with the last date of revaluation:

Company	Location	Revaluation surplus	
		2015	2014
		Rs:'000	Rs:'000
Hayleys PLC	Colombo (31.03.2015)	<b>6,314,023</b>	4,861,023
Volanka (Pvt) Ltd.	Kotugoda (31.03.2015)	<b>677,100</b>	551,400
	Katana (31.03.2015)	<b>179,519</b>	155,831
	Galle (31.03.2015)	<b>128,827</b>	70,577
Chas P. Hayley & Co. (Pvt) Ltd.	Galle (31.03.2015)	<b>463,225</b>	420,037
Dipped Products PLC	Kottawa (31.03.2015)	<b>123,676</b>	107,633
	Weliweriya (31.03.2013)	<b>70,973</b>	70,973
	Malabe (31.03.2015)	<b>164,439</b>	88,803
Venigros (Pvt) Ltd.	Weliweriya (31.03.2013)	<b>50,925</b>	50,925
Alco Industries (Pvt) Ltd.	Gonawala (31.03.2013)	<b>35,224</b>	35,224

## Notes to the financial statements

Company	Location	Revaluation surplus	
		2015 Rs:'000	2014 Rs:'000
Haycarb PLC	Badalgama & Madampe (31.03.2015)	128,571	89,874
	Wewalduwa (31.03.2015)	156,945	94,377
Recogen (Pvt) Ltd.	Badalgama (31.03.2015)	35,606	26,931
Carbokarn Co. Ltd.	Bangkok (31.03.2015)	55,461	25,000
Shizuka Co. Ltd.	Ratchaburi (31.03.2015)	22,828	-
PT Mapalus Makawanua charcoal Industry	Bitung (31.03.2015)	60,367	-
Lignocell (Pvt) Ltd.	Kuliyapitiya (31.03.2015)	32,918	26,956
Hayleys Agriculture Holdings Ltd.	Dambulla (31.03.2015)	2,404	1,324
	Kottawa (31.03.2015)	79,414	67,414
Haychem Bangladesh Ltd.	Mymensingh (31.03.2015)	34,395	17,598
Haycolour (Pvt) Ltd.	Kalutara (31.03.2015)	32,292	28,706
Hayleys Fibre PLC.	Ekala (31.03.2015)	189,000	185,843
Hayleys Advantis Ltd.	Welisara (31.03.2015)	1,128,688	689,832
Ravi Industries (Pvt) Ltd.	Ekala (31.03.2015)	243,375	194,700
Volanka Exports Ltd.	Nattandiya (31.03.2015)	20,887	18,006
Rileys (Pvt) Ltd.	Ekala (31.03.2015)	287,491	211,555
Toyo Cushion Lanka (Pvt) Ltd.	Katana (31.03.2013)	48,174	48,174
Sunfrost (Pvt) Ltd.	Allawwa (31.03.2015)	29,890	24,126
Hayleys MGT Knitting Mills PLC	Neboda (31.03.2015)	52,267	18,149
Hayleys Electronics Lightning (Pvt) Ltd.	Hokandara (31.03.2013)	4,047	4,047
Hunas Falls Hotels PLC	Elkaduwa (31.03.2015)	8,000	1,353
Kandyan Resorts (Pvt) Ltd.	Kandy (31.03.2015)	254,042	55,556
The Beach Resorts Ltd.	Wadduwa (31.03.2015)	184,836	11,553
Cultural Club Resorts (Pvt) Ltd.	Dambulla (31.03.2015)	480	-
Alumex PLC	Makola (31.03.2015)	157,383	96,138
		11,457,692	8,349,638
Revaluation reserve attributable to Non-controlling interest		(799,459)	(392,397)
Share of revaluation reserve of equity accounted investees		221,629	101,833
		10,879,862	8,059,074
Adjustment due to change in holding		(22,835)	23,526
		10,857,027	8,082,600

- (v) Land owned by the Group was revalued as at 31st March 2015 by an Independent Chartered Valuation Surveyor. The valuation had been carried out based on transaction observed in the market.
- (vi) Land owned by the Group other than that mentioned above has been stated at cost as the appreciation in value is insignificant. Further information is provided on page 273. There are no tax implications or tax liabilities pertaining to revaluation of land.
- (vii) There has been an impairment of property, plant & equipment amounting to Rs.16.5 mn which is disclosed in Note 8 to the Financial Statements.
- (viii) Property, plant & equipment with a carrying value of Rs. 12,133 mn ( 2014- Rs.12,996 mn) and Rs. Nil ( 2014- Nil) for the Group and Company respectively have been pledged as security for term loans obtained. The details are shown in Note 25 to the Financial Statements.
- (ix) The carrying value of revalued land given above, had the said land been included at cost, would amount to Rs.2,737mn (2014-Rs. 2,571 mn) for the Group and Rs 7 mn (2014 - Rs 7 mn) to the Company
- (x) The cost of fully depreciated Property plant and equipment which are still in use at the reporting date is as follows:

	Consolidated		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Buildings	80,995	67,866	-	-
Machinery and equipment	2,581,027	2,494,433	38,702	38,237
Furniture, fittings and office equipment	1,307,736	822,974	159,065	153,088
Motor vehicles	205,590	171,501	12,277	5,603
	4,175,348	3,556,774	210,044	196,928

## 14.4 Capital Expenditure Commitments

The approximate amounts of capital expenditure approved by the Directors as at 31st March, 2015 were: Capital expenditure contracted for which no provision is made in the Financial Statements for the Group - Rs. 605 mn (2014 - Rs.698 mn) and for the Company Rs. Nil mn( 2014- Nil) . Capital expenditure approved by the Directors but not contracted for the Group Rs.1,570 mn (2014 - Rs.1,521 mn) and for the Company Rs. 147 mn ( 2014- Rs. 86 mn).

## 14.5 Unobservable inputs used in measuring Fair Value

The table below sets out information about significant unobservable inputs used in measuring non-financial instruments categorized as Level 3 in the Fair value hierarchy as at 31st March 2015.

## Notes to the financial statements

Type of Instrument	District	Valuation Technique	Significant Unobservable Input	Range of Estimate for Unobservable Input Rs'000	Fair Value Measurement Sensitivity to Unobservable Input
Freehold land	Colombo	Open Market basis	Land - Rate per perch	85 to 8000	Significant increases /(decreases) in estimated price per perch in isolation would result in a significantly higher / (lower) fair value.
	Gampaha			25 to 475	
	Kurunegala			20 to 25	
	Galle			400 to 1000	
	Puttalam			19 to 40	
	Matale			13 to 600	
	Kalutara			30 to 475	
	Kurunagala			65	
	Ampara			2 to 7	
	Trincomalee			125	

### 15 INVESTMENT PROPERTIES

	Consolidated			
	Land Rs.'000	Buildings Rs.'000	Total 2015 Rs.'000	Total 2014 Rs.'000
<b>As at 31st March</b>				
<b>Cost</b>				
At the beginning of the year	1,081,836	466,526	1,548,362	694,082
Additions	-	2,331	2,331	3,679
Disposals	-	(126)	(126)	-
Acquisitions through business combinations	-	-	-	525,518
Transfer from/ (to) property, plant & equipment	(31,100)	(7,764)	(38,864)	325,083
<b>At the end of the year</b>	<b>1,050,736</b>	<b>460,967</b>	<b>1,511,703</b>	<b>1,548,362</b>
<b>Depreciation</b>				
At the beginning of the year	-	94,918	94,918	6,041
Charge for the year	-	5,998	5,998	3,150
Disposals	-	(17)	(17)	-
Acquisitions through business combinations	-	-	-	25,518
Transfer from/ (to) investment property, plant & equipment	-	(2,018)	(2,018)	60,209
<b>At the end of the year</b>	<b>-</b>	<b>98,881</b>	<b>98,881</b>	<b>94,918</b>
<b>Net book value</b>	<b>1,050,736</b>	<b>362,086</b>	<b>1,412,822</b>	<b>1,453,444</b>



## 15.1 Rental income

For the year ended 31st March

	2015 Rs'000	2014 Rs'000
Rental income derived from investment properties	79,671	28,180
Direct operating expenses generating rental income	(8,960)	(4,581)
Direct operating expenses that did not generate rental income	-	-
<b>Net profit arising from investment properties</b>	<b>70,711</b>	<b>23,599</b>

**15.2** Investment property is stated at cost. The fair value of Investment property based on a valuation performed as at 31st March, 2015 by Mr. P.B. Kalugalgedara (Chartered Valuation Surveyor), an accredited independent, industry specialist is given below. The valuations had been carried out based on transactions observed in the market.

The details of fair value of investment property of the Group.

Company	Location	Building area (Sq Ft)	Land in acres	Value of building Rs '000	Value of land Rs '000	Total Rs'000
Hayleys Fibre PLC	"Ekala Estate", Minuwangoda Road, Ekala.	53,880	6.30	7,382	328,000	335,382
Carbotels (Pvt) Ltd.	Weyagala Estate, Elkaduwa, Matale.	-	65.06	-	34,600	34,600
Eastern Hotels (Pvt) Ltd.	Nilakara Estate, Nilaweli, Trincomalee.	-	23.47	-	469,500	469,500
Hayleys Advantis Group	49/4 -18A, Galle Road, Kollupitiya.	2,450	-	80,000	-	80,000
	46/12, Sayuru Sevana, Nawam Mawatha, Colombo 2.	45,980	0.24	90,000	226,900	316,900
Dipped Products PLC	Nadungamuwa, Weliweriya.	5,029	7.85	9,050	81,588	90,638
Venigros (Pvt) Ltd.	Nadungamuwa, Weliweriya.	55,581	7.09	87,800	68,106	155,906
Toyo Cushion Lanka (Pvt) Ltd.	105, Thimbirigaskatuwa Road, Katana.	27,945	3.40	23,658	80,872	104,530

Type of Instrument	District	Valuation Technique	Range of Estimate for Unobservable Input Rs'000
Freehold land	Colombo	Open market Basis	10,050
	Gampaha		50 - 350
	Matale		3
	Trincomalee		115

**15.3** The Group has no restriction on the realisability of its investment property and no contractual obligations to either purchase, construct or develop investment property or for maintenance and enhancement.

## Notes to the financial statements

### 16 BIOLOGICAL ASSETS

As at 31st March	Consolidated	
	2015 Rs. '000	2014 Rs. '000
<b>At the beginning of the year</b>	266,508	235,020
Increase due to development	12,559	4,572
Change in fair value of biological assets	31,682	28,065
Decrease due to harvest	-	(1,149)
Transfer to immature plantation	(3,273)	-
<b>As at 31 March / December</b>	<b>307,476</b>	<b>266,508</b>

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the grounds that little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

The fair value of managed trees was ascertained since LKAS 41 is only applicable for managed agricultural activity in terms of the ruling issued by The Institute of Chartered Accountants of Sri Lanka. The valuation was carried by Messers Sunil Fernando Associates, accredited chartered valuers, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber a physical verification was carried out covering all the estates.

#### 16.1 Other key assumptions used in valuation

1. The harvesting is approved by the PMMD and the Forest Department based on the Forestry Development Plan.
2. The prices adopted are net of expenditure
3. Discount Rate is 17.5%
4. Compounding rate is 14%
5. Though the replanting is a condition precedent for harvesting, yet the costs are not taken in to consideration.

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation of the biological assets due to the volatility of the variables, their carrying value may differ from their realisable value. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the LKAS 41 against his/her own assumptions. The carrying amount of biological assets pledged as securities for liabilities as at the date of the statement of financial position is nil. (2014 - nil).

#### 16.2 Sensitivity analysis

##### Sensitivity variation sales price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

Sales price fluctuation	+10%	0	-10%
Managed Timber	Rs.'000	Rs.'000	Rs.'000
<b>As at 31 March 2015</b>	322,606	300,807	274,872
As at 31 March 2014	263,599	256,568	252,954

## Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber show that an increase or decrease by 1.5% of the discount rate has the following effect on the net present value of biological assets:

Discounting rate fluctuation	+1.5%	0	-1.5%
Managed Timber	Rs.'000	Rs.'000	Rs.'000
<b>As at 31 March 2015</b>	297,450	300,807	307,562
As at 31 March 2014	254,276	256,568	258,631

## 17 INTANGIBLE ASSETS

As at 31st March	Consolidated							
	Right to generate hydro power/development cost	Goodwill	ERP system	Brand name	Customer list	Operating lease	Total 2015	Total 2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost</b>								
<b>At the beginning of the year</b>	97,790	4,035,277	351,266	148,183	152,420	1,177,111	<b>5,962,047</b>	5,661,810
Acquisitions through business combinations	-	157,666	647	-	-	-	<b>158,313</b>	215,857
Additions	-	-	179,903	-	-	-	<b>179,903</b>	86,201
Disposals	-	-	(15,360)	-	-	-	<b>(15,360)</b>	(5,016)
Effect of movements in exchange rates	-	-	2,998	-	-	-	<b>2,998</b>	3,195
<b>At the end of the year</b>	97,790	4,192,943	519,454	148,183	152,420	1,177,111	<b>6,287,901</b>	5,962,047
<b>Amortisation</b>								
<b>At the beginning of the year</b>	24,303	145,959	143,841	-	61,984	79,236	<b>455,323</b>	345,872
Amortisation for the year	5,577	-	64,171	-	31,500	19,555	<b>120,803</b>	101,136
Impairment for the year	-	-	-	-	-	-	-	9,864
Disposals	-	-	(3,251)	-	-	-	<b>(3,251)</b>	(2,910)
Acquisition through business combinations	-	-	106	-	-	-	<b>106</b>	-
Effect of movements in exchange rates	-	-	1,306	-	-	-	<b>1,306</b>	1,361
<b>At the end of the year</b>	29,880	145,959	206,173	-	93,484	98,791	<b>574,287</b>	455,323
<b>Net book value</b>	67,910	4,046,984	313,281	148,183	58,936	1,078,320	<b>5,713,614</b>	5,506,724
<b>Capital work in progress</b>	-	-	2,189	-	-	-	<b>2,189</b>	34,563
<b>Carrying amount</b>							<b>5,715,803</b>	5,541,287

## Notes to the financial statements

(i) The aggregate carrying amount of goodwill allocated to each unit is as follows:

	Rs. mn
Dipped Products PLC	97
Dipped Products' Group Companies	33
Advantis Group Companies	314
Haycarb Group Companies	202
Hunas Falls Hotels PLC	8
The Kingsbury PLC	633
Hayleys Plantation Services ( Pvt) Ltd	134
Alumex PLC	1,052
Amaya Leisure PLC	1,553
Alufab PLC	20
	4,047

(ii) There has been no impairment of intangible assets. Methods used in estimating recoverable amounts are given below:

The recoverable value of Dipped Products PLC, Hunas Falls Hotels PLC , Alumex PLC, Haycarb group were based on fair value less cost to sell and the others were based on value in use. Value in use was determined by discounting the future cash flows generated from the the continuing use of the unit and key assumptions used are given below:

Business growth	- Based on historical growth rate and business plan
Inflation	- Based on the current inflation rate and the percentage of the total cost subjected to inflation
Discount rate	- Average market borrowing rate adjusted for risk premium
Margin	- Based on current margin and business plan

- (iii) Remaining amortisation period of rights to generate hydro power excluding development cost amounting to Rs. 35,772 mn.

Remaining amortisation period	Carrying Amount (Rs.'000)
83 months	2,512
104 months	1,718
143 months	27,908
<b>Total</b>	<b>32,138</b>

- (iv) The Group has recognised an intangible asset in respect of operating leases acquired from the acquisition of The Kingsbury PLC and Amaya Leisure PLC since terms of operating lease are favourable in relative to market terms.

Intangible asset from the Leasehold right is the revalued value of the land over the present value of future lease rentals to be paid.

The Kingsbury PLC- 54 years

Amaya Leisure PLC- 20 years

- (v) The Group has recognised an intangible asset for the Amaya chain of hotels from the acquisition of Amaya Leisure PLC.  
"Amaya" brand name is a well established name in the leisure sector. Management is of the opinion that the brand name will be a key attraction in the future booming leisure sector.

- (vi) The Group has recognised an intangible asset in respect of customer relationship through the acquisition of Amaya Leisure PLC.  
The established customer lists of Amaya Hotels is acknowledged as a key component in generation of revenue through travel agents and tour operators.  
The management is of the opinion that the company is capable of retaining the travel agents through business relationship strategies and this would ensure retention and lead to repeat business over the future years and inflow of future economic benefits from them.



## Notes to the financial statements

### 18 INVESTMENTS

#### 18.1 Company Investment in Subsidiaries

As at 31st March	% Holding		No. of Shares			Value Rs.'000		
	2015	2014	2015	Movement	2014	2015	Movement	2014
<b>Investee</b>								
<b>Quoted investments*</b>								
Haycarb PLC (Rs. 3,683mn)	68	68	20,125,103	-	20,125,103	47,204	-	47,204
Hayleys Fibre PLC (Rs. 206 mn)	65	65	5,200,000	-	5,200,000	3,575	-	3,575
Dipped Products PLC (Rs. 3,479 mn)	42	42	25,210,938	300,000	24,910,938	408,490	29,729	378,761
Hayleys MGT Knitting Mills PLC (Rs. 2,168 mn)	59	79	122,487,023	2,803,206	119,683,817	1,355,791	(37,270)	1,393,061
Amaya Leisure PLC (Rs. 1,454 mn)	40	40	20,334,545	968,311	19,366,234	2,161,551	77,465	2,084,086
Alumex PLC (Rs. 2,412 Mn)	51	51	152,644,500	-	152,644,500	1,277,353	-	1,277,353
Alufab PLC (Rs. 190 Mn)	63	-	7,538,454	7,538,454	-	174,292	174,292	-
The Kingsbury PLC (Rs. 1,797 mn)	46	46	112,307,057	-	112,307,057	1,864,073	-	1,864,073
			465,847,620	11,609,971	454,237,649	7,292,329	244,216	7,048,113
<b>Unquoted Investments</b>								
Hayleys Photoprint (Pvt) Ltd.	100	100	6	-	6	-	-	-
Haylex BV	100	100	1,000	-	1,000	25,733	-	25,733
Chas P Hayley & Co. Ltd.	100	100	999,920	-	999,920	698	-	698
Ravi Industries (Pvt) Ltd.	86	86	10,790,194	6,936	10,783,258	15,889	258	15,631
Hayleys Group Services Ltd.	100	100	10,000	-	10,000	100	-	100
Hayleys Electronics Ltd.	98	98	951,855	-	951,855	95,687	-	95,687
Dean Foster (Pvt) Ltd.	49	49	5,882,351	--	5,882,351	9,904	-	9,904
Hayleys Advantis Ltd.	94	94	33,947,558	17,799	33,929,759	348,855	1,330	347,525
Volanka Exports (Pvt) Ltd.	4	4	123,103	4,848	118,255	1,999	10	1,989
Sunfrost (Pvt) Ltd.	5	5	423,300	-	423,300	4,233	-	4,233
Rileys (Pvt) Ltd.	6	6	2,500,000	-	2,500,000	10,333	-	10,333
Volanka (Pvt) Ltd.	62	62	6,440	-	6,440	23,107	-	23,107
Toyo Cushion Lanka (Pvt) Ltd.	19	19	1,222,708	5,627	1,217,081	13,339	204	13,135
Hayleys Produce Marketing Ltd.	100	100	250,000	-	250,000	2,532	-	2,532
Carbotels (Pvt) Ltd.	75	75	27,578,769	-	27,578,769	308,004	-	308,004
HJS Condiments Ltd.	9	9	1,218,277	80,713	1,137,564	16,532	2,547	13,985
Hayleys Agriculture Holdings Ltd.	97	97	18,967,287	21,115	18,946,136	253,946	1,465	252,481
Hayleys Consumer Products Ltd.	99	99	19,391,129	1,250	19,389,879	250,797	23	250,773
Hayleys Industrial Solutions (Pvt) Ltd.	100	100	38,748,400	-	38,748,400	387,484	-	387,484
Hayleys Business Solutions International (Pvt) Ltd.	100	100	15,000,000	-	15,000,000	150,000	-	150,000

As at 31st March	% Holding		No. of Shares			Value Rs.'000		
	2015	2014	2015	Movement	2014	2015	Movement	2014
Haydea Business Solutions (Pvt) Ltd.	100	100	249,999	-	249,999	2,500	-	2,500
Hayleys Leisure Holdings (Pvt) Ltd.	100	100	2,000,000	-	2,000,000	20,000	-	20,000
Nirmalapura Wind Power (Pvt) Ltd.	30	30	29,900,000	-	29,900,000	154,204	-	154,204
Hayleys Global Beverages (Pvt) Ltd.	49	0	14,411,765	14,411,765	-	144,118	144,118	-
Quality Seed Company (Pvt) Ltd.	74	74	1,878,000	-	1,878,000	3,707	-	3,707
			226,452,061	14,550,089	211,901,972	2,243,701	149,955	2,093,745
<b>Company investment in subsidiaries (at cost)</b>			692,299,681	26,160,060	666,139,621	9,536,030	394,171	9,141,858
<b>Provision for fall in value of investment made by the company</b>								
Hayleys Electronics (Pvt) Ltd.						(95,687)	-	(95,687)
Hayleys Business Solutions International (Pvt) Ltd.						(75,000)	(75,000)	-
<b>Company investment in subsidiaries</b>						9,365,343	319,171	9,046,171

\* Figures in brackets indicate market value of Quoted investments.

(i) Countries of incorporation of overseas subsidiaries are give in Note 18.3 to the Financial Statements.

## 18.2 Company/Group Investment in Equity Accounted Investees

Investor	Investee	% Holding		No. of Shares		Value Rs.'000	
As at 31st March		2015	2014	2015	2014	2015	2014
Unquoted Investments							
Carbotels (Pvt) Ltd	Negombo Hotels Ltd. **	30	30	60,000	60,000	127,794	127,794
Hayleys Advantis Group	Yusen Logistics & Kusuvara (Pvt) Ltd**	30	30	195,000	195,000	1,950	1,950
Hayleys Fibre PLC	Bonterra Lanka Ltd *	50	50	803,394	803,394	8,034	8,034
Puritas (Pvt) Ltd.	Lakdiyatha (Pvt) Ltd **	49	49	2,450,000	2,450,000	24,500	24,500
Hayleys Leisure Holdings (Pvt) Ltd.	S & T Interiors (Pvt) Ltd**	30	-	780,000	-	7,800	-
						170,078	162,278
Group investments in Equity accounted investees (at cost)						170,078	162,278

\* Joint venture

\*\* Associates

## Notes to the financial statements

As at 31st March	Consolidated					
	Investment at Cost		Share of post acquisition profit/ (loss) & MI Adj.		Net assets	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Negombo Hotels Ltd.	127,794	127,794	119,183	(18,829)	348,227	229,044
Yusen Logistics & Kusuvara ( Pvt) Ltd.	1,950	1,950	(1,534)	(2,638)	16,758	18,292
Bonterra Lanka Ltd.	8,034	8,034	(1,680)	3,337	39,947	41,627
S & T Interiors ( Pvt ) Ltd.	7,800	-	3	-	7,803	-
Lakdiyatha ( Pvt) Ltd.	24,500	24,500	11,064	23,982	76,361	65,297
	170,078	162,278	127,036	5,852	489,096	354,260

- (i) Summarised Financial information of total equity accounted investees has not been adjusted for group share and this includes summarised Financial Information of Bonterra Lanka Ltd which is a joint venture.

