



# STATE OF THE HEART

The Hayleys Group is well known for our focus on excellence in corporate citizenship, which is why the Company has once again been named 'Best Corporate Citizen 2016' for the fifth year, by the Ceylon Chamber of Commerce in its benchmark award recognising local corporates for business excellence, social responsibility, governance and sustainability.

Yet our commitment to operating a socially responsible and sustainable business goes far beyond our desire for recognition as leaders in the local business world. While strong balance sheet results remain a priority, we regard the creation and sharing of holistic value with our many stakeholders as key to our definition of real success.

This report describes our many achievements across the vast span of business sectors which we manage, together with a description of all that we are doing to advance our triple bottom line commitments to the people whose lives we touch; the investors, consumers, communities, partners and employees whose interests lie at the heart of all we do.

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This report is Carbon Neutral

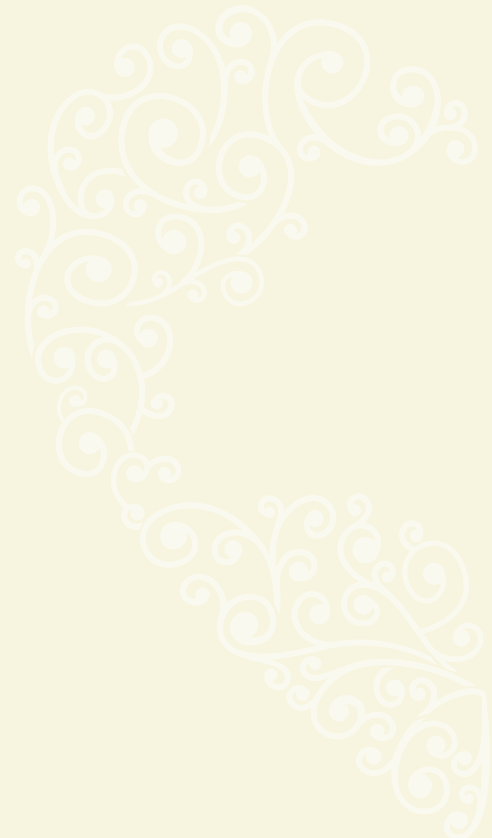


Scan the QR Code with your smart device to view this report online.

# AT THE HEART OF ALL WE DO...

Sustainability genuinely penetrates our core operations. As a socially conscious corporate, we endorse the practice of 'hands on rather than hand outs' - an approach where interactions with our stakeholders promote valid discourse and give light to issues. We aim to cement our growing role of leadership in corporate sustainability in our vision of becoming Sri Lanka's corporate inspiration.

Whilst being conscious of the fact that profit is the *raison d'être* of business, we are mindful that sustainable profit does not happen in isolation of our People and our Planet.



110,000

Lives of our Plantation  
community enhanced

130,000 ltrs

Of clean drinking water to  
combat CKD daily

25,500

People in 16 villages  
benefited through Hayleys  
Puritas Sathdiyawara

>10,400

Staff Volunteer hours



>38,000

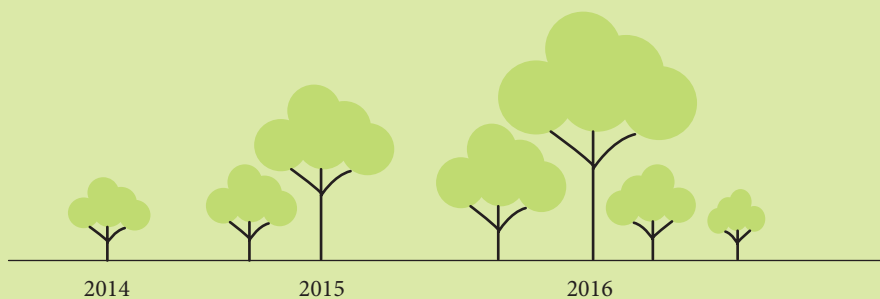


Beneficiaries of our Group CSI



111 Mn

Investment in Group CSI



317,000+ m<sup>3</sup> Of water recycled



> 10,000 m<sup>3</sup>  
Rain water  
harvested

51%  
Energy from  
renewable sources



Carbon  
footprint

28% reduction in specific carbon  
footprint (Scope 1 & 2)



51%  
Renewable energy  
percentage from  
total energy



127,480 Mwh  
Of renewable  
electricity generated



**55%**

Payments made  
to local suppliers  
from total



**70%**

Small & medium  
scale suppliers



**>19,000**

Total numbers of  
suppliers



## CUSTOMERS AND SUPPLIERS



**>Rs. 50 bn**

Payments to suppliers

**>Rs. 218 mn**

Investment in supplier  
development



**>10,000**

New customers acquired





> Rs. 70 mn  
Investment in  
training



59%



41%

Gender representation

> Rs. 15 bn  
Payments to Employees



74%  
Employees outside  
Western Province



1,188  
Overseas Employees



87%  
Retention Rate



28,137  
Employees



>125,000  
Total number of  
training hours

## 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



# Hayleys at a Glance

Hayleys PLC is Sri Lanka's most diversified conglomerate with over 139 years of leadership and value creation across 12 industry sectors. The Group has been at the forefront of driving Sri

Lankan industries forward through innovation, sustainable business practices and shared value. As a frequent recipient of numerous local and international accolades, Hayleys PLC is one of

Sri Lanka's most respected corporate entities. Headquartered in Colombo, Sri Lanka, the Group operates facilities in five regions around the world.



## Transportation and Logistics:

Sri Lanka's one of largest freight forwarder



## Agriculture:

45% share in export of processed fruits and vegetables



## Plantations:

Produces 3.4% and 3.8% of the country's tea and rubber production



## Hand Protection:

5% global market share in non-medical rubber gloves



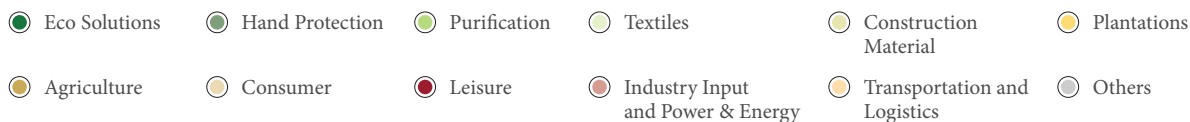
## Purification:

World's largest manufacturer of coconut-shell based activated carbon



## Construction Materials:

51% of Sri Lanka's aluminium extrusion market



## Employer of choice

We are one of the country's largest employers, providing a unique value proposition to our highly-skilled team.

**28,137**  
Employees

## Innovation

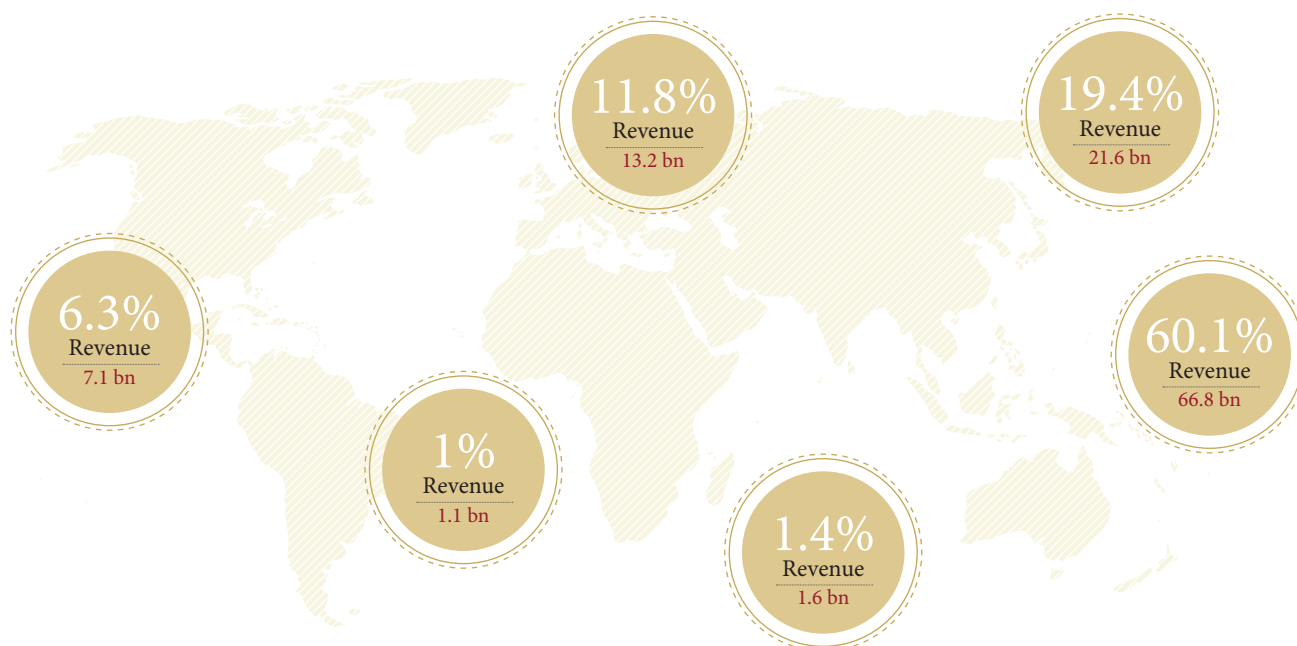
Strong R&D capabilities have enabled us to be at the forefront of industry innovation across several sectors

**299**  
New Products

**304**  
Products in the Pipeline

# Global Reach

Hayleys generates 3.53% of Sri Lanka's export earnings, with its products sold to over 85,000 customers in 5 regions across the globe



## A sustainable approach

As a 5-time winner of Sri Lanka's Best Corporate Citizen Award (including in 2016), we have a deep commitment towards social and environmental responsibility



**25,500**

Provide clean water to 25,500 individuals in 16 villages to combat CKD



**50MW**

2% (50MW) of renewable energy installed power in Sri Lanka



**8%**

8% water recycled



**111 mn**

Investment in CSR amounting to Rs. 111 mn



**2,037**

Numbers of suppliers supported through development initiatives



**28%**

Group-wide carbon footprint intensity (emissions/revenue) reduced by 28% during the year for scope 1 and 2



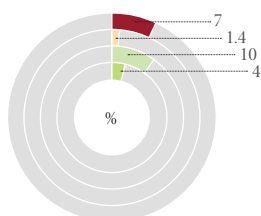
**110,000**

Socio economic development of 110,000 individuals living in estate communities

# A Snapshot of Our Businesses

## Eco Solutions

One of Sri Lanka's leading manufacturers and exporters of value added coconut fibre products, with a global reputation for innovation and tailor-made solutions.



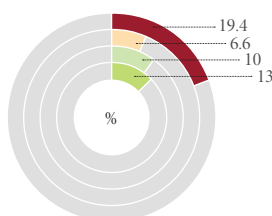
● Revenue ● PBT  
● Employees ● Carbon footprint

### Main products

- Brushware
- Floor Coverings
- Industrial Fibre

## Hand Protection

We are ranked among the world's top 5 producers in the non medical glove industry and have developed a competitive edge through deep industry insights and innovation



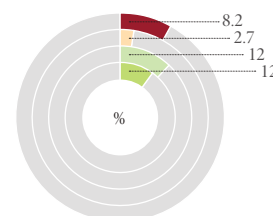
● Revenue ● PBT  
● Employees ● Carbon footprint

### Main products

- Industrial Gloves
- Household Gloves
- Medical Gloves

## Purification

The world's largest manufacturer of coconut-shell based activated carbon, we have built a global reputation for quality and sustainable production methods.



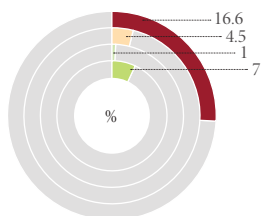
● Revenue ● PBT  
● Employees ● Carbon footprint

### Main products

- Granular AC
- Powder AC
- Extruded pellet AC
- Environmental Engineering Solutions

## Textiles

We supply fabric to leading global fashion brands, and have the capability to cater to end-to-end customer requirements.



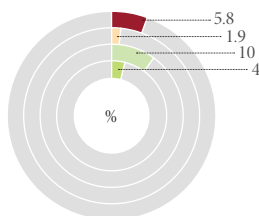
● Revenue ● PBT  
● Employees ● Carbon footprint

### Main products

- Single Jersey
- Interlock
- Pique
- Rib
- Fleece
- Polar fleece

## Construction Materials

We are Sri Lanka's leading manufacturer of aluminium extrusions, offering a range of products to the residential and industrial segments.



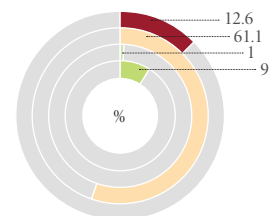
● Revenue ● PBT  
● Employees ● Carbon footprint

### Products

- Windows
- Partitions
- Curtain walls
- Louvers
- Shop fronts
- Doors

## Plantations

One of Sri Lanka's largest plantation sector contributors, we generate 3.4% and 3.8% of the country's tea and rubber production respectively.



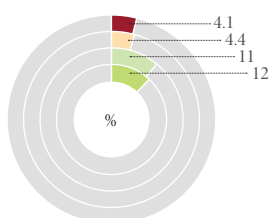
● Revenue ● PBT  
● Employees ● Carbon footprint

### Products

- Tea
- Rubber

## Agriculture

We are an industry pioneer in agricultural innovation and provide a wide range of agriculture related solutions to the retail and export markets.



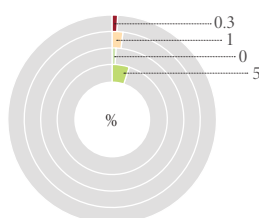
● Revenue ● PBT  
● Employees ● Carbon footprint

### Products/Activities

- Processed fruits and vegetables
- Crop protection
- Animal Health
- Agri Equipments
- Fertilizer

## Consumer

We represent globally renowned brands including Proctor and Gamble, Phillips Lighting and Fujifilm



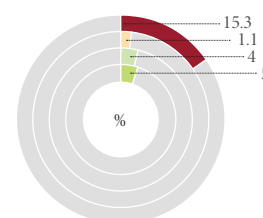
● Revenue ● PBT  
● Employees ● Carbon footprint

### Products/Activities

- Consumer products
- Lighting solutions
- Pharmaceutical products
- Imaging products

## Leisure

We own and operate 8 resort properties through the Amaya Resorts chain and 2 city properties, The Kingsbury and Platinum 1.



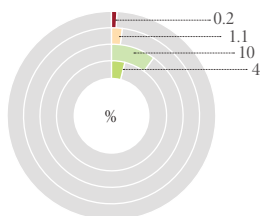
● Revenue ● PBT  
● Employees ● Carbon footprint

### Products/Activities

- Resort and city hotel operations
- Tours

## Industry Inputs and Power & Energy

We supply close to 2% of the country's total renewable energy with an installed capacity of 50 MW of hydro, solar and wind power plants.



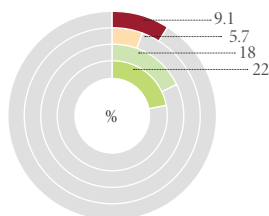
● Revenue ● PBT  
● Employees ● Carbon footprint

### Products/Activities

- Renewable energy
- Industrial materials
- Power engineering solutions
- Life Sciences and medical equipment

## Transportation & Logistics

Sri Lanka's leading player in the transportation and logistics industry, we provide the entire gamut of transportation related services.



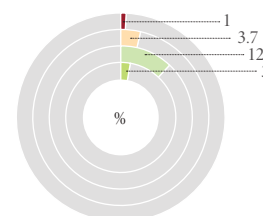
● Revenue ● PBT  
● Employees ● Carbon footprint

### Products/Activities

- International freight management
- Integrated Logistics
- Marine Services
- Terminals and Engineering

## Others

This includes our BPO operation, Projects, Aviation and Travels, Alufab, Fentons Group and the Group Services.



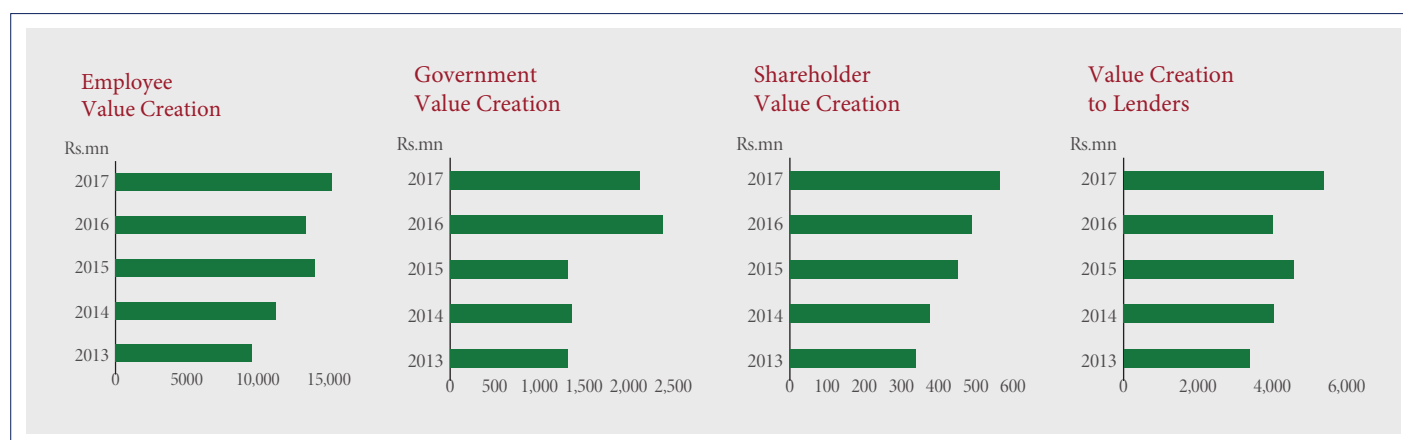
● Revenue ● PBT  
● Employees ● Carbon footprint

### Products/Activities

- Business process outsourcing
- Aviation services, travel services
- Aluminium framed glazed architectural systems
- Interior design
- Terminals and Engineering

# Value Creation Highlights

	2017	2016	2015	2014	2013
	Rs. mn	Rs. mn	Rs. mn	Rs. mn	Rs. mn
Revenue	111,383	92,275	92,562	80,479	74,302
Other income	1,024	689	538	427	327
<b>VALUE DISTRIBUTED</b>					
To employees as remuneration	15,207	13,396	14,018	11,298	9,579
To Government Revenue					
- Sri Lanka	2,126	2,385	1,317	1,364	1,311
- Overseas	263	272	298	273	273
To shareholders as dividend	563	488	450	375	338
To lenders of capital					
- Interest on borrowings	3,112	1,931	2,135	2,147	1,639
- Non-controlling interest	2,264	2,078	2,434	1,900	1,743
<b>VALUE RETAINED FOR EXPANSION AND GROWTH</b>					
Depreciation	2,998	2,514	2,440	2,003	1,772
Profit retained	2,008	2,388	2,107	1,399	1,423





# Performance Highlights 2016/17

## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

		2017	2016 (Restated)	Change %
<b>Earnings Highlights and Ratios</b>				
Revenue	Rs. mn	111,383	92,275	20.71
Results from operating activities	Rs. mn	9,675	8,510	13.69
Profit before tax	Rs. mn	7,025	6,952	1.06
Profit after tax	Rs. mn	5,048	5,195	(2.82)
Profit attributable to owners of the parent	Rs. mn	2,784	3,118	(10.70)
Dividends	Rs. mn	563	488	15.38
Gross profit Margin	%	23.3	24.5	(5.11)
Operating Profit Margin	%	8.7	9.2	(5.82)
Net Profit Margin	%	4.5	5.6	(19.50)
Earnings per share (basic)	Rs.	37.12	41.57	(10.70)
Return on Assets (ROA)	%	3.9	5.0	(22.86)
Return on Capital Employed (ROCE)	%	9.41	10.63	(11.48)
Interest cover	No. of times	3	4	(27.31)
<b>Financial Position Highlights and Ratios</b>				
Total Assets	Rs. mn	130,002	103,196	25.98
Total Debt	Rs. mn	44,748	33,123	35.09
Equity attributable to equity holders of the parent	Rs. mn	40,866	31,096	31.42
Gearing	%	43.53	41.39	5.19
Debt/Equity	%	77.10	70.61	9.20
Equity Asset ratio	%	44.64	45.46	(1.79)
Net assets per share	Rs.	544.88	414.61	31.42
Current ratio	No. of times	1.2	1.1	2.33
Quick asset ratio	No. of times	0.8	0.8	4.50
No. of Shares in issue	No. mn	75	75	0.00
<b>Market / Shareholder Information</b>				
Market value per share	Rs.	265.00	245.70	7.86
Dividend per share	Rs.	7.50	6.50	15.38
Company market capitalisation	Rs. mn	19,875	18,428	7.85
Group market capitalisation	Rs. mn	49,104	46,543	5.50
Price earnings ratio	No. of times	7.14	5.91	20.78
Dividend yield ratio	%	2.8	2.6	6.98
Dividend payout ratio	%	20.2	15.6	29.22
Dividend Cover	No. of times	4.9	6.4	(22.61)
<b>Others</b>				
Economic Value Generated	Rs. mn	28,541	25,452	12.14
Economic Value Distributed	Rs. mn	23,535	20,550	14.53
Government	Rs. mn	2,389	2,657	(10.11)
Employees	Rs. mn	15,207	13,396	13.52
Others	Rs. mn	5,939	4,497	32.07
Value Added per employee	Rs. mn	1.01	0.94	8.19
Average Revenue per employee	Rs. mn	4.0	3.4	16.46
Average operating income per employee	Rs. mn	0.34	0.31	9.68
Credit Ratings		AA- (Ika)	AA- (Ika)	-

# Performance Highlights 2016/17

Consolidated Statement of Social Performance					
HUMAN CAPITAL			2017	2016	Change %
	EMPLOYEES				
	Employees on payroll	No.	28,137	27,146*	3.7
	Female representation	%	41	44	(6.8)
	Total value created	Rs.mn	15,207	13,396	13.5
	New recruits	No.	4,091	2,371	72.5
	Investment in training	Rs. mn	72	56.4	27.7
	Training hours	Hours	126,602	98,770	28.2
	Average training hours	Hours	4.5	3.5	28.6
	Retention rate	Rate	87%	89%	(2.2)
	Workplace injuries	No.	450	250	80
	Lost working days	No.	2,544	1,202	111.6
SOCIAL AND RELATIONSHIP CAPITAL	CUSTOMERS				
	Total number of customers reached (estimate)	No.	85,000	80,000	6.3
	Customers acquired during the year	No.	10,935	N/A	-
	Revenue generated	Rs.mn	111,383	92,275	20.7
	SUPPLIERS AND BUSINESS PARTNERS				
	Total number of suppliers (estimate)	No.	19,400	N/A	-
	Small and medium scale suppliers (estimate)	No.	13,586	N/A	-
	Total payments to suppliers	Rs. mn	50,395	N/A	-
	Proportion of spending on local suppliers (or paid to local suppliers)	%	55	N/A	-
	Suppliers supported through development programs	No.	2,037	N/A	-
	Investment in supplier development	Rs. mn	218.3	N/A	-
	COMMUNITY ENGAGEMENT				
	Investment in CSR initiatives	Rs. mn	111	51	117.6
	Beneficiaries reached (estimate)	No.	38,985	N/A	-
	Staff volunteer hours	Hours	10,407	N/A	-
No. of new products developed (estimate)	No.	299	N/A	-	
No. of products in the pipeline	No.	304	N/A	-	

\*Restated

Consolidated Statement of Environmental Performance				
		2016/17	2015/16	YoY change
Energy consumption	(mil GJs)	2.27	2.82	(0.55)
Renewable electricity generation	Mil kWhs	127,481	117,313	10,168
Water usage	Mil m3	3.98	2.8	1.18
Water recycled	%	8	12	(33.30%)
Solid waste	MTs	11,101	7,039	4,062
Effluents discharged	Mil m3	3.14	2.13	1.01
Carbon footprint	MTCO2(eq)	122,884	83,261	39,623
Emission intensity	KgCO2(eq)/revenue	1.10	0.90	0.20

## Year at a Glance

May

**Rs. 2 bn**

Debenture issue - 31st May

June

**Rs. 6.50**

Dividend paid per share - 29th June

July

**US\$ 23 mn**

Acquisition of Kuda Rah  
Island Resort Maldives for  
US\$ 23 mn - 17th July

August

Commissioning the Hayleys  
Neluwa Hydro Power ( Pvt ) Ltd -  
16th August

November

Hayleys won

**Best Corporate  
Citizen Award -**

24th November

December

Commencement of  
commercial operations  
of Solar One (Pvt) Ltd.  
-28th December

December

Announcement of the  
**World Export  
Center**  
Project -28th December

March

Hayleys completes  
FY16 with record breaking  
performance for a listed entity  
by exceeding Rs. 111bn  
Revenue

**111bn**

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# Awards and Accolades

“Hayleys wins 'Best Corporate Citizen Sustainability Award' 2016”



The Group emerged victorious at The Best Corporate Citizen Sustainability Awards organised by the Ceylon Chamber of Commerce, clinching the award of the overall Best Corporate Citizen in addition to five other

awards. The Group won the categories of Best Employee Relations, Triple Bottom Line-Social Sustainability, the Most Diversified Sector and the Top 10 Corporate Citizens Award.

Hayleys PLC is also the only Company in the history of the BCC awards, to have been bestowed with a Grand Slam Award for winning the Best Corporate Citizen title five times in total.

*“Hayleys PLC also won multiple awards at the CA Sri Lanka Annual Report Awards for 2016. We won the Silver Award in the diversified sector (above 10 subsidiaries), the Gold Award for CSR Reporting and the Bronze Award for the Management Commentary.”*



*Bronze Award  
Management Commentary*



*Gold Award  
CSR Reporting*



*Silver Award  
diversified sector  
(above 10 subsidiaries)*





# Awards and Accreditations



## HAYLEYS PLC

### Awards

#### Best Corporate Citizen Sustainability

##### Awards 2016

- Winner Best Corporate Citizen Award 2016
- Grand Slam Award for winning BCC Award 5 times
- Winner Triple Bottom Line (Social Sustainability)
- Winner Diversified Sector
- Winner Employee Relations
- Award for the being 1 of the Top 10 Corporate Citizens

#### 52nd CA Annual Report Awards

- Gold Award Corporate Social Responsibility Reporting
- Silver Award Diversified Holdings category (more than 10 subsidiaries)
- Bronze Award Management Commentary.