As at 31st March	2015 Rs.'000	2014 Rs.'000
<b>Assets and liabilities</b>		
Current assets	582,180	540,944
Non-current assets	2,562,903	2,158,663
Current liabilities	984,222	780,708
Non-current liabilities	657,210	861,815

For the year ended 31st March	2015 Rs.'000	2014 Rs.'000
-------------------------------	-----------------	-----------------

### Revenue and profit

Revenue	1,696,623	1,729,227
Profit after tax	60,375	75,408
Total comprehensive income	459,951	72,225

### Cash flows

Cash flows from operating activities	84,330	137,291
Cash flows from Investing activities	(20,198)	(46,867)
Cash flows from financing activities	(235,770)	(136,080)

- (ii) Company has neither contingent liabilities nor capital commitments in respect of it's equity accounted investees.

## 18.3 Countries of Incorporation of Overseas Subsidiaries and Equity Accounted Investees

Countries of incorporation of companies incorporated outside Sri Lanka are stated in brackets against the Company names.

Haychem (Bangladesh) Ltd. (Bangladesh), PT Mapalus Makawanua Charcoal Industry (Indonesia), Haycarb Holdings Bitung Ltd. (British Virgin Island), Eurocarb Products Ltd. (UK), Haycarb Holdings Australia (Pty) Ltd. , (Australia), Haycarb USA Inc (USA), Carbokarn Ltd. (Thailand), Shizuka Co. Ltd (Thailand), Haylex BV Group (Netherlands, Japan & UK), Dipped Products (Thailand) Ltd (Thailand), CK Regen Systems Co.Ltd (Thailand), ICOGUANTI S.p.A (Italy), PT Tulus Lanka Coir Industries (Indonesia), Logiwiz Logistics India (Pvt) Ltd. (India), Civaro Freight India (Pvt) Ltd. (India), Charles Fibre (Pvt) Ltd.( India). Haylex USA (USA), PT Haycarb Palu Mitra (Indonesia), Puricarb Pte Ltd (Singapore), Nautical Maldives (Pvt) Ltd (Maldives), One World Logistics Maldives (Pvt) Ltd (Maldives), Super Logistics (Pvt) Ltd (Maldives), Total Transport Solutions Maldives (Pvt) Ltd (Maldives).

## 18.4 Inter-Company Shareholdings

Investor	Investee	% Holding		No. of Shares	
		2015	2014	2015	2014
Agro Technica Ltd. Chas P. Hayley & Co. (Pvt) Ltd.	Sunfrost (Pvt) Ltd.	1	1	75,000	75,000
	Toyo Cushion Lanka (Pvt.) Ltd	3	3	169,267	169,267
	Hayleys Electronics (Pvt) Ltd.	2	2	14,975	14,975
	Lignocell (Pvt) Ltd.	100	100	12,000,000	12,000,000
Dean Foster (Pvt.) Ltd.	Volanka (Pvt) Ltd	38	38	3,920	3,920
	Hayleys Advantis Ltd.	1	1	488,369	488,369
	Chas P Hayley & Co. (Pvt) Ltd.	-	-	80	80
	Alumex PLC	5	5	14,213,900	14,213,900
	Amaya Leisure PLC	21	21	10,252,300	10,252,300
Dipped Products PLC.	Palma Ltd.	100	100	4,000,000	4,000,000
	Grossart (Pvt) Ltd.	100	100	4,200,000	4,200,000
	Venigros (Pvt) Ltd.	100	100	8,000,000	8,000,000
	Feltex (Pvt) Ltd.	100	100	1,500,000	1,500,000
	DPL Plantations (Pvt) Ltd.	100	100	55,000,000	55,000,000
	Neoprex (Pvt) Ltd.	100	100	4,000,000	4,000,000
	Dipped Products (Thailand) Ltd.(100 Bhat)	99	99	4,516,248	4,516,248
	Texnil (Pvt) Ltd.	100	100	7,500,000	7,500,000
	ICOGUANTI SpA ( Italy) (€1 - each)	61	61	2,016,667	2,016,667
	Hanwella Rubber Products Ltd.	73	73	18,152,000	18,152,000
	D P L Premier Gloves Ltd.	100	100	45,000,000	30,000,001
	D P L Universal Glows (Pvt) Ltd.	100	-	35,000,000	-
DPL Plantations Ltd.	Kelani Valley Plantations PLC	71	71	24,200,000	24,200,000
	Hayleys Plantation Services (Pvt) Ltd.	67	67	13,400,000	13,400,000
Haycarb PLC	Dipped Products PLC	7	7	4,068,746	4,068,746

## Notes to the financial statements

Investor	Investee	% Holding		No. of Shares	
		2015	2014	2015	2014
	Eurocarb Products Ltd.(UK) ( £1 - each)	100	100	100,000	100,000
	Haycarb Value Added Products (Pvt) Ltd	100	100	40,000,000	40,000,000
	Haycarb Holdings Australia (Pty) Ltd (Aus \$1 - each)	100	100	150,000	150,000
	Carbotels (Pvt) Ltd.	25	25	9,290,341	9,290,341
	Carbocarn Co. Ltd.(100 Bhat, 72% paid-up)	50	50	250,000	250,000
	Puritas (Pvt) Ltd.	100	100	700,000	700,000
	Recogen (Pvt) Ltd.	100	100	37,000,000	37,000,000
	Heycarb USA Inc.	100	100	3,600,000	3,600,000
	Haycarb Holdings Bitung Ltd. (\$1 - each)	100	100	1,400,000	1,400,000
	PT Mapalus Makawanua Charcoal Industry (IDR 1,000,000)	2	2	707	707
	Ultracarb (Pvt) Ltd.	100	100	25,000,000	25,000,000
	Quality Seeds Company (Pvt) Ltd.	6	6	147,000	147,000
	PT.Haycarb Palu Mitra	60	60	1,290,000	1,290,000
Carbocarn Co. Ltd.	CK Regen Systems Co.Ltd.	100	100	150,000	150,000
	Shizuka Co.Ltd.	100	100	200,000	200,000
Puritas (Pvt) Ltd.	Lakdiyatha (Pvt) Ltd.	49	49	2,450,000	2,450,000
	Puricarb (Pte) Ltd.	100	-	50,000	1
Haycarb Holdings Bitung Ltd.	PT Mapalus Makawana Charcoal Industry (IDR 1,000,000)	98	98	36,935	36,935
Hayleys Agriculture Holdings Ltd.	Agro Technica Ltd.	93	93	2,329,894	2,329,894
	Hayleys Agro Fertilizers (Pvt.) Ltd.	100	100	4,999,999	4,999,999
	Hayleys Agro Farms (Pvt.) Ltd.	100	100	1,500,000	1,500,000
	Hayleys Agro Bio-Tech (Pvt.) Ltd.	100	100	7,499,999	7,499,999
	HJS Condiments Ltd.	59	59	7,399,343	7,399,343
	Sunfrost (Pvt) Ltd.	93	93	7,445,000	7,445,000
	Haychem Bangladesh Ltd.	100	100	90,702	90,702
	Hayleys MGT Knitting Mills PLC	2	2	3,472,257	2,546,322
	Aquagri (Pvt) Ltd.	51	-	1,275,000	-
	Quality Seeds Company (Pvt) Ltd.	20	20	500,000	500,000
Hayleys Fibre PLC	Toyo Cushion Lanka (Pvt.) Ltd.	16	16	1,015,602	1,015,602

Investor	Investee	% Holding		No. of Shares	
		2015	2014	2015	2014
Hayleys Industrial Solutions (Pvt) Ltd.	Bonterra Lanka Ltd.	50	50	803,394	803,394
	Rileys (Pvt) Ltd.	19	19	7,750,000	7,750,000
	Haycolour (Pvt) Ltd.	100	100	60,000	60,000
	Hayleys Lifesciences (Pvt) Ltd.	100	100	3,000,001	3,000,001
	Power Engineering Solutions (Pvt.) Ltd.	100	100	320,001	320,001
	Nirmalapura Wind Power (Pvt) Ltd.	21	21	21,100,000	21,100,000
	Hayleys Power Ltd.	100	100	38,067,241	25,067,241
Hayleys Hydro Energy (Pvt) Ltd.	Neluwa Upper Hydro Power (Pvt) Ltd.	-	50	1	1
	Neluwa Casacade Hydro (Pvt.) Ltd.	100	100	11,910,001	11,910,001
	Neluwa Upper Hydro Power (Pvt) Ltd.	-	50	1	1
Hayleys Plantation Services (Pvt) Ltd.	Talawakelle Tea Estates PLC	75	75	17,750,000	17,750,000
Talawakelle Tea Estates PLC	TTEL Hydro Power (Pvt) Ltd.	51	51	3,519,000	3,519,000
	TTEL Summerset Hydro Power (Pvt) Ltd.	51	51	3,060,000	3,060,000
Hayleys Advantis Group	Sunfrost (Pvt) Ltd.	1	1	50,000	50,000
	International Consumer Brand Ltd.	-	100	-	2,999,995
	Hayleys MGT Knitting Mills PLC	2	2	5,036,850	3,693,690
Ravi Industries Ltd.	Rileys (Pvt) Ltd.	31	31	12,250,000	12,250,000
	Dipped Products PLC.	1	1	567,000	567,000
	Ravi Marketing Services (Pvt) Ltd.	100	100	9,994	9,994
Rileys (Pvt) Ltd.	Haymat (Pvt) Ltd.	54	54	215,998	215,998
	Creative Polymats (Pvt) Ltd.	100	100	4,999,994	4,999,994
Toyo Cushion Lanka (Pvt) Ltd	Dean Foster (Pvt) Ltd.	2	2	235,294	235,294
Volanka (Pvt) Ltd	Amaya Leisure PLC	2	2	857,220	816,400
	Dipped Products PLC	8	8	4,873,640	4,873,640
	Toyo Cushion Lanka (Pvt.) Ltd.	21	21	1,455,832	1,455,832
	Dean Foster (Pvt) Ltd.	49	49	5,882,353	5,882,353
	Volanka Exports Ltd.	95	95	2,899,994	2,899,994
	Volanka Insurance Brokers (Pvt) Ltd.	100	100	58,994	58,994
	Rileys (Pvt) Ltd.	44	44	17,500,000	17,500,000
Carbotels (Pvt) Ltd.	Hunas Falls Hotels PLC	50	50	2,824,820	2,824,820
	Eastern Hotel (Pvt) Ltd.	96	96	894,304	894,304



## Notes to the financial statements

Investor	Investee	% Holding		No. of Shares	
		2015	2014	2015	2014
	The Kingsbury PLC	13	13	31,625,000	31,625,000
Volanka Exports Ltd.	O E Techniques Ltd.	100	100	9,993	9,993
	Amaya Leisure PLC	1	1	675,045	642,900
Kelani Valley Plantations PLC	Kalupahana Power Project co. (Pvt) Ltd.	60	60	1,800,000	1,800,000
	Kelani Valley Instant Tea (Pvt.) Ltd.	100	100	3,000,000	3,000,000
	Mabroc Teas (Pvt) Ltd.	100	100	9,000,000	9,000,000
	Hayleys Global Beverage (Pvt) Ltd.	51	100	15,000,000	1
Hayleys Group Services (Pvt) Ltd.	Hayleys MGT Knitting Mills PLC	0	1	508,933	508,933
Hayleys Leisure Holdings (Pvt) Ltd.	Air Global (Pvt) Ltd.	100	100	999,995	999,995
	Millennium Transportation (Pvt) Ltd.	100	100	99,999	99,999
	North South Lines (Pvt) Ltd.	100	100	134,999	134,999
	Hayleys Travels and Tours (Pvt) Ltd.	100	100	1,779,999	1,779,999
Alumex PLC	Avro Enterprises (Pvt) Ltd.	100	100	25,002	25,002
	Alco Industries (Pvt) Ltd.	100	100	3,000,002	3,000,002
Hayleys Consumer Product (Pvt) Ltd.	Global Consumer Brands (Pvt) Ltd.	100	100	17,599,999	17,599,999
	International Consumer Brand (Pvt) Ltd.	100	-	2,999,995	-
	Hayleys Electronics Lighting (Pvt) Ltd.	100	100	599,999	599,999
Amaya Leisure PLC	Kandyan Resorts (Pvt) Ltd.	100	100	29,784,365	29,784,365
	Culture Club Resorts (Pvt) Ltd.	100	100	27,779,002	27,779,002
	Connaissance Air Travels Ltd .	100	100	100,003	100,003
	The Beach Resorts Ltd.	84	84	6,176,790	6,176,790
	Sun Tan Beach Resorts Ltd.	51	-	82,718,215	-
	Hunas Falls Hotels PLC	16	16	899,000	899,000
	C D C Conventions (Pvt) Ltd.	100	100	1,000,002	1,000,002
Hayleys Power Ltd	Bhagya Hydro (Pvt.) Ltd.	100	100	3,499,999	3,499,999
	Hayleys Hydro Energy (Pvt.) Ltd.	51	51	6,120,001	6,120,001
	TTEL Hydro Power (pvt) Ltd.	49	49	3,366,300	3,366,300
	Kiridiweldola Hydro Power (Pvt) Ltd.	100	100	321,860	321,860
	TTEL Summerset Hydro Power (Pvt) Ltd.	49	49	2,940,000	2,940,000
	Anningkanda Hydro Power (Pvt) Ltd .	100	100	319,080	319,080
	Hayleys Neluwa Hydro Power (Pvt) Ltd.	100	100	21,000,000	8,000,000
	Neluwa Upper Hydro Power (Pvt) Ltd.	100	-	100,000	-
	Lindula Hydro Power(Pvt) Ltd.	100	100	250,000	250,000

## 19 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 19.1 Other Non-Current Financial Assets

As at 31st March	Consolidated				Company		
	Available-for-sale investments		Total 2015	Total 2014	Available-for-sale investments	Total 2015	Total 2014
	Unquoted equity shares	Quoted equity shares			Unquoted equity shares		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>At the beginning of the year</b>	177,180	56,433	<b>233,613</b>	276,426	166,704	<b>166,704</b>	179,174
Additions	345	-	<b>345</b>	-	-	-	-
Transfer to other non-current assets	-	-	-	(24,000)	-	-	-
Impairment for the year	(12,470)	-	<b>(12,470)</b>	(12,470)	(12,470)	<b>(12,470)</b>	(12,470)
Repayment	-	-	-	(10,090)	-	-	-
Effect of movement in exchange rate	64	-	<b>64</b>	11,577	-	-	-
Change in fair value	1,559	18,367	<b>19,926</b>	(7,830)	-	-	-
<b>At the end of the year</b>	<b>166,678</b>	<b>74,800</b>	<b>241,478</b>	<b>233,613</b>	<b>154,234</b>	<b>154,234</b>	<b>166,704</b>

#### 19.1.1 Investment Details

Investor	Investee	Number of shares		Value	
		2015	2014	2015	2014
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Unquoted equity shares - Available-for-sale investments					
Hayleys PLC	AES Kelanitissa (Pvt) Ltd.	24,940,613	24,940,613	112,233	124,704
	Sri Lanka Institute of Nanotechnology (Pvt) Ltd.	3,810,182	3,810,182	42,000	42,000
Hayleys Industrial Solutions (Pvt) Ltd.	Hydro Trust lanka (Pvt) Ltd.	350,000	350,000	3,500	3,500
Dipped Product PLC	Wellassa Rubber Company Ltd	255,000	255,000	2,550	2,550
	Impairment in Wellassa Rubber Company Ltd.			(2,550)	(2,550)
Haycarb Group	Barrik Gold Corporation - Aus 27.20 each	3,456	3,456	158	94
Hayleys Advantis Group	SLAFFA Cargo Services Ltd.	38,571	38,571	8,787	6,882
Amaya Leisure PLC	Lake Lodge Resort (Pvt) Ltd			-	24,000
	Transfers to other non-current assets			-	(24,000)
Total				166,678	177,180

Unquoted equity shares that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

## Notes to the financial statements

### Quoted equity shares - Available-for-sale investments

Dipped Product PLC	Royal Ceramic Lanka PLC	220	220	24	22
Hayleys Advantis Group	Ceybank Unit Trust	200,000	200,000	5,754	5,442
	Pyramid Unit Trust	200,000	200,000	6,912	6,218
	Comtrust Equity Fund	200,000	200,000	4,212	3,388
Amaya Leisure PLC	Royal Ceramic Lanka PLC	521,600	521,600	57,898	41,363
<b>Total</b>				<b>74,800</b>	<b>56,433</b>

### 19.2 Other Current Financial Assets

As at 31st March	Consolidated				
	Available-for-sale investments	Financial instruments at fair value through profit or loss		Total 2015	Total 2014
	Quoted equity shares	Foreign exchange forward contract	Quoted equity shares		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>At the beginning of the year</b>	4,397	58	48,933	<b>53,388</b>	49,738
Additions	-	-	-	-	5,517
Acquisition through business combinations	-	-	-	-	15,761
Impairment for the year	-	-	-	-	(5,299)
Disposals	(2,527)	(58)	(19,903)	<b>(22,488)</b>	(13,004)
Change in fair value	540	407	7,715	<b>8,662</b>	675
<b>At the end of the year</b>	<b>2,410</b>	<b>407</b>	<b>36,745</b>	<b>39,562</b>	<b>53,388</b>

As at 31st March	Company	
	Financial instruments at fair value through profit or loss	
	Quoted equity shares	
	2015	2014
	Rs.'000	Rs.'000
<b>At the beginning of the year</b>	<b>21,906</b>	22,778
Disposals	<b>(17,508)</b>	(2,696)
Change in fair value	<b>6,772</b>	1,824
<b>At the end of the year</b>	<b>11,170</b>	<b>21,906</b>

## 19.2.1 Investment Details

Investor	Investee	Number of shares		Value	
		2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Quated equity shares -Available-for-sale investments					
Advantis Group	Textured Jursey Lanka PLC	-	160,000	-	2,527
	Union Bank PLC	100,000	100,000	2,410	1,870
Total				2,410	4,397
Foreign exchange forward contract - Fair value through profit or loss					
Ravi Industries Ltd.				407	58
Total				407	58
Quoted equity shares - Fair value through profit or loss					
Hayleys PLC.	Aitken Spence Hotel Holdings PLC	112	112	8	8
	ACL Cables PLC	260	260	20	16
	Central Industries PLC	7,957	7,957	676	454
	Ceylon Cold Stores PLC	252	252	75	35
	DFCC Bank PLC	338	338	69	49
	Kelani Tyres PLC	17,200	17,200	1,342	898
	Lanka Orix Leasing Company PLC	1,520	1,520	116	114
	National Development Bank PLC	20,681	20,681	5,129	3,694
	Three Acre Farms PLC	1,840	1,840	84	73
	Overseas Reality (Ceylon) PLC	-	70,000	-	1,435
	Pan Asia Power PLC	-	1,600,000	-	3,520
	Access Engineering PLC	-	400,000	-	9,000
	Hatton National Bank PLC - Non Voting	15,000	15,000	2,475	1,800
	Hatton National Bank PLC	5,000	5,000	1,110	750
	Environmental Resources Investment PLC	5,000	5,000	68	62

## Notes to the financial statements

Investor	Investee	Number of shares		Value	
		2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Dean Foster (Pvt) Ltd.	ACL Cables PLC	4,120	4,120	313	263
	Asiri Hospital Holdings PLC	270	270	5	6
	Bairaha Farms PLC	900	900	98	132
	Blue Diamonds Jewellery Worldwide PLC	13	13	0	0
	Central Industries PLC	900	900	76	51
	Nation Lanka Finance PLC	1,300	1,300	6	10
	Lanka Orix Leasing Company PLC	3,280	3,280	251	246
	Three Acre Farms PLC	2,000	2,000	92	79
	Kelani Tyres PLC	2,000	2,000	156	104
	Vanik Incorporation PLC - Voting	7,500	7,500	6	6
	Vanik Incorporation PLC -Non- Voting	5,000	5,000	4	4
	Seylan Bank PLC	43	43	4	3
	Browns Investments PLC	186,200	186,200	298	428
	Textured Jersey Lanka PLC	-	136,100	-	2,150
Advantis Group	Commercial Bank of Ceylon PLC-Voting	20,000	20,000	3,360	2,460
	John Keells Holdings PLC	5,195	5,195	1,036	1,179
	DFCC Bank PLC	10,000	14,500	2,028	1,439
	Hatton National Bank PLC- Non Voting	10,000	15,429	1,650	1,200
	Hatton National Bank PLC- Voting	10,000	10,000	2,220	1,500
	NDB Bank PLC	10,000	10,000	2,480	1,786
	Beruwala Resort PLC	1,000,000	1,000,000	1,600	1,600
	Union Bank PLC	400	6,800	7	7
Amaya Leisure PLC	The Fortress Resorts PLC	90,075	90,075	1,369	1,198
	LB Finance PLC	20	20	3	2
	Free Lanka Capital Holdings PLC	5,320,000	5,320,000	8,512	11,172
Total				36,745	48,933

### 19.3 Other Current financial liabilities

As at 31st March	Consolidated		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
<b>Financial instruments at fair value through profit or loss</b>				
Foreign exchange forward contracts	15,942	58,653	15,942	58,653
Total Other current financial liabilities	15,942	58,653	15,942	58,653

## 19.4 Fair Value Hierarchy

The Group 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

As at 31 March 2015, the Group held the following financial instruments carried at fair value in the Statement of Financial position:

	2015 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
<b>Assets measured at fair value</b>				
<b>Available-for-sale financial investments:</b>				
Quoted equity shares (19.1 and 19.2)	77,210	77,210	-	-
<b>Financial assets at fair value through profit or loss:</b>				
Foreign exchange forward contract	407	-	407	-
Quoted equity shares (Note 19.2)	36,745	36,745	-	-
	2015 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
<b>Liabilities measured at fair value</b>				
<b>Financial liabilities at fair value through profit or loss</b>				
Foreign exchange forward contracts	15,942	-	15,942	-

During the reporting period ended 31 March 2015, there were no transfers between Level 1 and Level 2 fair value measurements.



## Notes to the financial statements

### Fair Values

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the Financial Statements.