#### National Business Excellence Awards

- Silver Award Capacity Building
- Silver Award Global Reach
- Silver Award Diversified Holding Sector

#### Best Presented Annual Report Awards and SAARC Anniversary Awards

- 1st Runner up Diversified Holdings Sector



## ECO SOLUTIONS

### Awards

#### National Chamber of Exports Awards

- Gold Award Agriculture Value Added Sector Large Category (Rileys Pvt. Ltd.)
- Gold Award Most Innovative Exporter (Rileys Pvt. Ltd.)

### Accreditations

- BSCI – Business Social Compliance Initiative
- GOLS – Global Organic Latex Standard
- SMETA – Sedex Members Ethical Trade Audit
- ISO 9001 : 2008
- ISO 14001 : 2004
- SA8000



## HAND PROTECTION

### Awards

#### 52nd CA Annual Report Awards

- Silver Award Manufacturing Companies category

#### Sri Lanka Export Development Board - Presidential Export Awards

- Highest Value Added Exporter of Rubber & Rubber based product Sector of 2014 (awarded in 2016)

#### Ian Dias Abeysinghe Memorial CSR/ Sustainability Awards (JASTECA)

- Gold Award for CSR/Sustainability

### Accreditations

- ISO 9001 : 2015
- ISO 9001 : 2008
- ISO 13485 : 2003
- ISO 14001 : 2004
- ISO 17025 : 2005
- Directive 89/686/EEC
- British Retail Consortium Certification Safety and Quality Certification



## TEXTILES

### Awards

#### 52nd CA Annual Report Awards

- Bronze Award Manufacturing Companies category

#### SAFA Awards, South Asian Federation of Accountants

- Certificate of Merit for Excellence in Integrated Reporting

#### CMA Sri Lanka

- Certificate of Merit for Excellence in Integrated Reporting

### Accreditations

- Carbon Conscious Certificate
- Green Channel Facility for Greige Fabric
- Global Organic Textile Standards certification (GOTS – Version 4.0)
- Organic Content Standards Certification (OCS – Version 2.0)
- Oeko – tex 100 (Cotton) Certification Class I
- Oeko – tex 100 (Polyester) Certification Class I
- Decathlon Lab Accreditation
- George Lab Accreditation
- Next Lab Accreditation – Silver Grading
- Tesco Accreditation
- Limited Brands Accreditation – Silver Grading
- Marks & Spencer Lab Accreditation – Premiere scheme
- Boden Lab Accreditation
- Disney Facility and Merchandise Authorization (FAMA) approval for George – Awarded by Disney



## PURIFICATION

### Awards

#### 52nd CA Annual Report Awards

- Compliance Award Manufacturing Companies category (Haycarb PLC)

#### Asia Responsible Entrepreneurship Awards 2016, Enterprise Asia

- Social Empowerment Award (Puritas Pvt. Ltd)
- Health Promotion Award (Puritas Pvt. Ltd)

#### Ian Dias Abeysinghe Memorial CSR/ Sustainability Awards (JASTECA)

- Merit Award for CSR/Sustainability (Puritas Pvt. Ltd)

#### Sri Lanka Export Development Board - Presidential Export Awards

- Highest Value Added Exporter of Coconut Non Kernel Products 2015 (awarded in 2016) (Haycarb PLC)

### Accreditations

- ISO 9001 : 2015
- ISO 14001 : 2015
- ISO 9001 : 2008
- HALAL certified
- KOSHER certified



## PLANTATIONS

### Awards

#### National HR Excellence Awards

- Gold Award Driving Organizational Performance through sound Human Resource Management Practices

#### Asia Pacific HR Awards, Asia Pacific HRM Congress

- Winner Leading HR Practices in Quality Work-Life

#### Global HR Excellence Awards

- Winner Leading HR Practices in Quality Work-Life

#### 52nd CA Annual Report Awards

- Gold Award Plantations Companies category (Talawakelle Tea Estates PLC)
- Silver Award Plantations Companies category (Kelani Valley Plantations PLC)
- Certificate of Merit Excellence in Integrated Reporting (Talawakelle Tea Estates PLC)

#### Ian Dias Abeysinghe Memorial CSR/ Sustainability Awards (JASTECA)

- Gold Award for Home for Every Plantation Worker (Kelani Valley Plantations PLC)

#### National Social Dialogue and Workplace Cooperation Ministry of Labour

- Gold Award (Kelani Valley Plantations PLC)

#### National Business Excellence Awards

- Gold Award Excellence in Environmental Sustainability Overall Category (Kelani Valley Plantations PLC)
- Gold Award Agriculture & Plantations Sector (Kelani Valley Plantations PLC)
- Runner Up Agriculture & Plantations Sector (Talawakelle Tea Estates PLC)
- Runner Up Excellence in Corporate Social Responsibility (Kelani Valley Plantations PLC)
- Runner Up Excellence in Local Market Reach (Kelani Valley Plantations PLC)

- Runner Up Excellence in Performance Management (Kelani Valley Plantations PLC)

#### Best Presented Annual Report Awards and SAARC Anniversary Awards

- Runner Up Agriculture Sector (Kelani Valley Plantations PLC)

#### National Green Awards, Central Environmental Authority

- Gold Award (Talawakelle Tea Estates PLC)
- Silver Award Food & Beverage Category (Radella Estate)
- Merit Award Food & Beverage Category (Deniyaya Estate)

#### Ralston Tissera Memorial Awards, The Planters' Association of Ceylon

- Excellence in Tea Manufacture in Western High Grown Category (Mattakele Estate)

#### Asia Sustainability Reporting Awards

- Merit Award for Environmental Reporting (Kelani Valley Plantations PLC)

#### National Occupational Health & Safety Awards

- Winner Agriculture Sector (Kuruwanaganga Estate)

#### National Chamber of Exports Awards

- Silver Award Bulk Exports in Extra-Large Category (Mabroc Teas Pvt. Ltd.)
- Bronze Award Value Added Exports in Extra-Large Category (Mabroc Teas Pvt. Ltd.)

### Accreditations

- Rainforest Alliance - Sustainable Farm Certification
- UTZ Sustainable Tea Certification
- Food Safety System Certification 22000 (FSSC 22000)
- ISO 22000 for Food Safety Management System
- EU Organic certification for Organic production methods

## Awards and Accreditations

- ISO 9001 for Quality Management System
- Sri Lanka Tea Board GMP (Good Manufacturing Practices)
- Ethical Tea Partnership
- HALAL Certification



### AGRICULTURE

#### Awards

##### Sri Lanka Export Development Board Presidential Export Awards 2016

- Highest value added Exporter in the Floriculture Product Sector – 2014

##### Min Visithuru 2016

- Special Presidential Award for Pioneering Commercial Seaweed Farming in Sri Lanka

##### Presidential Environmental Awards Ceremony 2016

- Bronze Award in Food & Beverage Sector

##### National Occupational Safety and Health Excellence Awards

- Special Achievement Award on Occupational Safety and Health

##### National Chamber of Exporters Export Awards 2016

- Gold Award under Agriculture Value Added Sector Large Category

##### National Business Excellence Awards 2016

- Runner Up, Manufacturing – Non Traditional Sector

#### Accreditations

- ISO 9001
- ISO 14001
- ISO 9001: 2008
- ISO 50001 : 2011
- ISO 14001 : 2004
- ISO 22000 : 2005
- ISO 9001: 2015

- OHSAS 18001 : 2007
- SA 8000 : 2008
- BRC-Global Standard for Food Safety Management System
- Halal Certificate
- FDA – US Food and Drug Administration Registration Certificate
- Kosher certificate
- SQMS -McDonald's Supplier Quality Management System
- Organic USDA
- Organic EU
- Organic JAS
- Carbon Conscious Certificate
- Water Conscious Certificate
- Organic Certification EU, JAS and NOP
- GMP Certification.
- Pest Control License
- Occupational Health and Safety (OHSAS 18001)



### TRANSPORTATION & LOGISTICS

#### Awards

##### 52nd CA Annual Report Awards

- Gold Award Service Organizations (Hayleys Advantis)

##### National Chamber of Exports Awards

- Gold Award - Industry Sector, Small Category (Advantis Projects)
- Bronze Award - Service Sector Medium (Freight Forwarding Cluster)

##### Institute of Chartered Shipbrokers

- Best Shipping Agent in Customer Service in Colombo-Mediterranean sector (Shipping Sector)
- Best Shipping Agent in Customer Service in Colombo-Indian Subcontinent sector (Shipping Sector)

- Best Shipping Agent in Customer Service in Colombo-USA sector (Shipping Sector)
- Best Shipping Agent : Overall Award for Sri Lanka Imports (Shipping Sector)

##### Great Place to Work Award, Great Place To Work Institute Sri Lanka

- Mountain Hawk Express (Pvt) Limited

##### Cathay Pacific Cargo

- Certification of Appreciation (Freight Forwarding Cluster)

##### Turkish Cargo

- Certification of Appreciation (Freight Forwarding Cluster)

#### Accreditations

- ISO 9001:2008 Quality Management Systems
- C-TPAT Compliant (not certified)
- ISO 9001:2015
- Carbon Conscious Certification
- OHSAS 18001:2007
- ISO 14001 : 2004 Environment Management Systems
- SA 8000 : 2008 - Social Accountability Management Systems
- OHSAS 18001 : 2007 - Health & Safety Management Systems
- ISO 9001:2008 Quality Management Systems
- ISO 14001 Environmental Management System



### LEISURE

#### Awards

##### Chefs Guild Lanka Culinary Art

- 3 Gold, 10 Silver & 12 Bronze Medals (The Kingsbury)

##### Trip Advisor

- Certificate of Excellence for the Harbour Court (The Kingsbury)



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- Certificate of Excellence for the Sky Lounge (The Kingsbury)
- Certificate of Excellence (Hunas Falls by Amaya)
- Certificate of Excellence (Amaya Beach)

### Luxury Travel Guide

- Luxury Hotel & Restaurant of the Year (The Kingsbury)

### World Luxury Hotel Award

- Best Luxury Business Hotel (The Kingsbury)

### International Hotel Awards

- Best City Hotel Asia Pacific (The Kingsbury)
- Highly Commended Classic/ Heritage Hotel Sri Lanka (The Kingsbury)
- Best City Hotel Sri Lanka (The Kingsbury)
- Best Large Hotel Sri Lanka (The Kingsbury)
- Best Sustainable Hotel for Sri Lanka in Asia Pacific Region (Hunas Falls by Amaya)
- 5 star Award for Best Hotel Renovation/ Refurbishment for Sri Lanka in Asia Pacific Region (Amaya Lake)



## CONSTRUCTION MATERIAL

### Awards

#### National Business Excellence Awards

- Winner Large Business Category
- Winner Manufacturing (Engineering) Sector
- Runner Up Excellence in Business & Financial Results
- Bronze Award Overall Winner

#### 52nd CA Annual Report Awards

- Gold Award Manufacturing Sector



## INDUSTRIAL INPUTS, POWER & ENERGY

### Awards

#### Asia Best Employer Brand

- Winner (Hayleys Aventura)

#### Sri Lanka Best Employer Brand

- Winner (Haycolour Pvt. Ltd)



## OTHERS

### Awards

#### Green Mark Awards, Ceylon Institute of Builders

Silver Award (EnergyNet Pvt. Ltd.)

#### NEC, Asia Pacific Awards

- Best Performance SL 1000 Regional Award (Fentons Ltd)
- Best Performance SL 1000 Developing Markets (Fentons Ltd)
- Best Performance Univerge Series Developing Markets (Fentons Ltd)

#### Top Agent Awards – China Southern Airlines

- Top Agent Award for Outstanding Sales Performance (Hayleys Travels Pvt. Ltd)

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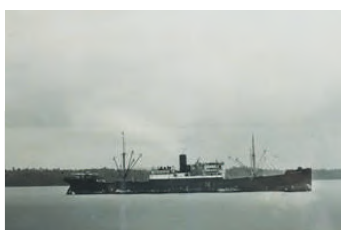
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# Our History



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



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



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

1878

1954

1958

1968

1973

1976



Hayleys Ltd., becomes a public Company.



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



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

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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.

1991

2011

2012

2016

2017



Hayleys acquires majority stake in Amaya Hotels & Spas



Hayleys acquires Kuda Rah Island Resort Maldives



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.



Hayleys becomes the No.1 Company in LMDs Top 100 Listed Companies in Sri Lanka.



Hayleys wins 'Best Corporate Citizen Award' 2016.

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# About Our Annual Report

This year, we present our 5th integrated annual report which has been conceptualized and structured with the objective of presenting a balanced and concise assessment of the Group's financial, social and environmental performance. As our primary communication to stakeholders, this Report aims to demonstrate the integrated manner in which the Hayleys Group manages its business and sustainability considerations, thereby balancing the competing needs of its stakeholders. The Report has been prepared in accordance with the <IR> Framework published by the International Integrated Reporting Council.

## Scope and boundary

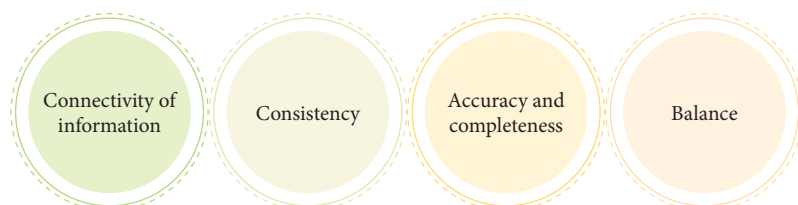
The Report covers the operations of Hayleys PLC and its subsidiaries, based in Sri Lanka and overseas (as discussed in Note 1 of the Financial Statements on page 204 for the period from 1st April 2016 to 31st March 2017. The Group adopts an annual reporting cycle. For sustainability reporting, we have adopted the Global Reporting Initiative (GRI) G4- Core standards, building on last year's report for the financial year ending 31st March 2016. In certain disclosures pertaining to social and environmental impacts, the discussion

is limited to the domestic operations and is noted accordingly. Key changes to the Group structure during the year include the setting up of Solar One Ceylon (Pvt) Ltd, Amaya Kuda Rah, World Export Centre Ltd and the disposal of Beach Resorts Ltd.

## Guiding principles and assurance

	Integrated Report	Annual Financial Statements	Corporate Governance Risk Management Report	Sustainability Performance
Standards and Principles	<ul style="list-style-type: none"> <li>Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)</li> </ul>	<ul style="list-style-type: none"> <li>International Reporting Standards</li> <li>Companies Act No. 7 of 2007</li> <li>Listing Requirements of the Colombo Stock Exchange</li> </ul>	<ul style="list-style-type: none"> <li>Code of Best Practice on Corporate Governance issued by the CA Sri Lanka and SEC</li> </ul>	<ul style="list-style-type: none"> <li>GRI- G4 guidelines (Core)</li> <li>United Nations Global Compact</li> </ul>
Assurance	<ul style="list-style-type: none"> <li>Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)</li> </ul>	Messrs. Ernst and Young, Chartered Accountants	Assurance on the Director's Statement of Internal Controls provided by Messrs. Ernst and Young, Chartered Accountants	Messrs. Ernst and Young, Chartered Accountants

## Key concepts



In preparing this Report, we have given due consideration to the following principles which enhance the quality and readability of the Report.

## Feedback

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

Email: [info@cau.hayleys.com](mailto:info@cau.hayleys.com)

Corporate Affairs Unit,  
Hayleys PLC

# Excellence in Corporate Reporting

We strive to consistently enhance the quality and readability of our Annual Report to provide more meaningful and relevant information to our stakeholders while keeping abreast of latest developments in corporate reporting. The infogram below demonstrates how our Annual Report has evolved over the last five years to align with global best practices in corporate reporting.

2011/12

140

No of  
Companies

## Annual Report 2011/12

- (1) Adoption of the Integrated Reporting Framework
- (2) Adoption of the new requirements following the convergence of SLFRS/LKAS with the IFRS
- (3) Adoption of new requirements of the Code of Best Practices published by the SEC and CA Sri Lanka
- (4) Adoption of the UNGC Principles



2014/15

151

No of  
Companies

## Annual Report 2014/15

- (1) Comprehensive sector reviews covering economic, social and environmental performance
- (2) Comprehensive report of the real estate value
- (3) Continued adoption of the GRI-G4 criteria



2015/16

167

No of  
Companies

## Annual Report 2015/16

- (1) Disclosure of comprehensive qualitative information for social and environmental performance for sectors and at Group level
- (2) Independent Assurance on Sustainability Reporting



2016/17

168

No of  
Companies

## Annual Report 2016/17

- (1) Comprehensive qualitative and quantitative information on all six capitals based on the <IR> Framework
- (2) Certified as a Carbon Neutral Annual Report by ClimateSL
- (3) Dedicated chapter focusing on Forward Outlook for the Group
- (4) Dedicated chapter on the performance of the Hayleys share
- (5) Publication of a USD Income statement and Statement of Financial Position



## Recognition of our Reporting Excellence

### CA Sri Lanka Annual Report Awards (2016)

- Hayleys PLC Annual Report (2015/16) - Diversified holdings (above 10 subsidiaries): Silver Award, Gold Award Corporate Social Responsibility Reporting, Bronze Award for Management Commentary
- Manufacturing Sector- the Group clinched all three awards with Alumex PLC - Gold Award, Dipped Products PLC - Silver Award and Hayleys Fabric PLC - Bronze Award
- Service Organisations - Hayleys Advantis Ltd. - Gold Award
- Plantation Sector - Talawakelle Tea Estates PLC - Gold Award, Kelani Valley Plantations PLC - Silver Award



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# Chairman's Message

*"The Group's contribution to the national economy increased during the year with the Group's turnover amounting to 1% of GDP and export revenues accounting for 3.53% of the country's exports."*

**Mohan Pandithage**  
Chairman & Chief Executive

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HAYLEYS PLC  
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## Dear Shareholder,

Hayleys PLC has delivered a resilient performance with a revenue of Rs.111.4 bn reflecting a growth of 21%, making your company the first listed entity in the country to report the achievement of surpassing Rs.100 bn. Profit before tax improved to Rs.7.0 bn reaching a new benchmark for the Group. Asset growth was robust at 26% indicating increased capacity for future growth to deliver increased shareholder value. The Group's contribution to the national economy also increased during the year with the Group's turnover amounting to 1% of GDP and export revenues accounting for 3.53% of the country's exports. Our businesses have strengthened their market leadership positioning, during the year, building strong foundations for growth. Hence, it is indeed my pleasure to welcome you to the sixty sixth Annual General Meeting and to present the Annual Report for the financial year ending 31st March 2017.

## Delivering on Strategic Goals

Hayleys PLC derived 54% of its revenue from exports and overseas operations which is a 19% increase over the previous year, while the balance was from our domestic market where we function primarily as a B2B player. This reflect the higher rate of growth within the continent and the economic recovery in the US. Europe, which accounts for 12% of total revenue, remained on par with previous year, reflecting subdued growth in the Euro area. However, with the reinstatement of GSP+ concessions we expect an improvement in the future. We continued to invest in regional expansion, seizing opportunities within the continent. Accordingly the Transportation, Purification, Agriculture and Leisure sectors expanded operations in Maldives, Indonesia, Malaysia, Myanmar and Bangladesh with positive results, although the full potential of these ventures is yet to be realised. Our presence in the domestic market also strengthened as Construction, Transportation & Logistics, Industrial Inputs, Power & Energy and Agriculture expanded operations, supporting growth in the country.

Operating margins remained under pressure as sluggish recovery of global markets, increased regulation, taxes and adverse climatic conditions combined to increase their volatility. Despite a challenging operating environment, the Group delivered 14% growth in profit before interest and taxation which amounted to Rs.9.7 bn during the year. While a significant component of the investments carried out during the year was funded through profits accumulated from previous years, the Group continued to balance its investment outlay with prudent borrowing. The sharp increase in interest rates and increased borrowing restricted PBT growth to 1% recording Rs.7.0 bn. Higher effective tax rates resulted in a marginal decline in profit after tax which amounted to Rs.5.0 bn reflecting a 2.8% decline over the previous year. We invested over Rs.12 bn during the year in new acquisitions and expanding capacity which will further strengthen cash flows in the future. These include investments in increasing our geographical footprint and production capacity. Consequently total assets and equity increased by 26% and 24% respectively.

## Review of Key Business Lines

Five business sectors (excluding the miscellaneous Other sector) delivered over Rs.1 bn each in profit before tax during the year as the Construction Materials sector's continuous improvement of profitability enabled it to join the league comprising the Transportation, Purification, Agriculture and Industry Input, Power & Energy sectors

The Transportation sector delivered the highest profit before tax of Rs.1.8 bn, supported by a strong top line and a PBT growth of 53% and 10% respectively as they strengthened their leadership within the sectors. Growth was delivered mainly through diversification into value added segments and international operations in the Maldives, Myanmar and India. The integrated logistics cluster also turned in a strong performance as the second phase of the state of the art Free-Zone warehousing

## DID YOU KNOW?

Hayleys PLC was the first listed company in the country to report over

**Rs. 100 bn**  
in Revenue

Sector ROCE		
	2017	2016
Eco Solutions	17.8%	3.6%
Hand Protection	10.6%	6.1%
Purification	13.9%	13.4%
Textiles	4.6%	10.4%
Construction Materials	43.3%	55.0%
Plantations	5.7%	3.3%
Agriculture	26.2%	27.7%
Consumer	10.1%	13.5%
Leisure	8.6%	13.7%
Industry Inputs, Power & Energy	15.2%	24.4%
Transportation & Logistics	17.1%	20.7%
Other	6.5%	8.0%
<b>Group</b>	<b>9.4%</b>	<b>10.6%</b>

	2017	2016
Revenue	111.3	92.2
PBIT	9.7	8.5
PBT	7.0	6.9
PAT	5.0	5.1
PAT+OCI	13.4	5.2



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## Chairman's Message



facilities became operational. The Terminals and Engineering cluster also doubled capacity to cater to the growing demand in this sector. Declining global freight rates dampened the performance of the International Freight Management cluster which is expected to improve in the future with

the new agency for TNT acquired in March 2017. Evolving as a regional player, this sector continues to deliver steady growth through agile strategy and responsible business practices.

The Purification sector maintained its growth trajectory and position as the world's leading producer of coconut shell based activated carbon, diversifying into new markets and focusing on high value applications. Despite a shortage in supply of raw material which hampered growth, this sector delivered a profit of Rs.1.18 bn through a strong focus on innovation and expansion into non-traditional markets.

The Agriculture sector turned in a commendable performance delivering a profit before tax of Rs.1.1 bn despite a contraction of the country's agriculture sector in 2016 due to adverse climatic conditions and a restrictive business environment that was not conducive to realising its potential. A catalyst in developing the agricultural sector in the country, we strengthened our market leadership during the year through innovation, capacity building of farmers, and technology based solutions for the sector. A growing portfolio of patents for innovations and investment in research bear testimony to our commitment to growth in this sector.

The Industry Inputs and Power & Energy sector recorded a profit of Rs.1.0 bn as new agencies supported performance of the sector which was marginally below the previous year as drought impacted power generation of the mini hydro plants. The sector expanded its power generation capacity to 50 MW as it operationalised one of country's largest solar farms during the year. The sector was newly branded as Aventura, with the objective of providing an umbrella for the relatively diverse businesses managed by this sector.

The Construction Materials sector reached a milestone, turning in a profit of Rs.1.0 bn for the year delivering top line growth and improved margins as they moved up the value chain and strengthened their undisputed market leadership. The Lumin brand gained increasing visibility through well patronized concept stores in Colombo, Kandy and Jaffna and an expanding product range. Fabricators were supported with a proprietary information system named Alusys which enables them to determine the exact requirement of aluminium profiles for a building in addition to the training provided on a continuing basis. Production was increased during the year and further investments have been planned for the growth of this sector.

The Hand Protection sector made a strong recovery during the year, delivering Rs.0.9 bn in profit before tax as they increased penetration in existing markets and diversified into new markets, maintaining a strong focus on quality, timely delivery and customer satisfaction. Profitability was supported by increased supply chain and production efficiencies. A delay in operationalising the industrial gloves plant dampened operations but this has since been rectified and is expected to strengthen profitability in the year that has commenced. Acquisition of the remaining 39% in the Italian subsidiary ICOGUANTIS.p.A strengthens its positioning within the EU, facilitating expansion through our own resources.

### DID YOU KNOW?

Our flagship CSR project  
Sathdiyawara has benefited over

**25,500**

people in 16 villages.



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The Leisure sector portfolio grew during the year with the acquisition of our first overseas resort Amaya Kuda Rah Maldives in July 2016. The sector also added capacity offering a more authentic travellers experience with a unique brand “Amuna” which offers tree houses and chalets set in complete harmony with nature within the umbrella of Amaya Lake. While the sector delivered a top line growth of 25% resulting from increased occupancy, profits moderated to Rs. 376 mn due to the ongoing refurbishment of the Amaya Kuda Rah Maldives and lower yields stemming from shifts from traditional source markets. The Sector's marketing is being strengthened, in the current year, with a renewed focus on direct bookings and traditional markets while expanding to new source markets.

The Eco Solutions sector delivered a solid performance recording a profit before tax of Rs. 0.9 bn reflecting an improved operational performance supported by capital gains arising from the sale of unutilised land to Alumex and Advantis. Profit from continuing operations improved by 71% to Rs. 201 mn as the sector developed new markets to drive revenue and profitability. This sector was hampered by shortage in supply of raw materials and resultant volatility in prices. Initiatives have been implemented to engage in upstream activities to stabilize volatility in pricing, margins, and to improve productivity.

Hayleys Fabric had a difficult year as they repositioned the company to produce higher value added fabrics resulting in lower capacity utilisation during the transition period. The company focused on innovation and reducing lead times to drive competitive advantage during the year which gained traction towards the close of the financial year. “Inno”, the company's own branded range of fabrics was key to the repositioning of the company and the portfolio was enhanced by new products which catered to the higher end fashion brand requirements. Appointment as the nominated partner by a

global fashion brand and a strong order pipeline augur well for future growth in this extremely competitive sector.

The Plantations sector made a strong recovery delivering a profit of Rs.131 mn outperforming its peers as its produce commanded premium prices at the Colombo Tea Auctions. Sustained commitment to good agricultural practices and sustainability principles facilitated our two plantation companies' rankings as No.1 and 2 for the highest prices in tea. Wage negotiations were concluded during the year with a productivity based wage structure introduced for the first time in the 150 year old tea industry. The sector also introduced an electronic weighing system connected to smart phones which streamlined operations by increasing accuracy in measuring the harvest, and at the same time increasing employee productivity and motivation levels. The performance of Mabroc, our tea export business, was moderate, as upward trending prices at auctions reduced margins. Mabroc's Bubble Tea outlets which opened during the year are proving to be popular hangouts for millennials and provide opportunity for growth. Our investment in the tea extraction plant was in an intensive product development, certification

**Several projects in their gestation periods are expected to deliver higher levels of activity during the year supporting improved ROCEs in their respective sectors**

and market development phase during the year, with commercial operations commencing towards the latter part of the year. We expect growth in this business in the coming year as we acquire global customers, having invested in working through stringent approvals processes.

The Consumer Products sector had a challenging year recording a profit of Rs. 8 mn much lower than expectations which was due to margins being eroded due to numerous factors. We are reviewing strategic options to pursue growth in the consumer segment with a more robust value creation model going forward.



## Chairman's Message

**Our flagship CSR project Sathdiyawara has benefitted over 25,500 people in 16 villages to date where they now have self-sustained projects that provide clean water.**



The Aviation and S&T operations delivered satisfactory profit while recent investments in Fentons and Alufab will be able to realise their potential by setting strategic direction, improving marketing and streamlining operations to deliver value. S&T Interiors completed its initial contract and has a strong project pipeline for the future although activity decreased during the reporting period due to project delays. Projects and BPO operations are primarily servicing Group requirements but are expected to renew focus on external market opportunities in the medium term as systems are geared to deliver high levels of customer satisfaction and margins.

### Responsible Business

Our businesses provide direct employment to 28,137 employees of whom 74% are located outside the Western Province. We support livelihoods of over 18,000 micro entrepreneurs through innovative supply chain initiatives, facilitating sharing of the country's socioeconomic progress. Additionally, the Group continues to invest in reducing our emissions, effluents and waste, supporting several sustainability development goals. High levels of awareness of Sustainability Development Goals within the Group's leadership provided impetus to innovation in products that address

environmental and humanitarian issues which vary from slow release fertilisers to water purification. Responsible consumption initiatives have enabled us to improve margins and gain significant competitive advantage.

Our flagship CSR project Sathdiyawara has benefitted over 25,500 people in 16 villages to date where they now have self-sustained projects that provide clean water. Distribution of a planned one million moringa plants in the Northern Province, provides income support to women as we also purchase their harvest.

Hayleys' efforts to ensure that our businesses create sustainable value for key stakeholders received recognition during the year winning 6 awards at the Best Corporate Citizen Awards organised by the Ceylon Chamber of Commerce and the Sustainability Reporting Award at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka. We are strongly committed to ensuring that our businesses are carried out in a sustainable manner, in keeping with our culture and values. We firmly believe that this strategy will deliver key competitive advantages in our business portfolios.

### Investing in Our Future

Our core businesses will continue to expand during the year through both organic growth and acquisitions. The Group has a keen focus on delivering improved ROCE through economies of scale and enhanced operating margins as we embed lean production initiatives throughout the group. Several projects in their gestation periods

### DID YOU KNOW?

The Hayleys Group is one of the country's largest employers with

**28,137** employees

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are expected to deliver higher levels of activity during the year supporting improved ROCEs in their respective sectors. These include the Hayleys Global Beverages project, Solar Power plant, Mawanana Hydro Power plant and Amaya Kuda Rah resort.

Hayleys Twin Tower project is considered as the flagship project of the Group and is now in the process of going through the required approvals and are expecting the same level of concessions offered to other landmark projects which are currently under construction, levelling the playing field.

As one of the largest employers in the country, we are very much aware of the skill gaps in new and emerging areas and availability of talent in some core areas. Accordingly, we propose to enhance the scope of our training and development activities to facilitate increased effectiveness and efficiency of our people. Leadership training will be a key focus as we have a proven track record of developing our leaders in-house and expansion of activities provides ample opportunity for people of talent, ambition and ability.

The macroeconomic environment is expected to be more conducive to growth during the year supported by the recent reinstatement of GSP+ concessions from the EU which will facilitate the competitiveness of our export sector. Sourcing of funds may prove challenging as cost of finance becomes an increasing concern for investors. Climate change impacts remain a key concern as availability of raw materials can limit the growth potential of core sectors. We urge the authorities to encourage establishing policies to support exports, agriculture and the plantations.

The Group also plans to venture into the digital marketing and e-commerce, given the thrust in the sphere of social media. The activities across the Group will align their strategies to fit into these new developments.

**Dividends**

Given the results achieved this year while keeping a view on the future, the Board of Directors has approved a dividend of Rs. 7.50 per share, which is payable by 9th June 2017, for the year under review. This reflects an enhancement from the dividend of Rs. 6.50 per share paid in the previous year.

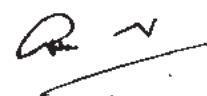
**Acknowledgements**

The results set out in this Annual Report stands as a testimony to the commitment, effectiveness and passion of the largest team in the corporate sector. I commend the visionary leadership provided by members of the Group Management Committee who inspired and directed their teams to deliver on strategic goals, carefully balancing short term and long term priorities.

I also take this opportunity to thank every employee of the Hayleys Group for driving change and delivering results and count on your support as we chart our course to a higher growth trajectory. Our principals have been key partners in our journey and I take this opportunity to thank them for mutually rewarding relationships. The Board continues to drive strategy and exercise effective oversight facilitating achievement of the Group's strategic goals and I wish to record my appreciation of their diligence and insightful contributions in steering the Group's success. I also wish to express my sincere appreciation of the Co-Chairman's contributions in driving performance of the group with foresight and advice. We are committed to delivering sustainable value to shareholders and thank you for the confidence placed in myself and the Board to deliver the same.

Mr. Aravinda Perera and Mr. Noel Joseph were appointed to the Board of Hayleys PLC in September 2016 and March 2017 respectively as Non- Executive Directors. We wish them a successful career on the Board.

Mr. Mangala Goonatillake and Mr. Nimal Perera resigned from the Board of Directors of Hayleys in May 2016 and March 2017 respectively. I take this opportunity to convey my appreciation for their contribution to Hayleys and I wish them success in the future.



**Mohan Pandithage**

Chairman and Chief Executive

19th May 2017



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## BOARD OF DIRECTORS



**Noel Joseph**  
Independent Non-Executive Director

**Ruwan Waidyaratne**

**Dr. Mahesha Ranasoma**

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

**Rajitha Kariyawasan**

**Mohan Pandithage**  
Chairman & Chief Executive

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Dhammika Perera  
Co- Chairman- Non Executive

Sarath Ganegoda

Hisham Jamaldeen  
Independent Non-  
Executive Director

Rizvi Zaheed

Lalin Samarawickrama

Aravinda Perera  
Independent Non-  
Executive Director

## Board of Directors

### Mohan Pandithage

#### Chairman & Chief Executive

Joined Hayleys Group in 1969. Appointed to the Board in 1998. Chairman & Chief Executive of Hayleys PLC since July 2009. Fellow of the Chartered Institute of Logistics and 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 Maritime Advisory Council of the Ministry of Ports & Shipping. Member of the Advisory Council of the Ceylon Association of Ships' Agents. Member of the National Steering Committee on Skills Sector Development of the Department of National Planning.

### Dhammika Perera

#### Co-Chairman- Non Executive

Mr. Dhammika Perera is the quintessential business leader, with interests in a variety of key industries including Hydropower generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. He has over 27 years of experience in building formidable business through unmatched strategic foresight.

Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Ceramic PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resorts PLC, Vallibel Power Erathna PLC and Delmege Limited. He is the Co-Chairman of Hayleys PLC, The Kingsbury PLC, Executive Deputy Chairman of L B Finance PLC and Deputy Chairman of Horana Plantations PLC. He is also the Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC, Dipped Products PLC, Sun Tan Beach Resorts Limited and Hayleys Global Beverages (Pvt) Limited.

### 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 a MBA Degree from the University of Colombo. Member of the Agri Cluster of the National Council for Economic Development. Represents Hayleys on the Board of Sri Lanka Institute of Nanotechnology (SLINTEC). Chairman of the National Agribusiness Council. Serves as Co-Chair of the National Biotechnology Council and Chairman of the National Biotechnology Industry Association, Council Member of the National Chamber of Exporters, 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. 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, Hayleys Global Beverages and Mabroc Teas Limited.

### 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 Group between 1987 and 2002, ultimately as an Executive Director. 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 Fentons Group.

### 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 as the Managing Director of Haycarb PLC. Is also a Director of Dipped Products PLC]

### Dr. Harsha Cabral, PC

#### Independent Non-Executive Director

Appointed to the Board in February 2011. He is a President's Counsel with 29 years' experience in the field of Company Law, Intellectual Property Law, International Trade Law & Commercial Law, Commercial Arbitration. He is an appointed member of the ICC International Court of Arbitration, Paris. Holds a Doctorate in Corporate Law from the University of Canberra, Australia. Member of the Law Commission of Sri Lanka, Council Member of the University of Colombo, UGC Nominee on the Post Graduate Institute of Medicine, Member of the Ministerial Committee to reform ailing companies, Member of the Corporate Governance Committee (CA- SEC) and Member of the Council of Legal Education in Sri Lanka. He was one of the main architects in the Advisory Commission on Company Law which drafted the Companies Act No 7 of 2007. He serves as the Chairman of the Tokyo Cement Group of Companies which includes Tokyo Cement Co. (Lanka) PLC, Tokyo Super Cement Co Ltd, Tokyo Eastern Power Co Ltd, & Fuji Cement (Lanka) Pvt Ltd, Tokyo Super

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Aggregate Co Ltd, and serves as the Independent Non-Executive Director on the Boards of DIMO PLC, Alumex PLC, Richard Pieris Distributors Ltd, Lanka Orix Finance PLC, Browns Investments PLC, LOLC Life Assurance PLC. He is the author of several books on Corporate Law and Intellectual Property Law.

**Dr. Mahesha Ranasoma**

Dr Mahesha Ranasoma - Joined Dipped products PLC in August 2010 as an Executive Director and took over as Managing Director from April 2011. He was appointed to Hayley's Group Management Committee in January 2011. Thereafter, having overall responsibility for the Hand protection sector, he was appointed to the Board of Hayleys in April the same year. He is also the Director of Kelani Valley Plantations PLC, Talawakelle Tea Estates PLC, Mabroc Tea and Haley's Global Beverages (Pvt) Ltd. Dr Ranasoma was the former Country Chairman/ Managing Director of Shell Gas Lanka Ltd and Shell terminal Lanka Ltd. He holds a 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.

**Lalin Samarawickrama**

Mr. Samarawickrama is an internationally qualified Hotelier having gained most of his Management experience in UK, working for large international hotel chains over a long period of time. The first Sri Lankan Manager to be appointed by the Beaufort International Chain of Hotels to run the first seaside boutique resort. He is a member of the Institute of Hospitality, UK (formerly HCIMA) and of the Royal Society of Health, London. He has several years of experience in the trade, having specialized in Hotel designs and development, he has been responsible for the careful planning and execution of Amaya Resorts & Spas refurbishment and rehabilitation programs. Executive Director of Hayleys PLC and serves as the Managing Director of Amaya Leisure PLC, Hunnas Falls, Sun Tan Beach Resorts,

Luxury Resorts Maldives, Hayleys Tours (Pvt) Ltd, He is a Director of Royal Ceramics Lanka PLC, The Fortress Resorts PLC, Kelani Valley Plantations PLC, Royal Porcelain (Private) Limited, Royal Ceramics Distributors (Pvt) Ltd., Rocell Bathware Limited, Culture Club Resorts (Pvt) Ltd.

**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 Shipping 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 responsibility for the Transportation Sector.

**Hisham Jamaldeen****Independent Non-Executive Director**

Appointed to the Board in February 2014. A Finance Professional with over 15 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. A seasoned commercial property investor and advisor. Founder Managing Director of Steradian Capital Investments (Pvt) Ltd responsible for Financing, Corporate Structures, Acquisitions and Development. Executive Director of numerous real estate companies focusing on commercial property investment and development. Also serves as a Director of Peoples Bank, Haycarb PLC and Talawakelle Tea Estates PLC.

**Aravinda Perera****Independent Non-Executive Director**

Appointed to the Board of Hayleys PLC as an Independent Non-Executive Director and the Chairman of Audit Committee in September 2016. A Banker with over 30 years of experience. He is presently a member of the Institute of Engineers (Sri Lanka) (MIESL) and a Chartered Engineer (C.Eng.). He is also a Fellow Member of the Chartered Institute of Management Accountants (UK) (FCMA) and a Fellow of the Institute of Bankers-Sri Lanka (FIB). He holds an MBA from the Post Graduate Institute of Management, University of Sri Jayewardenepura. Presently, serves as the Managing Director of Royal Ceramics Lanka PLC, Chairman of Siyapatha Finance Ltd and as a Director of Fentons Ltd, Hayleys Industrial Solutions (Pvt) Ltd, SC Securities (Pvt) Ltd and the Colombo Stock Exchange. Former Managing Director of Sampath Bank. He also represents Sampath Bank as a Director of Lanka Bangla Finance Ltd in Bangladesh.

**Noel Joseph****Independent Non-Executive Director**

Appointed to the Board on 15th March 2017. Possesses over 29 years of experience in various position in engineering and engineering consultancy in Sri Lanka and Overseas. Currently, serves as the Managing Partner of Cadteam and Proprietor of N J Consultants. Held senior positions at various organisations such as State Engineering Corporation, Heavyfab Ltd, Development Consultants Lanka (Pvt) Ltd, Safari Company Ltd, Saudi Arabia and Baharudden P M S Associates, Brunei. Member of the Institution of Electrical and Electronic Engineers (MIEEE)-USA, The Institution of Lighting Engineers (MILE) - UK, The New York Academy of Science (MNYAS) - USA, The Illumination Engineering Society (MIES)-USA. Incorporated Engineer - UK (IEng) and The Institution of Engineering Technology (MIET) - UK.



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GROUP MANAGEMENT COMMITTEE





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Roshan Rajadurai



Rohan Goonetilleke



M.S. Lakshminarasimhan



Darshi Talpahewa

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## 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 the Chartered Institute of Management Accountants, (UK), Fellow Member of the Chartered Institute of Marketing, (UK) and a Chartered Marketer. Was appointed as Managing Director of all Eco Solutions companies from 1st 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 Aviation & Travels 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 25 years' experience in the Aviation industry. Prior to joining Hayleys, held several senior positions at SriLankan Airlines including management positions in Europe, Middle East, the Far East

and the Head Office in Colombo and was also a member of the Group Senior Management Team of the Airline. Possesses over 5 years' senior management experience in the Hotel industry. He is responsible for the Aviation sector, hotel development, construction management, 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 Sector, Power and Energy Sector and Hayleys BPO/ITO and Shared Services Sector. 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 (FCMA-UK). He is the Chairman of SLASSCOM (Sri Lanka Association for Software and Services Companies) and Regional Board member of CIMA MESANA Board and member of Board of Studies of Postgraduate Institute of Management (PIM) Sri Jayewardenepura University.

### 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. Fellow 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. He is also a Director of Uni Dil Packaging Limited and Uni Dil Packaging Solutions Limited and is overlooking operations of certain business entities within the Group and Has responsibility for Group Services.

### Roshan Rajadurai

Managing Director of Talawakelle Tea Estates PLC and Kelani Valley Plantations PLC from January 2013 and a member of the Hayleys Group Management Committee. Director of Mabroc Teas (Pvt) Ltd and Hayleys Global Beverages (Pvt) Ltd. Appointed as Managing Director of Horana Plantations PLC and as a Director of Vallibel Plantations Management Limited effective March 2017. Prior to rejoining, served as Director/CEO of Kahawatta Plantations PLC and held Senior Plantation Management positions in Kelani Valley Plantations PLC from 1993 to 2001. He has a Diploma in Marketing (UK), National Diploma in Plantation Management (NIPM), BSc. In Plantation Management and an MBA from the Post Graduate Institute of Agriculture, Peradeniya. He is a Fellow Member of the National Institute of Plantation Management and Institute of Management, Sri Lanka. He was the Chairman of the Planters' Association of Sri Lanka, Member of the Tea Board, Member of the Rubber Research Board and also currently a member of the Tea Research Institute Board, Tea Small Holder Development Authority Board and a member of the Tea Council of Sri Lanka. He was appointed to the Tea Advisory Boards on Manufacturing and Cultivation and Production of the Sri Lanka Quality Charter for Tea. He is the Chairman of the Consultative Committee on Estate and Advisory Services, Experiment and Extension Forum of the Tea Research Institute and is a Member of the Consultative Committee on Research of the TRI. He is also a member of the Standing Committee on Agriculture, Veterinary and Animal Sciences of the University Grant Commission as well as a Member of the Arbitration and Mediation Steering Committee of the Chamber of Commerce.

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**Rohan Goonetilleke**

Joined the Group as Managing Director /CEO of Hayleys Fabric 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 the RPC, Elpitiya Plantations Ltd under Carsons Management Services Pvt Ltd. Holds a degree in Engineering (B.Sc. Eng.) from the United Kingdom. Has responsibility for the Textile Sector.

Has had the unique opportunity of working in the government, non-governmental, private/ corporate sectors including the banking sector and academia. Has responsibility for Human Resources, Legal services, Security and Corporate Communications & Sustainability for the Hayleys Group.

**M.S. Lakshminarasimhan**

Joined Hayleys in June 2015 as the Managing Director of Hayleys Consumer Products Ltd. He is a seasoned professional with 30 years of sales experience across regions/businesses in Asia, Specifically SAARC countries. He is a Commerce Graduate from Madras University. He has started his carrier in 1985 as an entry level stint in Godrej Soaps Ltd. In 1993 with the strategic alliance between Godrej and P&G, he has transitioned to P & G India as a Senior Key Account Manager & thereafter Country Market Manager - Sri Lanka, Regional Manager - State of Tamil Nadu, India & his last tenure was Business Manager- Bangladesh, Sri Lanka, Nepal and India for P & G business prior to his appointment.

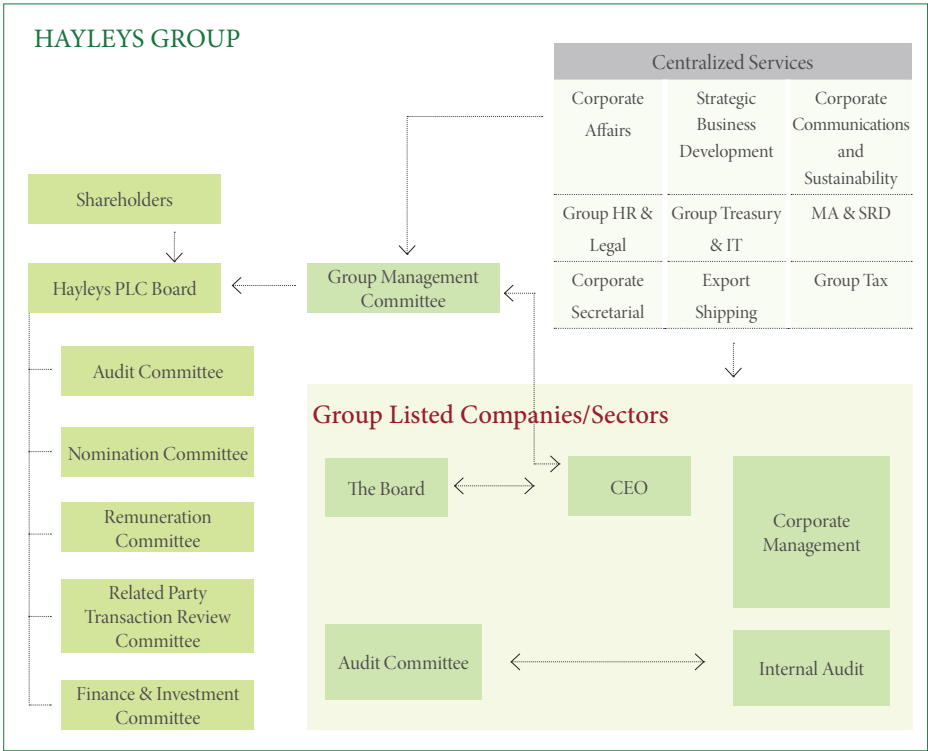
**Darshi Talpahewa**

Joined Hayleys Group in January 2010 and appointed to the Group Management Committee in November 2015. A lawyer by profession, obtained LL.B from the University of Colombo and passed the final examinations in attorneys-at- law with first class honours from Sri Lanka Law College. Holds a Masters Degree in International Relations and also a Masters Degree in Law, from the University of Colombo.

# Corporate Governance

Sound corporate governance is key to managing a diverse portfolio of businesses with operations in 16 countries. Our governance structures have evolved over the years keeping pace with regulatory developments and international best practice, carefully balancing legitimate interests of our key stakeholders. A robust framework of structures, policies, codes, procedures and processes ensure that our values and standards are upheld throughout the group.

The Board appointed by the shareholders is the highest decision making authority and has overall responsibility for determining the strategic direction of the Group, adopting sound governance framework and setting in place robust risk management and international controls systems. As the parent of a diverse conglomerate the 168 companies are organised in to 12 sectors each of which is headed by a Group Management Committee member who is responsible for delivering agreed strategic goals for their sectors.



This report follows the structure of the Code of Best Practice on Corporate Governance to facilitate comprehensive disclosure in a concise manner.

## An Effective Board (Principle A.1)

The Board of Directors comprises 7 executive directors and 5 Non-Executive Directors of which 4 are Independent Non-Executive Directors. Five Executive Directors head key sectors of the Group and bring significant insights and networks to strengthen deliberations. The Non -Executive Directors are entrepreneurs and professionals of high repute bringing objectivity, professionalism and vision to the strengthen the Board.



- Develop effective, accountable and transparent institutions at all levels
- Promote and enforce non-discriminatory laws and policies for sustainable development
- Substantially reduce corruption and bribery in all their forms

## Code of Best Practice on Corporate Governance

	Area of Governance
The Company	The Board
	(11 principles) Directors' Remuneration
	Relations with Shareholders
	Accountability & Audit
Shareholders	Institutional Investors
	Other Investors
Sustainability	Sustainability Reporting

## KEY LEGAL ENACTMENTS & CODES COMPLIED WITH

- Companies Act No.7 of 2007
- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- Inland Revenue Act No. 38 of 2000
- Customs Ordinance No. 17 of 1869
- Exchange Control Act No. 24 of 1953
- Industrial Disputes Act No. 43 of 1950
- The Shop and Office Employees Act No. 15 of 1954
- Factories Ordinance No. 45 of 1942
- Continued Listing Requirements of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance jointly issued by the Securities Exchange Commission and the Institute of Chartered Accountants of Sri Lanka

- Mr.A.M.Pandithage – Chairman & Chief Executive
- Mr.K.D.D.Perera – Co Chairman (Non Executive)
- Mr.M.R.Zaheed – 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.L.V.R.Waidyaratne – Executive Director
- Mr.M.H.Jamaldeen – Independent Non Executive Director
- Mr.M.Y.A.Perera\* – Independent Non Executive Director

- Mr.N.L.S.Joseph\*\* – Independent Non Executive Director

\* Appointed with effect from 12.09.2016

\*\* Appointed with effect from 15.03.2017

- Mr W.D.N.H. Perera - Non-executive Director -resigned w.e.f 08.03.2017

- Mr. M.D.S. Goonatilleke – Independent Non-executive Director resigned w.e.f 12.05.2016.

Hayleys Group Services (Pvt) Ltd., provide Company secretarial services with competent qualified professionals who are registered as Company Secretaries. Profiles of the Directors are given on pages 36 to 37.

The board has appointed 05 board committees to assist in the discharge of its duties as summarised below.

Board Committee	Areas of Oversight	Composition
<b>Audit Committee</b> Report of the Audit Committee is given on pages 186 to 187.	<ul style="list-style-type: none"> <li>• Financial Reporting</li> <li>• Internal Controls</li> <li>• Internal Audit</li> <li>• External Audit</li> </ul>	<ul style="list-style-type: none"> <li>• Independent Non-Executive Directors - 3</li> </ul>
<b>Nominations Committee</b> Report of the Nominations Committee is given on page 182.	<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>	<ul style="list-style-type: none"> <li>• Independent Non-Executive Directors - 1</li> <li>• Non-Executive Directors – 1</li> <li>• Executive Chairman - 1</li> </ul>
<b>Remuneration Committee</b> Report of the Remuneration Committee is given on page 183.	<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>	<ul style="list-style-type: none"> <li>• Independent Non-Executive Directors –3</li> <li>• Non-Executive Directors - 1</li> </ul>
<b>Related Party Transaction Review Committee</b> Report of the PRTRC is given on page 185.	<ul style="list-style-type: none"> <li>• Related party transaction policy</li> <li>• Disclosure of related party transactions</li> </ul>	<ul style="list-style-type: none"> <li>• Independent Non-Executive Directors - 2</li> <li>• Executive Director -1</li> </ul>
<b>Finance Investment Committee</b>	<ul style="list-style-type: none"> <li>• Finance and investment functions</li> <li>• Integration Planning</li> <li>• Investor relations</li> </ul>	<ul style="list-style-type: none"> <li>• Non Executive Directors - 1</li> <li>• Executive Directors - 4</li> <li>• Group Financial Controller</li> </ul>

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### Regular Meetings (Principle A 1.1)

Board meetings are held monthly whilst special Board meetings are convened as the need arises. During 2016/17 the Board held 12 scheduled meetings and 02 strategy meetings. Additionally the following sub-committees also met regularly as summarised below.