As at 31st March	Consolidated		Company	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2015 Rs:'000	2015 Rs:'000	2015 Rs:'000	2015 Rs:'000
<b>Financial Assets</b>				
<b>Other non- current financial assets</b>				
Available for sale investments	241,478	241,478	154,234	154,234
<b>Other current financial assets</b>				
Available for sale investments	2,410	2,410	-	-
Financial instruments at fair value through profit or loss	37,152	37,152	11,170	11,170
Trade and other receivables	17,859,520	17,859,520	15,302	15,302
Amounts due from subsidiaries	-	-	1,400,260	1,400,260
Amounts due from equity accounted investees	49,854	49,854	-	-
Short term deposits	2,413,781	2,413,781	546,292	546,292
Cash in hand and at bank	3,111,428	3,111,428	39,562	39,562
	23,715,623	23,715,623	2,166,820	2,166,820
<b>Financial Liabilities</b>				
Interest-bearing borrowings*	15,756,118	15,808,098	6,882,548	6,904,086
Trade and other payables	11,943,409	11,943,409	293,963	293,963
<b>Other current financial liabilities</b>				
Financial instruments at fair value through profit or loss	15,942	15,942	15,942	15,942
Amount due to Subsidiaries	-	-	21,597	21,597
Amount due to equity accounted investees	20,888	20,888	-	-
Short-term interest-bearing borrowings	13,306,065	13,306,065	37,579	37,579
	41,042,422	41,094,402	7,251,629	7,273,167

\* Include fixed interest loans carried at amortized cost.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and short term deposits, trade receivables, trade payables approximate their carrying amounts largely due to the short term maturities of these instruments.
- Fair value of quoted equity shares is based on price quotations at the reporting date.

## 20 OTHER NON-CURRENT ASSETS.

As at 31st March	Consolidated			
	Formers	Others	2015 Total Rs.'000	2014 Total Rs.'000
Cost	449,259	814,160	1,263,419	548,706
Provision for impairment	(235,145)	(6,119)	(241,264)	(198,283)
	214,114	808,041	1,022,155	350,423

## 21 INVENTORIES

As at 31st March	Consolidated		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Raw materials & consumables	4,617,873	4,442,172	1,854	1,046
Produce stocks	1,228,711	1,368,393	-	-
Nurseries	22,316	24,401	-	-
Work-in-progress	958,621	724,217	-	-
Finished goods	6,206,217	5,879,696	-	-
Goods-in-transit	118,056	183,685	-	-
	13,151,794	12,622,564	1,854	1,046
Provision for write-down of inventories	(470,525)	(464,441)	-	-
Provision for unrealised profit and write-down of inventories	(64,149)	(73,106)	-	-
	12,617,120	12,085,017	1,854	1,046

(i) Carrying amount of inventories pledged as security for bank facilities obtained amounted to Rs.1,396 mn (2014 - Rs. 1,686 mn).

(ii) Inventory carried at net realisable value as at 31st March, 2015 Rs.206 mn (2014 - Rs.164 mn).

## Notes to the financial statements

### 22 TRADE AND OTHER RECEIVABLES/OTHER CURRENT ASSETS

#### 22.1 Trade and Other Receivables

As at 31st March	Consolidated		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Trade receivables	13,115,684	12,264,863	-	-
Bills receivable	2,486,025	2,159,230	-	-
	15,601,709	14,424,093	-	-
Payments in advance, deposits	2,834,308	2,799,095	46,390	41,702
Duty rebate receivable	13,739	23,044	-	-
Employee loans	94,625	43,009	1,094	471
Provision for impairment	(684,861)	(725,675)	(32,182)	(32,182)
	17,859,520	16,563,566	15,302	9,991

#### 22.1.1 Movement in the Provision for Impairment

As at 31st March	Consolidated		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
At the beginning of the year	(725,675)	(655,002)	(32,182)	(32,182)
Reversal/ (Charge) for the year	40,814	(70,673)	-	-
At the end of the year	(684,861)	(725,675)	(32,182)	(32,182)

#### 22.1.2 The Aging Analysis of Trade and Bills Receivable is as follows,

	Total Rs.'000	Neither past due nor impaired Rs.'000	Passed due but not impaired				
			0-60 days Rs.'000	61-120 days Rs.'000	121-180 days Rs.'000	181-365 days Rs.'000	>365 days Rs.'000
Balance as at 31st March 2015	15,601,709	8,478,769	4,940,529	1,042,739	374,516	230,650	534,506
Balance as at 31st March 2014	14,424,093	7,924,368	4,722,606	760,725	243,908	160,371	612,115

## 22.1.3 Currency-wise Analysis of Trade and Other Receivables

As at 31st March	Consolidated		Company	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs.'000	Rs.'000
Sri Lankan Rupees	9,658,701	9,158,458	15,302	9,991
Australian Dollars	179,269	80,751	-	-
Sterling Pounds	342,938	944,596	-	-
United States Dollars	4,718,199	4,055,512	-	-
Euro	1,918,021	1,947,400	-	-
Thai Baht	155,216	158,564	-	-
Indian Rupees	285,568	20,527	-	-
Maldiva Rufiya	324,115	-	-	-
Other	277,493	197,758	-	-
	17,859,520	16,563,566	15,302	9,991

## 22.2 Other Current Assets

As at 31st March	Consolidated		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Prepayments	1,002,956	1,166,369	10,036	8,134
Pre paid staff benefit	21,288	41,236	-	-
VAT receivables	249,051	244,278	-	-
	1,273,295	1,451,883	10,036	8,134

## 23 STATED CAPITAL

As at 31st March	Company	
	2015	2014
	Rs. '000	Rs. '000
<b>Issued &amp; fully paid - ordinary shares</b>		
At beginning of the year	-75,000,000 ( 1st April 2014 - 75,000,000)	1,575,000
At end of the year	-75,000,000 (31st March 2015 - 75,000,000)	1,575,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## Notes to the financial statements

### 23.1 Employee Share Trust

The Hayleys PLC Employees' Share Trust was set up by a special resolution adopted by the shareholders at an Extraordinary General Meeting of the Company. The Trust was allotted 2,400,000 ordinary shares of Rs. 10/- each on 9th February, 1998 at the market price of Rs. 210 per share, payment for the shares being made by the Trustees from the proceeds of an interest-free loan of Rs. 504mn, granted by the Company.

In accordance with the Circular 'CSE 02/2012 of 24th February 2012' issued by the Colombo Stock Exchange, the Company is in the process of dissolving the Hayleys PLC Employees Share Trust. The outstanding balance of the above mentioned loan as at 31st March 2015 amounting to Rs. 148.5 mn will be settled in full in the first quarter of 2015/16. A part of the shares held in the share Trust was sold during the year and the sales proceeds were utilized to settle a part of the loan. The remaining shares in the Share Trust will be distributed among the eligible beneficiaries prior to the dissolution of the Trust.

The Market Value of the shares held by the Trust as at 31st March 2015 was Rs.1,757 mn (2014- Rs.1,954 mn.)

## 24 OTHER CAPITAL RESERVES & RETAINED EARNINGS

### 24.1 Other Capital Reserves

As at 31st March	Capital profit on redemption of debentures	Fixed asset replacement reserve	Capital reserve on sale of property, plant & equipment	Capital redemption reserve fund	Debenture redemption reserve fund	Reserve on amalgamation	Total
	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000
<b>Consolidated</b>							
Balance as at 1st April 2013	109	11,750	89,404	59,703	1,047	448,283	610,296
Changes in ownership interests in subsidiaries	-	-	-	-	-	198	198
Transfers	-	-	-	2,413	-	-	2,413
Balance as at 31st March 2014	109	11,750	89,404	62,116	1,047	448,481	612,907
Changes in ownership interests in subsidiaries	-	-	3	157	-	(129,372)	(129,212)
Transfers	-	-	-	3,484	-	-	3,484
Balance as at 31st March 2015	109	11,750	89,407	65,757	1,047	319,109	487,179

As at 31st March	Capital profit on redemption of debentures	Fixed asset replacement reserve	Capital reserve on sale of property, plant & equipment	Debenture redemption reserve fund	Total
	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000
<b>Company</b>					
Balance as at 31st March 2014	109	11,750	320	1,047	13,226
Balance as at 31st March 2015	109	11,750	320	1,047	13,226

### 24.2 Retained Earnings

As at 31st March	Consolidated		Company	
	2015	2014	2015	2014
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Holding Company	2,385,797	1,925,740	2,385,797	1,925,740
Subsidiaries	9,999,376	7,904,346	-	-
Equity Accounted Investees	135,835	126,254	-	-
	12,521,008	9,956,340	2,385,797	1,925,740

## 25 INTEREST BEARING BORROWINGS

As at 31st March	Consolidated		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>25.1 Total Non-Current Interest Bearing Borrowings</b>				
Finance lease obligations	598,736	652,743	-	-
Debentures	3,979,481	2,023,587	3,979,481	1,983,587
Long-term loans	7,491,057	6,487,294	1,688,338	1,890,118
Total non-current interest-bearing borrowings	12,069,274	9,163,624	5,667,819	3,873,705

As at 31st March	Consolidated		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>25.2 Current portion of interest bearing borrowings</b>				
Finance lease obligations	70,705	25,916	-	-
Long-term loans	3,616,139	2,627,465	1,214,729	1,096,096
Total current interest-bearing borrowings	3,686,844	2,653,381	1,214,729	1,096,096

## 25.3 Finance Lease Obligations

As at 31st March	Consolidated	
	2015	2014
	Rs.'000	Rs.'000
<b>At the beginning of the year</b>	2,753,853	2,655,290
New leases obtained	9,456	1,757
Re-assessment of lease liability	-	205,679
	2,763,309	2,862,726
On acquisition of subsidiary	5,507	-
Effect of movements in exchange rates	30	-
Repayments	(114,604)	(108,873)
<b>At the end of the year</b>	2,654,242	2,753,853
Finance charge unamortised	(1,984,801)	(2,075,194)
Net lease obligation	669,441	678,659



## Notes to the financial statements

### 25.4 Currency wise analysis of finance lease obligations

As at 31st March	Consolidated	
	2015	2014
	Rs. '000	Rs. '000
Sri Lankan Rupees	657,247	668,791
Bangladesh Taka	12,194	9,868
	669,441	678,659

### 25.5 Analysis of Finance Lease obligations by year of repayment

As at 31st March	Consolidated	
	2015	2014
	Rs. '000	Rs. '000
Finance lease obligations repayable within 1 year from year-end		
Gross liability	106,238	107,533
Finance charges unamortised	(35,533)	(81,617)
Net lease obligations repayable within 1 year from year-end	70,705	25,916
Finance lease obligations repayable between 1 and 5 years from year-end		
Gross liability	356,019	363,986
Finance charges unamortised	(180,984)	(257,158)
Net lease obligations	175,035	106,828
Finance lease obligations repayable after 5 years from year-end		
Gross liability	2,191,532	2,282,349
Finance charges unamortised	(1,767,831)	(1,736,434)
Net lease obligations	423,701	545,915
Net lease liability repayable later than 1 year from year-end	598,736	652,743

#### Talawakelle Tea Estates PLC

Liability to make Lease Payment as above was previously titled as "Net Liability to lessor". The Change was in terms of the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka on 21 August 2013. The liability to make lease payments was re-assessed and the corresponding Right to Use of Land in terms of the above SoAT and elect to reassess the liability at each reporting period based on the changes in GDP deflator.

According to the reassessment, the base rental payable per year has increased from Rs. 7.23 mn to Rs. 25.2 mn.

#### Kelani Valley Plantations PLC

Liability to make Lease Payment as above was previously titled as "Net Liability to lessor". The Change was in terms of the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka on 21st August 2013.

According to the re-assessment, the base rental payable per year has increased from Rs.19.6 mn to Rs.59.4 mn .

## 25.6 Debentures

As at 31st March	Consolidated		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
At the beginning of the year	2,040,000	40,000	2,000,000	-
Issued during year	2,000,000	2,000,000	2,000,000	2,000,000
Repayments during the year	(40,000)	-	-	-
At the end of the year	4,000,000	2,040,000	4,000,000	2,000,000
Amortization of debenture issue expense	(20,519)	(16,413)	(20,519)	(16,413)
Debenture Repayable after one year	3,979,481	2,023,587	3,979,481	1,983,587

### 25.6.1 Listed Debentures

Details regarding the listed debentures are as follows;

#### Debenture 1 -

Listed, rated, senior, unsecured, redeemable Debentures at 14.25% p.a. payable quarterly and redeemable on 9th July, 2016

Interest rate of comparable Government Securities as at 31st March, 2015, 6.94% (Net of tax)

#### Debenture 2 -

Listed, rated, senior, unsecured, redeemable Debentures at 7.60% p.a. payable semi annually and redeemable on 6th March, 2019

Interest rate of comparable Government Securities as at 31st March, 2015, 8.29% (Net of tax)

#### Debenture 3 -

Listed, rated, senior, unsecured, redeemable Debentures at 7.85% p.a. payable semi annually and redeemable on 6th March, 2020

Interest rate of comparable Government Securities as at 31st March, 2015, 9.04% (Net of tax)

## 25.7 Currency wise Analysis of Debentures

As at 31st March	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Rupees	3,979,481	2,023,587	3,979,481	1,983,587
	3,979,481	2,023,587	3,979,481	1,983,587

## Notes to the financial statements

### 25.8 Analysis of Debentures by Year of Repayment

As at 31st March	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Long term loans repayable between 1 and 2 years from year-end	1,983,484	-	1,983,484	-
Long term loans repayable between 2 and 5 years from year-end	1,995,997	2,023,587	1,995,997	1,983,587
	3,979,481	2,023,587	3,979,481	1,983,587

### 25.9 Long term Borrowings

As at 31st March	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>At the beginning of the year</b>	9,114,759	6,501,032	2,986,214	1,386,667
Acquisitions through business combinations	968,729	-	-	-
Effect of movements in exchange rates	44,041	93,891	30,599	43,433
Adjustment for USD loan facility fee	6,337	(13,203)	6,337	(13,203)
New loans obtained	4,260,150	4,759,243	1,000,000	2,267,500
	14,394,016	11,340,963	4,023,150	3,684,397
Repayments	(3,286,820)	(2,226,204)	(1,120,083)	(698,183)
<b>At the end of the year</b>	11,107,196	9,114,759	2,903,067	2,986,214
Transfer to current liabilities ( repayable within one year)	(3,616,139)	(2,627,465)	(1,214,729)	(1,096,096)
Repayable after one year	7,491,057	6,487,294	1,688,338	1,890,118

- (i) Hayleys MGT Knitting Mills PLC, Hayleys PLC, Amaya Leisure PLC, Hayleys Advantis Ltd and Hayleys Global Beverages (Pvt) Ltd have obtained loans during the year amounting to Rs. 1,200 mn, Rs. 1000 mn, Rs. 675 mn, Rs. 472 mn, Rs. 243 mn respectively.

### 25.10 Currency wise Analysis of Long Term Borrowings

As at 31st March	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Sri Lankan Rupees	6,193,069	7,180,538	2,243,333	1,896,797
Australian Dollars	-	-	-	-
Sterling Pounds	-	-	-	-
United States Dollars	4,742,962	1,600,439	659,734	1,089,417
Euro	121,227	194,587	-	-
Bangladesh Taka	36,732	7,599	-	-
Thai Baht	13,206	131,596	-	-
	11,107,196	9,114,759	2,903,067	2,986,214

## 25.11 Analysis of Long Term Borrowings by year of repayment

As at 31st March

	Consolidated		Company	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Long term loans repayable between 1 and 2 years from year-end	3,205,067	1,233,956	1,088,338	1,890,118
Long term loans repayable between 2 and 5 years from year-end	3,883,633	4,693,269	600,000	-
Long term loans repayable later than 5 years from year-end	402,357	560,069	-	-
	7,491,057	6,487,294	1,688,338	1,890,118

## 25.12 Long Term Borrowings repayable after one year

Company	Lender/rate of interest (p.a.)	31.03.2015 Rs. '000	31.03.2014 Rs. '000	Repayment	Security
Hayleys PLC.	Hatton National Bank PLC (AWPLR - 1%)	-	310,000	To be paid bi annually.	None
	Hatton National Bank PLC (AWPLR)	600,000	800,000	To be paid bi annually.	None
	Standard Chartered Bank PLC USD ( LIBOR+4.25%)	221,672	646,784	To be paid bi annually.	None
	DFCC Bank PLC (AWPLR +0.5%)	-	133,333	To be paid semi annually.	None
	Commercial Bank of Ceylon PLC (7.85%)	800,000	-	To be paid bi annually in equal installments of Rs.100Mn	None
	DFCC Bank PLC (AWPLR-1%)	66,667	-	To be paid annually in equal installments of Rs.33.334Mn	None
ICO Guanti SpA	Alessandria Financing 1.95% (Euro 1,000,000)	106,892	131,596	Repayment over 2 years as per agreed schedule.	None
Dipped Products (Thailand) Ltd.	HSBC - Thailand Minimum of 4.25% 1 month (LIBOR + 2%) (USD 4 mn)	-	152,375	Monthly installments ending September, 2014.	Mortgage over land, building & machinery and corporate guarantee by parent company.
Mabroc Teas (Pvt) Ltd.	Pan Asia Banking Corporation PLC (LIBOR + 4 %)	7,755	-	Monthly installments ending May 2017.	Primary floating mortgage bond over imported machine.
	Union Bank of Colombo PLC (LIBOR + 3.5%) with afloor rate of ( 4.5%)	25,081	42,212	installment ending December, 2017.	Primary mortgage over imported machine

## Notes to the financial statements

Company	Lender/rate of interest (p.a.)	31.03.2015 Rs. '000	31.03.2014 Rs. '000	Repayment	Security
Kelani Valley Plantations PLC	DFCC Bank PLC ( 9.42%)	9,333	23,334	Monthly installments ending March, 2017.	Primary mortgage over the leasehold rights of four estates.
	DFCC Bank PLC (11.64%)	-	28,572	Monthly installments ending July, 2017.	
	DFCC Bank PLC (6.5%)	-	2,543	Monthly installments ending June, 2015.	
	DFCC Bank PLC (6.5%)	-	1,667	Monthly installments ending December, 2015.	
	Amana Bank PLC (SLIBOR with a cap of 14% and floor of 7.25%)	47,230	-	Monthly installments ending 2021.	None
	Amana Bank PLC (SLIBOR with a cap of 14% and floor of 7.25%)	100,000	-	Monthly installments ending 2022.	None
Haycarb PLC	Commercial Bank of Ceylon PLC (LIBOR + 3.75%)	27,691	50,775	Monthly installments over 5 years commencing June, 2011.	None
	HSBC (LIBOR + 3.5%)	29,997	52,946	Monthly installments over 5 years commencing July, 2012	None
	HSBC (LIBOR + 4.5%)	36,396	52,161	60 equal monthly installments commencing June, 2013.	None
	HSBC (LIBOR + 4.5%)	38,707	55,474	60 equal monthly installments commencing July, 2013.	None
	Commercial Bank of Ceylon PLC (LIBOR + 4.75%)	22,670	31,585	47 equal monthly installments commencing November, 2013.	None
	Standard Chartered Bank PLC (LIBOR + 4%)	79,853	119,156	60 equal monthly installments commencing September, 2012.	Mortgage over the share certificate of Haycarb Value Added Products (Pvt) Ltd, amounting to Rs. 400 mn.
	Standard Chartered Bank PLC (LIBOR + 4%)	49,198	73,821	12 grace period plus 60 Monthly installments commencing July 2014.	None
	Standard Chartered Bank PLC (LIBOR + 4%)	81,625	123,410	12 grace period plus 60 Monthly installments commencing July 2015.	None
Shizuka Co. Ltd.	Bangkok Bank MLR	-	21,988	Payable in 60 monthly installments commencing October 2010.	Mortgage over company land and guaranteed by related party.
PT Haycarb Palu Mitra	HSBC (5.25%)	82,311	-	Payable in 16 quarterly installments commencing from September 2014	Mortgage over Company land and buildings
PT Mapalus Makawanua Charcoal Industry.	Bank Panin Manado -(8%)	9,861	39,851	Monthly installments over five years commencing September, 2011.	Mortgage over land & building.
Haycarb Holding Bitung Ltd.	Commercial Bank of Ceylon PLC (LIBOR + 4%)	42,821	68,154	Payable in 59 monthly installments.	Corporate guarantee for US \$ 80,000 from Haycarb PLC.

Company	Lender/rate of interest (p.a.)	31.03.2015 Rs. '000	31.03.2014 Rs. '000	Repayment	Security
Logiventures (Pvt) Ltd.	Hatton National Bank PLC (LIBOR + 4.25%)	139,448	169,884	Payable in 56 monthly installments of Rs 3Mn and 1st installment of Rs 1 mn.	Land
Hayleys FreeZone Limited	Seylan Bank PLC (LIBOR + 3.5%)	186,930	-	Quarterly installments commencing from February 2016	None
	Seylan Bank PLC (LIBOR + 3.5%)	279,972	-	Quarterly installments commencing from December 2016	None
Hayleys Agriculture Holdings Ltd.	Hatton National Bank PLC ( AWPLR + 1%)	-	47,000	Monthly Intallment Rs. 8.1 mn.	None
TTEL Hydro Power Company (Pvt) Ltd.	Sampath Bank PLC (3 months average (AWDR + 4%))	59,121	73,605	12 Monthly installments commencing from January, 2010 repayable within 8 years.	Primary mortgage bond over lease hold rights for Rs. 132.3 Mn project assets.
Hayleys Industrial Solutions (Pvt) Ltd.	Sampath Bank PLC (AWPLR+0.5%)	137,491	187,495	59 Monthly installments commencing from 31 st January, 2014.	Loan agreement 250 mn Mortgage bond over 30 mn shares of Hayleys Power Ltd for 250 mn original share certificate of Hayleys Power Ltd, total in to 30 mn shares.
	Hatton National Bank PLC (AWPLR-1.08%)	-	18,750	48 Monthly installments commencing from 31st October, 2011.	None
	Sampath Bank PLC (AWPLR)	100,000	-	48 Monthly installments commencing from March 2017	None
Bhagya Hydro Power (Pvt) Ltd.	Sampath Bank PLC (AWDR+3%)	-	2,295	95 monthly installments commencing September 2007.	Loan agreement for Rs.39.5 mn. Primary concurrent mortgage for Rs.78mn over free hold properties of the project.
	Seylan Bank PLC (AWDR+5%)	-	2,142	95 installments From September 2007.	Rs.39.5mn to be secured by a primary concurrent mortgage over free hold land & project assets.
Hayleys MGT Knitting Mills PLC.	Commercial Bank of Ceylon PLC (6.5%)	4,020	7,730	96 monthly installments of USD 2,733/(Rs.312,500)after grace period of 2 years.	Mortgage over machinery
	NDB Bank PLC (3 month LIBOR+4.25%)	63,027	98,080	36 monthly installments of USD 222,223/	None
	Seylan Bank PLC (3month LIBOR+5%)	7,406	50,839	36 monthly installments of USD 27,778	None
	Hatton National Bank PLC ( 5% )	474,025	-	36 monthly installments of USD 27,728 after grace period of 6 months	None



## Notes to the financial statements

Company	Lender/rate of interest (p.a.)	31.03.2015 Rs. '000	31.03.2014 Rs. '000	Repayment	Security
TTEL Somerset Hydro Power Company (Pvt) Ltd.	Hatton National Bank PLC (AWDR+1.5%)	-	11,586	12 Monthly installments commencing from December, 2008 repayable within 7 years.	Registered primary mortgage bond for Rs 112 mn over lease rights of the property. Corporate Guarantee of TTEL and HISL for Rs 112 mn in the proportionate of 51% and 49% respectively.
Talawakelle Tea Estates PLC.	NDB Bank PLC (9.42% - 10 %)	32,160	46,792	96 Installment ending December, 2018.	Primary Mortgage over leasehold rights of Somerset, Great western, Holyrood, Logie and dessford estates.
	NDB Bank PLC (9.42% - 10 %)	39,503	85,839	60 Installment ending November ,2017.	
	NDB Bank PLC (9.42% - 10 %)	36,115	82,863	60 Installment ending June,2018.	
	Sampath Bank PLC (8%)	34,780	51,085	92 installment ending November, 2018.	Primary mortgage bond for Rs: 100 mn over leasehold right of Mattakelle Estate
	Sampath Bank PLC (10.76%)	-	46,850	48 Installment ending September, 2018.	Primary mortgage bond for Rs: 30 mn over leasehold rights of Clarendon Estate. Secondary mortgage over leasehold right to the value of Rs: 20 mn of Deniyaya estate.
	Central Finance Company PLC (5years TB+2%)	-	28,456	60 monthly installments commencing from January, colour sorters 2014.	Mortgage over 03 nos of
Talawakelle Tea Estates PLC.	DFCC Vardhana Bank PLC ( 8.5% )	50,000	-	60 monthly installments commencing from March 2015	None
Ravi Industries (Pvt) Ltd	Hatton National Bank PLC. (3 months LIBOR+4.2 %)	7,793	-	Installment ending September, 2017.	Primary Mortgage over specific Machinery.
	Hatton National Bank PLC- LKR (AWPLR+ 0.5% )	2,375	4,275	Quarterly installments from September 2012.	Primary Mortgage over specific Machinery.
	Hatton National Bank PLC-USD (3 months LIBOR + 4 %)	88,877	12,354	Quarterly installments from September 2012.	Primary Mortgage over specific Machinery.
	Pan Asia Banking Corporation PLC EURO (3m Euro +3.75%)	1,682	4,410	Equal monthly installments from October 2011.	Primary Mortgage over specific Machinery.
	Pan Asia Banking Corporation PLC-USD- (LIBOR +4.24 % )	2,639	5,001	Equal monthly installments from March 2011.	Primary Mortgage over specific Machinery.
Volanka (Pvt) Ltd.	DFCC Bank PLC ( AWPLR+ 4%)	35,714	49,999	One year grace period loan repayment start date from January 2012.	Mortgage on Land and Building at Katana.