Directors	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee	Related Party Transaction Review Committee	Finance & Investment Committee
Mr. A.M. Pandithage	14/14	-	-	2/2	-	4/4
Mr. K.D.D. Perera	13/14	-	3/3	2/2	-	4/4
Mr. M.R. Zaheed	12/14	-	-	-	-	-
Mr. W.D.N.H. Perera*	5/12	1/5	1/1	1/1	-	-
Mr. S.C. Ganegoda	14/14	-	-	-	3/4	4/4
Mr. H.S.R. Kariyawasam	14/14	-	-	-	-	4/4
Dr. H. Cabral PC	12/14	5/5	3/3	2/2	4/4	-
Dr. K.I.M. Ranasoma	13/14	-	-	-	-	4/4
Mr. L.T. Samarawickrema	9/14	-	-	-	-	-
Mr. M.H. Jamaldeen	14/14	5/5	3/3	-	-	-
Mr. M.D.S. Goonetilleke**	2/2	1/1	-	-	-	-
Mr. L. V. R. Waidyaratne	14/14	-	-	-	-	-
Mr. M.Y.A. Perera***	7/8	2/2	1/3	-	2/2	-
Mr. N.S.L. Joseph****	2/2	-	-	-	-	-
<b>Total No. of Meetings</b>	<b>14</b>	<b>05</b>	<b>03</b>	<b>02</b>	<b>04</b>	<b>04</b>

\*Resigned w e f 08.03.2017

\*\*Resigned w e f 12/05/2016

\*\*\*Appointed w e f 12.09.2016

\*\*\*\*Appointed w e f 15.03.2017



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Board functions are supported by robust information technology enabling Board members to access their Board papers via secure connections and participate in meetings even remotely. Board members spent a minimum of 76 hours per annum on matters related to the Board whilst members of the Audit Committee spent a further 15 hours per annum on matters delegated to the committee.

The Chairman ensures that Board members are provided sufficient opportunities to obtain

clarifications on matters set before the Board through presentations made by the Group Management Committee and their teams. Board members also have access to Key Management Personnel for the same purpose. Executive management provide updates to the Board on performance, compliance and regulatory changes among other matters to facilitate effective participation by Non-Executive Directors. All Directors receive minutes of the monthly Hayleys Group Management Committee meetings 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 structure facilitating collaboration, discussion and debate on matters considered critical for the Group's operations as listed below.

Management Committees	Purpose and tasks
<b>Hayleys Group Management Committee (HGMC)</b>	<p>The responsibilities of the HGMC are as follows:</p> <ul style="list-style-type: none"> <li>Recruitment, remuneration, performance management and development of teams including succession planning</li> <li>Managing industrial relations</li> <li>Financial Planning and performance review</li> <li>Maintenance of safety and ethical standards</li> <li>Management of risk and following implicit and explicit guidelines set by the Group</li> <li>Safeguarding assets and avoiding deterioration of value through aging or obsolescence</li> <li>Providing support to the Board and the HGMC in pursuing Hayleys Group objectives and standards.</li> </ul>
<b>Chief Executives Forum (CEO Forum)</b>	<p>The CEO's Forum is chaired by the Chairman and Chief Executive 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.</p>
<b>Functional Clusters</b>	<p>Finance, Corporate Communications, Information Technology &amp; HR Clusters have been established bringing together functional specialists across the Group. These Clusters serve as forum to communicate relevant matters, identify areas of special interest and concern and share best practice. Additionally all CFOs 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.</p>

## BOARD HIGHLIGHTS

- Training for all Non-Executive Directors of the parent Company and its subsidiaries through a customized programme with a foreign resource
- Comprehensive induction programmes for new Directors including visits to key locations
- Approving the following investments
  - Incorporation of Luxury Resort (Pvt) Ltd in the Maldives to acquire a 51 room Kudarah Resort in Maldives
  - Incorporation of the wholly owned subsidiary World Export Centre Limited and the transfer of 717 perches of land at Rs.10.3 bn to the same for the construction and operation of Word Export Centre Limited, a 55 storey A grade commercial twin tower complex.

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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. It also monitors performance against agreed Key Performance Indicators at monthly meetings of the Board whilst specialised areas are identified for oversight by Board Committees who report on progress and concerns to the Board.

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

The Board has set 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. Directors have the power to obtain 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.

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

All Directors have access to 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)

Directors bring independent judgment to bearing on 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 professional 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.

#### BOARD HIGHLIGHTS

- 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

It is estimated that Non-Executive Directors dedicate not less than 16 days per annum for the affairs of the Group and those Directors who are also on Audit Committee dedicate a further 5 days for the affairs of the Group.

### Training for Directors (Principle A.1.7)

The Board arranged for training on Corporate Governance or all Non-Executive Directors of all entities including the parent company. All Executive Directors were also invited to attend. The training comprised a 8 hour workshop conducted by a specialised foreign resource on the subject. 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 of their respective professional organisations.

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

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 168 diverse business entities organised in to 12 sectors. The Board has also appointed Mr.K.D.D.Perera as Co-Chairman and Dr. H Cabral, PC, Non- Executive Director functions as Senior Independent Director to facilitate board balance.

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

The Chairman is responsible for the efficient conduct of Board meetings and ensures effective participation of both 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.

### 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 noted below:

- Mr. M.Y.A. Perera
- Mr. S.C. Ganegoda
- Mr. H.S.R. Kariyawasan
- Mr. M.H. Jamaldeen

## SUMMARY OF ROLES & RESPONSIBILITIES

### Role of Chairman

- Ensure that the Board is in control of the affairs of the company
- Efficient conduct of the Board Meetings
- Ensure that there is a balance of power between Executive and Non-Executive Directors
- Ascertain views of all Directors

### Role of Senior Independent Director

- Set corporate values facilitating an equitable balance between key stakeholder interests
- Uphold high standards of ethics, integrity and probity.
- Support executive leadership whilst monitoring their conduct
- Promote high standards of corporate governance and compliance
- 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, assisting the Board to develop a balanced understanding of their issues

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 is 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 and that his independence will not be affected by his spouse, Mrs. I. Jamaldeen being a Director of the Kingsbury PLC. Accordingly the following Directors are deemed to be independent:

- Dr. H.C. Cabral, PC
- Mr. M.H. Jamaldeen
- Mr. M.Y.A. Perera
- Mr. N.L.S Joseph

Board balance is further strengthened by the presence of a Senior Independent Director whose role has been discussed above. Additionally, the Chairman meets with Non Executive Directors only, without the Executive Directors being present as necessary. Board minutes record 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

### Board Balance (Principle A.5)

The board comprises 7 Executive Directors and 5 Non Executive Directors of whom 4 are independent. 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

## Corporate Governance

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.

### 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
- 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 182.

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 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 and for one third of the Directors in office to retire at each Annual General Meeting. 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. 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 36 to 37.
- Related party transactions on pages 272 to 278
- Membership of sub-committees and attendance at Board Meetings and Sub-Committee meetings on page 44.

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

Prior to the commencement of each financial year, the Board in consultation with the Chief Executive, 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 183 of the 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
- Mr.K.D.D. Perera
- Mr.M H Jamaldeen
- Mr.M.Y.A.Perera\*

\*Appointed w e f 12.09.2016

The Board as a whole determines the remuneration of the Non Executive Directors who 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 Non Executive Directors reflect the time commitment and responsibilities of their role, taking into consideration market practices. Non Executive Directors 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 183 which includes a statement

on Remuneration Policy. Please refer page 223 for the total Directors' Remuneration.

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

The Annual General Meeting (AGM) 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 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 page 49 which includes the Annual General Meeting, Shareholders and a dedicated



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page of the Hayleys website [www.hayleys.com/](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 49 to 50 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 them 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 172 to 179 cover all areas of this section.
- The “Statement of Directors’ Responsibilities” is given on page 184.
- The Directors’ Statement on Internal Controls is given on page 181.
- The “Independent Auditors’ Report” on page 190 For the Auditor’s responsibility.
- The Financial Review, the Value Creation Report on pages 129 to 134.

There has been no serious loss to convene an EGM.

### 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.Y.A.Perera\* - Chairman
- Dr . H. Cabral. PC
- Mr.M H Jamaldeen

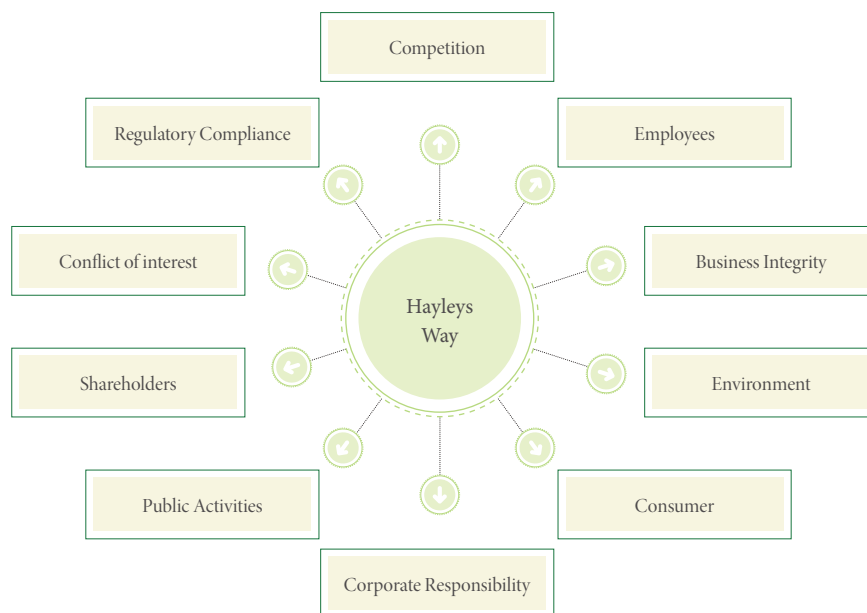
\*Appointed w e f 12.09.2016

Hayleys Group Services ( Pvt ) Ltd, serves as 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 186 to 187.

Names of the members of the Audit Committee disclosed on page 186 under the Section on the " Audit Committee Report" and the disclosure of the independence of the Auditors is disclosed in page 187 under the section on the " External Audits" in the "Audit Committee Report" on pages 186 to 187 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.
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 42 to 53 (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.

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Any information that the board considered as price sensitive is disseminated to the shareholders by way of announcements to the Colombo Stock Exchange 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 49.

### 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 70 to 71.
- The environment Refer pages 163 to 169.
- Labour practice Refer pages 140 to 145.
- Society Refer pages 146 to 148.
- Product responsibility Refer pages 149 to 151.
- Stakeholder identification, engagement & effective communication Refer pages 152 to 153.
- Sustainable reporting and disclosure Refer pages 61 to 69.

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption by Hayleys
7.10.1(a)	Non-Executive Directors	Compliant	Five out of twelve Directors are NEDs
7.10.2(a)	Independent Directors	Compliant	Four 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 & CA Sri Lanka on page 47.
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 satisfy the criteria for "independence" set out in the Listing Rules.
7.10.3(c)	Disclosure relating to Directors	Compliant	Please refer pages 36 to 37 for the brief resume of each Director.
7.10.3(d)	Disclosure relating to Directors	Compliant	Disclosed the appointments of new Directors to the Colombo Stock Exchange when it is disclosed to the public. Brief 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 183 and Principles B1 to B3 on page 49 of this

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CSE Rule Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption by Hayleys
7.10.5(b)	Functions of Remuneration Committee	Compliant	Corporate Governance Report. The remuneration paid to Directors is given in the note 10 to the financial statements on page 23.
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 186 to 187 and disclosures under Principle D3 on pages 50 to 51 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	
9.2.1& 9.2.3	Related Party Transactions Review Committee	Compliant	The Functions of the Committee are stated in the Report of the Related Party Transaction Review Committee on Page 185.
9.2.2	Composition	Compliant	Please refer the Report of the Related Party Transaction Review Committee on Page 185.
9.2.4	Related Party Transactions Review Committee Meetings	Compliant	Met 04 time during the Financial year 2016/17.
9.3.1	Immediate Disclosures	Compliant	Please refer Note 39 of the Notes to the Accounts on Pages 272 to 278.
9.3.2(a) & (b)	Disclosure of Non-Recurrent and Recurrent Related Party Transactions	Compliant	Please refer Note 39 of the Notes to the Accounts on Pages 272 to 278.
9.3.2(C )	Report by the Related Party Transaction Review Committee	Compliant	Please refer the Report of the Related Party Transaction Review Committee on Page 185.
9.3.2(d)	A Declaration by the Board of Directors	Compliant	Please refer the Annual Report of Board of Directors for an affirmative statement of compliance of the Board on pages 172 to 179.

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# Value Creation Report

## CAPITAL INPUTS



### Financial Capital

Shareholders' funds:  
Rs 40,866 mn  
Debt: Rs. 44,748 mn



### Manufactured Capital

Property, plant and  
equipment: Rs. 66,407 mn  
Manufacturing facilities:  
Over 35



### Human Capital

Team of 28,137 employees  
Hayleys values (The  
Hayleys Way)



### Social and Relationship Capital

Customer relationships:  
85,000  
Supplier relationships  
Relationships with our  
communities  
(pages 146 to 148)



### Intellectual Capital

Tacit knowledge  
Brand  
Research and development  
capabilities  
(pages 161 to 162)



### Natural Capital

Raw materials: 180,000  
MT\*  
Water use: 3.98 mil m3  
Energy consumption: 2.27  
mil GJs

### Eco Solutions (pages 74 to 77)

### Hand Protection (pages 78 to 81)

### Purification (pages 82 to 86)

### Textiles (pages 87 to 90)

### Construction Material (pages 91 to 94)

### Plantations (pages 95 to 100)

### Agriculture (pages 101 to 105)

### Consumer (pages 106 to 109)

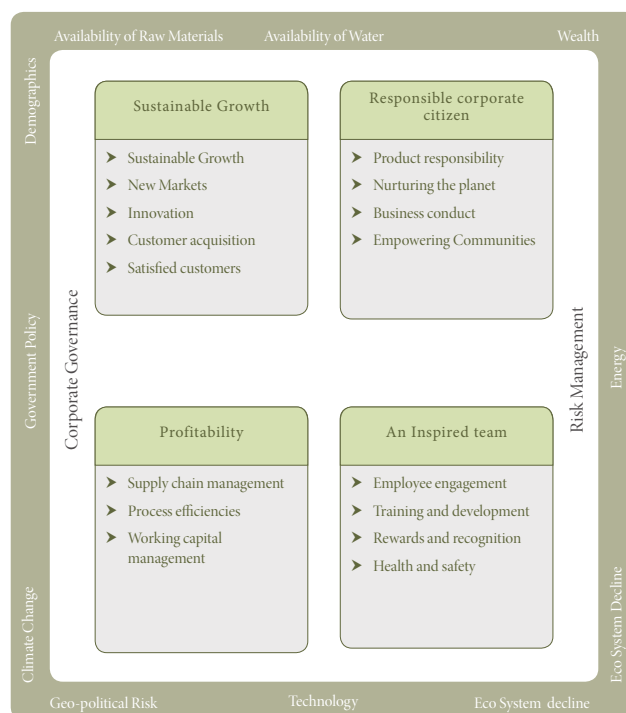
### Leisure (pages 110 to 113)

### Industry Inputs, Power & Energy (pages 114 to 117)

### Transportation & Logistics (pages 118 to 122)

### Others (pages 123 to 126)

## A HOLISTIC STRATEGY



## Stakeholder Relationship

## Resource Allocation

## Financial Management

\* Total of different raw material

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## VALUE DELIVERED: KPIs



**Shareholders**  
(pages 129 to 134)

### Sustainable growth in earnings

**21%**

Revenue growth

**1%**

PBT Growth

**9.4%**

ROCE

**Rs. 562.5 mn**

Dividends



**Employees**  
(pages 140 to 145)

### Rewarding work environment

**>Rs. 15 bn**

Payments to  
employees

**>Rs. 70 mn**

Investment in  
training

**>125,000**

Training hours

**>Rs. 3.9 mn**

revenue/ employee  
Productivity



**Customers**  
(pages 146 to 148)

### Rewarding work environment

**Rs. 111.4 bn**

Total revenue

**10,935**

Customer acquisition  
(Excluding Leisure)



**Suppliers**  
(pages 149 to 151)

### Mutually beneficial relationships

**Rs. 50 bn**

Value created

**Rs. 218 mn**

Investment in supplier  
development



**Community**  
(pages 154 to 160)

### Empowering communities

**Rs. 111 mn**

Investment in CSR

**>38,000**

Beneficiaries



**Impacts**  
(pages 163 to 169)

**11,101 MTs**

Waste

**3.14 mil m3**

Effluents

**122,884 tCO<sub>2</sub>e**

Carbon footprint



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# Delivering Value

The table below provides a summary of our performance, based on the aforementioned strategic objectives. Detailed discussion on these indicators is available in the respective capital reports on pages 127 to 169 of this Report.

STRATEGIC PRIORITIES

Sustainable growth

Profitability

Strategic drivers

- New markets
- Innovation
- Customer acquisition
- Satisfied customers

Key performance indicators

Consolidated revenue growth of 21%

Revenue Growth

Rs.mn

%

120,000

25

100,000

20

80,000

15

60,000

10

40,000

5

20,000

0

2013

2014

2015

2016

2017

● Group Revenue

— Growth (%)

2013

2014

2015

2016

2017

● Group Revenue

— Growth (%)

Sector-wise ROCE

Sector	ROCE (2017)%	ROCE (2016)%
Eco Solutions	18	4
Hand Protection	11	6
Purification	14	13
Textiles	5	10
Construction Materials	43	55
Plantations	6	3
Agriculture	26	28
Consumer	10	13
Leisure	9	14
Industry Inputs, Power & Energy	15	24
Transportation & Logistics	17	21
Others	7	8

New Customer Acquisition

Sector	New customers
Eco Solutions	74
Hand Protection	32
Purification	18
Textiles	16
Construction Materials	13
Plantations	40
Agriculture	9,654*
Consumer	49
Leisure	74,543**
Industry Inputs, Power & Energy	332
Transportation & Logistics	478
Others	229

Consolidated profit after tax of Rs. 5.0 Bn

PAT & ROCE

Rs.mn

%

6,000

15.0

5,000

13.8

4,000

12.6

3,000

11.4

2,000

10.2

1,000

9.0

0

0

2013

2014

2015

2016

2017

● Profit after tax

— ROCE (%)

2013

2014

2015

2016

2017

● Profit after tax

— ROCE (%)

\* including new farmers acquired through Hayleys Jeevadhara program

\*\*No. of guests

\* including new farmers acquired through Hayleys Jeevadhara program

\*\*No. of guests

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## STRATEGIC PRIORITIES

### Sustainable growth

### Profitability

#### Key innovations

Sector	Innovations	No of products in the pipeline
Eco Solutions	43	32
Hand Protection	2	4
Purification	4	3
Textiles	100	115
Construction Materials	53	14
Plantations	18	13
Agriculture	28	82
Leisure	6	6
Industry Input	33	31
Others	12	4
<b>Total</b>	<b>299</b>	<b>304</b>

#### Risks/challenges in 2016/17

- Geopolitical tensions and economic uncertainty in key buying markets
- Currency and commodity price fluctuations
- Increasing competitive intensity in several sectors
- Policy instability
- Increase in commodity prices during the year impacted our manufacturing sector companies
- Revisions to tax structures
- Rising energy costs
- Difficulties in passing on cost increases in certain sectors

#### Outlook for 2017/18

As a Group we will pursue regional growth opportunities with several of our sectors already active in many South Asian markets. Innovation will be a key focus for many sectors, with a strong product pipeline already in place for the next financial year. (Please refer to 'Way Forward' on pages 170 to 171 for more detailed and sector-specific information)

The Group's resource allocation strategy has been formulated with the dual objectives of strengthening profitability in the short-term and ensuring stability in the long-term.

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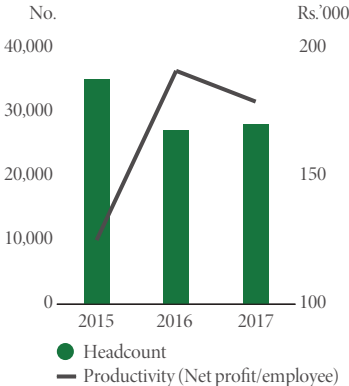
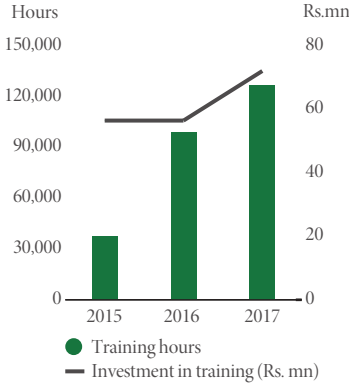
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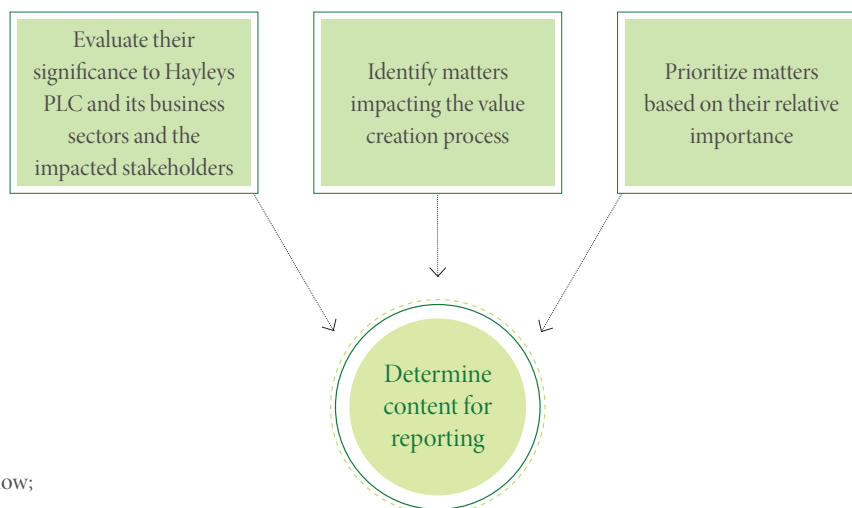
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## Delivering value

STRATEGIC PRIORITIES																																																														
	An inspired team	A responsible corporate citizen																																																												
Strategic drivers	<ul style="list-style-type: none"><li>Employee engagement</li><li>Training and development</li><li>Rewards and recognition</li><li>Health and safety</li><li>Employee productivity</li></ul>	<ul style="list-style-type: none"><li>Product responsibility</li><li>Nurturing the planet</li><li>Empowering communities</li></ul>																																																												
Strategic drivers	<p><b>Productivity (Net profit/employee)</b></p>  <table><caption>Productivity Data (2015-2017)</caption><thead><tr><th>Year</th><th>Headcount (No.)</th><th>Productivity (Rs. '000)</th></tr></thead><tbody><tr><td>2015</td><td>~35,000</td><td>~120</td></tr><tr><td>2016</td><td>~28,000</td><td>~180</td></tr><tr><td>2017</td><td>~28,000</td><td>~170</td></tr></tbody></table> <p>● Headcount — Productivity (Net profit/employee)</p> <p><b>Training Hours and investments</b></p>  <table><caption>Training Data (2015-2017)</caption><thead><tr><th>Year</th><th>Training hours (Hours)</th><th>Investment in training (Rs. mn)</th></tr></thead><tbody><tr><td>2015</td><td>~35,000</td><td>~55</td></tr><tr><td>2016</td><td>~95,000</td><td>~55</td></tr><tr><td>2017</td><td>~125,000</td><td>~75</td></tr></tbody></table> <p>● Training hours — Investment in training (Rs. mn)</p>	Year	Headcount (No.)	Productivity (Rs. '000)	2015	~35,000	~120	2016	~28,000	~180	2017	~28,000	~170	Year	Training hours (Hours)	Investment in training (Rs. mn)	2015	~35,000	~55	2016	~95,000	~55	2017	~125,000	~75	<p><b>Managing our natural inputs/outputs</b></p> <table><thead><tr><th></th><th>2017</th><th>2016</th><th>%</th></tr></thead><tbody><tr><td>Energy (GJ mn)</td><td>2.27</td><td>2.82</td><td>20 v</td></tr><tr><td>Water (m3 mn)</td><td>3.98</td><td>2.8</td><td>42 ^</td></tr><tr><td>Waste (MT)</td><td>11,101</td><td>7,039</td><td>58 ^</td></tr><tr><td>Effluents (m3 mn)</td><td>3.14</td><td>2.13</td><td>47 ^</td></tr><tr><td>Carbon footprint (MT)</td><td>122,884</td><td>83,261</td><td>48 ^</td></tr><tr><td>Carbon footprint/ Scope 1+2 (gCO2e)/ Revenue LKR</td><td>0.82</td><td>0.85</td><td>3 v</td></tr></tbody></table> <p><b>Community engagement</b></p> <table><thead><tr><th colspan="2">Sector community engagement</th></tr></thead><tbody><tr><td>Investment in CSR during the period</td><td>Rs.mn 111</td></tr><tr><td>Number of beneficiaries</td><td>&gt;38,000</td></tr><tr><td>Staff volunteer hours in CSR activities</td><td>&gt;10,000</td></tr></tbody></table>		2017	2016	%	Energy (GJ mn)	2.27	2.82	20 v	Water (m3 mn)	3.98	2.8	42 ^	Waste (MT)	11,101	7,039	58 ^	Effluents (m3 mn)	3.14	2.13	47 ^	Carbon footprint (MT)	122,884	83,261	48 ^	Carbon footprint/ Scope 1+2 (gCO2e)/ Revenue LKR	0.82	0.85	3 v	Sector community engagement		Investment in CSR during the period	Rs.mn 111	Number of beneficiaries	>38,000	Staff volunteer hours in CSR activities	>10,000
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Risks/challenges in 2016/17	<ul style="list-style-type: none"><li>Availability of labour, particularly at manual level</li><li>Employee retention</li><li>Increasing competition for labour in several sectors</li></ul>	<ul style="list-style-type: none"><li>Implications of climate change</li></ul>																																																												
Outlook for 2017/18	<p>The Group will continue to nurture strong relationships with its employees by providing a dynamic and conducive work environment while ongoing focus will be placed on strengthening our employee value proposition (refer to pages 140 to 145 for further information)</p>	<p>We intend to introduce a tailor made system for the tracking and aggregation of sustainability data, increasing accuracy, timeliness and reliability. The Group also hopes to launch a KPI based holistic environmental strategy.</p>																																																												

# Determining Material Content

The materiality assessment process is a vital element in embedding integrated thinking at Hayleys, and ensuring the long-term sustainability of our business and value creation for our stakeholders. The material issues we identify form the basis of our internal and external reporting throughout the year and reflect the issues that could have the greatest impact on our ability to create value as well as stakeholder needs and emerging opportunities and risks in the operating environment. There were no significant changes in the scope and aspect boundaries in comparison to the previous year.