Company	Lender/rate of interest (p.a.)	31.03.2015 Rs. '000	31.03.2014 Rs. '000	Repayment	Security
Alumex PLC.	Lanka Orix Leasing Company PLC (6.5%)	1,042	7,291	June 2010 to June 2016	Mortgage over Machinery
	Commercial Bank of Ceylon PLC (AWPLR +1.5%)	2,042	10,208	36 monthly installments ending May, 2016.	None
The Kingsbury PLC	Bank of Ceylon PLC (AWPLR)	605,050	811,111	6 year including 1 & 1/2 year grace period	Mortgage on leasehold right of the land.
	DEG Deutsche Investitions (6m LIBOR +4.25%)	1,111,000	1,307,300	Semi annual repayment on each 15th of June and December respectively commencing on 15th June 2015.	Mortgage on the leasehold land, building , fixtures , furniture, equipment and technical equipment.
Haychem Bangladesh Ltd	CBCL (15%)	4,200	4,222	60 monthly equal installment.	Registered mortgage over land and building
	CBCL (15%)	22,438	-	60 monthly equal installment.	None
Kandyan Resort (Pvt) Ltd	NDB Bank PLC ( AWPLR + 1%)	-	2,826	48 Monthly installments commencing from March, 2011.	Amaya Hills Property
Culture Club Resort (Pvt) Ltd	NDB Bank PLC (AWPLR + 1%)	-	5,447	48 Monthly installments commencing from January, 2011.	Amaya Hills Property
Sun Tan Beach Resorts Ltd.	DFCC Bank PLC (3 M AWPLR+1.5%)	309,091	-	66 Monthly installments commencing from December, 2014	Leasehold Right of the land and Hotel building belongs to Sun Tan Beach Resorts Ltd
	Commercial Bank of Ceylon PLC (1 Month AWPLR+2%)	150,000	-	60 Monthly installments commencing from January, 2015	
	Commercial Bank of Ceylon PLC - USD (1 M LIBOR +4.5 %)	291,847	-	72 Monthly installments commencing from January, 2015	
Amaya Leisure PLC	Seylan Bank PLC (3 M AWPLR)	307,950	-	Monthly installments commencing from March, 2019	None
Nirmalapura Wind Power (Pvt) Ltd	HSBC (LIBOR +3.9%)	118,223	289,816	48 Monthly installments.	Mortgage over Land
Hayleys Global Beverages (Pvt) Ltd	Hatton National Bank PLC (AWPLR)	242,746	-	Payable in 20 quarterly installments after initial grace period of 2 years	None
Hayleys Neluwa Hydro Power (Pvt) Ltd	Hatton National Bank PLC (AWPLR+0.5%)	56,586	-	To be repaid over a period of 8years	Mortgage bond for Rs. 750 mn ordinary shares of Hayleys Neluwa Hydro (Pvt) Ltd valued at Rs.300 mn.
		7,491,057	6,487,294		

## Notes to the financial statements

### 26 GRANTS

As at 31st March	Consolidated	
	2015 Rs. '000	2014 Rs. '000
At the beginning of the year	742,077	783,222
Grants received during the year	25,091	4,564
Amortised during the year	(53,673)	(45,709)
At end of the year	713,495	742,077

(i) Grants received by the Group are as follows:

Kelani Valley Plantations PLC- Received from the Plantation Reform Project (PRP), Plantation Human Development Trust, Ministry of Community Development, Asian Development Bank, Social Welfare Project, Estate Infrastructures Development Project , Plantation Development Support Project Ceylon Electricity Board, Tea Board and Rubber Development Division Of the Ministry Of Plantations Industry.

Talawakelle Tea Estates PLC - Received from the Tea Board and Unilever Ceylon Limited for replanting.

Hunas Falls Hotels PLC - Received from the Ceylon Chamber of Commerce to finance the project for conversion of the diesel fired boiler to dendro thermal power.

Agriculture Sector - Received from the USAID for construction of Gherkin Storage Facilities(Vats) in Padiyathalawa - Eastern Province.

There is no unfulfilled conditions or contingencies attached to these grants.

### 27 DEFERRED TAXATION

As at 31st March	Consolidated		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
<b>27.1 Deferred Tax Asset</b>				
Deferred Tax Asset	386,698	381,567	-	-
Deferred Tax Liability	1,363,237	1,249,322	-	-
Net Deferred Tax Liability	976,539	867,755	-	-
<b>27.2 Net Deferred Tax liability</b>				
At the beginning of the year	867,755	698,985	-	-
Amount originating during the year- income statement	93,555	150,650	-	-
Amount reversed during the year- other comprehensive income	(5,392)	(579)	-	-
Acquisition through business combinations	12,607	14,069	-	-
Effect of movements in exchange rates	8,014	4,630	-	-
At end of the year	976,539	867,755	-	-

## 27.3 Net deferred tax liabilities are attributable to the following as the year-end:

As at 31st March	Consolidated		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
<b>Deferred tax assets</b>				
Tax effect of employee benefit obligations	(672,226)	(533,762)	-	-
Tax effect of tax loss carried forward	(453,402)	(325,100)	-	-
Tax effect of provisions	(99,039)	(88,685)	-	-
	(1,224,667)	(947,547)	-	-
<b>Deferred tax liabilities</b>				
Tax effect of property, plant & equipment	2,201,206	1,815,302	-	-
Net deferred tax liabilities	976,539	867,755	-	-

## 28 EMPLOYEE BENEFIT OBLIGATIONS

As at 31st March	Consolidated		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Present value of unfunded gratuity	4,958,643	4,630,864	415,617	450,560
<b>Total present value of the obligation</b>	<b>4,958,643</b>	<b>4,630,864</b>	<b>415,617</b>	<b>450,560</b>
<b>At the beginning of the year</b>	<b>4,630,864</b>	<b>4,285,224</b>	<b>450,560</b>	<b>372,714</b>
Acquisition through business combinations	5,728	5,748	-	-
Transfers from other current liabilities	22,564	-	-	-
Effect of movements in exchange rates	(11,918)	7,463	-	-
Benefits paid by the plan	(509,685)	(498,359)	(25,804)	(63,358)
Current service costs	338,773	302,355	22,309	20,098
Interest cost	475,089	446,480	49,204	41,535
Actuarial (gain)/ loss	7,228	81,953	(80,652)	79,571
<b>At end of the year</b>	<b>4,958,643</b>	<b>4,630,864</b>	<b>415,617</b>	<b>450,560</b>

## Notes to the financial statements

For the year ended 31st March	Consolidated		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>The expense is recognised in the following line items in the income statement</b>				
Cost of sales	173,902	118,991	1,424	1,007
Administrative expenses	639,960	629,844	70,089	60,626
	813,862	748,835	71,513	61,633

LKAS 19- Employee Benefits- 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 that 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.

Rate of discount	10%
Salary increase	9%

Assumptions regarding future mortality are based on the A1967/70 for Staff/Executive and A1949/52 for Worker, issued by the Institute of Actuaries, London

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

The Group's and Company employee benefit obligation would have been Rs.4,349 mn (2014- Rs.4,029 mn) and Rs.434 mn (2014- Rs.378 mn) respectively, as at the reporting date had the Group calculated its retirement benefit obligation as per the requirements of the Payments of Gratuity Act no 12 of 1983, applying the basis of computation given on page 194.

### 28.1 Sensitivity Analysis - Salary Escalation Rate/Discount Rate

Values appearing in the Financial Statements are very sensitive to the changes in financial and Non financial assumptions used.

A Sensitivity analysis was carried out as follows,

#### A one percentage point change in the salary escalation rate

	Consolidated		Company	
	+1%	-1%	+1%	-1%
The present value of defined benefit obligation	5,240,941	4,618,068	435,748	396,813

#### A one percentage point change in the discount rate

	Consolidated		Company	
	+1%	-1%	+1%	-1%
The present value of defined benefit obligation	4,538,671	5,348,552	396,958	435,949

## 28.2 Distribution of Defined Benefit Obligation Over Future Working Lifetime

As at 31st March	Consolidated		Company	
	2015	2014	2015	2014
	Rs.000	Rs.000	Rs.000	Rs.000
Less than or equal 1 year	727,903	247,264	121,132	60,825
Over 1 year and less than or equal 5 years	1,050,207	1,155,881	200,583	280,373
Over 5 year and less than or equal 10 years	1,902,433	2,196,121	93,902	109,362
Over 10 years	1,278,100	1,031,598	-	-
<b>Total</b>	<b>4,958,643</b>	<b>4,630,864</b>	<b>415,617</b>	<b>450,560</b>

## 29 TRADE AND OTHER PAYABLES/PROVISIONS

### 29.1 Trade and Other Payables

As at 31st March	Consolidated		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade payables	5,102,530	4,745,291	-	-
Bills payable	1,162,739	1,715,646	-	-
Other payables including accrued expenses	5,475,937	5,110,183	244,482	291,713
Unclaimed dividends	202,203	96,827	49,481	44,992
	<b>11,943,409</b>	<b>11,667,947</b>	<b>293,963</b>	<b>336,705</b>

### 29.2 Currency wise analysis of Trade and Other Payables

As at 31st March	Consolidated		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sri Lanka Rupees	6,061,535	5,673,205	293,963	336,705
Pounds Sterling	101,335	34,314	-	-
United States Dollars	3,186,229	3,872,274	-	-
Euro	1,104,993	935,426	-	-
Thai Baht	1,118,371	989,313	-	-
Indian Rupees	16,064	46,300	-	-
Other	354,882	117,115	-	-
	<b>11,943,409</b>	<b>11,667,947</b>	<b>293,963</b>	<b>336,705</b>



## Notes to the financial statements

### 29.3 Provisions

As at 31st March	Consolidated			
	Maintenance warranties ** Rs.'000	Other Rs.'000	2015 Total Rs.'000	2014 Total Rs.'000
At the beginning of the year	9,999	18,793	28,792	37,232
Arising during the year	4,810	14,648	19,458	9,850
Utilized	(3,954)	(18,817)	(22,771)	(18,290)
At end of the year	10,855	14,624	25,479	28,792

\*\* Hayleys Agriculture Holdings Ltd which sells heavy machineries such as combine harvesters, combine threshers, four wheel tractors made a warranty provision in the Financial Statements for any warranty claim on machines sold.

### 29.4 Other Current Liabilities

As at 31st March	Consolidated		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Other tax payable	87,319	72,866	11,650	10,011
Payments received in advance	410,471	292,207	-	-
	497,790	365,073	11,650	10,011

## 30 INCOME TAX

As at 31st March	Consolidated		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
30.1 Income tax recoverable				
At the end of the year (See Note 30.2)	219,469	170,754	1,752	-
30.2 Income Tax Payable				
At the beginning of the year	202,589	342,599	1,688	7,834
Subsidiaries'/ parents' taxation on current year's profit	1,068,338	1,019,209	4,094	16,274
Irrecoverable economic service charge	406	1,570	-	-
(Over)/under provision in respect of previous years	80,396	(2,700)	4,471	14,508
Tax on dividend	270,885	204,899	-	-
Acquisition of subsidiary	13,941	13,937	-	-
Effect of movements in exchange rates	752	10,850	-	-
Payments made during the year	(1,341,151)	(1,387,774)	(12,005)	(36,929)
Net Income Tax payable/(recoverable)	296,155	202,589	(1,752)	1,688
Income tax recoverable	219,469	170,754	1,752	-
At the end of the year	515,624	373,343	-	1,688

## 31 SHORT-TERM INTEREST BEARING BORROWINGS

As at 31st March	Consolidated		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Sri Lankan Rupees	6,882,112	8,060,007	37,579	1,553,687
Australian Dollars	11,725	12,756	-	-
Sterling Pounds	38,606	9,916	-	-
United States Dollars	4,843,571	4,658,439	-	-
Euro	661,613	569,183	-	-
Thai Baht	448,359	562,685	-	-
Indonesia Rupiah	266,220	-	-	-
Bangladesh Taka	153,859	135,476	-	-
	13,306,065	14,008,462	37,579	1,553,687

## 32 CONTINGENT LIABILITIES AND COMMITMENTS

### 32.1 Contingent Liabilities.

#### Company

The contingent liability as at 31st March, 2015 on guarantees given by Hayleys PLC., to third parties amounted to Rs. 180 mn. (2014- Rs.183 mn) and of this sum Rs 180 Mn (2014- Rs.180 mn) relates to facilities obtained by subsidiaries .

#### Group

The contingent liability as at 31st March 2015 on bills discounted amounted to USD 1,460,191 (2014- USD 2,188,380) in respect of Hayleys MGT Knitting Mills PLC.

The contingent liability as at 31st March 2015 on guarantees given by Haycarb PLC to third parties amounted to Rs. 2,251 mn (2014- Rs.1,120 mn). of this sum, Rs 1,836 mn (2014- Rs. 841 mn) relate to facilities obtained by its subsidiaries.

The contingent liabilities as at 31 March, 2015 on guarantees given by Dipped Products PLC to third parties amounted to Rs. 70 mn (2014- Rs. 390 mn). Total of this sum relates to facilities obtained by its subsidiaries.

### 32.2 Commitments

#### Group

- (i) In terms of the operating lease agreements entered in to , minimum future lease payments payable by the Group is as follows.

As at 31st March	2015 Rs.'000	2014 Rs.'000
Repayable within one year	66,823	65,595
Repayable after one year less than 5 years	176,054	187,165
Repayable after 5 years	545,355	550,115
	788,232	802,875

## Notes to the financial statements

### 33 FOREIGN CURRENCY TRANSLATION

The principal exchange rates used for translation purposes were:

	Average		As at 31st March	
	2015	2014	2015	2014
United States Dollar	131.36	130.52	133.32	130.73
Australian Dollar	113.97	120.72	101.94	120.90
Pound Sterling	211.09	208.39	197.24	217.41
Thai Baht	4.04	4.13	4.08	4.03
Bangladesh Taka	1.69	1.68	1.71	1.68
Euro	165.02	175.41	144.29	179.67
Indian Rupee	2.14	2.15	2.12	2.18
Indonesian Rupiah	0.0108	0.0119	0.0102	0.0115
Maldivian Rufiyaa	-	-	8.61	8.39

### 34 FUNCTIONAL CURRENCY

The Group's functional currency is the Sri Lankan Rupee. The following subsidiaries and equity accounted investees where the functional currency is different from the Group's functional currency as they operate in different economic environments.

Company	Functional Currency
Hayleys MGT Knitting Mills PLC	USD
Haychem (Bangladesh) Ltd.	Bangladesh Taka
PT Mapalus Makawanua Charcoal Industry	Indonesian Rupiah
Haycarb Holdings Bitung Ltd.	USD
Eurocarb Products Ltd.	Pounds Sterling
Haycarb Holdings Australia (Pty) Ltd.	Australian Dollars
Haycarb USA Inc.	USD
Carbokarn Company Ltd.	Thai Baht
Haylex BV Group	Euro, Yen & USD
Dipped Products (Thailand) Ltd	Thai Baht
CK Regen Systems Co. Ltd	Thai Baht
ICOGUANTI SpA	Euro
PT Tulus Lanka Coir Industries	Indonesian Rupiah
Civaro Freight India (Pvt) Ltd	Indian Rupees
Hayleylines Limited	USD
Logiwiz Logistics India (Pvt) Ltd	Indian Rupees
Shizuka Co. Ltd	Thai Baht
Charles Fibre (Pvt) Ltd	Indian Rupees
PT Haycarb Palu Mitra (Indonesia)	Indonesian Rupiah
Haylex USA	USD
Nautical Maldives (Pvt) Ltd	Maldivian Rufiyaa
One World Logistics Maldives (Pvt) Ltd	Maldivian Rufiyaa
Super Logistics (Pvt) Ltd	Maldivian Rufiyaa
Total Transport Solutions Maldives (Pvt) Ltd	Maldivian Rufiyaa

## 35 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Other than those mentioned below, no other circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the Financial Statements.

- (i) As per Finance Bill issued on March 30, 2015, where the aggregate profits (as per audited Financial Statement) of subsidiaries and the holding Company, within a Group of Companies, exceed Rs. 2 bn for the Year of assessment 2013/14, each Company of such Group is liable to pay a levy known as Super Gains Tax which is 25% of the taxable income of such company for the Year of assessment 2013/14. The Bill is yet to be enacted.

The Company and its subsidiaries would become liable to the said levy once the proposed Bill is legislated and the method of computation is established upon which the quantum of the levy will be ascertained.

- (ii) Directors have proposed the payment of final dividend of Rs. 6.00 per share for the year ended 31st March 2015 which will be declared at the Annual General Meeting to be held on June 26th, 2015. In accordance with Sri Lanka Accounting Standard No. 10 on "Events after reporting period", the proposed final dividend has not been recognised as a liability as at the Reporting date.

- (iii) There was a court case filed against Hanwella Rubber Products Ltd, a subsidiary of Dipped Products PLC, by the Padukka Police. In this regard, the Aissawella High Court stayed the Magistrates Order on Hanwella Rubber Products Ltd., based on the Appeal and Revision Application made by the company enabling its factory to continue operations. The Board of Directors is confident that there will not be an adverse outcome in this regard.

## 36 COMPANIES WITH DIFFERENT ACCOUNTING YEARS

The Financial Statements of, Haylex BV Group, Haychem Bangladesh Ltd., ICOGUANTI SpA, Total Transport Solutions Maldives (Pvt) Ltd, Nautical Maldives (Pvt) Ltd, One World Logistics Maldives (Pvt) Ltd, Super Logistics (Pvt) Ltd, have been prepared for the year ended 31st December. and these Companies have been consolidated based on the Financial Statements drawn up to 31st December since these subsidiaries are not material to the Group.

### 36.1 Effect on Consolidation of Companies with Different Accounting Years

Financial year end of Kelani Valley Plantations PLC (KVPL) and Hayleys Plantation Services (Pvt) Ltd., (HPSL) changed to March 31, from December 31. Accordingly Financial Statements of KVPL and HPSL for the 15 months period from January 1, 2014 to March 31, 2015 have been consolidated with Group Financial Statements.

The Financial Statements of Dipped Products (Thailand) Ltd. Carbokarn Co. Ltd., CK Regen Systems Co. Ltd., Shizuka Co. Ltd., Thailand, Haycarb Holdings Australia (Pty) Ltd., Australia, Haycarb USA, PT Mapalus Makawanua Charcoal Industry, PT Haycarb Palu Mitra, Indonesia and Haycarb Holdings Bitung Ltd., British Virgin Islands, which have been drawn up to 31st December was consolidated. in the Financial Statements for the year ended 31st March 2014. It is decided to bring these companies in to the same financial period which ends 31st March from the financial year 2014/15 in accordance with the SLFRS 10 which requires subsidiaries to prepare the Financial Statements as of Hayleys PLC reporting date for the consolidation purpose. Due to this change, consolidated Financial Statements for the period ended 31st March 2015 contained 15 months results of these companies.

The effect to the consolidated revenue and profit after tax (before adjusting for inter-company eliminations) is shown below:

	01.01.2014 - 31.03.2014 3 Months Rs.'000	01.04.2014 - 31.03.2015 12 Months Rs.'000	01.01.2014 - 31.03.2015 15 Months Rs.'000
Revenue	5,313,158	17,630,290	22,943,448
Profit After Tax	202,963	781,729	984,692

## Notes to the financial statements

### 37 ACQUISITION OF SUBSIDIARIES

#### 37.1 The acquisition had the following effect on the Groups' assets and liabilities

As at 31st March	Sun Tan Beach Resorts Ltd	Acquisition of Alufab PLC	Total Transport Solutions Maldives (Pvt) Ltd	Total 2015	Total 2014
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Property plant and equipment	1,890,403	120,104	6,127	2,016,634	8,721
Intangible assets	-	-	540	540	-
Investment property	-	-	-	-	500,000
Inventories	9,512	24,744	-	34,256	15,754
Trade and other receivables	548,517	34,799	372,043	955,359	56,804
Current financial assets	-	-	-	-	15,761
Long term loans	(968,729)	-	-	(968,729)	-
Lease obligations	-	(5,507)	-	(5,507)	-
Interest in suspense	-	1,205	-	1,205	-
Retirement benefit obligations	(648)	(5,080)	-	(5,728)	(5,748)
Deferred tax liability	-	(14,757)	2,150	(12,607)	(14,070)
Trade and other payables	(503,970)	(43,315)	(417,311)	(964,596)	(42,763)
Income tax recoverable (payable)	158	-	(14,099)	(13,941)	(13,937)
Net Identifiable assets and liabilities	975,243	112,193	(50,550)	1,036,886	520,522
Share of net assets accounted under equity accounted investees					
Minority Shareholders' interests	(413,567)	(92,802)	(19,126)	(525,495)	(46,192)
Goodwill/(negative goodwill) acquired/ loss on disposal	137,864	19,754	49	157,666	215,857
	699,540	39,145	(69,627)	669,058	690,187
<b>37.2 Satisfied by</b>					
Cash Consideration	699,540	39,145	(69,627)	669,058	690,187
Analysis of cash and cash equivalents on acquisition of subsidiary					
Cash consideration	(568,311)	(174,201)	(18,438)	(760,950)	(785,000)
Short term borrowings	7,658	136,483	88,065	232,206	(4,601)
Cash at bank and in hand acquired	(138,887)	(1,427)	-	(140,314)	99,414
	(699,540)	(39,145)	69,627	(669,058)	(690,187)

#### 37.3 The following acquisitions made during the year

Amaya Leisure PLC, a subsidiary of Hayleys PLC acquired the controlling interest in San Tan Beach Resorts Ltd.