The material issues for the year under review are listed below;



Material issue in 2016/17	Strategic pillar affected	Corresponding principles	Aspect boundary	Materiality in comparison to 2015/16
<b>(1) Financial performance</b> Critical in generating sustainable shareholder value and ensuring the sufficiency of financial resources in fulfilling growth aspirations	Sustainable growth Profitability	GRI: Economic performance	Internal	No change
<b>(2) People management</b> Attracting and retaining right employees is vital in driving our strategic agenda and fulfilling our customer promise	Sustainable growth Profitability  An inspired team	GRI: Employment, Labour/ management relations, Training and education, Freedom of association and collective bargaining, Equal remuneration, Child labour, Forced/ compulsory labour, Occupational health and safety UNGC: Principles 1, 3, 4, 5	Internal	▲

## Determining Material Content

Material issue in 2016/17	Strategic pillar affected	Corresponding principles	Aspect boundary	Materiality in comparison to 2015/16
<b>(3) Sustainable sourcing</b> Access to a secure and high quality supply of raw material is essential to the continuity of our operations.	Sustainable growth Profitability A responsible corporate citizen	GRI: Procurement practices	External	No change
<b>(4) Product quality and responsibility</b> Superior quality of our products is a key source of advantage to several of our sectors	Sustainable growth A responsible corporate citizen	GRI: Compliance-Product responsibility	Internal and External	No change
<b>(5) Innovation</b> As a global player, continuous innovation is critical in maintaining our market share and competitive advantage	Sustainable growth Profitability	-	Internal	No change
<b>(6) Satisfied customers</b> Satisfied customers are critical to ensuring customer retention and sustaining our competitive edge	Sustained growth	-	External	No change
<b>(7) Preserving the environment</b> Adverse environmental impacts of our operations could affect our reputation and social license to operate	A responsible corporate citizen	GRI: Energy, Water, Waste & effluents, Emissions UNGC: Principle 7,8, 9	Internal/External	No change
<b>(8) Compliance</b> Compliance to all relevant labour and environmental regulations are a prerequisite for business continuity	A responsible corporate citizen	GRI: Compliance (EN)	Internal	No change
<b>(9) Community engagement</b> We strive to nurture mutually beneficial, productive relationships with our communities	A responsible corporate citizen	GRI: Local communities	Internal	No change
<b>(10) Product and process efficiencies</b> With significant interests in the manufacturing sector, product and process efficiencies are vital in sustaining profitability	Profitability	-	Internal	No change
<b>(11) Marketing communications</b> As a responsible corporate citizen, we are committed towards marketing our products responsibly	A responsible corporate citizen	GRI: Marketing communications	External	No change



# Sustainability at Hayleys PLC



## Developments during 2016/17

- Appointment of a Sustainability specialist in August 2016 to drive sustainability initiatives across the Group
- Transition to quarterly reporting of sustainability indicators across all sectors, which are subsequently presented to the GMC.
- Increased engagement between the sectors and Group Sustainability to drive efficiencies in water, energy and other resource consumption
- Ongoing sustainability related training for over 200 employees
- Committed to the Responsible Care® initiative with Lanka Responsible Care Council attached to National Cleaner Production Centre, Sri Lanka to identify issues related to health and safety

Hayleys PLC obtained the carbon neutral certificate for its annual report for financial year 2016/17, making it the first Sri Lankan conglomerate to produce a carbon free annual report. This process will not only help Hayleys to reduce its overall environmental footprint but also enable its suppliers to design, develop and produce the annual report as the process of neutralization of carbon would enable those suppliers also to look at their processes to mitigate emission reductions, which is a contribution to the society at large.

The Group's Sustainability and Corporate Responsibility Framework focuses on streamlining and combining the effects of the Group's diverse business sectors to encourage strategic sustainable initiatives across Group companies. Our approach is based on three material areas which form the pillars of our Sustainability Strategy. Sustainability performance is measured, tracked and reported through a set of standardised pre-defined

performance indicators with leadership provided by the Group's Corporate Sustainability Team. We are committed to the annual communication of our sustainability performance through international frameworks such as the Global Reporting Initiative, the United Nations Global Compact and the Integrated Reporting Framework.



# Our Commitment to the Sustainable Development Goals

**1 NO POVERTY**

Numerous supplier development and community engagement initiatives, have contributed towards alleviating poverty throughout the island.

**2 ZERO HUNGER**

Hayleys Agriculture is committed towards manufacturing and supplying an array of nutritious agriculture-based food products.

**3 GOOD HEALTH AND WELL-BEING**

As a global glove manufacturer we contribute towards health and hygiene practices across households and industries

The plantation sector's Home for Every Plantation Worker initiative provides comprehensive immunizations, nutrition, antenatal and auxiliary medical services to estate workers and families.

**4 QUALITY EDUCATION**

Ongoing training and skill development opportunities for our employees

Several sectors support education needs of impoverished students through scholarships and other grants

Stakeholder development and training in Agriculture, Construction materials, Eco solutions and Purification,

**5 GENDER EQUALITY**

Female representation rate of 41% across the Group

Equal opportunity employer

**6 CLEAN WATER AND SANITATION**

Through Sath Diyawara our flagship CSR initiative, we provide access to clean drinking water to over 25,000 people CKD affected areas

All manufacturing sector companies engage in the treatment and recycling of water

**7 AFFORDABLE AND CLEAN ENERGY**

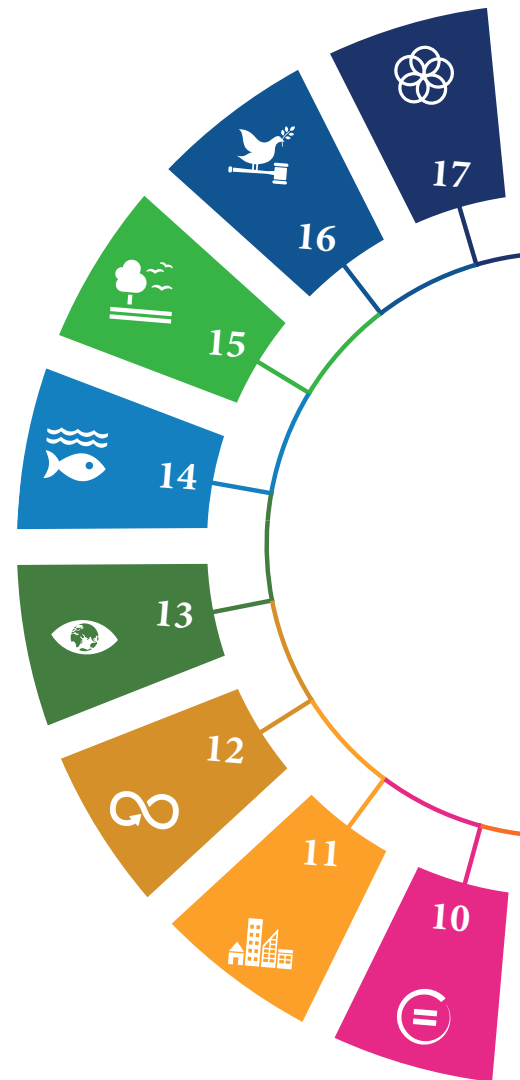
The Power & Energy sector has an installed capacity of 10 MW of hydro power, 30 MW of wind power and 10 MW of solar power

**8 DECENT WORK AND ECONOMIC GROWTH**

We employ 28,137 individuals and are one of the country's most preferred employers and a frequent recipient of employee relations related awards.

**9 INDUSTRY INNOVATION AND INFRASTRUCTURE**

Innovation is harnessed in all manufacturing and product sectors through dedicated research and development teams



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### 10 REDUCED INEQUALITIES

We contribute towards rural employment generation, indirect employment across our supply chain and empowerment through our many CSR initiatives

### 12 RESPONSIBLE CONSUMPTION & PRODUCTION

Multiple certifications across our business lines ensure that business is carried out without harming the surrounding natural environment

### 14 LIFE BELOW WATER

Aquaagri (Pvt) Ltd seaweed project contributes towards marine conservation

### 16 PEACE, JUSTICE AND INSTITUTIONS

Strong corporate governance practices including a stringent system of policies, measures to prevent anti-corruption and the highest standards of integrity and transparency

### 11 SUSTAINABLE CITIES AND COMMUNITIES

Sustainable communities are nurtured through numerous supplier development initiatives in the Agriculture, Purification, Hand protection and Eco Solutions sectors.

### 13 CLIMATE ACTION

Group-wide initiatives are in place to improve energy efficiency and reduce the carbon footprint of our operations.

### 15 LIFE ON LAND

All sectors which operate in areas of rich biodiversity have measures in place to preserve the surrounding fauna and flora

### 17 PARTNERSHIP FOR THE GOALS

We are a signatory to the UN Global Compact and are an active partner in achieving these goals



# Risk Management

Proactive risk management is vital for an organisation such as ours which is exposed to a myriad of economic, political, demographic and other factors given the extensive reach of our operations. The size of the Group, its geographic and sector diversity increases the complexities of managing risk while on the other hand it also provides a natural hedge in some aspects. Hayleys Group adopts a broad definition of risk management interpreting risk to be any factor that can diminish the Group's capacity to create value to stakeholders. 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 nurtures a group wide risk culture, a key element for effective risk management.

## Risk Governance

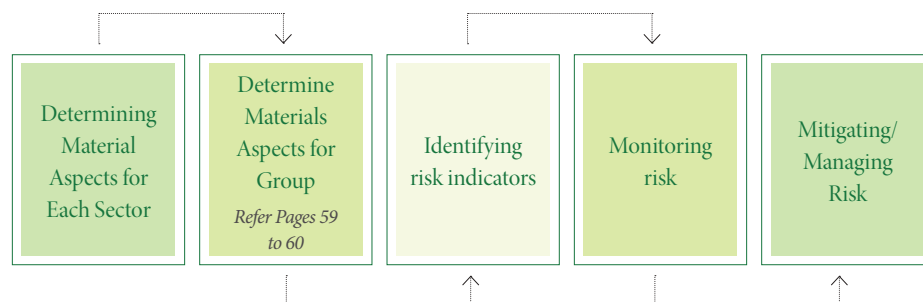
The ultimate responsibility for the management of risk rests with the Board of Directors who has set in place policies and processes to manage the same. They are assisted in discharge of their duties by the Audit Committee who has oversight responsibility for risk and internal control. Risk assessments are prepared by all sectors and reviewed by the relevant sector Audit Committee at least on a quarterly basis. In addition statements of compliance are provided to the Sector Audit Committee by the relevant CFOs/MDs on a quarterly basis. Furthermore, the services of external experts (particularly

audit firms) are obtained in continuously strengthening internal control procedures across the Group. The Group Management Audit and Systems Review Unit (MA&SRD) of the Group provides assurance to the Audit Committee on internal control and compliance of the entire Group and encompasses financial and other operational risks. At a Hayleys Group level, the Group Treasury, Group Tax and Strategic Business Development Unit also assists in overall risk assessment and mitigation through their respective functions. As the different business sectors have relative autonomy in running their businesses which are conglomerates in their respective fields, the Group Management Committee Members and Audit Committee of their companies play a key role in identifying, monitoring and managing risk in a 3 lines of defence model as depicted below.



## Risk Identification & Management

On a Group level, risk identification commences with the review of each sector's value creation model and shareholder concerns identified from the stakeholder engagement processes. Material aspects are determined through this exercise and then risk indicators are identified at a Group level, taking in to account materiality of the various aspects on the Group performance. Information from all sectors is collated and evaluated on a quarterly basis which are reviewed by GMC members.



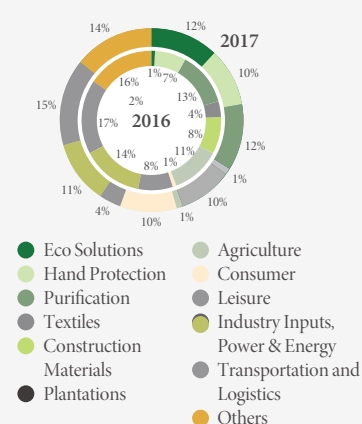
## Portfolio Concentration

Our diversity is a natural hedge and we continue to monitor the concentration with regards to reliance on business sectors for profit, group assets and exposure to geographies as given below. In terms of revenue and profit, the highest contributor is the Transport sector which accounts for a respective 22% and 14%, an acceptable level of risk considering the industry dynamics, the comprehensive portfolio of services and growth potential of the transportation sector. The highest asset composition of 24% is the miscellaneous classification of Others as a sector which is sufficiently diverse within itself.

### Revenue Composition



### PAT Composition



## Principal risks and uncertainties

Risk	Impact	Mitigating Activities	Potential strategic impact		Potential strategic impact
			2017	2016	
<b>Geopolitical Risk</b> The risk of one country's foreign policy unduly influencing or upsetting domestic political and social stability in another country or region.	As 54% of the Group's turnover is derived from exports or indirect exports, with a fair amount of exposure to the Middle East, Eastern Europe arising from particularly the Plantations sector, geopolitical risk has become a key risk that will impact our top line.	<ul style="list-style-type: none"> <li>Diversified export markets</li> <li>Growth aspirations in new markets</li> <li>Increasing penetration in stable markets</li> <li>Monitoring developments in formulating strategy</li> </ul>	Moderate	Moderate	Sustainable Growth Profitability
<b>Government Policy and macro-economic variables</b>	Government policies on foreign relations, interest rates, inflation, energy and wages has a direct impact on the Group impacting operating margins and profitability.	<ul style="list-style-type: none"> <li>Rising inflation, interest rates and wages is monitored and strategies adjusted to minimize impact where possible. An example is the re-negotiation of interest rates on loans based on improved financial performance which has reduced finance costs.</li> <li>Joint industry action to promote favourable terms of trade with other countries</li> </ul>	High	Moderate	Sustainable Growth Profitability

**Developments in 2017:** Changes in the global political landscape, implications of Brexit and geopolitical tensions in the Middle East and Africa

**Developments in 2017:** A tightening monetary policy stance during the year led to a gradual rise in market interest rates, resulting in a surge in finance expenses



## Risk Management

Risk	Impact	Mitigating Activities	Potential strategic impact		Potential strategic impact
			2017	2016	
Availability and Pricing of Raw Material	As many of our business sectors are engaged in manufacture and processing activities, it is critical that we have sufficient quantities of raw material available at predictable prices.	<ul style="list-style-type: none"> <li>Broad base of suppliers for raw materials</li> <li>Supplier screening to ensure capability</li> <li>Quality control processes from receiving point to ensure a match with specifications</li> <li>Monitoring market trends for key inputs at sector level to ensure we receive competitive pricing</li> </ul>	Moderate	Moderate	Profitability
			<b>Developments in 2017:</b> The increase in commodity prices during the year, against the backdrop of a rise in demand impacted margins of several manufacturing sectors		
Supply and Affordability of Energy	Energy is required at every stage of our manufacturing operations and has a direct impact on our carbon footprint	<ul style="list-style-type: none"> <li>Review energy mix and decrease dependency on non-renewable sources</li> <li>Increased investments in renewable energy sources to supply power to main grid</li> <li>Investing in energy efficient machinery and equipment</li> <li>Continuous monitoring of energy intensity ratio to drive required action</li> </ul> <p>Refer page 166 of the Natural Capital segment for further information</p>	Low	Low	Profitability
			<b>Developments in 2017:</b> The severe drought during the year led to a sharp reduction in the generation of hydro power, underscoring the importance of increasing NCRE generation		
Availability of Water	Water is required for a number of our manufacturing process	<ul style="list-style-type: none"> <li>Principal sources of water are assessed for sufficiency and quality</li> <li>Recycling water withdrawn from source for cooling and heating purposes</li> <li>Review operations to reduce water usage intensity</li> <li>Compliance with licensing requirements of the Central Environment Authority</li> </ul> <p>Refer page 167 of the Natural Capital segment for further information.</p>	Moderate	Moderate	Profitability Responsible corporate citizen
			<b>Developments in 2017:</b> The severe drought that prevailed in several parts of the country impact our Agriculture, Power & Energy and Plantations sectors		

Risk	Impact	Mitigating Activities	Potential strategic impact		Potential strategic impact
			2017	2016	
<b>Employee Health &amp; Safety</b>	We value our employees and recognize our responsibility to provide a safe working environment. We also understand that specific aspects of our processes may present higher levels of risk to employees' health and safety.	<ul style="list-style-type: none"> <li>Establishment of worker management health and safety committees to ensure their views are understood and addressed</li> <li>Establishing safety procedures for all operations that present risks to employees and ensuring implementation of the same</li> <li>Maintaining and monitoring employee health and safety statistics</li> </ul> <p>Refer page 144 of the Human Capital Report for further information.</p>	Moderate	Moderate	<p>An inspired team</p> <p>A responsible corporate citizen</p> <p><b>Developments in 2017:</b> Several of our sectors increased focus on health and safety aspects during the year.</p>
<b>Employee Relations</b>	Employee relations are a key concern as many employees in manufacturing operations are from the vicinity and 64% are members of politically allied trade unions as Hayleys Group recognizes the right to freedom of association	<ul style="list-style-type: none"> <li>Open door policy for employees to discuss areas of concern</li> <li>Regular structured dialogue with union representatives to identify areas of concern</li> <li>Balanced HR policies applied in a consistent manner building trust with employees</li> <li>Communicating how personal goals are aligned with organization goals through an organization wide performance management system</li> </ul> <p>Refer page 144 of the Human Capital Report for further information.</p>	Low	Low	<p>Sustainable growth</p> <p>An inspired team</p> <p><b>Developments in 2017:</b> No labour unrest or major disruptions to work due to trade union activity during the year</p>
<b>Effluents &amp; Waste</b>	Effluents from our manufacturing processes containing chemicals are discharged only after treatment in compliance with Central Environment Authority licensing requirements to ensure that it does not adversely affect the community and the bio diversity of the surrounding area.	<ul style="list-style-type: none"> <li>Investing in effluent treatment and solid waste management</li> <li>Monitoring quality of effluents on an hourly basis to ensure conformity with CEA requirements</li> </ul> <p>Refer Natural Capital Report on page 167.</p>	Low	Low	<p>Responsible corporate citizen</p> <p><b>Developments in 2017:</b> Several sectors increased capacity of their effluent treatment plants in line with increased operational activity. Quality of water was maintained within the parameters set by the CEA</p>

## Risk Management

Risk	Impact	Mitigating Activities	Potential strategic impact		Potential strategic impact
			2017	2016	
Customer Satisfaction	Customer satisfaction is key to business growth	<ul style="list-style-type: none"> <li>High levels of customer engagement to understand areas of concern</li> <li>Compliance with requirements and specifications</li> <li>Focus on innovation</li> <li>Monitoring customer rankings where possible</li> </ul> <p>Refer Creating Value for Customers on pages 146 to 148.</p>	Moderate	Moderate	Sustainable growth
			<b>Developments in 2017:</b> The addition of 10,935 customers across the Group is a strong reflection of our reputation for customer satisfaction		
Product Responsibility	Product responsibility is critical to our reputation and growth	<ul style="list-style-type: none"> <li>Compliance with regulatory and certification requirements</li> <li>Monitoring of customer complaints</li> <li>Supplier screening for financial, social and environmental criteria</li> <li>Quality control processes</li> </ul> <p>Refer Creating Value for Customers on pages 146 to 148.</p>	Low	Low	Sustainable growth Responsible corporate citizen
			<b>Developments in 2017:</b> We maintained compliance with all related certifications, and during the year there were no instances of non-compliance to any product responsibility related regulations/codes.		
Local Community Relations, Market Presence & Indirect Economic Impacts	We engage with local communities providing employment opportunities and indirect employment which are critical for the socio economic progress of these communities which create a level of interdependency requiring active management.	<ul style="list-style-type: none"> <li>High levels of engagement with employees and community</li> <li>Robust employee and community value propositions to maintain an appropriate balance</li> <li>Building pride in the organization with employees and community</li> </ul> <p>Refer Human Capital Report and Creating Value for the Community on pages 144 and 154 to 160 respectively.</p>	Low	Low	Responsible corporate citizen
			<b>Developments in 2017:</b> As a Group we invested in excess of Rs. 100 million in community initiatives, maintaining a high level of engagement and supporting needs based development		

Risk	Impact	Mitigating Activities	Potential strategic impact		Potential strategic impact
			2017	2016	
<b>Training &amp; Development</b>	Training and development is a key aspect at all levels to drive employee productivity, safety and enhance the tacit knowledge of our team which gives us our competitive edge.	<ul style="list-style-type: none"> <li>Structured training programmes in place for all employees</li> <li>Training needs identified through a robust performance management system</li> <li>Many entities are approved training centres for NAITA and CA Sri Lanka.</li> </ul> <p>Refer Human Capital Report on page 142 for further information.</p>	Moderate	Moderate	Sustainable growth
<b>Emissions</b>	Directly impacts our carbon footprint, compliance with CEA license and the quality of air in the community.	<ul style="list-style-type: none"> <li>Investments in energy efficient technology</li> <li>Managing energy mix</li> <li>Continuous monitoring of emissions to ensure compliance with CEA requirements and certifications</li> </ul> <p>Refer Natural Capital Report on page 168 for more information</p>	Low	Low	Responsible corporate citizen
<b>Innovation</b>	Our ability to innovate is key to growth and profitability	<ul style="list-style-type: none"> <li>Investment in our own Research &amp; Development facilities with state of the art equipment</li> <li>Ability to attract and retain highly qualified and experienced talent to operate the R&amp;D facilities</li> <li>Continuous monitoring of performance to inspire and motivate these highly skilled employees</li> </ul>	Low	Low	Sustainable growth Profitability

# Operational Review

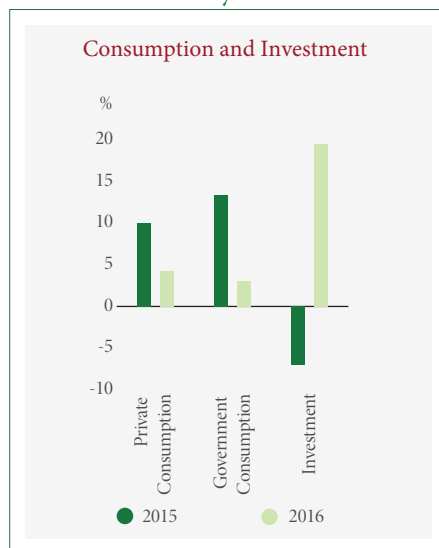
## ECONOMIC REVIEW

### Global Economy

In spite of signs of economic activity picking up in the second half of the year, 2016 remained a year of modest growth in the global economy. The US economy grew by 1.6% (2015 growth 2.6%) and the Euro area grew by 1.7% (2015 growth 2%) whilst China and India grew at 6.7% and 6.8% respectively during the year. Commodity prices saw some recovery in 2016. Whilst there has been some uptick in oil prices in response to OPEC supply restrictions, the prognosis for oil prices remains shallow as supply excesses continue to dominate market dynamics, curtailing a significant increase in prices.

Nonetheless, there is a brighter outlook for the global economy in 2017 as the momentum from the 2nd half of 2016 carries through into the following year as well. The IMF's expectation for US growth in 2017 is 2.3%, supported by renewed investment, manufacturing growth, and a positive turn in the inventory cycle. Global trade has also seen some recovery with the improvement in activity in key global economies. Commodities also are likely to experience a moderate uptick in prices in 2017, which would be supportive of growth in commodity reliant economies.

### Sri Lankan Economy



Source: CBSL Annual Report 2016

### Economic Growth

Growth in 2016 remained modest at 4.4%, remaining lower than the 4.8% growth rate recorded in 2015. Several factors contributed to the weaker macroeconomic growth, including a contraction in the agricultural sector (-4.2%) as a result of a debilitating drought that adversely affected the entire economy.

Output across the agricultural spectrum was adversely affected with tea (-11%), rubber (-10.7%) both seeing significant contractions in production. In addition to the detrimental impacts of the weather, policy changes resulting in less weedicide and fertilizer are likely to have also contributed to the decline.

The industrial sector experienced relatively robust growth of 6.7% during the year, driven by a significant recovery in the construction sector (14.9% growth) which contributed 23.4% of the increase in aggregate GDP during the year. Mining and quarrying, a sector related to construction, grew at 14.4% during the year. However, other manufacturing industries experienced limited growth at 1.7% compared to 4.9% growth in 2015.

The services sector grew at 4.2% in 2016, lower than the 5.7% growth recorded in the previous year. Finance and real estate grew at 8.4%, contributing 23.4% to the aggregate increase in GDP in 2016. Information and communication sector grew at 8% whilst wholesale and retail trade grew at a low 2.5% during the year.

Consumption was weak during the year as the impacts of higher taxes and higher interest rates fed into diminished economic activity. Investment as a percentage of GDP did however increase slightly. Private consumption grew at 4.3% compared to a 10% growth in 2015, whilst investment grew 19.6%, following a low base of -7% in 2015.

### Key Economic Developments

The year 2016 began with significant macroeconomic volatility and instability. Following reversals in the government's fiscal



Source: CBSL Annual Report 2016

plans, and global market volatility, yields on Sri Lanka's external sovereign debt increased, resulting in challenges to the government's debt management. However, in June 2016 the government entered into an Extended Fund Facility with the IMF, entailing a robust fiscal reform programme. This, along with changes in the leadership of the Central Bank and tightening monetary policy, higher taxes and improved government revenue collection in the second half of 2016, helped restore global market confidence in the economy and the government was able to access global capital markets with a 10 year sovereign bond of US\$ 1.5 billion at 6.825%.

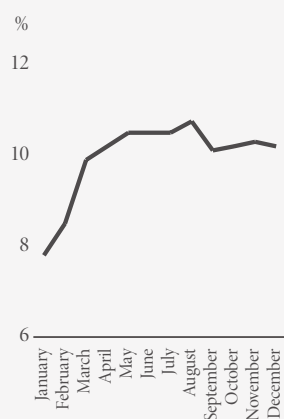
Whilst the tighter monetary and fiscal policy led to improved macroeconomic stability, it did contribute to the weakening of economic activity, as is evident with the decline in consumption and slower economic growth in key sectors. Nonetheless, this policy tightening and associated short term economic pain has been seen as necessary to restore macroeconomic stability to lay the foundation for longer term sustainable economic growth.

### Interest Rates

As private sector credit growth increased from 2015 through 2016, interest rates began to increase as liquidity declined. Within the first 4 months of the year rates had gone up by more than 2%.