Hayleys PLC acquired the controlling interest in Alufab PLC.

Hayleys Advantis Ltd, a subsidiary of Hayleys PLC acquired the controlling interest in Total Transport Solutions Maldives (Pvt) Ltd.

## 38 PRINCIPAL SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Summarised financial information in respect of Hayleys PLC's subsidiaries that have material non-controlling interest, reflecting amounts before inter-company eliminations, is set out below.

As at 31st March	Dipped Products PLC Rs. 000	Haycarb PLC Rs. 000	Hayleys Advantis Ltd Rs. 000
Current assets	7,750,718	5,696,413	5,038,426
Non-current assets	10,073,260	5,320,357	4,239,424
Total assets	17,823,978	11,016,770	9,277,850
Current liabilities	5,598,106	3,923,488	3,643,778
Non-current liabilities	3,186,357	799,351	1,311,807
Total liabilities	8,784,463	4,722,839	4,955,585
Equity attributable to the owners of the company	4,300,012	3,862,781	3,323,141
Non-controlling interests	4,739,504	2,431,149	999,124
Non-controlling interest in %	44	32	5
Revenue	23,005,378	11,933,848	14,181,331
Profit after tax	1,201,788	873,932	987,874
Profit attributable to the owners of the company	583,838	470,713	598,967
Profit attributable to the non-controlling interests	617,950	403,219	388,906
Total comprehensive income	1,312,449	1,236,457	1,431,512
Dividend paid	359,169	148,561	308,253
Net cash inflow from operating activities	2,225,289	621,034	1,076,556
Net cash (outflow) from investing activities	(2,607,106)	(631,892)	(583,585)
Net cash (outflow)/inflow from financing activities	(309,183)	(421,683)	133,545
Total net cash (outflow) /inflow	(691,000)	(432,541)	626,516



## Notes to the financial statements

### 39 RELATED PARTY TRANSACTIONS

#### 39.1 Parent and Ultimate Controlling Party

Company does not have an identifiable parent of its own.

#### 39.2 Transactions with Key Management Personnel

##### 39.2.1 Loans to Directors

No loans have been given to the Directors of the Company.

##### 39.2.2 Key Management Personnel Compensation

Key management personnel comprises the Directors of the company and details of compensation are given in Note 10 to the Financial Statements

##### 39.2.3 Other Transactions With Key Management Personnel

- (i) The names of Directors of Hayleys PLC, who are also directors of subsidiaries joint ventures and equity accounted investees companies are stated on pages 156 to 158.
- (ii) Details of directors and their spouses' share holdings are given on page 277 There were no other transactions with key management personnel other than those disclosed in Note 39 to the Financial Statement.
- (iii) The undermentioned Directors of Hayleys PLC, have leased the following residential premises to the under noted Companies in the Group:

Lessor	Premises	Lessee	Monthly Rental
			Rs.
A. M. Pandithage	119, Kynsey Road, Colombo 08.	Hayleys PLC	5,000
S. C. Ganegoda	No 28, Campbell Place, Dehiwala.	Haylays PLC	2,500

- (iv) K. D. D. Perera purchased 1,000,000 Hayleys PLC shares amounting to Rs. 340 mn in January 2015.

#### 39.3 Transactions with Subsidiaries , Equity Accounted Investees & Other Related Companies

Relationships with subsidiaries and equity accounted investees are explained in Note 18 and also under Group Companies on pages 284 to 286. Business segment classification is also given under Group Companies.

- (i) Companies within the Group engage in trading transactions under normal commercial terms and condition.
- (ii) Hayleys PLC, provides office space to its subsidiary and equity accounted investees and charges rent. In addition the Company incur common expenses such as on export shipping, secretarial, data processing, personnel and administration functions. Such costs are allocated to subsidiary and equity accounted investees. Details are given below:

Company						
For the period ended 31st March						
Business segment	2015			2014		
	Rent	Subsidiaries Common expenses	Purchase of goods and services	Rent	Subsidiaries Common expenses	Purchase of goods and services
Rs'000						
Fibre	5,327	113,985	1,486	3,578	90,220	1,859
Hand protection	15,255	117,558	-	12,130	105,024	-
Purification products	24,069	100,307	167	16,858	101,589	149
Textiles	-	76,986	-	-	69,190	231
Construction materials	942	28,795	177	-	33,308	696
Agriculture	15,216	86,020	118	10,221	84,577	132
Plantations	18,965	56,035	236	12,689	68,852	336
Industry inputs	11,477	59,972	1,968	7,144	45,807	7,429
Power & energy	-	13,812	-	473	5,592	-
Transportation & logistics	64,784	114,292	7,862	53,567	107,156	379
Consumer products	18,593	75,405	589	12,490	56,620	1,431
Leisure & aviation	21,377	165,293	21,793	11,671	142,308	19,587
Investments & services	12,471	38,830	8,606	8,601	41,202	10,149
	208,476	1,047,290	43,002	149,422	951,445	42,379

Details of inter-company balances are given below

Company				
As at 31st March				
Business segment	2015		2014	
	Rs'000	Rs'000	Rs'000	Rs'000
	Subsidiaries		Subsidiaries	
	Receivable	Payable	Receivable	Payable
Fibre	236,294	(135)	112,092	-
Hand protection	87,413	-	8,969	(1,557)
Purification products	81,415	-	11,960	-
Textiles	8,078	(844)	381,172	-
Construction materials	64,836	-	267	-
Agriculture	43,087	-	41,171	-
Plantations	8,897	-	12,385	-
Industry inputs	343,635	(5)	234,614	(5)
Power & energy	2,856	-	3,158	-
Transportation	179,215	(38)	4,948	(31)
Consumer products	51,257	(625)	32,680	(626)
Leisure & aviation	178,086	-	136,492	(204)
Investments & services	115,191	(19,950)	112,761	(21,134)
<b>Total</b>	<b>1,400,260</b>	<b>(21,597)</b>	<b>1,092,669</b>	<b>(23,557)</b>

## Notes to the financial statements

As at 31st March	Consolidated			
	2015 Rs'000		2014 Rs'000	
Business segment	Equity accounted investees Receivable	Payable	Equity accounted investees Receivable	Payable
Transportation	21,450	(96)	9,040	(10,023)
Fibre	11,493	(20,792)	-	(15,927)
Leisure & Aviation	19	-	-	-
Purification	16,892	-	2,542	-
<b>Total</b>	<b>49,854</b>	<b>(20,888)</b>	<b>11,582</b>	<b>(25,950)</b>

### Transactions with other related Companies

Company	Relationship	Name of Director	Nature of Transaction	Amount Rs. 000
Sampath Bank PLC	Key management personal/ Significant shareholder	K. D. D. Perera	Bank facility	2,592,606
			Outstanding	873,134
			Interest	73,205
LB Finance PLC	Control/Significant shareholder	K. D. D. Perera	Lease rental paid	13,515
Pan Asia Bank PLC	Significant shareholder	K. D. D. Perera	Bank facility	875,083
			Outstanding	342,137
			Interest	26,557
Royal Ceramics PLC	Control/Significant shareholder	K. D. D. Perera	Purchase of goods & services	31,615
			Outstanding	2,959
Vallibel Finance Ltd	Control/Significant shareholder	K. D. D. Perera	Outstanding	1,799
			Interest	26
Vallibel One PLC	Control/Significant shareholder	K. D. D. Perera	Outstanding	6,694
			Interest	761
			Accommodation	101
Vallibel Power Erathna PLC	Control/Significant shareholder	K. D. D. Perera	Outstanding	1,303
The Fortress Resorts PLC	Control/Significant shareholder	K. D. D. Perera	Amounts paid	7,257
			Outstanding	6,525
Delmege Limited	Control/Significant shareholder	K. D. D. Perera	Amounts paid	11,860
			Outstanding	839
Lanka Tiles PLC	Control/Significant shareholder	K. D. D. Perera	Amounts paid	1,583

- 39.4** Details of guarantees given in respect of related parties are given in Note 32 to the Financial Statements.
- 39.5** No provision was made in respect of related party receivables.
- 39.6** No security has been obtained for related party receivables and all related party dues are payable on demand.
- 39.7** Interest on related party dues are decided based on the inter bank lending rates, associated risk and purpose for which funds are used.
- 39.8** There are no related parties or related party transactions other than those disclosed in Note 39 to the Financial Statements.

## 40 DISCONTINUED OPERATIONS/ ASSETS HELD FOR SALES

Assets and Liabilities of Discontinued Operations As at 31st March	Consolidated	
	2015 Rs.'000	2014 Rs.'000
<b>Assets classified as held for sale</b>		
Trade and other receivables	1,906	1,906
Cash in hand and at bank	1,115	1,115
<b>Total assets</b>	<b>3,021</b>	<b>3,021</b>
<b>Liabilities directly associated with assets classified as held for sale</b>		
Trade and other payables	332	332
<b>Total liabilities</b>	<b>332</b>	<b>332</b>

Civaro India (Pvt) Ltd., which was set up in India, to develop an international freight management network, has now ceased operation due to negative effect of the global recession and will be wound up.

## Notes to the Financial Statements

### 41. SEGMENT ANALYSIS

The segment information is based on two segmental formats. The business segment is considered as the primary format and based on the management structure of the Group. The management are of the view that the Chairman is considered the Chief Operating decision maker and resources are allocated and performance assessed based on the sectors, Therefore each sector which falls under the purview of a different GMC member is considered a separate segment. The geographical format is considered as a secondary format and is based on the location of office in which the business is recorded.

	Fibre		Hand Protection		Purification		Textiles		Construction Materials		Plantation		Agriculture	
For the year ended 31st March,	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
In Rs '000	(Restated)				(Restated)									
Total Revenue	5,051,875	3,996,608	14,986,012	13,400,323	11,933,848	10,338,685	8,542,539	7,994,776	3,397,483	2,804,490	13,259,531	10,318,350	8,824,925	7,972,001
Intra Group Revenue	(633,280)	(303,535)	(15,700)	(23,410)	-	-	-	-	(20,327)	-	(580,882)	(721,547)	(400,987)	(576,535)
External Revenue	4,418,595	3,693,074	14,970,312	13,376,913	11,933,848	10,338,685	8,542,539	7,994,776	3,377,156	2,804,490	12,678,649	9,596,803	8,423,938	7,395,466
Segment results														
Results from operating activities	65,843	17,630	1,553,944	905,575	1,304,071	1,292,835	222,357	4,344	624,655	474,167	566,124	825,509	1,038,627	943,420
Net finance cost	(62,296)	(141,239)	(50,457)	1,766	(245,008)	(272,158)	(135,957)	(175,844)	3,641	(10,099)	(208,148)	(124,444)	(221,938)	(305,053)
Share of profit of equity accounted investees	5,952	10,025	-	-	11,063	22,982	-	-	-	-	-	-	-	-
Profit before tax	9,499	(113,584)	1,503,487	907,341	1,070,126	1,043,659	86,400	(171,500)	628,296	464,068	357,976	701,065	816,689	638,367
Tax	29,754	30,611	299,979	242,380	196,404	152,106	(2,919)	9,717	130,707	85,114	101,282	117,744	185,015	164,761
Depreciation on property, plant & equipment	75,679	88,000	577,650	461,913	310,063	226,897	235,814	237,884	87,296	78,840	331,255	205,182	110,964	111,120
Impairment of property, plant & equipment	-	-	-	36,912	2,260	-	13,514	13,581	4,851	-	-	-	-	-
Impairment of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation on investment properties	700	627	2,445	-	-	155	-	-	-	-	-	-	-	-
Amortisation of intangible assets	-	-	373	646	15,226	7,956	28,874	20,556	-	-	-	-	-	-
Total assets (excl. equity accounted investees)	6,629,365	5,730,487	10,736,977	9,702,557	9,963,299	8,735,184	4,661,082	3,481,242	2,377,682	1,752,743	10,432,619	9,821,726	6,558,825	7,220,499
Investment in equity accounted investees	39,947	41,627	-	-	76,361	65,297	-	-	-	-	-	-	-	-
Additions to Property Plant & equipment	121,257	31,369	938,424	469,491	1,206,705	565,453	227,663	31,577	376,313	53,931	341,383	528,066	72,318	155,491
Improvements to Biological assets	-	-	-	-	-	-	-	-	-	-	12,558	4,572	-	-
Additions to Intangible assets	-	-	-	1,246	24,906	19,161	46,873	6,966	-	-	240	-	-	-
Additions to Investment Property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Non Interest bearing liabilities</b>														
Deferred tax Liability	17,991	18,256	431,410	53,092	40,582	21,219	195,115	206,075	106,748	78,939	63,129	399,677	25,518	21,432
Employee benefit obligations	289,614	327,479	463,606	442,027	257,636.00	187,013	220,911	178,681	66,042	60,367	2,047,901	1,962,141	325,966	288,355
Trade and other payables	309,832	294,538	2,001,006	1,978,053	1,485,060	1,264,696	976,990	1,140,589	660,042	466,953	776,633	902,883	1,375,441	1,867,597
<b>Cash Flows</b>														
Segment cash flows from Operating Activities	(271,108)	573,125	2,225,289	1,051,165	621,034	942,164	(182,912)	(492,045)	507,020	307,750	393,877	715,905	705,425	(54,360)
Segment cash flows from Investment Activities	(69,740)	51,460	(2,607,106)	1,139,343	(631,892)	(1,001,475)	(225,009)	(52,488)	(340,997)	(78,488)	(656,138)	(607,063)	179,916	174,558
Segment cash flows from Financing Activities	123,896	(105,278)	(309,183)	224,578	(421,683)	42,768	1,337,999	168,849	(209,907)	(26,717)	283,867	(374,813)	(629,384)	(561,235)

# The Quality of Life

Consumer		Leisure and Aviation		Industry Inputs		Power and Energy		Transportation		Investment and Services		Non Segment Adjustments		Total	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
(Restated)															
5,184,704	5,252,132	4,846,799	4,308,198	2,257,496	1,988,783	988,034	1,012,829	14,181,331	11,935,724	1,172,997	1,147,199	-	-	94,627,574	82,470,094
-	-	-	-	-	-	-	-	-	-	(414,533)	(366,460)	-	-	(2,065,709)	(1,991,485)
5,184,704	5,252,132	4,846,799	4,308,198	2,257,496	1,988,783	988,034	1,012,829	14,181,331	11,935,724	758,464	780,738	-	-	92,561,865	80,478,609
139,845	234,669	806,276	816,839	244,722	191,722	671,345	706,625	1,346,967	1,137,303	1,393,553	1,077,601	(1,467,783)	(1,432,582)	8,510,546	7,195,656
(108,114)	(154,346)	(256,211)	(278,977)	(51,395)	(39,299)	(41,003)	(90,178)	(11,738)	(20,659)	(549,865)	(536,748)	(196,525)	-	(2,135,014)	(2,147,278)
3								97		1,424	7,268	(188)	-	-	24,383
31,731	80,323	550,068	537,862	193,327	152,423	630,342	616,447	1,335,326	1,118,068	850,956	540,665	(1,664,308)	(1,432,582)	6,399,915	5,082,621
21,248	19,975	78,253	65,698	57,989	52,545	(27,548)	34,687	345,450	293,357	12,633	41,184	85,334	63,747	1,513,581	1,373,628
14,236	14,339	389,376	285,216	7,363	6,485	129,100	128,563	122,088	117,625	37,578	40,865	5,324	485	2,433,786	2,003,414
-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,626	50,493
-	-	-	-	-	-	-	-	-	-	-	-	-	9,864	-	9,864
-	-	-	-	-	-	-	-	2,851	2,368	-	-	-	-	5,996	3,150
-	-	25,048	23,745	-	-	5,577	5,578	14,205	11,155	-	-	31,500	31,500	120,803	101,136
2,508,290	2,457,178	9,280,243	7,949,333	2,164,195	1,902,618	2,407,006	2,272,910	8,827,419	6,594,594	19,880,751	17,483,850	(3,590,353)	(4,154,095)	92,837,400	80,950,826
-	-	7,803	-	-	-	-	-	16,758	18,292	348,227	229,044	-	-	489,096	354,260
18,818	13,818	731,269	772,214	7,260	6,391	1,587	2,301	227,429	246,239	85,807	71,619	(33,385)	-	4,322,848	2,947,962
-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,559	4,572
-	-	5,404	5,527	-	-	-	-	102,480	53,301	-	-	-	-	179,903	86,201
-	-	-	313	-	-	-	-	2,331	3,366	-	-	-	-	2,331	3,679
-	-	361,099	341,675	-	-	30,643	41,955	91,002	67,002	-	-	-	-	1,363,237	1,249,322
59,135	48,516	93,688	78,764	77,204	78,137	5,718	3,518	614,456	491,056	436,766	484,810	-	-	4,958,643	4,630,864
629,966	555,910	994,133	976,703	273,577	179,013	33,251	26,644	2,046,038	1,638,156	381,388	376,211	50	-	11,943,409	11,667,947
225,155	(520,985)	996,605	738,616	375,238	(9,002)	834,195	484,710	1,076,556	943,613	389,117	329,319	735,873	543,123	8,631,364	5,553,098
(42,319)	2,057	(1,437,564)	(502,595)	(509,324)	52,235	(340,943)	(114,816)	(583,585)	(1,137,095)	96,433	99,783	828,274	(1,713,915)	(6,339,994)	(3,688,499)
(33,989)	(60,050)	239,625	170,340	(58,840)	144,521	(470,541)	(257,154)	135,545	(358,501)	1,454,929	3,188,912	(1,675,613)	(716,206)	(233,279)	1,480,014



## Notes to the financial statements

### 42 FINANCIAL RISK MANAGEMENT

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

- 1 Credit risk
- 2 Liquidity risk
- 3 Market risk

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

#### Financial Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's Financial risk management framework which includes developing and monitoring the Group's Financial risk management policies.

The Group's Financial risk management policies are established to identify, quantify and analyse the Financial risks faced by the Group, to set appropriate risk limits and controls, and to monitor Financial risks and adherence to limits. Financial Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All derivative activities for risk management purposes are carried out by Group Treasury that have the appropriate skills and experience.

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

#### Credit Risk

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

#### Trade and other receivables

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

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Management; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. Outstanding customer receivables are regularly monitored at the individual sector and Group Management Committee (GMC) level. Further 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 obtained prior to the export.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list and future sales are made on a prepayment basis.

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

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs. 17.9 bn (2014 - Rs.16.6 bn) which is recorded at note 22.

## Investments

Credit risk from invested balances with the financial institutions are managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

## Cash and cash equivalents

The Group held cash and cash equivalents of Rs. 3.1 bn as at 31 March 2015 (2014 - 2.6 bn) which represents its maximum credit exposure on these assets.

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

- People's Bank – AA+(Ika)
- Standard Chartered Bank – AAA (Ika)
- Hong Kong and Shanghai Banking Corporation Ltd., – AAA(Ika)
- Commercial Bank of Ceylon PLC – AA(Ika)
- Sampath Bank PLC – AA- (Ika)
- Nations Trust Bank PLC – A( Ika)
- Pan Asia Banking Corporation PLC – BBB ( Ika)
- Hatton National Bank PLC– AA-(Ika)
- Bank of Ceylon– AA+(Ika)
- DFCC Bank– AA-( Ika)
- Citi Bank -AAA( Ika)
- Seylan Bank PLC -A-( Ika)
- National Development Bank PLC - AA- (Ika)
- Union Bank of Colombo PLC- BB+ (Ika)

## Liquidity Risk

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

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

Group Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The liquidity requirements of business units and subsidiaries are met through central cash management by Group Treasury to cover any short-term fluctuations and long-term funding to address any structural liquidity requirements. The Group Treasury monitors the cash flows in subsidiary and Group level and obtains adequate bank facilities to meet the funding requirements. The Group does not concentrate on a single financial institution, thereby minimising the expose to liquidity risk through diversification of funding sources. The Group aims to fund investment activities of the individual and group level by funding the long term investment with long term financial sources in terms of equity, debentures or long term loans. Short term investments are funded using short term loans. Group has been successful in arranging long term funding from overseas as measure to diversify its funding sources which enabled reducing the sole dependency on domestic market for project financing. The Group also issued a debentures in domestic market as a measure to reduce its dependency on local banking system for all its financing requirement and thereby freeing available banking lines for future projects.

The monthly liquidity position is monitored by the Treasury. All liquidity policies and procedures are subject to review and approval by Board of Directors. Daily reports cover the liquidity position of both the Group and operating subsidiaries .

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

## Notes to the financial statements

Year ended 31 March 2015	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	>5 years	Total
Consolidated	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest-bearing loans and borrowings	988,946	12,330,166	3,673,797	11,243,216	826,058	29,062,183
Trade and other payables	1,959,767	8,400,668	1,320,780	210,599	51,595	11,943,409
Other Current financial liabilities	-	15,942	-	-	-	15,942
	2,948,713	20,746,776	4,994,577	11,453,815	877,653	41,021,534

Year ended 31 March 2015	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	>5 years	Total
Company	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest-bearing loans and borrowings	37,579	303,682	911,047	5,667,819	-	6,920,127
Trade and other payables	123,993	167,974	206	-	1,790	293,963
Other Current financial liabilities	-	15,942	-	-	-	15,942
	161,572	487,598	911,253	5,667,819	1,790	7,230,032

Year ended 31 March 2014	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	>5 years	Total
Consolidated	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest-bearing loans and borrowings	1,586,147	12,540,168	2,535,528	8,057,639	1,105,985	25,825,467
Trade and other payables	2,380,697	8,327,079	723,119	233,216	3,836	11,667,947
Other Current financial liabilities	-	58,653	-	-	-	58,653
	3,966,844	20,925,900	3,258,647	8,290,855	1,109,821	37,552,067

Year ended 31 March 2014	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	>5 years	Total
Company	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest-bearing loans and borrowings	9,387	1,818,324	822,072	3,873,705	-	6,523,488
Trade and other payables	174,875	90,041	-	69,756	2,033	336,705
Other Current financial liabilities	-	58,653	-	-	-	58,653
	184,262	1,967,018	822,072	3,943,461	2,033	6,918,846

## Market Risk

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

The sensitivity analysis in the following sections relate to the position as at 31 March 2015 and 2014.

## Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group mainly borrows in the short term to fund its working capital requirement which are linked to floating interest rates. For other funding needs the Group maintains a proper mix of interest rate based on the basis of the predictability of future cash flows. Group Treasury closely monitors the interest rate fluctuations in the market and advises the sectors of the Group on a regular basis.

## Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

Consolidated	Increase/ decrease in base point Rs.'000	Effect on profit before tax Rs.'000
2015	+ 150	92,931
	- 150	(92,931)
2014	+ 150	89,307
	- 150	(89,307)
Company	Increase/ decrease in base point Rs.'000	Effect on profit before tax Rs.'000
2015	+ 150	13,325
	- 150	(13,325)
2014	+ 150	28,352
	- 150	(28,352)

## Notes to the financial statements

### Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk on sales, purchases and borrowings and net investments in foreign subsidiaries that are denominated in a currency other than the respective functional currencies of the Group. These currencies primarily are the Euro, US Dollars (USD), Bangladesh Taka, Pound Sterling (GBP), Indonesia Rupiah and Thailand Baht.

The Group hedges its exposure to fluctuations on the translation of its foreign operations by holding net borrowings in foreign currencies and by using foreign currency swaps and forwards contracts. Group Treasury closely monitors the exchange rate fluctuations and advises the sectors on a regular basis.

### Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar and Euro exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

The Group's exposure to foreign currency changes for all other currencies is not material.

#### Group

		Increase/ decrease in exchange rate Rs.'000	Effect on profit before tax Rs.'000
2015	USD	+ 5%	(402,728)
	Euro	+ 5%	1,509
	USD	- 5%	402,728
	Euro	- 5%	(1,509)
2014	USD	+ 5%	(303,782)
	Euro	+ 5%	12,410
	USD	- 5%	303,782
	Euro	- 5%	(12,410)

		Increase/ decrease in exchange rate Rs.'000	Effect on profit before tax Rs.'000
2015	USD	+ 5%	(32,987)
	USD	- 5%	32,987
2014	USD	+ 5%	(54,471)
	USD	- 5%	54,471

### Commodity Risk

The Group is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase and manufacturing process. Due to the significantly increased volatility of the price of the underlying, the management has developed and enacted a risk management strategy regarding commodity price risk and its mitigation. The sectors constantly monitor the Raw material price levels of Charcoal, Rubber, Aluminium and Yarn for downwards trends and invest in bulk purchase when low prices are prevalent. Management may revise the selling price based on the commodity prices whenever possible.

## Equity Price Risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the GMC. Equity price risk is not material to the Financial Statements.

## Capital Management

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

The gearing ratio at the reporting date was as follows

	2015 Rs. '000	2014 Rs. '000
<b>Consolidated</b>		
Interest bearing borrowings	12,069,274	9,163,624
Current portion of long-term interest bearing borrowings	3,686,844	2,653,381
Short-term interest bearing borrowings	13,306,065	14,008,462
	29,062,183	25,825,467
Equity	44,209,475	36,337,266
Equity and debts	73,271,658	62,162,733
Gearing ratio	40%	42%
	2015 Rs. '000	2014 Rs. '000
<b>Company</b>		
Interest bearing borrowings	5,667,819	3,873,705
Current portion of long-term interest bearing borrowings	1,214,729	1,096,096
Short-term interest bearing borrowings	37,579	1,553,687
	6,920,127	6,523,488
Equity	10,521,575	8,268,815
Equity and debts	17,441,702	14,792,303
Gearing ratio	40%	44%

## Collateral

The Group has not pledged its debtors as collateral for long term borrowings at 31 March 2015 and 2014, other than those mentioned in Note 25.12 to the Financial Statements.



## Notes to the financial statements

**43.** The effect of the transition to SLFRS 11 on previously reported Financial Positions, Financial performances of the Group has been presented in the Reconciliation Statements

### 43.1 Reconciliation of Income Statement for the year ended 31st March 2014

For the year ended 31st March	Consolidated		
	2014 Previously reported	Effect of Transition to SLFRS 11	2014 Restated
	Rs.'000	Rs.'000	Rs.'000
Revenue	80,554,110	(75,501)	80,478,609
Cost of sales	(61,761,310)	47,929	(61,713,381)
<b>Gross profit</b>	18,792,800	(27,572)	18,765,228
Group dividend	-		
Other income	424,174	2,535	426,709
Distribution expenses	(2,446,506)	814	(2,445,692)
Administrative expenses	(9,396,030)	7,015	(9,389,015)
Other expenses	(161,574)	-	(161,574)
<b>Results from operating activities</b>	7,212,864	(17,208)	7,195,656
Finance income	770,267	(12,894)	757,373
Finance cost	(2,910,364)	5,713	(2,904,651)
<b>Net finance cost</b>	(2,140,097)	(7,181)	(2,147,278)
Share of profit of equity accounted investees (net of tax)	1,236	33,007	34,243
<b>Profit before tax</b>	5,074,003	8,618	5,082,621
Tax expense	(1,365,010)	(8,618)	(1,373,628)
<b>Profit for the year</b>	3,708,993	-	3,708,993
Profit for the period attributable to:			
Owners of the parent	1,808,523		1,808,523
Non-controlling interest	1,900,470		1,900,470
<b>Profit for the year</b>	3,708,993	-	3,708,993

Figures in brackets indicate deductions.

## 43.2 Reconciliation of Statements of Comprehensive Income for the year ended 31st March 2014

For the year ended 31st March	Consolidated		
	2014 Previously reported	Effect of Transition to SLFRS 11	2014 Restated
	Rs.'000	Rs.'000	Rs.'000
Profit for the year	3,708,993	-	3,708,993
<b>Items that will not be reclassified subsequently to income statement</b>			
Actuarial (loss)/ gain on employee benefit obligations	(81,953)	-	(81,953)
Income tax on other comprehensive income	579	-	579
<b>Items that may be reclassified subsequently to income statement</b>			
Net exchange differences on translation of foreign operations	(76,699)	-	(76,699)
Share of other comprehensive income of equity accounted investees	(485)	-	(485)
Net change in fair value of available-for-sale financial assets	(6,680)	-	(6,680)
<b>Total other comprehensive income/ (loss) for the year, net of tax</b>	<b>(165,238)</b>	<b>-</b>	<b>(165,238)</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>3,543,755</b>	<b>-</b>	<b>3,543,755</b>
Total comprehensive income for the year attributable to :	1,682,328	-	1,682,328
Owners of the parent	1,861,427	-	1,861,427
Non- controlling interest	3,543,755	-	3,543,755

## Notes to the financial statements

### 43.3 Reconciliation for the Statement of Financial Position as at 31st March 2014

For the year ended 31st March	Consolidated		
	2014 Previously reported	Effect of Transition to SLFRS 11	2014 Restated
	Rs.'000	Rs.'000	Rs.'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant & equipment	38,217,400	(2,141)	38,215,259
Investment Properties	1,453,444	-	1,453,444
Biological assets	266,508	-	266,508
Intangible assets	5,541,287	-	5,541,287
Investments in subsidiaries	-	-	-
Investments in equity accounted investees	247,336	106,924	354,260
Other non- current financial assets	324,157	(90,544)	233,613
Other non-current assets	350,423	-	350,423
Deferred tax assets	397,596	(16,029)	381,567
<b>Total non-current assets</b>	<b>46,798,151</b>	<b>(1,790)</b>	<b>46,796,361</b>
<b>Current assets</b>			
Inventories	12,098,864	(13,847)	12,085,017
Amounts due from subsidiaries	-	-	-
Amounts due from equity accounted investees	9,040	2,542	11,582
Trade and other receivables	16,589,706	(26,140)	16,563,566
Other current assets	1,457,925	(6,042)	1,451,883
Income tax recoverable	170,888	(134)	170,754
Other current financial assets	53,388	-	53,388
Short term deposits	1,536,101	-	1,536,101
Cash in hand and at bank	2,637,706	(4,293)	2,633,413
Assets classified as held for sale	3,021	-	3,021
<b>Total current assets</b>	<b>34,556,639</b>	<b>(47,914)</b>	<b>34,508,725</b>
<b>Total assets</b>	<b>81,354,790</b>	<b>(49,704)</b>	<b>81,305,086</b>

## 43.3 Reconciliation for the Statement of Financial Position as at 31st March 2014

For the year ended 31st March	Consolidated		
	2014 Previously reported	Effect of Transition to SLFRS 11	2014 Restated
	Rs.'000	Rs.'000	Rs.'000
<b>Equity and Liabilities</b>			
Stated capital	1,575,000	-	1,575,000
Employee share trust	(488,261)	-	(488,261)
Capital reserves	1,429,680	-	1,429,680
Other components of equity	8,969,910	-	8,969,910
Revenue reserves	12,236,713	-	12,236,713
Total equity attributable to equity holders of the company	23,723,042	-	23,723,042
Non-controlling interest	12,614,224		12,614,224
<b>Total equity</b>	<b>36,337,266</b>	<b>-</b>	<b>36,337,266</b>
<b>Non-current liabilities</b>			
Interest-bearing borrowings	9,207,019	(43,395)	9,163,624
Grants	742,077	-	742,077
Deferred tax liability	1,249,361	(39)	1,249,322
Employee benefit obligations	4,630,864	-	4,630,864
Total non-current liabilities	15,829,321	(43,434)	15,785,887
<b>Current liabilities</b>			
Trade and other payables	11,679,828	(11,881)	11,667,947
Provisions	28,792	-	28,792
Other current liabilities	366,037	(964)	365,073
Other current financial liabilities	58,653	-	58,653
Amounts due to subsidiaries	-	-	-
Amounts due to equity accounted investees	10,023	15,927	25,950
Income tax payable	373,343	-	373,343
Current portion of long term interest-bearing borrowings	2,662,252	(8,871)	2,653,381
Short-term interest-bearing borrowings	14,008,943	(481)	14,008,462
Liabilities directly associated with assets classified as held for sale	332	-	332
Total current liabilities	29,188,203	(6,270)	29,181,933
<b>Total liabilities</b>	<b>45,017,524</b>	<b>(49,704)</b>	<b>44,967,820</b>
<b>Total equity and liabilities</b>	<b>81,354,790</b>	<b>(49,704)</b>	<b>81,305,086</b>

## Ten year summary

Year ended 31st March	10-Year Compound Growth (%)	2015 Rs '000	2014* Rs '000	2013 *** Rs '000	2012***/# Rs. '000	2011**/* Rs. '000	2010** Rs. '000	2009** Rs. '000	2008** Rs. '000	2007 Rs. '000	2006 Rs. '000
<b>Results</b>											
Revenue	14%	92,561,865	80,478,609	74,301,852	65,806,714	54,370,207	38,169,336	32,442,999	31,326,583	27,584,626	24,011,798
Profit before taxation	16%	6,399,915	5,082,621	4,916,576	2,488,223	2,007,207	3,293,392	1,374,638	1,554,720	1,521,915	1,448,558
Taxation	12%	(1,513,581)	(1,373,628)	(1,411,981)	(914,724)	(903,853)	(684,197)	(571,236)	(464,946)	(432,631)	(468,127)
Profit after tax	17%	4,886,334	3,708,993	3,504,595	1,573,499	1,103,354	2,609,195	803,402	1,089,774	1,089,284	980,431
Non-controlling Interest	19%	(2,305,036)	(1,900,470)	(1,743,449)	(594,330)	(444,128)	(849,893)	(492,464)	(637,151)	(555,719)	(394,170)
Profit attributable to owners of the parent	16%	2,581,298	1,808,523	1,761,146	979,169	659,226	1,759,302	310,938	452,623	533,565	586,261
<b>Funds Employed</b>											
Stated capital***	0%	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000
Employee share trust		(148,558)	(488,261)	(489,887)	(491,439)	(492,242)	-	-	-	-	-
Treasury shares		-	-	-	-	(398,902)	-	-	-	-	-
Capital reserves	-6%	1,303,980	1,429,680	1,377,676	1,222,076	1,404,887	7,047,507	5,697,166	5,954,623	5,457,476	2,466,637
Other component of equity		11,573,045	8,969,910	9,000,862	6,373,692	6,164,166					
Revenue reserves	13%	14,800,483	12,236,713	10,788,133	9,633,788	6,978,079	6,592,052	5,083,473	4,692,428	4,667,992	4,215,591
Equity attributable to equity holders of the parent	13%	29,103,950	23,723,042	22,251,784	18,313,117	15,230,988	15,214,559	12,355,639	12,222,051	11,700,468	8,257,228
Non-controlling Interest	18%	15,105,525	12,614,224	11,173,102	10,063,072	8,474,612	7,118,790	4,220,619	3,986,239	3,704,926	2,967,915
Borrowings ( short- and long-term)	12%	29,062,183	25,825,466	23,563,413	21,728,944	16,692,083	11,337,734	9,232,776	9,600,416	10,235,592	9,781,034
<b>Assets Employed</b>											
Non-current assets	16%	55,739,447	46,796,361	44,657,106	37,976,929	30,131,853	23,453,761	17,215,706	17,625,669	17,005,585	12,957,290
Current assets	10%	37,587,050	34,508,725	30,086,220	27,832,013	23,732,633	21,414,944	16,414,322	15,732,377	15,214,288	14,496,109
Current liabilities net of borrowings	10%	(13,019,465)	(12,520,090)	(11,651,381)	(10,151,511)	(8,540,919)	(7,922,413)	(5,317,991)	(5,391,701)	(4,832,001)	(4,895,234)
Provisions	17%	(6,321,880)	(5,880,186)	(5,320,425)	(4,808,050)	(4,133,016)	(2,828,159)	(2,153,244)	(1,906,595)	(1,541,717)	(1,360,003)
Grants	14%	(713,495)	(742,077)	(783,222)	(777,670)	(792,868)	(447,050)	(349,759)	(251,044)	(205,169)	(191,985)
Capital Employed	13%	73,271,658	62,162,733	56,988,298	50,071,711	40,397,683	33,671,083	25,809,034	25,808,706	25,640,986	21,006,177
<b>Cash Flows</b>											
Net cash inflow/(outflow) from operating activities		8,631,364	5,553,098	7,296,563	2,359,004	1,169,899	2,589,712	1,082,097	1,841,624	408,821	216,967
Net cash inflow/(outflow) from investing activities		(6,339,994)	(3,688,499)	(4,684,957)	(5,112,863)	(4,660,037)	(3,574,446)	200,631	(751,827)	(843,422)	(1,650,184)
Net cash inflow/(outflow) from financing activities		(233,279)	1,480,014	(3,954,861)	(1,621,918)	1,960,277	(1,012,142)	(892,834)	(687,588)	(1,153,882)	768,153
Increase/(decrease) in cash and cash equivalents		2,058,091	3,344,614	(1,343,255)	(4,303,096)	(1,496,439)	(1,996,876)	389,894	402,209	(1,588,483)	(665,064)
<b>Key Indicators</b>											
Earnings per share (basic) (Rs.)		34.42	24.11	23.48	13.06	8.79	23.08	4.15	6.03	7.11	7.82
Dividend per share (basic) (Rs.)		6.00	5.00	4.50	4.00	4.00	4.00	3.00	3.00	3.50	3.50
Net assets per share (Rs.)		388.05	316.31	296.69	244.17	203.08	202.86	164.74	162.96	156.01	110.10
Market price per share (Rs.)		300.00	285.00	298.70	360.00	382.10	225.00	90.00	97.75	142.00	98.50
% change in market price (after adjusting for scrip issues)		5.26	(4.59)	(17.03)	(5.78)	70.00	150.00	(7.90)	(31.20)	44.2	(12.90)
% change in All Share Price Index		14	4.06	6.00	(24.99)	94.00	127.00	(36.00)	(9.00)	23	29
Return on average shareholders' funds (%)		8.87	7.62	7.91	5.35	4.33	11.38	3.00	4	5	7
Return on average capital employed (%)		12.57%	12.08%	12.25%	8.94%	7.81	13.30	9.40	11.00	11	10
Price earnings ratio (times)		8.72	11.82	12.72	27.57	42.32	9.75	21.70	16.2	20.0	12.6
Interest cover (times covered)		3.98	3.01	2.45	2.74	3.41	5.60	2.10	2.5	3.4	2.5
Dividend payout Ratio (%)		17.43	20.74	19.16	30.64	45.51	17.33	72.29	49.75	49.23	44.76

\* Restated in line with SLFRS/LKAS.

\*\* Including results of discontinued operations

\*\*\* Share capital and share premium previously reported have been reclassified to reflect stated capital as define in he Companies Act No. 07 of 2007.

# Value of real estate

## Year ended 31st March

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn
Hayleys PLC	Colombo	No 25, Foster Lane, Colombo 10	5.96	60,666	6	-
		No 400, Deans Rd. Colombo 10		108,923	12	6,321
Carbotels (Pvt) Ltd.	Elkaduwa	Weyagala Estate, Elkaduwa, Matale.	65.06	Nil	Nil	35
Volanka (Pvt) Ltd.	Kotugoda	No.193,Minuwangoda Road,Kotugoda	15.68	182,981	30	753
	Galle	No.153/1, Robosgewatta,Matara Road,Magalle, Galle	1.20	15,000	2	195
	Katana	No.B 28,Divulapitiya Road, Dissagewatte,Katana	14.50	205,000	4	186
Chas P. Hayley & Co. (Pvt) Ltd.	Galle	No.153,Robosgewatta,Matara Road,Magalle, Galle	0.55	8,030	2	88
	Galle	"Thurburn Stores",161,Matara Road, Magalle, Galle	0.78	9,901	1	125
	Galle	No.195,Bandaranayake Mawatha,Magalle, Galle	2.41	57,376	7	289
	Galle	No.193/2,193/2A, 193/4,Bandaranayke Mawatha,Magalle, Galle	1.10	13,632	4	70
Lignocell (Pvt) Ltd.	Madampe	Sellam Pathaha, Melawagara, Madampe.	7.03	104,846	10	22
	Kuliyapitiya	"Beginhill Estate",Karagahagedera,Kuliyapitiya	3.94	57,778	10	16
Hayleys Fibre PLC	Ekala	"Ekala Estate",Minuwangoda Road,Ekala	6.30	53,880	15	328
	Kuliyapitiya	"Beginhill Estate", Karagahagedara, Kuliyapitiya	3.93	44,457	12	16
Ravi Industries (Pvt) Ltd.	Ekala	252A,Kurunduwatte Road,Ekala,Ja-ela.	6.08	99,266	13	243
Volanka Exports (Pvt) Ltd.	Nattandiya	Wathugahamulla,Welipannagahamulla	7.20	67,151	9	23
Rileys (Pvt) Ltd	Ekala	131,Minuwangoda Road, Ekala, Ja-ela	3.80	81,026	8	304
Toyo Cushion Lanka (Pvt) Ltd.	Katana	105,Thimbrigaskatuwa,Katana	3.40	27,945	13	81
Dipped Products PLC	Kottawa	Brahmanagama , Kottawa	10.16	114,428	20	138
	Weliweriya	Nedungamuwa, Weliweriya	7.85	5,029	1	82
	Malabe	No: 59, Pothuawara Road, Malabe	2.26	57,595	6	199
Venigros (Pvt) Ltd.	Weliweriya	Nedungamuwa, Weliweriya	7.09	55,581	7	68
Haycarb PLC	Badalgama	Katana Road, Beatrice Estate, Badalgama.	12.88	159,769	13	52
	Madampe	Kuliyapitiya road, New town, Pothuwila, Madampe	28.85	231,263	9	109
	Wewalduwa	333/25, New road Hunuputiya Wattala.	2.45	59,202	3	165
Recogen (Pvt) Ltd.	Badalgama	Katana Road, Beatrice Estate, Badalgama.	10.84	22,604	3	43
Hayleys Agriculture Holdings Ltd.	Dambulla	Athabadiwewa, Pahalawewa, Dambulla.	4.35	2,500	2	9
	Kottawa	No. 168/D, Brahmanagama, Kottawa, Pannipitiya.	4.96	47,506	7	79
Sunfrost (Pvt) Ltd.	Alawwa	Nelumdeniya road, Alawwa Waththa Road, Alawwa	5.18	21,293	18	54
	Padiyathalawa	Bogaharawa Road, Kehelulla, Padiyathalawa	5.42	1,430	1	6
Hayleys Advantis Group	Liyanagemulla	No.710 Negombo Road, Liyanagemulla,Seeduwa	0.62	8,036	1	99
	Kelaniya	No 408 A, Nungamugoda, Kelaniya	7.72	175,000	6	587
	Welisara	No. 309/18 & No. 317, Negombo Road, Welisara	3.63	2,700	2	392
	Welisara	No. 309/15, Negombo Road, Welisara	3.00	17,644	7	223
	Sedawatta	No. 148B, Nawalokapura, Sedawatta, Wellampitiya	2.49	Nil	Nil	319
	Sedawatte	No. 148/A1, Nawalokapura Sedawatte, Welampitiya	2.00	5,000	3	272
	Colombo 2	No. 46/12, Sayuru Sevana, Nawam Mawatha, Colombo 2	0.24	45,980	1	227
Haycolour (Pvt) Ltd.	Kalutara	Haycolour Factory,Ethanmadala, Kalutara	4.43	5,700	5	33
Bhagya Hydro (Pvt) Ltd.	Gomala oya	Gomala Oya Mini Hydro Power Plant,Godagampola,Rathnapura	2.11	2,300	2	2
Nelwa Cascade Hydro Power (Pvt) Ltd.	Neluwa	Lower Neluwa Mini Hydro Power Plant, Godagampola,Rathnapura	2.45	1,894	1	6
Hayleys Electronics Lighting (Pvt) Ltd.	Hokandara	W.P.Colvin Perera Lane, Hokandara South	0.14	Nil	Nil	11.50
Hayleys MGT Knitting Mills PLC	Neboda	Narthupana Estate, Neboda	34.42	380,776	22	330
Alumex PLC	Makola	Off Pitigala Road, Sapugaskanda, Makola	7.37	129,351	13	382
Alco Industries (Pvt) Ltd.	Gonawala	Maguruwila Road, Pattiwila	1.82	21,798	7	44
Alufab PLC	Kotugoda	41B, Sasanathilaka Rd, Opatha, Kotugoda	2.70	34,550	4	22
Hunas Falls Hotels PLC	Kandy	Elkaduwa, Matale	19.88	54,765	11	48
Eastern Hotels (Pvt) Ltd.	Trincomalee	Nilakarai Estate, Nilaweli, Trincomalee	23.48	Nil	Nil	470
Culture Club Resorts (Pvt) Ltd.	Dambulla	Kapela , Kandalama, Dambulla	1.00	70,000	72	2
Kandyan Resorts (Pvt) Ltd.	Kandy	Heerassagala, Kandy	14.22	126,684	10	578
The Beach Resorts Ltd.	Wadduwa	Mudillagahawatte, Wadduwa, Panadura	5.44	Nil	Nil	362
The Queensbury (Pvt) Ltd.	Bentota	Kaluwamodara, Bentota	0.28	Nil	Nil	59



## Country report

VITAL STATISTICS	
Population (2012):	20.3 mn
Land Area:	65,610 Sq km
Languages:	Sinhalese, Tamil and English
Per capita GDP (2014):	USD 3,625
Maximum Corporate Tax Rate (2014):	28%
Currency (2014):	Sri Lankan Rupee (LKR 131: 1 USD)

### Background

Sri Lanka lies in a strategic position at the Southern tip of the Indian sub-continent, at a mid-point along key shipping routes between east and west. After three decades of Civil War Sri Lanka achieved peace in May 2009. This has paved the way for a paradigm shift in the country's development path characterized by faster economic growth, higher investment, infrastructure development and political and economic policy stability. Sri Lanka has traditionally been a country which relied on the plantation sector and in labour intensive industries such as apparel manufacture. In more recent years the services sector has taken on greater importance with trade, finance, transport, construction, telecommunication and leisure dominating the economy. In 2014 per capita income reached US\$ 3,625 and is projected to reach US\$ 4000 by 2015.

### Political Climate

Sri Lanka is a multi-ethnic, multi-religious democratic republic with an elected national parliament and president along with provincial and local governments which are responsible for certain subjects at sub-national levels. In January 2015, a presidential election brought Maithripala Sirisena to power on a platform of ensuring good governance. Subsequent constitutional amendments have taken steps towards enhanced checks and balances in government through more independent

institutions and a strengthened parliament and judiciary. This is expected to further strengthen the investment climate, building upon the vibrant infrastructure development witnessed since the end of conflict.

### Policy Directions

During the Civil War investment in Sri Lanka's infrastructure was neglected. Since the end of conflict an aggressive investment drive in the country's infrastructure, focused on national highways and railways, ports, airports and energy. Since 2011 Sri Lanka has built 2 expressways, connecting Colombo to the Southern city of Matara and to the Airport in Katunayaka. New expressways are being planned to connect the hill capital Kandy, along with the completion of the outer-circular highway around the capital Colombo. The national railway network is being modernized to enable faster rail and new routes are also being created. The Colombo Port was expanded as the new Colombo South Harbour, with depth of 18m, has the capacity to accommodate the world's largest vessels. The Commercial Hub Act of 2013 will further enhance Sri Lanka's position as a regional maritime hub as 6 locations were designated as free ports. The primary airport in Katunayaka is also undergoing expansion. Several new power projects are in progress ranging from coal power to hydro and wind power. Sri Lanka also began oil exploration off its

North-West coast, and thus far 2 drill sites have indicated presence of hydrocarbons. In addition to investment in physical infrastructure, emphasis is being placed on development of social infrastructure. Sri Lanka has always attached great importance to social development and had a policy of free health and education up to tertiary level since the pre-independence era. This has resulted in a literacy rate of over 90%, life expectancy of 74 years and birth and death rates comparable to developed nations (17.4 and 5.9 per 1000 persons). In order to further enhance the quality of education, measures are being taken to enhance existing education institutions at primary, secondary and tertiary levels. The government has pledged to increase expenditure on education to 6% of GDP in the medium term. In addition to public sector education, Sri Lanka has developed substantial professional qualifications institutions, resulting in the country now having the world's second highest pool of CIMA trained students outside the UK, making Sri Lanka an attractive location for financial outsourcing.

Along with investments in infrastructure, successive governments continue to emphasise private sector led economic growth. Sri Lanka has a relatively low income tax regime with reduced taxes on corporate (maximum 35% reduced to 28%) and personal incomes (maximum 35% reduced to 24%),

international trade and a simplified tax structure. Rationalisation of expenditure would also lead to better fiscal management, eventually resulting in consolidation of fiscal deficits closer to 5% of GDP in the medium term, as envisaged in the Fiscal Management Responsibility Act. This would help entrench lower inflation and interest rates and lead to longer term macroeconomic stability. The Central Bank has also outlined a plan to gradually liberalise the capital account, making it easier for Sri Lankan corporates to access global capital markets and to develop the domestic corporate bond market. Accordingly the financial market has developed rapidly, with a number of banks following the sovereign in tapping the global bond market, and the domestic corporate debt and equity markets have grown significantly in recent years.

## **Economic Climate**

As is the trend in emerging economies, Sri Lanka's economy is dominated by the services sector (59% of GDP) with industry (30% of GDP) and agriculture (11% of GDP) making up smaller shares. Recent economic growth has been broad based with all three sectors growing significantly since 2009. Whilst Sri Lanka has found itself in an uncertain global economic environment, the domestic economy has enjoyed a peace dividend that has resulted in high growth averaging above 7% per annum, low unemployment (4.4% in 2014), historically benign inflation (now anchored at mid-single

digit levels), and an improving fiscal position on the back of structural reforms.

Sri Lanka's economy has always been characterized by resilience. Even during the war economic growth was maintained at an average of around 5%. With the recent policy reforms, developments in infrastructure and increased investment, the economy is well on target to securing a long term growth path well above past trends.

Sri Lanka is ideally located at a central point amongst the emerging global economic powerhouses. India is immediately north of Sri Lanka and the two countries have a 14 year old Free Trade Agreement. Sri Lanka has developed close political and economic ties with China, with a Free Trade Agreement under negotiation and strong aviation and shipping links already in place. In parallel, the new government has strengthened diplomatic and economic ties with key trading partners the US and the EU, which creates a suitable balance for economic and geopolitical objectives of the country. Greater economic and political integration with key global players places Sri Lanka in an ideal position to play a pivotal role amongst the drivers of global economic growth in the medium to long term.

## Share information

### ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2015

No. of shares held	Residents			Non Residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 – 1,000	2,338	446,988	0.5960	58	16,570	0.0221	2,396	463,558	0.6181
1,001 – 10,000	465	1,515,429	2.0206	40	152,285	0.2030	505	1,667,714	2.2236
10,001 – 100,000	132	4,428,709	5.9049	32	775,480	1.0340	164	5,204,189	6.9389
100,001 – 1,000,000	25	7,289,297	9.7191	5	1,791,871	2.3892	30	9,081,168	12.1083
Over 1,000,000	7	58,583,371	78.1111				7	58,583,371	78.1111
	2,967	72,263,794	96.3517	135	2,736,206	3.6483	3,102	75,000,000	100.0000
<b>Category</b>									
Individuals	2,738	50,979,126	67.9721	125	2,590,576	3.4541	2,863	53,569,702	71.4263
Institutions	229	21,284,668	28.3796	10	145,630	0.1942	239	21,430,298	28.5737
	2,967	72,263,794	96.3517	135	2,736,206	3.6483	3,102	75,000,000	100.0000

### FIRST TWENTY SHAREHOLDERS AS AT 31.03.2015

Name of the Shareholder		No. of Shares as at 31.03.2015	%	No. of Shares as at 31.03.2014	%
1	Mr.K.D.D.Perera	31,699,599	42.27	30,699,599	40.93
	SBL/ Mr.K.D.D.Perera	3,400,000	4.53	3,400,000	4.53
2	Trustees of the D.S.Jayasundera Trust	8,698,017	11.60	8,698,017	11.60
3	Trustees of the Hayleys PLC - Employees Share Trust	5,855,735	7.81	6,855,735	9.14
4	Employees Provident Fund	3,930,342	5.24	2,535,169	3.38
5	Vallibel One PLC	2,182,584	2.91	2,182,584	2.91
6	Lanka Orix Leasing Company PLC	1,700,004	2.27	1,700,004	2.27
7	Hayleys Group Services(Private) Ltd No.02 A/C	1,117,090	1.49	1,117,090	1.49
8	Mrs.A.M.L.Johnpulle & Mr.B.M.J.Johnpulle	907,165	1.21	907,165	1.21
9	Commercial Leasing & Finance PLC	734,144	0.98	734,144	0.98
10	Mrs.R.N.Ponnambalam	581,245	0.77	570,088	0.76
11	Mrs.R.M.Spittel	564,697	0.75	-	-
12	Mrs.F.C.Phillips & Mr.R.H.S.Phillips	493,142	0.66	482,304	0.64
13	Mrs.Y.M.Spittel	465,561	0.62	465,561	0.62
14	Mr.A.C.Wikramanayake	444,723	0.59	444,713	0.59
15	Mrs.P.M.Godamunne	443,447	0.59	443,447	0.59
16	Mrs.S.D.Wickramasinghe .	440,281	0.59	440,281	0.59
17	Mr.G.N.Wikramanayake	370,422	0.49	370,422	0.49
18	Miss.N.K.R.H.De Silva	286,850	0.38	286,850	0.38
19	Mr.N.K.A.D.De Silva	286,843	0.38	286,843	0.38
20	Mrs. L. Sivagurunathan	284,805	0.38	284,805	0.38
<b>Total</b>		<b>64,886,696</b>	<b>86.51</b>	<b>62,904,821</b>	<b>83.86</b>

## DIRECTORS' SHAREHOLDING

Name of Director	No. of Shares as at 31.03.2015	No. of Shares as at 01.04.2014
Mr.A.M.Pandithage	2,338	2,338
Mr.K.D.D.Perera - 31,699,599 (01.04.2014 - 30,699,599)	37,283,849	36,283,849
SBL/ Mr.K.D.D.Perera - 3,400,000		
LB Finance PLC - 1,666		
Vallibel One Plc - 2,182,584		
Mr.M.R.Zaheed	1,487	1,487
Mr.W.D.N.H.Perera	11	11
Mr.S.C Ganegoda	2,000	2,000
Mr.H.S.R.Kariyawasan	Nil	Nil
Dr.H.Cabral	Nil	Nil
Dr.K.I.M Ranasoma	751	751
People's Leasing & Finance PLC/Mr.L.T Samarawickrama (01/04/2014 - Waldock Mackenzie Ltd/ Mr.L.T.Samarawickrama)	3,500	43,500
Mr.M.D.S.Goonatilleke	10,000	2,500
Mr.L.R.V.Waidyaratne	1,465	1,465
Mr.M.H. Jamaldeen	Nil	Nil

## SHARE TRADING INFORMATION -THREE MONTHS ENDED 31.03.2015

	from 01/01/2015 to 31/03/2015
Highest Price	Rs.364.00
Lowest Price	Rs.290.00
Closing Price	Rs.300.00

## SHARE TRADING INFORMATION -TWELVE MONTHS ENDED 31.03.2015

	from 01/04/2014 to 31/03/2015
Highest Price	Rs.365.00
Lowest Price	Rs.280.00
Closing Price	Rs.300.00

No. of Transactions	1,623
No. of shares traded	4,021,136
Value of shares traded	Rs.1,331,221,677.10

## PERCENTAGE OF PUBLIC HOLDING AS AT 31.03.2015

Total number of shareholders representing the public holding	38.66%
	3,089

## Share information

### LISTED DEBENTURES

Details regarding the listed debentures are as follows;

#### Debenture 1 -

Listed, rated, senior, unsecured, redeemable Debentures at 14.25% p.a. payable quarterly and redeemable on 9th July, 2016

Interest rate of comparable Government Securities as at 31st March, 2015, 6.94% (Net of tax)

#### Debenture trading information for the three months ended - 31.03.2015

There were no transactions during the period.

#### Debenture trading information for the twelve months ended - 31.03.2015

No. of Transactions	3
No. of Debentures traded	65,500
Value of Debentures Traded	Rs.71,813,617
Highest Price	Rs.1,096.61
Lowest Price	Rs.1,067.66
Last Traded Price	Rs.1,096.61
Interest yield	12.34%
Yield to maturity	7.55%

#### Debenture 2 -

Listed, rated, senior, unsecured, redeemable Debentures at 7.60% p.a. payable semi annually and redeemable on 6th March, 2019

Interest rate of comparable Government Securities as at 31st March, 2015, 8.29% (Net of tax)

#### Debenture trading information for the three months ended - 31.03.2015

There were no transactions during the period.

#### Debenture 3 -

Listed, rated, senior, unsecured, redeemable Debentures at 7.85% p.a. payable semi annually and redeemable on 6th March, 2020

Interest rate of comparable Government Securities as at 31st March, 2015, 9.04% (Net of tax)

#### Debenture trading information for the three months ended - 31.03.2015

There were no transactions during the period.

Ratios	31.03.2015	31.03.2014
Debt/ equity ratio	0.66	0.79
Quick asset ratio	1.27	0.42
Interest cover	2.16	1.43

## History of dividends and scrip issues

Year	Issue	Basis	No. of shares '000	Cum. No. of shares '000	Dividend	Dividend Rs. '000
1952	Initial Capital		20	20		
1953	First dividend			20	80%	160
1954	Rights (at Rs. 10)	1:02	10	30	55%	165
1955				30	50%	150
1956	Bonus	5:06	25	55	33%	179
1957	Bonus	3:11	15	70	38%	330
1958	Bonus	3:07	30	100	20%	200
1959				100	10%	100
1960				100	18%	180
1961	Bonus	1:02	50	150	8%	262
1962	Bonus	1:03	50	200	15%	300
1963				200	15%	300
1964	Bonus	1:04	50	250	15%	375
1965				250	20%	500
1966				250	18%	450
1967				250	15%	375
1968				250	13%	313
1969				250	15%	375
1970				250	15%	375
1971				250	15%	375
1972				250	11%	275
1973				250	11%	275
1974	Bonus	1:01	250	500	11%	275
1975				500	18%	450
1976				500	10%	442
1977				500	11%	460
1978				500	15%	584
1979	Bonus	1:02	250	750	15%	852
1980				750	16%	958
1981	Bonus	1:03	250	1,000	20%	1,863
1982	Bonus	1:04	250	1,250	21%	2,385
1983	Bonus	1:05	250	1,500	25%	3,451
1984				1,500	27%	3,774
1985				1,500	28%	3,525



## History of dividends and scrip issues

Year	Issue	Basis	No. of shares '000	Cum. No. of shares '000	Dividend	Dividend Rs. '000
1986	Bonus	1:03	500	2,000	33%	6,600
1987	Bonus	1:02	1,000	3,000	33%	9,900
1988	Bonus	1:03	1,000	4,000	33%	13,200
1989	Bonus	1:04	1,000	5,000	33%	16,500
1990	Bonus	1:05	1,000	6,000	33%	19,800
1991	Bonus	1:04	1,500	7,500	33%	24,750
1992	Bonus	1:05	1,500	9,000	33%	29,700
1993	Bonus	1:06	1,500	10,500	30%	31,500
1994	Bonus	4:21	2,000			
	Rights (at Rs. 160)	1:05	2,500	15,000	30%	40,500
1995	Bonus	1:05	3,000	18,000	30%	54,000
1996	Bonus	1:09	2,000	20,000	30%	60,000
1997	Bonus	1:10	2,000	22,000	30%	66,000
1998	Bonus	1:11	2,000	24,000		
	Share Trust (at Rs. 210)		2,400	26,400	30%	79,200
1999	Bonus	1:06	4,400	30,800	30%	92,400
2000	Bonus	1:14	2,200	33,000	30%	99,000
2001	Rights (at Rs. 10)	1:11	3,000	36,000	35%	126,000
2002	Rights (at Rs. 15)	1:09	4,000	40,000	35%	140,000
2003	Rights (at Rs. 20)	1:08	5,000	45,000	35%	157,500
2004	Rights (at Rs. 20)	1:09	5,000	50,000	35%	175,000
2005	Rights (at Rs. 20)	1:10	5,000	55,000		
	Bonus	4:11	20,000	75,000	35%	262,500
2006				75,000	35%	262,500
2007				75,000	Rs.3.50 p.s	262,500
2008				75,000	Rs.3.00 p.s	225,000
2009				75,000	Rs.3.00 p.s	225,000
2010				75,000	Rs.4.00 p.s	300,000
2011				75,000	Rs.4.00 p.s	300,000
2012				75,000	Rs.4.00 p.s	300,000
2013				75,000	Rs.4.50 p.s	337,500
2014				75,000	Rs.5.00 p.s	375,000
2015				75,000	Rs.6.00 p.s	450,000

# Quarterly performance

	Quarter 01 Rs.'000	Quarter 02 Rs.'000	Quarter 03 Rs.'000	Quarter 04 Rs.'000
Revenue	22,612,238	45,496,469	68,479,787	92,561,865
Profit before tax	1,088,673	2,708,168	4,442,206	6,399,915
Tax expense	(305,326)	(678,854)	(1,077,306)	(1,513,581)
Profit after tax	783,347	2,029,314	3,364,900	4,886,334
Profit attributable to owners of the parent	366,818	958,360	1,694,087	2,581,298
Profit attributable to non-controlling interest	416,529	1,070,954	1,670,813	2,305,036
Total comprehensive income for the period, net of tax	906,424	2,034,256	3,262,424	7,976,138
Non Current Assets	50,026,014	50,806,432	51,790,337	55,739,446
Current Assets	35,961,382	35,602,935	36,676,646	37,587,051
Non current liabilities	16,655,860	16,801,794	17,455,084	19,104,649
Current liabilities	31,884,612	31,224,263	31,436,451	30,012,373

	Rs.	Rs.	Rs.	Rs.
<b>Market value of shares</b>				
Closing share price	290.00	360.00	339.90	300.00
Basic earnings per share	4.89	12.78	22.59	34.42
Diluted earnings per share	4.89	12.78	22.59	34.42
Highest price recorded for the three months ending	300.00	365.00	360.00	364.00
Lowest price recorded for the three months ending	280.00	286.50	310.00	290.00
Market capitalisation (Rs. Mn.)	21,750	27,000	25,493	22,500

<b>Share trading information</b>				
No. of transactions	426	1,093	1,420	1,623
No. of shares traded	154,492	1,777,981	2,813,018	4,021,136
Value of shares traded (Rs)	44,700,238	559,825,429	922,604,601	1,331,221,677

## Independent assurance report



**Carbon Consulting Company**  
104/11, Grandpass Road, Colombo 14, Sri Lanka.  
Tel: (+94) 114 796 764 / (+94) 117 208 208  
Fax: (+94) 112 334 748  
Web: [www.carbonconsultingcompany.com](http://www.carbonconsultingcompany.com)

13<sup>th</sup> May, 2015

### Independent Assessment of Greenhouse Gases for Hayleys PLC Operations in Sri Lanka

The Carbon Consulting Company (CCC) was retained to conduct a Customised Organisational Greenhouse Gas Assessment for the Sri Lankan operations of Hayleys PLC, using data of client stipulated business entities and emissions sources within their 14 sectors. The specified emissions sources are as follows;

- Stationary Combustion
- Mobile Combustion
- Fugitive Emissions
- Purchased Electricity
- Air Travel
- Other (Electricity Transmission & Distribution Losses and Combustion from Transportation & Other Mobile Sources that are not included under Scope 1)

The assessment was carried out in accordance with the **Greenhouse Gas Protocol - Corporate Accounting and Reporting Standard (GHG Protocol)** developed in partnership with the **World Business Council for Sustainable Development** and the **World Resources Institute**. This standard provides guidelines regarding organisational and operational boundaries, quantification and standard reporting practices.

The client is solely responsible for the authenticity, relevancy and accuracy of the data provided to CCC for this Greenhouse Gas Assessment. It must be noted that certain necessary assumptions, estimations and/or extrapolations were made in this assessment due to the lack of availability of data, and given the constraints identified with certain available data, CCC has endeavored to the best of its ability to meet many of the requirements of the GHG Protocol to the limited emissions sources stipulated by the client. A sample data verification was carried out by CCC on seven client stipulated subsidiaries of Hayleys PLC, and a report on the results of the assessment, findings of the verification visits and other relevant issues identified during the assessment has been separately provided by CCC to the client.

With the said caveat on the provided data, CCC has calculated that the Carbon Footprint of Hayleys PLC's operations for the aforementioned emissions sources only, for the Financial Year 2014/15 is **95,043 tCO<sub>2</sub>e**. A tabulated summary of the emissions for the stipulated sources across the 14 sectors is provided as requested by the client for the purpose of inclusion in their annual report.

Yours faithfully,

  
**Sanith De S. Wijeyeratne**  
Chief Executive Officer  
The Carbon Consulting Company  
15 Havelock Place, Colombo 05, Sri Lanka  
Mobile: +94 777 370 747  
Email: [sanith@carbonconsultco.com](mailto:sanith@carbonconsultco.com)



## Independent assurance report



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

Tel : +94 11 2463500  
Fax : +94 11 2697369  
Gen : +94 11 5578180  
Tax : +94 11 5578180  
eysl@lk.ey.com  
ey.com

### Independent Assurance Report to the Board of Directors of Hayleys PLC on the Sustainability Reporting Under the Integrated Annual Report 2014-15

#### Introduction and scope of the engagement

The management of Hayleys PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting indicators under the annual report- 2014-15 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 10 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines.

#### Basis of our work and level of assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI G4 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

#### Management of the Company's responsibility for the Report

The management of the Company is responsible for the preparation of the self-declaration, the information

and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustaining reporting process in line with the GRI Sustainability Reporting Guidelines.

#### Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 28 April 2015. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

#### Key assurance procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Ernst & Young selected three sectors of Hayleys PLC; Plantation, Textile and Construction Material to complete the Sustainability assurance process for the company. We visited some of the selected sectorial offices during the assurance process.
- We have performed the assurance process based on a sample by visiting the corporate office and other sectorial offices belonging to Hayleys PLC as follows:

##### Plantation

- Kelani Valley Plantations PLC
- Talawakelle Tea Estates PLC
- Kelani Valley Instant Tea (Private) Limited

##### Construction Materials

- Alumex PLC

##### Textiles

- Hayleys MGT Knitting Mills PLC

- Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2015.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

#### Limitations and considerations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

#### Conclusion

Based on the procedures performed, as described above, we conclude that:

- The information on financial performance as specified on page 10 of the Report is properly derived from the audited financial statements of the Company for the year ended 31 March 2015.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from GRI-G4-'In accordance' Core Sustainability Reporting Guidelines.