## Interest Rates 2016



Source: CBSL Annual Report 2016

The Central Bank also acted on the high credit growth with an increase in the Statutory Reserve Requirement (SRR) in January, followed by two rate hikes of 0.5% each in February and July. Whilst market rates had already increased by the time the Central Bank acted, the monetary policy tightening reinforced the direction of interest rates.

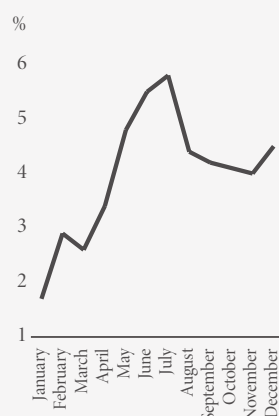
Credit growth remained above the Central Bank's target levels through most of 2016. Lending growth to the private sector, which was already high at 25.1% in 2015, peaked at 28.5% in July 2016 before moderating to 21.9% in December 2016. Credit growth was nonetheless higher than Central Bank expectations and therefore a further rate increase occurred in March 2017. However, with the tightening lending restrictions for motor vehicle (reduced loan to value ratios for cars and three wheelers in particular), and higher market interest rates, lending to the private sector began to ease in the latter part of 2016 and into 2017 as well.

## Inflation

One of the main factors behind the Central Bank's decision to raise interest rates in March 2017 was the fact that inflation was higher than the Central Bank's tolerance levels in the early part of 2017. Whilst inflation remained within single digits during 2016, prices increased in the first half of the year, peaking at 5.8% in June 2016.

Inflation moderated in the second half of the year but was on an upward trend as higher taxes fed into a one-off increase in the price level. By March 2017 inflation reached 7.3%, as supply side impacts of the drought on food prices coupled with impacts and a low base effect, resulted in sharply higher price levels.

## Inflation 2016



Source: Department of Census & Statistics

## External Sector

Exports declined for the second successive year as weak commodity prices hurt Sri Lanka's agricultural exports and earnings from petroleum bunkering sales. Apparel exports remained flat with just 1.3% growth in the year. Overall exports declined by 2.2% year on year in 2016. The growth in imports in 2016 which increased by 2.5% was driven mainly by growth of investment related imports and non-fuel intermediate imports as the growth in construction drew in imported materials. Consumption related imports declined by 8.4%, primarily due to a 41.5% decline in expenditure on motor vehicle imports.

Growth in earnings from tourism which increased by 18% to reach US\$ 3.5 billion helped earnings from the export of services to increase by 11.6% to US\$ 7.1 billion. Remittances grew by 3.7% to US\$ 7.2 billion. The current account deficit remained stable at 2.4% of GDP compared to 2.3% of GDP in 2015. However, the capital account suffered in 2016 as there were substantial

sales of rupee denominated government securities by foreign investors. FDI continued to disappoint, with total FDI for 2016 amounting to US\$ 1,076 million, slightly lower than US\$ 1,160 million in 2015. The overall balance of payments deficit was US\$ 500 million, an improvement compared to the deficit of US\$ 1,489 million in 2015. The reserve position weakened to US\$ 6 billion – equivalent to 3.7 months of imports of goods by end 2016.

The changes in the external account resulted in the Sri Lankan Rupee weakening by a modest 3.8% against the US Dollar. The Central Bank supported the Rupee in the first half of the year as it defended the currency amidst foreign sales of rupee denominated government securities. However, in the second half of the year, coinciding with a change in leadership at the Central Bank and the IMF programme, the Rupee was allowed to move closely in line with market forces. In spite of the depreciation of the LKR in nominal terms, the Real Effective Exchange Rate appreciated by 2.7%, resulting in an erosion of overall export competitiveness.

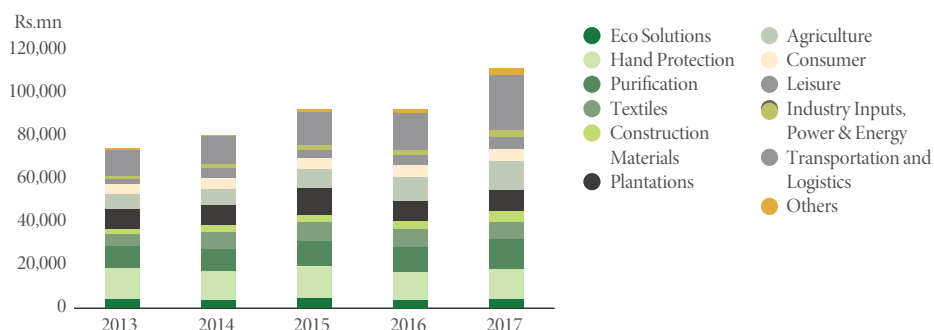
## Outlook

2017 is likely to be another year of moderate economic growth for Sri Lanka. The increased taxes from 2016 will continue to have a dampening impact on consumption in the economy. The tightening of Monetary Policy that took place in 2016 and early 2017 will lead to lower credit growth and a decline in money supply growth. Interest rates will eventually plateau in mid-2017 and will likely decline slightly towards the latter part of the year as credit demand declines and liquidity increases. With tight economic conditions, consumption based imports are likely to remain slack, and imports will again be driven by investment oriented imports and intermediate imports. Exports may receive a modest boost with the renewal of GSP + in 2017, however it is unlikely to result in a material increase in aggregate export growth. The capital account outflows that took place in 2016 are unlikely to repeat in 2017, and therefore the overall Balance of Payment is likely to remain similar to 2016, with limited depreciation of the Sri Lankan Rupee against major currencies. Like in 2016, LKR is likely to depreciate around 2%-4% against the US Dollar in 2017.

# Portfolio Review

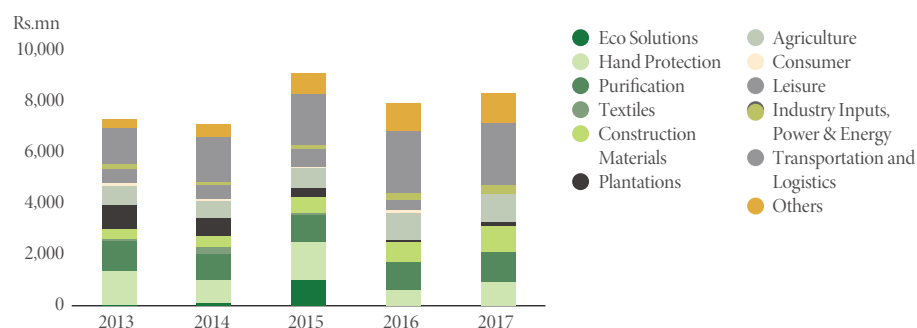
The Group's traditional businesses of Transportation & Logistics, Purification and Hand Protection continue to contribute the largest share of its revenue and have demonstrated sustainable growth, thereby bringing stability to the Group's earnings profile. The Plantation Sector is also a key contributor to revenue although a range of uncontrollable external factors have rendered it a somewhat volatile revenue stream. Key growth sectors are Construction Materials, Agriculture, Industrial Inputs and Leisure, all of which recorded revenue expansion of around 20% during the year.

Sector Revenue Trends (2013-2017)



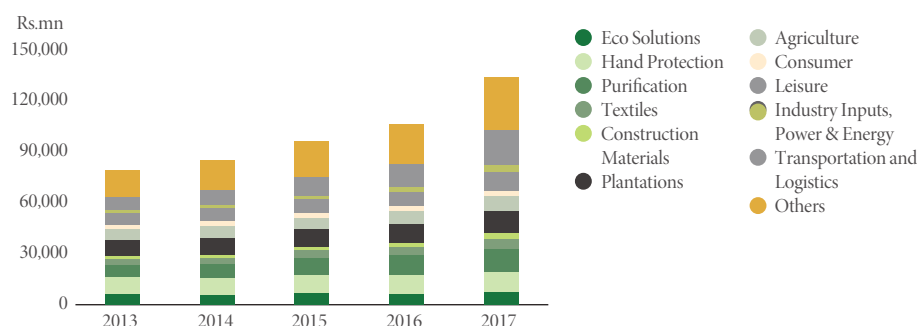
The fastest asset growth over the past 5 years have stemmed from the Transportation & Logistics, Construction Materials, Industrial Inputs and Power & Energy sectors which have all increased capacity. The Others Sector (which reflects the Group's investments) has also shown rapid growth nearly doubling over the past 5 years due to the acquisition-led growth strategy adopted by Hayleys.

Sector PBT Trends (2013-2017)



In terms of profits, Transportation and Purification have recorded consistent and stable profit expansions, while the fastest growth has stemmed from the Construction Materials and Agriculture sectors. The diversity in the Group's portfolio has enabled it to maintain stable profit growth, despite adversities affecting particular sectors.

Sector-wise Asset Growth (2013-2017)



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# Sector Review

Market at a Glance	Key Performance Indicators	Key Risks
Market Size: £1.2 billion	Revenue Growth: 12%	Raw material supply
Market Share: 15%	Profit Growth: 15%	Customer acquisition
Market Outlook: Positive	Operating Margin: 18%	Supply chain volatility

**SECTOR REVIEW**



**ECO SOLUTIONS**

The Eco Solutions sector achieved its highest profitability in over a decade, generating a profit-after-tax of Rs. 937.5 million compared to Rs. 66.3 million in 2015/16. Strategic focus on optimising supply chain management, client acquisition in new market segments and value added product strategy contributed to this performance.

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## ECO SOLUTIONS

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**SECTOR REVIEW**



**HAND PROTECTION**

The Hand Protection Sector achieved strong top line and profit growth of 12% and 42% respectively, upheld by customer acquisition, increased penetration in existing markets as well as supply chain and process efficiencies. It was a year in which the Sector regained customer confidence and repatriated itself for growth following the troubles of 2014.


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## HAND PROTECTION

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**SECTOR REVIEW**



**PURIFICATION**

The Group's Purification Sector turned in a year of strong performance, achieving revenue and profit growth of 16% and 6% respectively despite challenging conditions in the global market and new material supply situation in India. Performance was supported by volume expansion in new traditional markets, strong growth in the environmental engineering solutions and the Sector's continued focus on value added products.

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## PURIFICATION

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Market at a Glance	Key Performance Indicators	Key Risks
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**SECTOR REVIEW**



**TEXTILES**

Hayleys Fabrics PLC set out to drive a paradigm change, moving up the value spectrum and repositioning the company as a provider of innovative high quality fabrics with the ability to meet the strongest demands of high fashion labels. Financial performance of the company reflects the growing pains resulting a near Rs.75 m in profit after tax as capacity utilisation was impacted due to the transition.


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## TEXTILES

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**SECTOR REVIEW**



**CONSTRUCTION MATERIALS**

The Construction materials sector emerged as a key contributor to Group profits, crossing the Rs.1.8 billion turnover mark for the first time. The sector achieved revenue and profit growth of 19% and 28% respectively, underpinned by well timed capacity expansions, an innovation led product offering and continued value creation across its supply chain.


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## CONSTRUCTION MATERIALS

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**SECTOR REVIEW**



**PLANTATIONS**

The Group's Plantations sector demonstrated strong resilience in the face of unprecedented industry challenges to achieve a revenue and profit (PBT) growth of 10% and 12% respectively. Both Regional Plantation Companies (RPCs) outperformed in terms and commanded premium pricing of the tea and rubber sections, catering to the needs and demands of its team, continued focus on unparalleled quality and commitment to sustainable practices.

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## PLANTATIONS

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**SECTOR REVIEW**



**AGRICULTURE**

The Agriculture Sector was a key contributor to Group profits during the year, generating revenue and profit growth 23% and 1% respectively. The strong performance of the year is underpinned by the Sector's extensive product portfolio, innovation led product strategy and deep relationships with principals, farmers and end users which enable it to anticipate and quickly respond to emerging customer needs.

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## AGRICULTURE

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**SECTOR REVIEW**



**CONSUMER**

The Consumer Sector experienced a challenging year, with several external and internal factors affecting performance due to which the Sector's revenue and profit declined by 8% and 9% respectively. We have strategically realigned our portfolio and placed emphasis on enhancing the viability of our products, which is expected to auger well for the Sector in the next financial year.

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## CONSUMER

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Market at a Glance	Key Performance Indicators	Key Risks
Market Size: £1.2 billion	Revenue Growth: 12%	Raw material supply
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**SECTOR REVIEW**



**LEISURE**

The Group's Leisure sector achieved an impressive revenue growth of 25% during the year, crossing the Rs.5 billion turnover mark. Profits for the year however declined to Rs. 302 million impacted by the weaker than expected performance of our resort in Punalhaddh as well as ongoing repatriation in our new resort in Maldives.

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## LEISURE

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**SECTOR REVIEW**



**INDUSTRY INPUTS AND POWER & ENERGY**

The Industry Inputs and Power & Energy sector recorded a revenue growth of 28% during the year, with both business lines recording top line expansion. Sector profitability, however, declined by 10% to Rs. 480 million mainly due to the adverse weather conditions which impacted the Sector's hydro power generation.


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## INDUSTRY INPUTS AND POWER & ENERGY

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**SECTOR REVIEW**



**TRANSPORTATION AND LOGISTICS**

The diversity in its business lines enabled the Group's Transportation and Logistics sector to withstand industry challenges to achieve a revenue and profit growth of 13% and 1% respectively, supported by healthy performance in most sectors. With the freight management and shipping industries expected to post gradual recovery in 2017/18, the Sector is well positioned to capture growth opportunities in regional markets.


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## TRANSPORTATION AND LOGISTICS

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Market at a Glance	Key Performance Indicators	Key Risks
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**SECTOR REVIEW**



**OTHERS**

The Others sector represents the Group's investments, projects and the Shared services operations. During the year, the Sector recorded a revenue and profit growth of 6% and 4% respectively, reflecting the consolidation of losses. The performance of other businesses within the Sector was varied and is discussed in detail subsequently.

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## OTHERS

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## Sector Review



## ECO SOLUTIONS

*The Eco Solutions sector achieved its highest profitability in over a decade, generating a profit-after-tax of Rs. 957.3 million compared to Rs. 66.3 million in 2015/16. Strategic focus on optimising supply chain management, client acquisition in new market segments and value added product strategy contributed to this performance.*

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Financial Capital		
	2017	2016
Revenue (Rs.mn)	4,013	3,791
PBIT (Rs.mn)	1,064	171
PBT (Rs.mn)	984	84
PAT (Rs.mn)	957	66
Total assets (Rs.mn)	7,433	6,285
ROCE (%)	17.8	3.6

Human Capital		
	2017	2016
Headcount	406	440
Training hours	3,353	2,635
Average training hours	8.25	6
Net profit/employee (Rs.mn)	0.24	0.15
Investment in training (Rs.mn)	0.75	0.65

Social and Relationship Capital		
	2017	2016
Investment in supplier development (Rs.mn)	0.5	4.9
No. of beneficiaries	186	76
Volunteer hours	187	112
Payments to suppliers (Rs.mn)	2,141	2,621
New customers	69	86

### Market position

- Sri Lanka's leading eco fibre solutions provider
- Array of over 105 products in 1200 variations
- Serve 650+ customers in 50+ countries



### Strategy

- Product innovation
- New applications and markets
- Backward Integration



### Outlook

- Continued focus on value added products

Manufactured Capital		
	2017	2016
PPE (Rs.mn)	3,149	3,137
Capital expenditure (Rs. mn)	77.3	55.6

Intellectual Capital		
	2017	2016
No. of patents	3	-
New products developed	43	18
Investments in R&D (Rs. mn)	5.4	4.1

Natural Capital		
	2017	2016
Energy usage (GJ)	30,729	23,303
Water use (m3)	38,689	3,120
Solid waste (MT)	1,231	1,342
Carbon footprint (tCO2e)	8,734	2,275

Clusters in sector	Operating context	Contribution to sector
Eco fibre	<b>Internal impacts:</b> + Opportunity for resource allocation within the Hayleys Group + Innovation driven by strong R&D capabilities  <b>External impacts:</b> -- Challenges in securing a stable supply chain + Increasing propensity towards soil-less growing + Increasing stringency of environmental regulations + Increasing stringency of environmental regulations in the healthcare industry -- Depreciation of regional currencies -- Political uncertainty and economic woes in key markets - Increasing interest rate scenario	Revenue: 52% PBT: 85%
Brushware		Revenue: 24% PBT: (1%)
Floor Coverings		Revenue: 24% PBT: 16%

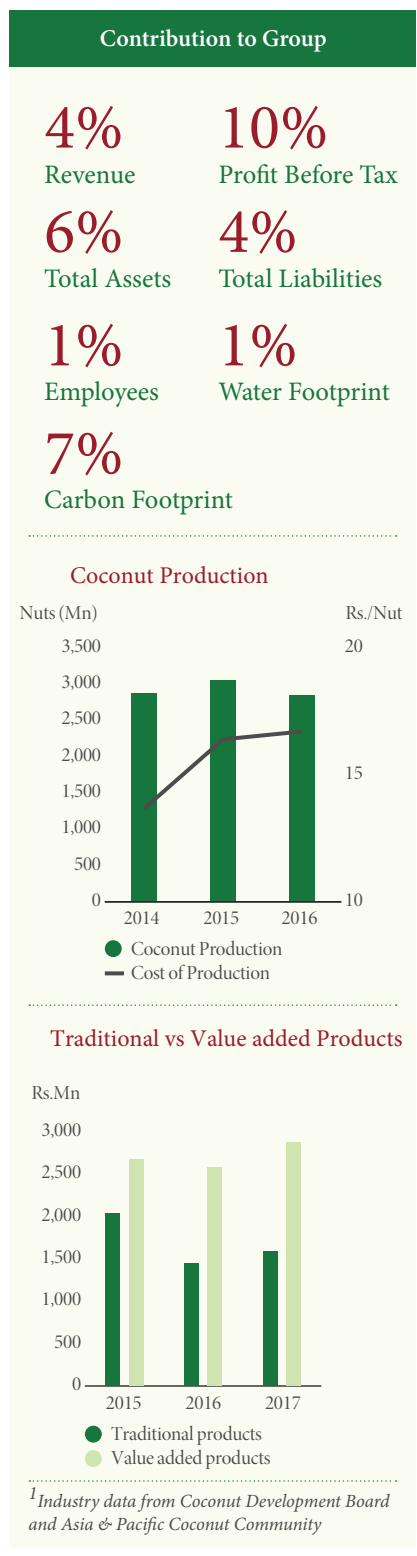


## Sector Review

### Operating context

Sri Lanka being a leading exporter of coir fibre and coir fibre based products, supplies a range of raw fibre and value added products to multiple industries including agriculture, automobiles, household & industrial applications. Over the past decade, demand for value added products has recorded strong growth, propelled by rising demand for Eco friendly product solutions together with increased propensity towards growing media products given limitations in arable land. With a land extent of 455,000 hectares used in coconut cultivation, the industry is a vital part of Sri Lanka's agriculture sector, accounting for 16% of total agricultural exports and employing over 140,000 individuals mainly in the coastal belt. Traditionally an exporter of raw fibre products, Sri Lanka has increasingly shifted its focus towards value added products which now account for 27% of all coconut-based exports.

Sri Lanka's coconut production has been volatile in recent years, affected mainly by erratic weather patterns. Total production decreased by 6.8% to 2,845 million nuts in 2016, vis-à-vis 3,055 million nut production in 2015. On the export front, the industry demonstrated resilience to multiple global challenges during the year, including the sharp depreciation of the Pound Sterling post Brexit and uncertainty in the European region. Moreover, favourable exchange rates together with government subsidies in competitor regions imposed severe price pressures specially in the Floor covering and Eco fibre segments. Eco Solutions Traditional product export segment increased by 9.4% (in FOB rupee terms) during the year while the export of value added products increased by 11.6% supported by significant volume growth in horticulture products, Growing Media, Bio Engineering / Erosion Control products.



## Strategy and performance

The sector turned in a strong performance during the year to reach a decade high profit before tax of Rs. 984 million. The sectors profit before tax increased by 71% to Rs.201 million, excluding the impact of a capital gain on the disposal of a property. Performance was upheld by revenue growth of 15% as the Sector placed strategic emphasis on broadening its product portfolio and entering new market segments. Focus was placed on increasing volume from high value added products, enabling the Sector to strengthen its margins. Profitability was also supported through continued efforts to secure a more stable and cost effective supply chain as well as operational efficiencies and productivity enhancements. Meanwhile, the rising interest rates had an adverse impact on profitability with finance expenses increasing by 15% during the reviewed period.

An innovation-led focused product development strategy enabled the sector to consistently widen its product portfolio in response to emerging market trends. During the year the sector launched an innovative solution for hydroponic growing in the domestic market, for which the initial response has been very encouraging. The gradual decline in arable land, given the rising population levels and increasing urbanization and high rises is anticipated to propel demand for such growing media products over the medium to long-term. The introduction of a range of mattresses for all consumer segments widened the product portfolio. We also ventured into hygienic Brushware with the launch of over 30 products targeting the healthcare and food service industry. The sector also focused on enhancing engagement with its local customer base through increased social media engagement and digital marketing platforms.

The sector's primary raw material is coconut husk fibre; erratic weather patterns and demographic changes in traditional fibre mills in recent years have affected raw material and price fluctuations. In responding to these dynamics, the sector has focused on backward integration initiatives. In addition to ensuring a continuous supply of raw materials, this also facilitated raw material prices. The sector continues to invest in nurturing supplier relationships with Rs.0.5 million injected in its multi-faceted supplier development

initiative "Project Athwela" by Rileys. With a beneficiary base of around 153 families. The project involves the provision of technical know-how and training to enhance productivity (refer to pages 157 to 158 for further information)

Superior quality and commitment to sustainable manufacturing methods are key sources of competitive advantage in this industry; the sector's reputation for high-quality products and reliability has allowed it to consistently attract new customers. In order to provide assurance to our global customers on our products and processes the sector continues to comply with numerous local and international quality certifications.

The sector's human capital comprises of 406 employees. We are committed to ensuring that all employees operate in a safe and conducive work environment with opportunities for skill and career development. Total payments to employees increased by 25% during the year while investment in training initiatives amounted to Rs. 0.75 million.

The sector has taken concerted efforts towards managing its carbon footprint, including the use of energy efficient lighting systems and machinery. Our environmental commitment also extends to our product offering and we have developed a range of innovative eco solutions which facilitate environmental conservation including horticultural and erosion control products.

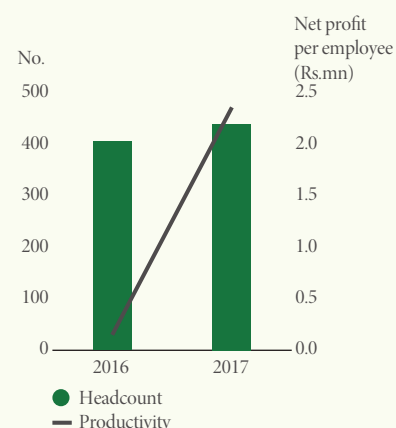
### Environmental Initiatives

- |                       |   |
|-----------------------|---|
| Energy                | <ul style="list-style-type: none"> <li>- LED lighting solutions</li> <li>- Energy efficient capacitor banks and variable frequency monitors</li> <li>- Construction of a greenhouse for fibre drying</li> </ul>                               |
| Products and services | <ul style="list-style-type: none"> <li>- Geo blankets (Supporting plant growth and root development)</li> <li>- Geo textiles (Erosion control and sediment control)</li> <li>- Geo logs (Riverbank greening, shoreline protection)</li> </ul> |

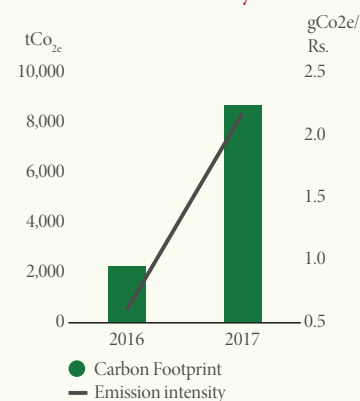
### Certifications

- ISO 9001-Quality Management
- ISO 14001-Environmental management
- Business Social Compliance Initiative
- SEDEX/SMETA
- British Retail Consortium Certification-floor covering

### Headcount and Productivity



### Total Carbon Footprint and Emission Intensity



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## Sector Review



## HAND PROTECTION

*The Hand Protection Sector achieved strong top line and profit growth of 12% and 62% respectively, upheld by customer acquisition, increased penetration in existing markets as well as supply chain and process efficiencies. It was a year in which the Sector regained customer confidence and repositioned itself for growth following the troubles of 2014.*

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	2017	2016
Revenue (Rs.mn)	14,281	12,725
PBIT (Rs.mn)	978	544
PBT (Rs.mn)	929	609
PAT (Rs.mn)	802	497
Total assets (Rs.mn)	11,730	10,847
ROCE (%)	10.6	6.1

Human Capital		
	2017	2016
Headcount	1,863	1,505
Training hours	9,985	7,664
Average training hours	5.4	5.1
Net profit/employee (Rs.mn)	0.43	0.33
Investment in training (Rs.mn)	4.8	3.1

Social and Relationship Capital		
	2017	2016
Investment in supplier development (Rs.mn)	1.4	1.1
No. of suppliers supported	1,808	1,370
Investment in CSR activities (Rs.mn)	7.0	5.2
No. of beneficiaries	4,200	2,025



Manufactured Capital		
	2017	2016
PPE (Rs.mn)	4,317	4,615
Capital expenditure (Rs.mn)	479	1,337

Intellectual Capital		
	2017	2016
New products launched	2	3
Investments in R&D (Rs.mn)	21.1	21.4
Products in the pipeline	4	-

Natural Capital		
	2017	2016
Energy usage (GJ)	575,053	1,200,000
Renewable energy (%)	72	83
Water use (m3)	582,516	1,400,000
Carbon footprint (tCO2e)	24,096	17,273



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## Sector Review



### Operating context

Sri Lanka is one of the largest exporters of rubber gloves in the world and earnings from rubber glove exports accounts for approximately 2% of the country's total industrial exports. The demand for rubber gloves (primarily disposable gloves) stems primarily from industries such as healthcare, food and manufacturing. Global demand has grown at an estimated 8% over the last few years, driven by increased consumption of medical gloves and demand for clean-room gloves from manufacturing industries. The firmer oil prices and tight supply during the year under review, resulted in a near 30% increase in natural rubber prices. Nevertheless, prices in the market for non-medical gloves largely remained stable.