Chartered Accountants  
29 May 2015  
Colombo

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

A member firm of Ernst & Young Global Limited

## Group companies

Sub sector	Company	Nature of the Business
Fibre	Ravi Industries Ltd	Industrial and household brushware
	Rileys (Pvt) Ltd	Cleaning devices
	Haymat (Pvt) Ltd	Coir fibre mats
	Creative Polymats Pvt) Ltd	Moulded rubber products
	Hayleys Fibre PLC	Value added coir-based products
	Bonterra Lanka Ltd	Value added coir-based products
	Ravi Marketing Servises (Pvt) Ltd	Services
	Chas P. Hayley & Company (Pvt) Ltd	Coir and treated rubber timber products
	Volanka (Pvt) Ltd	Investments
	Volanka Exports Ltd	Coir-based products and essential oil
	Toyo Cushion Lanka (Pvt) Ltd	Needled and rubberised coir products
	Lignocell (Pvt) Ltd	Coir fibre pith
	Charles Fibres (Pvt) Ltd	Trading in coir-based products
Hand protection	Dipped Products Group	General purpose and speciality rubber gloves
Purification products	Haycarb Group	Activated Carbon and Environmental Purification Solutions
Textiles	Hayleys MGT Knitting Mills PLC	Knitted fabric
Construction material	Alumex Group	Aluminium extrusions
	Alufab PLC	Architectural aluminium joinery systems
	S & T Interiors (Pvt) Ltd- Associate	Interior fitout contractors
Plantations	DPL Plantations (Pvt) Ltd	Plantation Management
	Hayleys Plantation Services (Pvt) Ltd	Plantation Management
	Kelani Valley Plantations PLC	Processed tea and rubber
	Talawakele Tea Estates PLC	Processed black and green tea
	Kelani Valley Instant Tea (Pvt) Ltd	Manufacture of ready- to - drink tea powder
	Mabroc Group	Export of bulk and retail packed tea
	Hayleys Global Beverages (Pvt) Ltd	Manufacturing instant tea and tea extract
Agriculture	Hayleys Agriculture Holdings Ltd	Crop production and protection materials, agricultural equipment and animal health products
	Agro Technica Ltd	Agricultural machinery and equipment
	Haychem (Bangladesh) Ltd	Crop protection chemicals

Sub sector	Company	Nature of the Business
	Sunfrost (Pvt) Ltd	Fresh/processed vegetables
	HJS Condiments Ltd	Retailed-packed, processed vegetables
	Hayleys Agro Farms (Pvt) Ltd	Planting material
	Hayleys Agro Biotech (Pvt.) Ltd	Horticultural tissue culture products
	Quality Seed Company (Pvt) Ltd	Hybrid flower seeds
	Hayleys Agro Fertilizers (Pvt) Ltd	Fertiliser
	Hayleys Aquagri (Pvt) Ltd	Growing/ exporting dry seaweed for carrageenan
Consumer products	Hayleys Consumer Products Ltd	Lighting products and solutions, photo imaging, health care and FMCG products
	Hayleys Electronics Lighting (Pvt) Ltd	Lighting products and solutions
	Global Consumer Brands (Pvt) Ltd.	Manufacturers, importers, retailers
	Hayleys Electronics Manufacturing (Pvt) Ltd.	Electrical and general engineering products
Hotels & resorts	Hunnas Falls Hotels PLC	Leisure
	The kingsbury PLC	Leisure
	Amaya Leisure PLC	Leisure
	Culture Club Resorts (Pvt) Ltd	Leisure
	Kandyan Resorts (Pvt) Ltd	Leisure
	CDS Conventions (Pvt) Ltd	Leisure
	Eastern Hotels Ltd	Leisure
	The Beach Resorts Ltd	Leisure
	Sun Tan Beach Resorts Ltd	Leisure
	Noegombo Hotels Ltd - Associate	Leisure
	The Queensbury (Pvt) Ltd	Leisure
Aviation & Destination Management Services	Hayleys Leisure Holdings (Pvt) Ltd	Investments and Hotel Management
	Air Global (Pvt) Ltd	Airline representation
	North South Lines (Pvt) Ltd	Airline representation
	Millennium Transportation (Pvt) Ltd	Airline representation
	Hayleys Travels and Tours (Pvt) Ltd	Travel Agency and Destination Management
Industry Inputs	Hayleys Industrial Solutions (Pvt) Ltd	Engineering and projects, power generation, pigments and industrial raw materials
	Hayleys Life Sciences (Pvt) Ltd	Supplying health care equipment



## Group companies

Sub sector	Company	Nature of the Business
Power & Energy	Haycolour (Pvt) Ltd	Textile dyestuff and binders
	Power Engineering Solutions (Pvt) Ltd (Mawanana)	Marketing of power generating equipment
	Bhagya Hydro (Pvt) Ltd	Hydropower
	Neluwa Cascade Hydro Power (Pvt) Ltd	Hydropower
	Hayleys Hydro Energy (Pvt) Ltd	Hydropower
	Nirmalapura Wind Power (Pvt) Ltd	Windpower
	TTEL Somerset Hydro Power (Pvt) Ltd	Hydropower
	TTEL Hydro Power Company (Pvt) Ltd	Hydropower
	Hayleys Neluwa Hydro Power (Pvt) Ltd	Hydropower
	Hayleys Power Ltd	Hydropower investments
	Kiriweldola Hydro Power (Pvt) Ltd	Hydropower
	Aninkanda Hydro Power (Pvt) Ltd	Hydropower
	Neluwa Upper Hydro Power (Pvt) Ltd	Hydropower
	Kalupahana Power Company (Pvt) Ltd	Hydropower
	Lindula Power Company (Pvt) Ltd.	Hydropower
Transportation & Logistics	Hayleys Advantis Group	Shipping agency, international freight forwarding, express freight, bunkering, husbanding and port agency, ship chartering, ocean container repairing and conversion, container yard operation, inland logistics, energy logistics, warehousing and third-party logistics
Investment & Services	Dean Foster (Pvt) Ltd	Investments
	Hayleys Business Solutions International (Pvt) Ltd	Business Process Outsourcing and Centralised Shared Services
	Hayleys Group Services (Pvt) Ltd	Secretarial/Investments
	Volanka Insurance Brokers (Pvt) Ltd	Insurance Brokering
	Haydea Business Solutions (Pvt) Ltd	Business Process Outsourcing
	Carbotels (Pvt) Ltd	Hotel Investment
	Haylex BV Group	Marketing

## GRI content index

Number	Description	Reference/Comments	Page Reference
<b>GENERAL STANDARD DISCLOSURES-G4</b>			
<b>STRATEGY AND ANALYSIS</b>			
G4-1	Statement from the most senior decision maker of the Organisation about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	Chairman's Message	17-21
<b>ORGANISATIONAL PROFILE</b>			
G4-3	Name of the organization	Hayleys PLC	
G4-4	Primary brands products, and services	Core Areas of Operation	31-35
G4-5	The location of the organization's headquarters	Colombo, Sri Lanka	Inner back cover
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Our Global Footprint	36
G4-7	The nature of ownership and legal form	Inner Back Cover	
G4-8	The markets served (geographic breakdown, sectors served, and types of customers/ beneficiaries)	Our Global Footprint	36-37
G4-9	The scale of the organization, including: Total number of employees Total number of operations Net sales (for private sector organizations) or net revenues (for public sector organizations) Total capitalization broken down in terms of debt and equity (for private sector organizations) Quantity of products or services provided	Core Areas of Operation Financial Review Value Creators	11, 31,41
G4-10	The total number of employees by employment contract and gender. The total number of permanent employees by employment type and gender. The total workforce by employees and supervised workers and by gender. The total workforce by region and gender. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	Value Creators	48
G4-11	The percentage of total employees covered by collective bargaining agreements.	Value Creators	52-53
G4-12	Describe the organization's supply chain.	Sector Reviews	63-127
G4-13	Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: Changes in the location of, or changes in, operations, including facility openings, closings, and expansions Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination	Chairman's Review	17-21
G4-14	Whether and how the precautionary approach or principle is addressed by the organization.	About this Report	9

## GRI content index

Number	Description	Reference/Comments	Page Reference
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Global Reporting Initiative (G4) Guidelines International Integrated Reporting Council (IIRC) Sri Lanka Accounting Standards (SLAS) and Sri Lanka Financial Reporting Standards (SLFRS) Sector Reviews for certifications	
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization is a member.	<ul style="list-style-type: none"> <li>• Chamber of Commerce Business Councils</li> <li>• United Nations Global Compact</li> <li>• Lanka Business Coalition for HIV-AIDS</li> <li>• Institute of Chartered Shipbrokers</li> <li>• National Agribusiness Council</li> <li>• Sri Lanka Association of Inbound Tour Operators</li> <li>• Ethical Tea Partnership</li> <li>• Water Quality Association</li> </ul>	
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>			
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	Financial Statements	284-286
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	Identifying material issues	26
G4-19	List all the material Aspects identified in the process for defining report content.	Identifying material issues	27
G4-20	For each material Aspect, the Aspect Boundary within the organization	Identifying material issues	27
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	Identifying material issues	27
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	There are no restatements	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	None	
<b>STAKEHOLDER ENGAGEMENT</b>			
G4-24	List of stakeholder groups engaged by the organization.	Stakeholder Engagement	25
G4-25	The basis for identification and selection of stakeholders with whom to engage.	Stakeholder Engagement	25
G4-26	The organization's approach to stakeholder engagement	Stakeholder Engagement	24
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Stakeholder Engagement	25

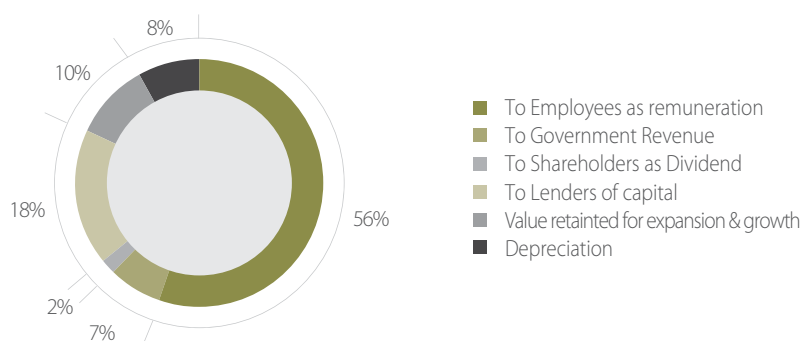
Number	Description	Reference/Comments	Page Reference
<b>REPORT PROFILE</b>			
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	About this Report	9
G4-29	Date of most recent previous report (if any).	Financial year ended 31st March 2014	
G4-30	Reporting cycle (such as annual, biennial)	Annual	
G4-31	The contact point for questions regarding the report or its contents.	About this Report	9
G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option c. Report the reference to the External Assurance Report, if the report has been externally assured.	Core	9, 287-290
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	External Assurance provided by Messrs. Ernst and Young	283
<b>GOVERNANCE</b>			
G4-34	The governance structure of the organization, including committees of the highest governing body.	Corporate Governance	50
<b>Ethics and Integrity</b>			
G4-56	The organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	Corporate Governance	3
<b>SPECIFIC STANDARD DISCLOSURES</b>			
Material Aspect	DMA/Indicators	Reference/comments/ Reasons for omission	Page
<b>ECONOMIC ASPECTS</b>			
<b>Economic Performance</b>			
G4-EC1	Direct economic value generated	Financial and Operational highlights	10
G4-EC2	Financial implications and other risks and opportunities for the Organisation's activities due to climate change	Environmental Performance	47 partially compiled
G4-EC3	Coverage of defined benefit plan obligations	Financial Statements	194
<b>ENVIRONMENTAL ASPECTS</b>			
<b>Materials</b>			
G4-EN1	Materials used by weight or volume	Environmental Performance	45
<b>Emissions</b>			
G4-EN15	Direct greenhouse gas (GHG) emissions	Environmental Performance	47
G4-EN16	Energy indirect greenhouse gas (GHG) emissions	Environmental Performance	47
G4-EN17	Other relevant indirect greenhouse gas emissions by weight	Environmental Performance	47

## GRI content index

Number	Description	Reference/Comments	Page Reference
<b>SPECIFIC STANDARD DISCLOSURES</b>			
Material Aspect	DMA/Indicators	Reference/comments/ Reasons for omission	Page
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Environmental Performance	47
<b>Effluents and Waste</b>			
G4-EN23	Total weight of waste by type and disposal method	Environmental Performance	46
<b>Compliance</b>			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No significant fines	
<b>SOCIAL ASPECTS</b>			
<b>Employment: Labour practices and Decent Work</b>			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Value Creators	51 partially compiled
G4-LA2	Benefits provided to full time employees that are not provided to temporary or part time employees by significant location of operations	Value Creators	51
<b>Employment: Occupational health and safety</b>			
G4-LA 4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Value Creators	53
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on health and safety programmes	Value Creators	52
G4-LA6	Type of injury and rates of injury, occupational disease, lost days and absenteeism, and total number of work-related fatalities by region and gender	Value Creators	52
<b>Employment: Training and Education</b>			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Value Creators	52
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Value Creators	52
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Value Creators	52
<b>Human Rights: Child Labour</b>			
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour and measures taken to contribute to the effective abolition of child labour	Value Creators	51
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	Value Creators	50
<b>Society: Compliance</b>			
G4-SQ8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	None	
<b>Product Responsibility: Compliance</b>			
G4-PR9	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	No incidence of non-compliance	

## Group value addition and distribution

	Consolidated	Company
	2014/15	2013/14
	Rs.Mn	Rs.Mn
<b>Value Created</b>		
Turnover	92,562	80,479
Cost of materials & Services bought in	(67,491)	(59,477)
	25,071	21,002
<b>Value Distributed</b>		
	Share %	Share %
To Employees as remuneration	56%	54%
To Government Revenue	7%	8%
Of Sri Lanka	1,317	1,364
Overseas	298	273
To Shareholders as Dividend	2%	2%
To Lenders of capital	18%	20%
Interest on borrowings	2,136	2,386
Minority interest	2,305	1,900
	82%	84%
<b>Value retained for expansion &amp; growth</b>		
Depreciation	10%	10%
Profit retained	8%	7%
	18%	16%
	100	100
	25,071	21,002





## Glossary of financial terms

**Actuarial Gains and Losses** Gain or loss arising from the difference between estimates and actual experience in a company's pension plan.

### **Amortisation**

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

### **Available for Sale**

Non derivative financial asset that are designated as available for sale or are not classified as loans and receivable, held to maturity investment or financial assets at fair value through profit and loss.

### **Biological Asset**

A living animal or plant

### **Capital Employed**

Shareholders' funds plus non-controlling interests and interest bearing borrowings.

### **Capital Reserves**

Reserves identified for specific purposes and considered not of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity available for distribution.

### **Cash Equivalents**

Liquid investments with original maturity periods of three months or less.

### **Contingent Liability**

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

### **Current Ratio**

Current assets divided by current liabilities. A measure of liquidity.

### **Current Service Cost**

Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

### **Deferred Taxation**

The tax effect of timing differences deferred to/ from other periods, which would only qualify for inclusion on a tax return at a future date.

### **Dividend Cover**

Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

### **Dividend Payout**

Dividend per share as a percentage of the earnings per share.

### **Dividend Yield**

Dividend per share as a percentage of the market price. A measure of return on investment.

### **EBIT**

Earnings before Interest and tax.

### **Effective Tax Rate**

Income tax expense divided by profit before tax.

### **Equity**

The value of an asset after all the liabilities or debts have been paid.

### **Fair Value**

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 measurement date.

### **Fair Value Through Profit and Loss**

A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term.

### **Financial Asset**

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

### **Financial Instrument**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

### **Financial Liability**

Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

### **Gain on Bargain Purchase**

The amount of the identifiable assets acquired and liabilities assumed exceeds the aggregate consideration transferred.

### **Gearing**

Proportion of total interest bearing borrowings to capital employed.

### **Interest Cover**

Profit before tax and net finance cost divided by net finance cost. Measure of an entity's debt service ability.

### **Key Management Personnel (KMP)**

KMP are those persons having authority and responsibility for planning directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

### **Market Capitalisation**

Number of shares in issue multiplied by the market value of a share at the reported date.

### **Net Assets Per Share**

Total equity attributable to equity holders divided by the weighted average number of ordinary shares in issue. A basis of share valuation.

### **Non-controlling Interest**

Equity in subsidiary not attributable, directly or indirectly, to a parent.

### **Other comprehensive income**

An entry that is generally found in the shareholders' equity section of the balance sheet.

### **Price Earnings Ratio**

Market price of a share divided by earnings per share as reported at that date.

### **Related Parties**

A person or entity that is related to the entity that is preparing its Financial Statements.

### **Return on Capital employed**

Profit before tax and net finance cost divided by average capital employed.

### **Revenue Reserves**

Reserves considered as being available for distributions and investments.

### **Segments**

Constituent business units grouped in terms of similarity of operations and location.

### **SoRP**

Statement of Recommended Practice.

### **Value Addition**

The quantum of wealth generated by the activities of the Group measured as the difference between turnover and the cost of materials and services bought in.

### **Working Capital**

Capital required to finance day-to-day operations, computed as the excess of current assets over current liabilities.

## Notes

## Notes



## Notice of meeting

HAYLEYS PLC  
Company Number PQ 22

**NOTICE IS HEREBY GIVEN** that the Sixty Fourth Annual General Meeting of Hayleys PLC will be held at Victorian Ballroom, The Kingsbury Hotel, No. 48, Janadhipathi Mawatha, Colombo 1 on Friday, 26th June 2015 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 2015, with the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Mr.M.D.S.Goonatilleke, who retires by rotation at the Annual General Meeting, a Director.
4. To re-elect Mr.W.D.N.H.Perera, who retires by rotation at the Annual General Meeting, a Director.
5. To re-elect Mr.S.C.Ganegoda, who retires by rotation at the Annual General Meeting, a Director.
6. To re-elect Mr.L.R.V.Waidyaratne, who retires by rotation at the Annual General Meeting, a Director.
7. To authorise the Directors to determine contributions to charities for the financial year 2015/16.
8. To authorize the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been re-appointed as Auditors, for the Financial year 2015/16.
9. To consider any other business of which due notice has been given.

**Note :**

- (i) A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office, No.400, Deans Road, Colombo 10 by 10.00 a.m. on 24th June 2015.
- (ii) It is proposed to post ordinary dividend warrants on 8th July 2015 and in accordance with the rules of the Colombo Stock Exchange the shares of the Company will be quoted ex-dividend with effect from 29th June 2015.



By Order of the Board  
**HAYLEYS PLC**  
HAYLEYS GROUP SERVICES (PRIVATE) LIMITED  
Secretaries

Colombo  
1st June 2015

## Form of proxy

HAYLEYS PLC  
Company Number PQ 22

I/We.....  
of .....  
being Shareholder/Shareholders\* of HAYLEYS PLC hereby appoint:  
1 .....  
of .....Or  
failing him/them

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our \* proxy to attend, speak and vote as indicated hereunder for me/us\* and on my/our\* behalf at the Sixty Forth Annual General Meeting of the Company to be held on Friday, 26th June 2015 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	For	Against
1. To adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2015 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a dividend as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr.M.D.S.Goonatilleke, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr.W.D.N.H.Perera, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr.S.C.Ganegoda, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Mr.L.R.V.Waidyaratne , who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise the Directors to determine contributions to charities for the financial year 2015/16	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorize the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been re-appointed as Auditors, for the Financial year 2015/16.	<input type="checkbox"/>	<input type="checkbox"/>

(\*\*) The proxy may vote as he thinks fit on any other resolution brought before the Meeting.

As witness my/our\* hands this ..... day of .....2015.

Witnesses: .....  
.....  
.....  
Signature of Shareholder

Note : \* Please delete the inappropriate words.

1. A proxy need not be a Shareholder of the Company.
2. Instructions as to completion appear on the reverse.



## Form of proxy (Contd.)

### INSTRUCTIONS AS TO COMPLETION :

1. To be valid, this Form of Proxy must be deposited at the Registered Office, No. 400, Deans Road, Colombo 10, by 10.00 a.m. on 24th June 2015
2. In perfecting the Form of Proxy, please ensure that all details are legible.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors of the Company) as your proxy, please insert the relevant details at (1) overleaf and initial against this entry.
4. Please indicate with an X in the space provided how your proxy is to vote on each resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (\*\*) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
5. In the case of a Company/Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original (POA) together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.

## Investor feedback form

To request information or submit a comment / query to the Company, please complete the following and return this page to-

Strategic Business Development Unit  
Hayleys PLC  
P.O Box 70 , No.400, Deans Road, Colombo 10, Sri Lanka.

T + 94 11262 7662  
E-mail : info@cau.hayleys.com

Name : .....

Permanent Mailing Address : .....

Contact Numbers - (Tel) : .....

County Code Area Code Number

- (Fax) : .....

County Code Area Code Number

E-mail : .....

Name of Company (If Applicable) : .....

Designation (If Applicable) : .....

Company Address (If Applicable) : .....

Queries / Comments :



# Corporate Information

## **Name Of Company**

Hayleys PLC  
(A public limited company, incorporated in Sri Lanka in 1952)

## **Company Number**

PQ 22

## **Stock Exchange Listing**

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

## **Registered Office**

Hayleys PLC,  
P.O. Box 70, 400, Deans Road,  
Colombo 10, Sri Lanka  
Telephone: (94-11)2627000  
Facsimile: (94-11)2699299  
Website: <http://www.hayleys.com>

## **Directors**

A M Pandithage – Chairman & Chief Executive  
K D D Perera – Co-Chairman (Non - Executive) w.e.f 15.09.2014  
M R Zaheed  
W D N H Perera  
S C Ganegoda  
H S R Kariyawasan  
Dr. H Cabral, PC  
L.T Samarawickrama  
Dr. K I M Ranasoma  
M D S Goonatilleke  
L R V Waidyaratne  
M H Jamaldeen  
Ms. D S N Weerasooriya (Alternate Director to K.D.D Perera)  
(resigned w.e.f 31.05.2014)

## **Group Management Committee**

A M Pandithage – Chief Executive  
M R Zaheed  
S C Ganegoda  
H S R Kariyawasan  
Dr. K I M Ranasoma  
L T Samarawickrama  
L R V Waidyaratne  
H C S Mendis

S J Wijesinghe  
Dr A Sivagananathan  
L D E A De Silva  
W G R Rajadurai  
E R P Goonethilleke  
G A Dandeniya (resigned w.e.f 15.05.2015)  
Ms. D S Amerasinghe

## **Audit Committee**

M.D.S Goonatilleke – Chairman  
W D N H Perera  
Dr H Cabral, PC  
M H Jamaldeen

## **Remuneration Committee**

Dr H Cabral, PC – Chairman  
K D D Perera  
W D N H Perera  
M D S Goonatilleke  
M H Jamaldeen

## **Nomination Committee**

A M Pandithage – Chairman  
K D D Perera  
W D N H Perera  
Dr H Cabral, PC

## **Secretaries**

Hayleys Group Services (Private) Limited  
400, Deans Road, Colombo 10, Sri Lanka  
Telephone: (94-11)2627650  
Facsimile: (94-11)2627645  
E-mail: [info.sec@hayleys.com](mailto:info.sec@hayleys.com)  
Please direct any queries about the administration of shareholdings to the Company Secretaries

## **Investor Relations**

Please contact Strategic Business Development Unit  
Telephone: (94-11)2627662  
E-mail: [info@cau.hayleys.com](mailto:info@cau.hayleys.com)

## **Internet**

[www.hayleys.com](http://www.hayleys.com)

Designed & produced by



Digital Plates & Printing by Softwave  
Printing and Publishing (Pvt) Ltd  
Photography by Dimitri Cruz,  
Taprobane Street and Dhanush de Costa