### Strategy and performance

Strategic emphasis on acquiring new customers and regaining market share enabled the Sector to turn in an impressive performance during the year, with revenue and pre-tax profit expanding by a respective 12% and 32%. Restructuring our marketing model to enable a more regional focus has proven quite successful, and we were able to add over 30 new customers to our base. Europe, North & South America and Russia continued to stay as our core markets through the year. Despite weaker than expected performance of DPL Universal Gloves and Dipped Products

Thailand, overall profitability was upheld by strong volume growth, increased contributions from value added products and savings generated from operational efficiencies.

Our innovative capabilities are a key source of competitive advantage and during the year we invested Rs. 21.1 mn in R&D efforts. The Sector launched 2 new products during the year with 4 more currently in the pipeline. These innovations have enabled the Sector to develop product offers to new industries and applications. Enhancing process efficiencies was a key strategic priority during the year we leveraged on our technological capabilities to drive productivity, flexibility of production mix and reduce lead times.

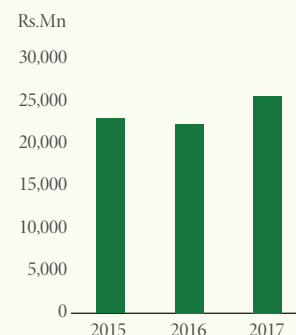
Our team of 1,863 employees is the driving force behind our success, and we invested Rs. 4.8 mn in continuing efforts towards developing skills. We increased the ratio of permanent employees compared to outsourced employees and strengthened relationships with man power suppliers which has enabled us to improve retention and productivity.

During the year, we invested Rs. 1.4 mn in our ongoing flagship supplier development initiative DPL Firstlight, through which we empower over 2,180 farmers in 5 districts across the island (refer to page 157 for further information).

#### Contribution to Group

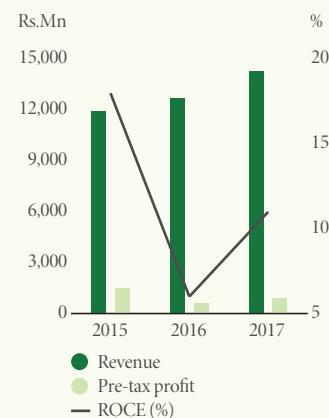
13%	10%
Revenue	Profit Before Tax
9%	7%
Total Assets	Total Liabilities
7%	20%
Employees	Carbon Footprint
15%	
Water Footprint	

#### Glove Exports



Source: CBSL Annual Report 2016

#### Financial Performance





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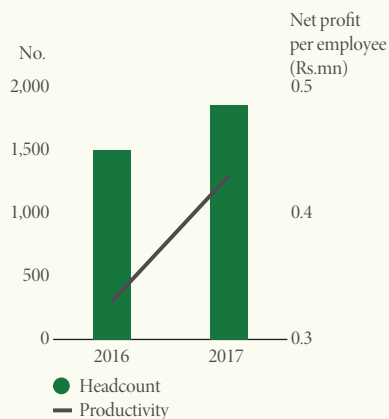
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### Innovation

	2017	2016
R&D investment (Rs.mn)	21.1	21.4
New products	2	3
Product pipeline	4	-

### Headcount and Productivity



### DPL Firstlight- reach

District	No. of farmers supported
Monaragala	1,650
Kalutara	200
Colombo	250
Ratnapura	50
Galle	30

In recognition of its contribution towards the socio economic progress of rural farmers, DPL Firstlight was presented the Gold Award at the JASTECA CSR/Sustainability Awards in 2016. DPL also sponsored and commissioned a Reverse Osmosis plant in the village of Parangiyawaadiya in Horowpathana, providing access to clean water to over 1,250 villagers under the Sath Diyawara initiative.



### DID YOU KNOW?

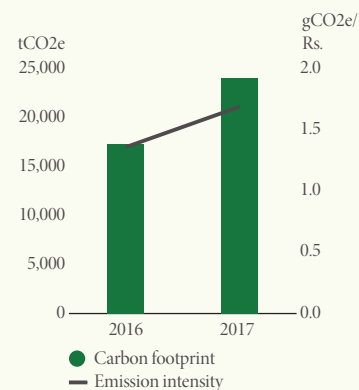
Renewable sources now contribute over

**70%**

of DPL's total energy mix.

We have continued to drive the use of renewable energy with the objective of reducing dependence on fossil fuels and carbon emissions. Following the installation of two bio-mass heaters in Kottawa and Biyagama factories DPLs, renewable sources now contribute over 70% of our total energy mix. During the year we also increased capacity of our effluent treatment plants and waste reduction measures in order to further enhance our sustainability footprint.

### Carbon footprint



### Environmental Initiatives

Waste and effluents	<ul style="list-style-type: none"> <li>Waste water is treated at state of the art effluent treatment plants</li> <li>Hazardous waste sent to Geocycle</li> </ul>
Energy	<ul style="list-style-type: none"> <li>Increasing focus on renewable energy with the installation of bio gas burners</li> <li>Energy efficient lighting and equipment</li> </ul>
Water	<ul style="list-style-type: none"> <li>Recycle and re-use water</li> </ul>

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Sector Review



## PURIFICATION

*The Group's Purification Sector turned in a year of strong performance, achieving revenue and profit growth of 16% and 6% respectively despite challenging conditions in the global market and raw material supply situation in Indonesia. Performance was supported by volume expansion in non-traditional markets, strong growth in the environmental engineering solutions and the Sector's continued focus on value added products*

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	2017	2016
Revenue (Rs.mn)	13,553	11,706
PBIT (Rs.mn)	1,368	1,216
PBT (Rs.mn)	1,181	1,090
PAT (Rs.mn)	933	870
Total assets (Rs.mn)	13,504	11,930
ROCE (%)	13.9	13.4

Human Capital		
	2017	2016
Headcount	748	822
Training hours	5,835	6,192
Average Training Hours	7.8	7.5
Net profit/employee (Rs.mn)	1.25	1.06
Investment in training (Rs.mn)	3.1	3.2

Social and Relationship Capital		
	2017	2016
Investment in CSR (Rs.mn)	2.2	5.5
No. of beneficiaries (Sath Diyawara)	25,500	21,000
Payments to suppliers (Rs.mn)	1,780	1,693

### Market position

- A Global leader in the manufacturing and marketing of coconut shell based activated carbon
- A leading provider of water and waste water purification systems in Sri Lanka and Maldives



### Strategy

- Development of value added products and expansion of regeneration services
- Value creation to local suppliers
- Expansion of water and waste water treatment projects in existing and new regional markets



### Outlook

- Market expansion in non-traditional markets
- New value added product applications
- Established water and waste water treatment systems solutions provider regionally

Manufactured Capital		
	2017	2016
PPE (Rs.mn)	5,101	4,358
Capital expenditure (Rs.mn)	712	664

Intellectual Capital		
	2017	2016
New products	4	3
Products in pipeline	3	5

Natural Capital		
	2017	2016
Energy usage (GJ)	104,822	117,073
Renewable energy (%)	10	12
Water use (m3)	213,764	186,021
Solid waste (MT)	3,474	3,569
Carbon footprint (tCO2e)	10,037	12,733

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## Sector Review

Clusters in sector	Operating context	Contribution to sector
Activated carbon	<p><b>Internal impacts:</b></p> <ul style="list-style-type: none"> <li>+ Focused strategy of growth</li> <li>+ Expansion of resources in overseas marketing and manufacturing</li> <li>+ New capabilities in both manufacturing and R&amp;D with significant Capex</li> <li>- Challenges to attract and retain employees for technical and skilled operator positions</li> <li>+ Initiatives to reduce carbon footprint and support CSR through Puritas Sath Diyawara and Haritha Angara</li> </ul> <p><b>External impacts:</b></p> <ul style="list-style-type: none"> <li>- Depreciation of the Euro</li> <li>- Stagnation of gold prices for the 4th year</li> <li>- Raw material shortage in Indonesia</li> <li>+ Emerging opportunities in energy storage and other value added products</li> <li>- Intense competition from manufacturers in India and Philippines</li> </ul>	Revenue: 91% PBT: 76%
Environmental engineering	<p><b>Internal impacts:</b></p> <ul style="list-style-type: none"> <li>+ Focused strategy of growth</li> <li>+ New capabilities and investment in human resources</li> <li>+ Strategic collaborations</li> </ul> <p><b>External impacts:</b></p> <ul style="list-style-type: none"> <li>+ 450 medium and small scale township water projects in Sri Lanka through WASSIP funded by the World Bank</li> <li>+ Growth opportunities in regional markets especially in Myanmar (WASSIP- Water supply and Sanitation improvement project)</li> </ul>	Revenue: 9% PBT: 24%

### Operating context

The global activated carbon market has been growing at around 6 to 8%, as its capabilities in adsorbing impurities has rendered it a popular input in several air and water purification applications. Even though demand for gold recovery carbons proved strong in regional markets, product pricing proved challenging due to continuation of depressed gold prices. This situation was exacerbated by the oversupply of coconut shell activated carbon from the low cost manufacturers in India and Philippines. Meanwhile the sharp depreciation of the Euro impacted the price competitiveness of our products in the European markets; this coupled with the persistent price increases in our key raw material, coconut charcoal, mainly in Indonesia has continued to adversely impact profitability margins.

### Strategy and performance

Haycarb demonstrated strong resilience in a challenging year to achieve revenue and profit growth of 16% and 7% respectively. Our continued focus on driving opportunities in high valued applications and deploying increased resources in non-traditional markets resulted in commendable revenue growth. The Environmental Engineering cluster (Puritas) performed exceptionally well during the year, recording a revenue growth of 25%. Puritas has successfully positioned itself as a leader in water and wastewater treatment systems with a strong presence in both Sri Lanka and the Maldives.

Overall, the purification sector contributed Rs. 1,181 mn to Group profit before tax during the year and was the 2nd largest contributor to consolidated earnings.

Haycarb maintained its market position as a leading manufacturer of coconut shell based activated carbon, with an estimated global market share of around 15%. Haycarb will continue to invest in strengthening its marketing teams and leverage on its brand attributes of technical excellence, innovation and customer



## Contribution to Group

12%

Revenue

12%

Profit Before Tax

10%

Total Assets

9%

Total Liabilities

3%

Employees

8%

Carbon Footprint

5%

Water Footprint



centric approach in a sustainable business model to continue its growth momentum in traditional and non-traditional markets.

The Sector's technical, manufacturing and engineering capabilities are one of its key sources of competitive advantages and we place strategic emphasis on driving growth of high-valued products. Research and development efforts were focused towards enhancing our energy storage solutions, an application which presents substantial upside potential given the drive towards cleaner energy. R&D teams also worked on product performance and enhancement initiatives in chloramine removal, standard and specialized respirator applications and heavy metal removal applications. We remain committed to drive manufacturing excellence and process efficiencies. During the year, further progress was made on improving product yields and process efficiencies through lean initiatives.

Shortage of raw material supply in Indonesia was a key challenge we faced during the year. However, based on rain fall experienced in 2016, charcoal supplies are expected to return to acceptable levels by October- November 2017. While a dedicated team on site manages the short term procurement, we are moving towards

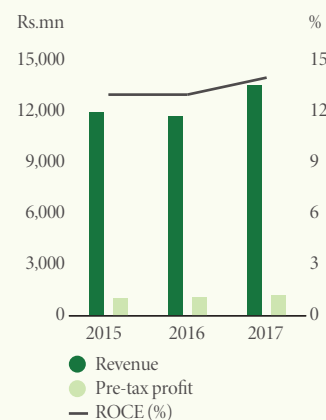
introducing "Haritha Angara" to strengthen the supply network through firm relationships and improved raw material quality in Indonesia.

The Sri Lankan raw materials supply chain network improved, backed by the success of the "Haritha Angara" initiative that commenced in 2014. Currently over 75 environmental friendly charcoaling pits constructed with technical and financial assistance of Haycarb provide a significant portion of raw material requirement to manufacturing facilities in Sri Lanka.

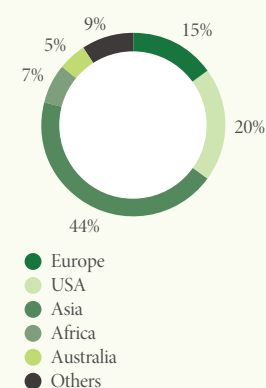
Driving efficiencies in energy consumption and reducing dependence on fossil fuels is a key priority. Our systems are continuously reviewed and aligned to ensure that we reduce our carbon footprint and wastage to drive our growth through a sustainable model. We invested Rs. 3.1 mn on external training programs for developing our employees during the year, which contributed towards improving employee productivity. This was augmented by in-house training on manufacturing processes and product properties.

The Environmental Engineering business will leverage on its know-how to increase its position as a key supplier of water and waste water

## Financial Performance

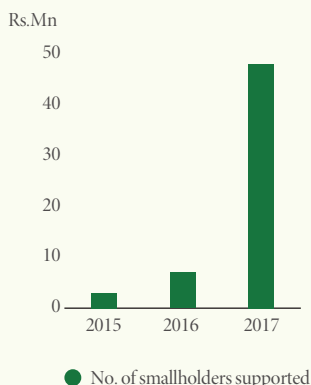


## Sales by Region



## Sector Review

### Haritha Angara Supplier Base



### Environmental initiatives

Water	<ul style="list-style-type: none"> <li>Optimization of the carbon washing regime to reduce water consumption</li> <li>Water discharge is treated at an effluent treatment plant</li> <li>Spent carbon undergoes regeneration in the Thailand factory</li> </ul>
Energy	<ul style="list-style-type: none"> <li>Channelling waste heat to the production process</li> </ul>
Products and services	<ul style="list-style-type: none"> <li>World's first pollution-free charcoaling plant- Recogen</li> <li>Products are used to remove pollutants from air, water and other products</li> <li>Over 75 environmental friendly charcoal pits in Sri Lanka and 26 vertical kilns in Thailand producing eco-friendly charcoal</li> </ul>



treatment solutions in Sri Lanka and Maldives. It also expects positive outcomes on new business development initiatives in the region, notably in Myanmar. Strategic collaborations with Veolia Water is expected to provide opportunities to participate in large scale infrastructure projects in Sri Lanka in the future

The Sector is the driving force behind the Hayleys Group's flagship CSR initiative Puritas Sath Diyawara through which we have provided access to purified water to over 25,500 people in 16 villages affected by the Chronic Kidney Disease. We facilitated the commissioning of four project during the year at a total investment of Rs. 16.4 mn. Three more projects are under construction to provide drinking water to 8,000 people.

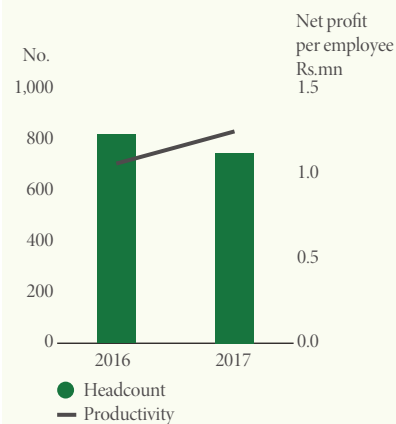
## DID YOU KNOW?

Haycarb pioneered

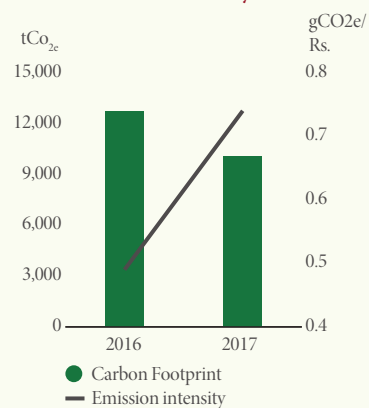
**Green Charcoaling**

in Asia.

### Headcount and Productivity



### Total Carbon Footprint and Emission Intensity





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## TEXTILES

*Hayleys Fabrics PLC set out to drive a paradigm change, moving up the value spectrum and repositioning the company as a provider of innovative high quality fabrics with the ability to meet the stringent demands of high fashion labels. Financial performance of the company reflects the growing pains recording a mere Rs.73 mn in profit after tax as capacity utilisation was impacted due to the transition.*

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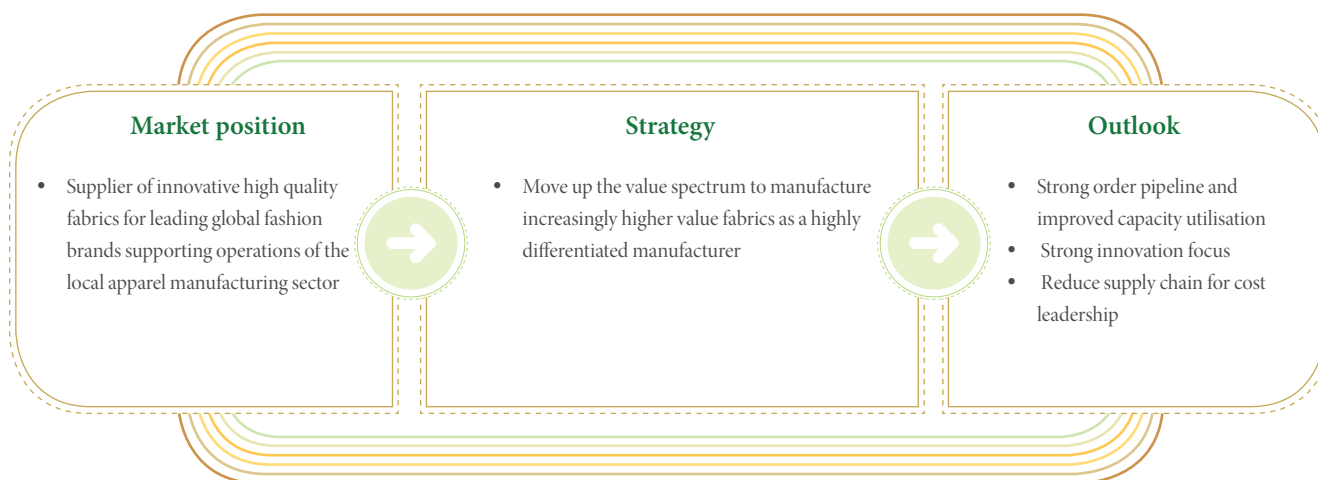
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## Sector Review

Financial Capital		
	2017	2016
Revenue (Rs.mn)	8,228	8,364
PBIT (Rs.mn)	200	370
PBT (Rs.mn)	61	253
PAT (Rs.mn)	73	258
Total assets (Rs.mn)	5,755	4,831
ROCE (%)	4.6	10.4

Human Capital		
	2017	2016
Head count	1,258	1,100
Training hours	13,473	6,691
Average training hours	10.7	6.1
Net profit/employee (Rs.mn)	0.06	0.23
Investment in training (Rs.mn)	2.03	3.99

Social and Relationship Capital		
	2017	2016
Investment in CSR (Rs.mn)	8.7	1.5
New customers	15	10
Payments to suppliers (Rs.mn)	7,443	7,257
No. of principals	Over 300	Over 275



Manufactured Capital		
	2017	2016
PPE (Rs.mn)	3,780	3,314
Capital expenditure (Rs.mn)	306	424

Intellectual Capital		
	2017	2016
New products	Over 100	Over 40
Products in pipeline	Over 115	Over 50
Investments in R&D (Rs.mn)	4.2	1.3

Natural Capital		
	2017	2016
Energy usage (GJ)	445,507	703,720
Renewable energy generation (GJ)	207,010	456,734
Water use (m3)	1,838,349	1,773,253
Effluents (m3)	1,598,273	1,226,000
Carbon footprint (tCO2eq)	20,449	18,411

## Operating context

The global apparel market is valued at an estimated USD1.3 trillion in 2016 with relatively healthy volume growth and sluggish value growth of 2.7% and 0.3% respectively with increasing demand shifting to China as traditional markets are hampered by subdued economic recovery. These numbers reflect industry-wide pressure on margins as prices declined by 2.1% over a decade from USD15.37 to USD 12.44 due to intense competition and increasingly price conscious consumers. Supply chains in the sector are amongst the longest spanning continents and taking many months to reach the stores with related costs. Significant competitive advantages for players include the ability to reduce supply chains, lead time and costs while innovating to stay ahead of fashion trends.

Sri Lanka's apparel sector is the second highest source of foreign exchange and accounts for 3.1% of GDP making it a vital growth sector for the country. The sector recorded relatively healthy value growth of 1% in 2016 as total exports amounted to US\$ 4,884 mn indicating the attractiveness of the destination. Sri Lanka has built a reputation for excellence in delivery, reliability, quality and innovation, driving growth in the industry. Other supporting factors include a zero tolerance of child labour and forced labour with employers investing in decent workplaces. Key players demonstrate high levels of environment consciousness with investments in green factories, energy efficient technologies and responsible disposal of effluents and waste, further strengthened the attractiveness of the destination and supporting customers' need to protect brand equity.

Despite this, the apparel and textile sector growth remained flat impacted by declining demand from key markets, the EU and USA. The recent renewal of GSP+ concessions from the EU is encouraging and will serve to increase the competitiveness of the fabric mills.

## Strategy and performance

Over the past 3 years, Hayleys Fabrics strategy has been to move up the value spectrum increasing the output of high value polyester blends, moving away from the concept of being the one stop shop for all fabric requirements. Consequently, we enhanced our capabilities to produce nylon blends and forecast fashion trends in order to expand our Inno range as a vibrant and high quality portfolio of fabrics. This enabled us to target customers with a curated range of products within the target value range and relevant to the season. We also changed gear to flexible sourcing strategies, collaborating with suppliers to innovate and drive operational excellence and efficiencies. Workflow and inventory management were optimized to reduce production times providing a significant competitive advantage in an industry seeking to reduce supply chains and lead times. These changes have enabled us to realise our aspirations of moving towards higher value fabrics towards the latter end of the fourth quarter.

Implementation of this holistic strategy resulted in reduced capacity utilisation during the year as stringent approval processes resulted in delays in orders. Consequently, revenue for the year was Rs.8.2 bn declining by 2% over the previous year. Profit before tax was Rs.61mn as the fixed nature of costs impacted the bottom line more sharply.

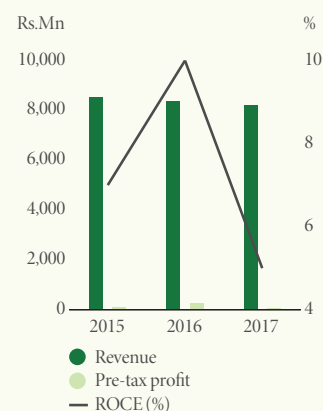
Nestled amongst rubber plantations in a rural village, we are extremely conscious of the need to maintain good relations with the communities and also to maintain the pristine environment.

As the largest employer in the vicinity, 69% of our employees live within 15 km radius of the factory. The ratio of male employees significantly outnumbers the female employees due to the manual nature of work in the production processes. We strive to address this by recruiting females to administrative functions. We offer an attractive and equitable remuneration structure, above the minimum wage requirements recognising employee contributions facilitating high levels of motivation and retention. Our

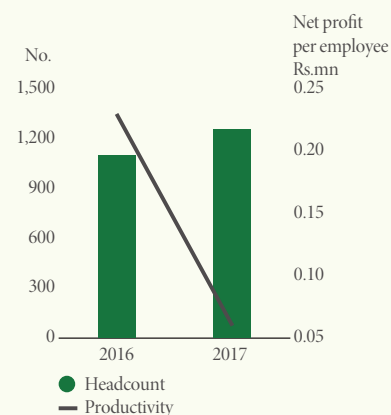
### Contribution to Group



### Financial Performance



### Headcount and Productivity





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## Sector Review



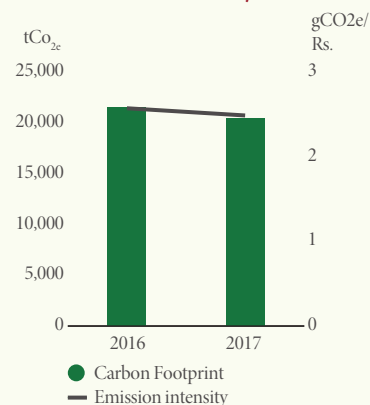
retention rates of 92% reflect high levels of employee engagement which is a key priority.

The company obtains services of local micro entrepreneurs wherever possible including provision of transport, canteen facilities, sawdust, cleaning and gardening services and manpower services. We also support livelihoods of women who use our fabric waste to make wicks for oil lamps and rugs for household purposes. Waste is also provided to a nearby hospital where patients use it for hand craft supporting their mental well-being. Sponsorship of religious and cultural activities are done on a regular basis in the local community. Hayleys Fabrics also participated in the Hayleys Sathdiyawara project to install a water purification plant in Rathmalgahawewa, Kahatagasdigiliya in the Anuradhapura district benefitting over 1,200 people/ families. School children in this village received all stationery supplies, uniforms, shoes and a bag for the school year as part of the Going Beyond initiatives. A donation of USD10,000 was also made during the year to Trail which carried out a national wide campaign to raise money for a cancer hospital in the south of the country.

We have complied with all regulations regarding disposal of waste, effluents and emissions conscientiously. Conscious efforts are made to reduce our environmental foot print which include a shift from furnace oil to LPG which is a relatively low carbon intensive fuel, use of bio mass energy for boilers and steamers, replacing CFL bulbs with LED bulbs, rationalization of boilers and steamers, introducing variable speed motors and drives which served to reduce energy consumption and emissions. We recycled 106,499 m<sup>3</sup> of water during the year although we were unable to reduce our water footprint during the year.

The company has purchased 20 acres of land adjacent to the factory, maintaining forest cover to facilitate purification of water and air. Employees grow organic vegetables sans pesticides within the factory premises and share the produce amongst themselves. We have also planted "kumbuk" trees in the vicinity which are majestic trees that can survive even in waterlogged areas to improve forest cover for future generations. Additionally, the company

### Total Carbon Footprint and Emission Intensity



### Environmental Initiatives

Waste and effluents	<ul style="list-style-type: none"> <li>- Waste water is treated at state of the art effluent treatment plants</li> <li>- Fabric waste scrap sent to women in neighbouring communities</li> </ul>
Energy	<ul style="list-style-type: none"> <li>- Energy efficient machinery</li> <li>- Energy efficient lighting and equipment</li> <li>- Generation of electricity using saw-dust</li> </ul>
Water	<ul style="list-style-type: none"> <li>- Recycle and re-use water</li> </ul>

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## CONSTRUCTION MATERIALS

*The Construction materials sector emerged as a key contributor to Group profits, crossing the Rs.1.0 billion profit before tax mark for the first time. The sector achieved revenue and profit growth of 19% and 28% respectively, underpinned by well-timed capacity expansions, an innovation-led product offering and continued value creation across its supply chain.*

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## Sector Review

Financial Capital		
	2017	2016
Revenue (Rs.mn)	4,706	3,994
PBIT (Rs.mn)	1,050	813
PBT (Rs.mn)	1,016	801
PAT (Rs.mn)	753	589
Total assets (Rs.mn)	3,830	2,457
ROCE (%)	43	55

Human Capital		
	2017	2016
Headcount	526	466
Training hours	1,673	2,689
Average training hours	3.2	5.8
Net profit/employee (Rs.mn)	1.4	1.3
Investment in training (Rs.mn)	1.5	1.3

Social and Relationship Capital		
	2017	2016
Investment in CSR (Rs.mn)	11	16
No. of beneficiaries	5,485	7,683
Volunteer hours	1,290	994
Payments to suppliers (Rs.mn)	3,596	2,785
No. of principals	7	5

### Market position

- Dominant market share of 51%
- Approved applicator for leading global powder brands such as JOTUN, DGL and Azo Nobel
- Recipient of international contracts for AluK of Italy and Fletcher Aluminium of New Zealand



### Strategy

- Well-timed capacity expansions
- Ongoing investments in innovation
- Expanding reach within Sri Lanka



### Outlook

- Positive outlook driven by sustained growth in demand
- Planned capacity expansions to cater to this demand
- Regional expansion

Manufactured Capital		
	2017	2016
PPE (Rs.mn)	1,958	1,333
Capital expenditure (Rs.mn)	644	142

Intellectual Capital		
	2017	2016
New products developed	53	22
Investments in R&D (Rs.mn)	1	25

Natural Capital		
	2017	2016
Energy usage (GJ)	74,835	61,510
Water use (m3)	126,623	117,149
Solid waste (MT)	999	886
Carbon footprint (tCO2e)	7,120	5,777



## DID YOU KNOW?

The **Alumex Tested Systems** is the only one of its kind in Sri Lanka to obtain independent accreditation



## Operating context

Sri Lanka's construction sector rebounded during the year, expanding by 14.9% supported by mega private sector and infrastructure projects as well as a surge in the development of apartment complexes and high-rise buildings. Over the last three years, the sector has grown at a CAGR of 4%, which together with the increasing popularity of aluminium profiles in residential properties has driven the demand for aluminium extrusions. Meanwhile, global primary aluminium prices have remained low in recent years, favourably impacting the profitability margins of manufacturers engaged in the processing of aluminium. Demand growth is expected to be sustained over the medium term given the ongoing construction drive in the country together with the increased substitution of timber windows with aluminium in the residential segment.

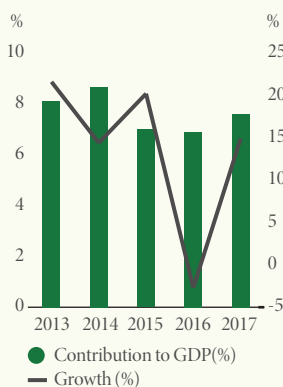
## Strategy and performance

Alumex achieved a year of record performance during the year, generating revenue and profit growth of 19% and 28% respectively to surpass the Rs.1.0 billion profit before tax milestone. Well-timed capacity enhancements together with regular innovations have enabled the sector to capture emerging growth opportunities and maintain its market dominance. Reputation for

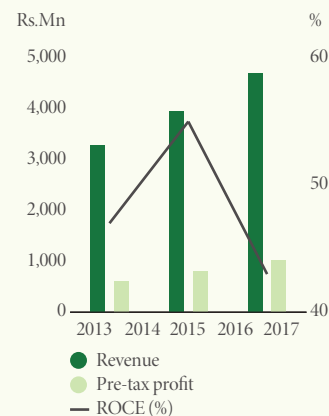
### Contribution to Group



### Construction Sector Performance



### Financial Performance



### Innovation

2016	Sliding door/window, double glazed casement windows
2017	Curtain wall, Alumex Tested Systems, Lift and slide doors

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## Sector Review



superior quality, an unmatched product range and its island-wide presence has allowed the sector to maintain its position as the undisputed market leader in Sri Lanka's aluminium extrusion market, with an estimated share of 51%.

The success of the year is attributed to multiple factors including investments in strengthening our manufacturing capital and ongoing focus on process efficiencies and productivity improvements. Total capex for the year amounted to Rs. 644 million and included investments in new equipment and components to increase capacity in the anodizing plant. Product innovation is a key element of our competitive advantage and in 2016/17 we invested Rs. 1 million in R&D. Key innovations during the year include tested window and door systems, curtain walls, lift and slide door profiles, wardrobe designs and AluSys a computer software system which enables fabricators to determine the exact requirement of aluminium profiles for a particular building at the click of a button. During the year, we successfully launched Alumex Tested Systems, windows and doors tested for water and wind resistance and noise abatement, which is Sri Lanka's only one of its kind to obtain independent accreditation from the United Kingdom Accreditation Service.

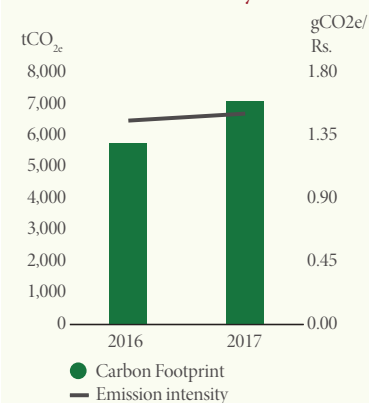
We also strengthened our distribution network during the year expanding our dealer network and enhancing capabilities in the Eastern region. We also pursued further growth in the LUMIN range of household/residential products adding another showroom in Kandy. We continue to add value to our customers through 78 fabricator training programs during the year, with a participant base of over 1,481 (refer to pages 158 to 159 for further information). Ongoing community engagement initiatives include providing internship opportunities for students from selected institutions, supporting technical and vocational education and skill development of selected government sector institutions and regular donations for differently abled and underprivileged communities.

During the year, we improved the scope, coverage and accuracy of our carbon footprint calculation; resultant the sector's total emissions show an increase of 1,343 MTs due to the capacity expansion. Energy and water usage increased in line with the higher operational activity during the year. The sector's waste and effluent management practices are in line with regulatory requirements and industry best practices and in 2016/17, we invested Rs.5.0 million in expanding our effluent treatment plant in order to cater to increased capacity utilisation levels. There were no incidences of non-compliance to any environmental laws and regulations during the year.

### Headcount and Productivity



### Total Carbon Footprint and Emission Intensity



### Environmental Initiatives

Waste and effluents	<ul style="list-style-type: none"> <li>- Waste water is treated at a state of the art effluent treatment plant</li> <li>- Hazardous solid waste sent to Geocycle</li> </ul>
Energy	<ul style="list-style-type: none"> <li>- Energy efficient lighting and machinery</li> <li>- Supports adoption of solar power by manufacturing accessories</li> </ul>



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## PLANTATIONS

*The Group's Plantations sector demonstrated strong resilience in the face of unprecedented industry challenges to achieve a revenue and profit (PBT) growth of 10% and 178% respectively. Both Regional Plantation Companies (RPCs) outperformed its peers and commanded premium pricing at the tea and rubber auctions, attesting to the skills and dynamism of its team, continued focus on unparalleled quality and commitment to sustainable practices.*

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Financial Capital		
	2017	2016
Revenue (Rs.mn)	9,989	9,096
PBIT(Rs. Mn)	479	216
PBT(Rs. Mn)	131	47
PAT (Rs.mn)	84	(11)
Assets (Rs.mn)	12,635	11056
ROCE (%)	5.7	3.3

Human Capital		
	2017	2016
Headcount	17,192	17,144
Training hours	55,751	47,874
Average Training Hours	3.2	2.8
Net profit/employee (Rs.mn)	0.005	(0.001)

Social and Relationship Capital		
	2017	2016
Investment in CSR (Rs.mn)	77.7	39.7
No. of beneficiaries	1,027	480
Payments to suppliers (Rs.mn)	3,998	1,189



Manufactured Capital		
	2017	2016
PPE (Rs.mn)	10,023	9,289
Capital expenditure (Rs.mn)	2,806	563

Intellectual Capital		
	2017	2016
New products (No)	18	
Investment in R&D (Rs.mn)	29	2

Natural Capital		
	2017	2016
Raw materials-bought leaf(kg)	24,921,288	10,091,132
Energy usage (GJ)	565,723	519,358
Water use (m3)	765,874	10,269,291
Solid waste (MT)	1,256	117353
Carbon footprint (tCO2e)	15,481	9,691

Clusters in sector	Operating context	Contribution to sector
Kelani Valley Plantations PLC and Talawakelle Tea Estates PLC	<b>Internal impacts:</b> <ul style="list-style-type: none"> <li>- Labour migration from the estates</li> </ul> <b>External impacts:</b> <ul style="list-style-type: none"> <li>- Erratic weather conditions</li> <li>- Uncertainty arising from prolonged wage negotiations in the plantation sector</li> <li>- Geopolitical tensions in key buying markets</li> <li>- Policy instability</li> <li>- Low labour productivity</li> </ul>	<b>Kelani Valley Plantations</b> Revenue: 32% PBT: 19%  <b>Talawakelle Tea Estates</b> Revenue: 32% PBT: 186%
Tea exports	<b>Internal impacts:</b> <ul style="list-style-type: none"> <li>- Adverse weather conditions</li> </ul> <b>External impacts:</b> <ul style="list-style-type: none"> <li>+ Global shifts in consumer demand from carbonated drinks to healthy beverages</li> <li>+ Global buyers' increasing emphasis on sustainability considerations</li> </ul>	Revenue: 36 % PBT(105%)

## Operating context

Sri Lanka's tea and rubber plantation sectors are a vital component of the economy, generating 12% of the country's total exports and employing nearly 30% of the agricultural workforce. Sri Lankan tea has ranked among the world's finest due to its strong flavour and aroma, consistently commanding premium pricing at global tea auctions. Regional Plantation Companies (RPC) manage 453 estates and cultivate 35% of the country's tea and rubber land; the remainder is held primarily by smallholders and the state to a lesser degree.

The industry faced unprecedented challenges during the year, affected by global, natural and work-force related developments. Erratic weather conditions, characterised by droughts and subsequent floods resulted in the country's total tea production declining by 11% to 292.6 million KGs in 2016. During the first half of the year, tea prices were subdued, reflecting economic and geopolitical tensions in buying markets. However, supply constraints during the second half of the year resulted in average tea prices (F.O.B)

increasing by 8% during the year. Escalation in prices together with the depreciation of the Sri Lankan Rupee resulted in earnings from tea exports increasing marginally by 1.5%. Rubber production also declined by 11% during the year; prices were subdued for most part of the year but increased sharply by around 30% in the quarter ending March 2017 due to stronger demand from China.

Sri Lanka's tea sector wages are amongst the highest in the world, accounting for nearly 70% of the total cost of production. The archaic remuneration model in place mandates 300 days of payment irrespective of weather, productivity and output produced. Since privatization in the early 1990s, the wage rate has increased over 12-fold while tea auction prices have increased merely 2.5 times, inserting enormous pressure on the profitability of RPCs. Sri Lanka's labour productivity also continues to be significantly lower than other tea-producing countries.

While we support balanced regulation which facilitates an enabling and equitable

Contribution to Group	
9%	1%
Revenue	Profit Before Tax
9%	11%
Total Assets	Total Liabilities
61%	13%
Employees	Carbon footprint
19%	
Water footprint	

industry environment, we believe that policy inconsistency and implementation of ad-hoc and unreasonable regulation could threaten the sustainability of the entire industry. For instance, the ban on weedicides is likely to substantially



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State of the art factory of Hayleys Global Beverages (Pvt) Ltd at Dikoya, Hatton

impact the quality and volumes of our teas, the value injection to our workers and sustainability of the industry over the long-term. We encourage the relevant authorities to pursue evidence-based, inclusive regulation which reflect the complexities and dynamics of our industry.

### Strategy and performance

The Hayleys' Plantations sector outperformed its peers in overall profitability, turning in a commendable performance in a year of unprecedented challenges. Relentless focus on quality, together with an improvement in prices in the last quarter of the year enabled the Sector to record 9% growth in revenue. Meanwhile, top line growth coupled with the ongoing pursuit of operational efficiencies and efforts to drive productivity improvements resulted in a profit after tax of Rs. 83.93 mn compared to losses of Rs. 11.31 mn the year before.

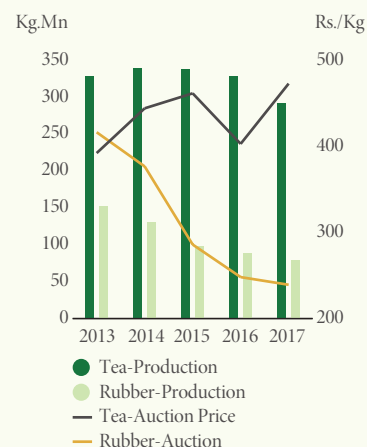
Continued focus on product quality and adoption of sustainable agricultural practices has enabled both TTE and KVPL to consistently command premium pricing in the tea and rubber auctions respectively. During the year, KVPL also emerged as the second highest price commander behind TTE in the High Grown and 3rd in the Low Grown at the tea auction.

### DID YOU KNOW?

TTE consistently commands the **highest prices** at the Colombo Tea Auction

The sector's wage costs increased by 17% during the year, following industry-wide negotiations with trade unions which resulted in the daily wage rate increasing from Rs.620 to Rs.730 with effect from October 2016. A productivity incentive was also introduced through the collective agreement, providing an opportunity for workers' to obtain a higher income, improve productivity and develop a better work ethic. We continued to invest in health and safety initiatives and awareness campaigns supported by which the employee injury rate remained low.

### Average Tea/Rubber Auction Price and Production

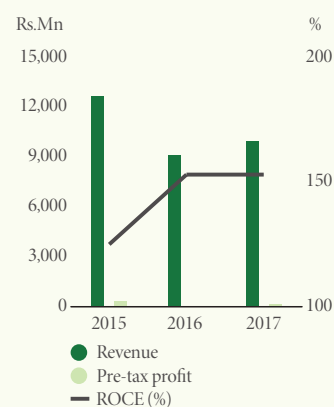


Sri Lanka's plantation labour productivity	1990	2016
Daily wage rate	48	730
High-grown sales average	68	450
Wage % against value of tea	71%	162%

### Innovations

	2016/17	2015/16
R&D investment (Rs. Mn)	21.1	21.4
New products	18	3

### Financial Performance



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In recognition of our unique employee value proposition, the sector emerged victorious at the Global HR Excellence Awards 2017, winning in the category of Leading HR Practices in Quality Work-Life as well as the Gold Award at the National HR Excellence Awards.(refer page 21 for more information)

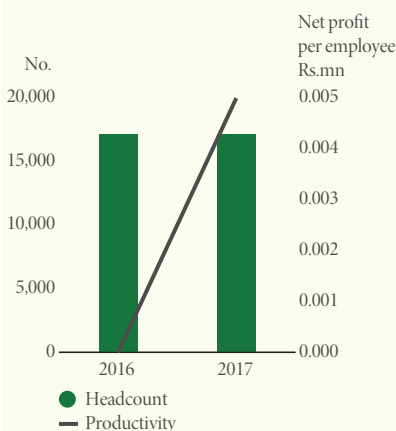
A key achievement during the year was the introduction of an electronic weighing system for measuring output; this system facilitates the automatic update in the Centre's database through field officers' smart phones. In addition to increased accuracy and reliability in comparison to traditional round scales, this system also minimizes potential manipulations.

Both TTE and KVPL consistently record above average yields due to continued focus on replanting and maintaining biological assets, good agricultural practices and intensive monitoring. Investments in replanting amounted to Rs. 388 million during the year with cumulative investments of the past 3 years exceeding Rs.1.4 billion. Despite the numerous challenges we faced during the year, KVPL and TTE maintained sustainability commitments to preserving and enhancing the quality of our natural capital. Both RPCs continue to comply with multiple local and international certifications on environmental management

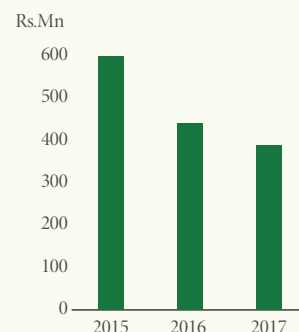
### Pricing and yields vs industry

Rs/KG	National average	KVPL	TTE
Sales average-Tea	473.15	547	548
Sales average-Rubber	239	282	250
Yield-Tea	1,640	1,111	1,305
Yield-Rubber	851	11063	547

### Headcount and Productivity



### Investment in Replanting



### Environmental initiatives - KVPL and TTE

Energy	<ul style="list-style-type: none"> <li>Renewable energy generated through 4 hydro power plants</li> <li>Use of fuel wood in hot water boiler system</li> </ul>
Water	<ul style="list-style-type: none"> <li>Chemical free buffer zones and fence</li> <li>Rainwater harvesting and recycling</li> </ul>
Waste and effluents	<ul style="list-style-type: none"> <li>Water purification through bio-remediation</li> <li>Integrated Waste Management</li> </ul>

## DID YOU KNOW?

We uplift living conditions of nearly

**110,000**

individuals living in our estates

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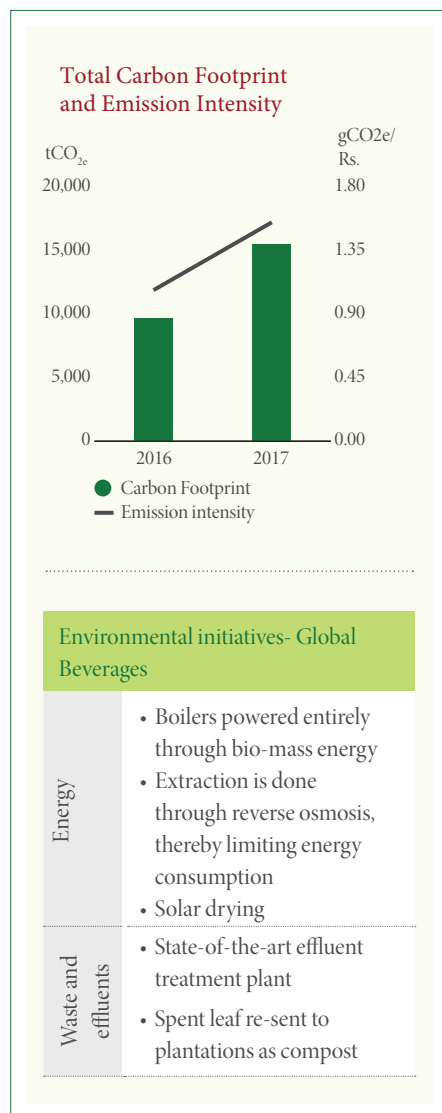
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including Rainforest Alliance, Global Gap Certification and Forest Stewardship Council Certification among others. Nearly 72% of the sector's energy requirement is fulfilled through renewable energy while water resources are protected through chemical free buffer zones and fences. Overall, the Sector's carbon footprint increased by 60% to 15,481 tCO<sub>2e</sub> during the review period mainly due to reporting improvements.



The RPCs make substantial investments in contributing to uplifting the standard of living of nearly 110,000 individuals living within our estates. Through the sector's multi-dimensional "A Home for Every Plantation Worker" initiative we have directly contributing towards the socio economic progress of our workers and families with the construction/upgrade of 12 houses, 1,047 nutrition/medical campaigns, and 164 community capacity building programmes.

### Tea Exports

The global beverages market has seen increasing consumer propensity towards healthy alternatives to carbonated soft drinks. In effectively responding to these changing dynamics, the Sector hopes to partner global manufacturers' move towards more healthy beverages through the provision of a range of natural and authentic range of tea extracts and aromas. The initiative is also designed to optimize and fully utilize the country's tea resources by adopting advanced technology to extract tea, thereby minimizing industry waste.

During the year, focus was placed on product formulation and development through leveraging on our R&D capabilities. Resultantly

15 products were developed during the year and 13 are currently in the pipeline. The fully integrated tea extract manufacturing plant has been designed based on global best practices and has afforded us a strong platform for high-quality, sustainable production. The Company has also obtained numerous international certifications to ensure that its quality standards and sustainability commitments meet the rigorous standards required by its global clientele. We have already secured contracts with several leading global manufacturers/suppliers and the initial stages of commercial production commenced during the year.

The sharp increase in tea prices towards the second half of the year inserted pressure on Mabroc, the Group's value added tea exporter. Resultantly, the Company's profit after tax declined by 24% during the year. In an innovative product offering, the Company launched Bubble Tea during the year to which the response has been extremely encouraging. Acquisition of new clients, particularly in China and Europe is anticipated to provide a strong platform for growth over the next few years.



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## AGRICULTURE

*The Agriculture Sector was a key contributor to Group profits during the year, generating revenue and profit growth 23% and 1% respectively. The strong performance of the year is underpinned on the Sector's extensive product portfolio, innovation led product strategy, and deep relationships with principals, farmers and out-growers which enable it to anticipate and effectively respond to emerging customer needs.*

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**Sector Review**

Financial Capital		
	2017	2016
Revenue (Rs.mn)	13,612	11,023
PBIT(Rs.mn)	1,487	1,287
PBT(Rs.mn)	1,103	1,090
PAT (Rs.mn)	790	784
Assets (Rs.mn)	9,002	7,779
ROCE (%)	26.2%	27.7

Human Capital		
	2017	2016
Headcount	1,252	1,323
Training hours	12,532	9,924
Average Training Hours	10	7.5
Net profit/employee (Rs.mn)	0.63	0.59
Investment in training (Rs.mn)	6.1	8.5

Social and Relationship Capital		
	2017	2016
Investment in supplier development (Rs.mn)	166	1.2
No. of beneficiaries of CSR	14,635	5,545
Payments to suppliers (Rs.mn)	5,889	3,498
No. of principals	6,695	5,049



Manufactured Capital		
	2017	2016
PPE (Rs.mn)	1,109	1,042
Capital expenditure (Rs.mn)	70	192

Intellectual Capital		
	2017	2016
New products developed	28	-
Investments in R&D (Rs.mn)	24	12

Natural Capital		
	2017	2016
Energy usage (GJ)	20,718	16,385
Renewable energy (%)	0.4%	-
Water use (m3)	173,097	405,481
Solid waste (MT)	1,280	1,510
Carbon footprint (tCO2e)	4,992	3,111



	Clusters in sector	Operating context	Contribution to sector
Exports	Products Crop protection Crop production Fertilizer Agricultural equipment	<b>Internal impacts:</b> <ul style="list-style-type: none"> <li>+ Continued training in agri technology and knowledge dissemination via farmer extension services</li> <li>+ Continued investments in R&amp;D and new product development</li> </ul> <b>External impacts:</b> <ul style="list-style-type: none"> <li>- Policy instability</li> <li>- Ad-hoc and misguided regulations on use of agrochemicals</li> </ul>	Revenue: 69% PBT: 61%
	Services Animal health Pest management	<b>Internal impacts:</b> <ul style="list-style-type: none"> <li>+ Continued investments in R&amp;D and new product development</li> </ul> <b>External impacts:</b> <ul style="list-style-type: none"> <li>+ Growing emphasis on Dairy sector</li> <li>-- High price instability in Poultry sector</li> </ul>	Revenue: 6% PBT: 11%
	Food Non-food	<b>Internal impacts:</b> <ul style="list-style-type: none"> <li>+ Continued investments in high tech agriculture, bio technology and research based new product development</li> <li>+ Intensifying partnerships with local farmers and farmer organisations via outgrower networks</li> </ul> <b>External impacts:</b> <ul style="list-style-type: none"> <li>- Non-conducive regulatory and legal frameworks</li> <li>-- Limited arable land and restrictions on private land ownership</li> <li>+ Emerging opportunities in regional markets</li> <li>+ Increasing focus on health and wellness and balanced nutrition</li> </ul>	Revenue: 16% PBT: 15%
Foreign	International operations	<b>Internal impacts:</b> <ul style="list-style-type: none"> <li>+ Continued investments in existing and new markets</li> </ul> <b>External impacts:</b> <ul style="list-style-type: none"> <li>+ Opportunities to pursue regional collaboration</li> </ul>	Revenue: 9% PBT: 13%

## Contribution to Group

12%	11%
Revenue	Profit Before Tax
7%	9%
Total Assets	Total Liabilities
4.5%	4%
Employees	Carbon footprint
4.5%	
Water footprint	

## Operating context

Sri Lanka's agriculture sector is a vital component of the economy, as it provides employment to nearly 30% of the country's workforce, contributes towards ensuring food security and is a key source of foreign exchange income. The country's agriculture sector contracted by 4.2% during the year due to erratic weather conditions which adversely impacted paddy and several export crops. Consequently, agricultural exports also declined by 6.3% during the year with substantial drops in tea, vegetables and minor export crops.

Despite the formulation of a National Agricultural Policy last year, the frameworks governing the sector remain somewhat non-conducive to the industry. As a leading player in the country's agriculture sector we believe the industry presents substantial opportunities for growth which are yet to be harnessed in a cohesive and systematic manner. For instance, around 60% of the country's arable land remains under-utilized and limitations on private land

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## Sector Review



ownership restrict the private sector's ability to realize the full potential of the country's rich bio-diversity. Meanwhile policy instability and non-evidence based regulation regarding the environmental impacts of certain agricultural activities have impeded the sector's overall growth. We believe that a cohesive policy framework which encourages the cultivation of value added crops, ensures environmental sustainability and enhances productivity of the sector is essential in leveraging the country's natural capital to drive socio-economic development and ensuring food security.

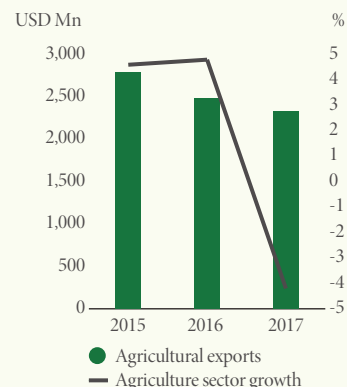
### Strategy and performance

An innovation led product strategy and the Sector's ability to effectively identify and respond to emerging customer needs enabled the Sector to turn in a year of strong performance. Revenue grew by 23% to Rs. 13.6 billion during the year, upheld by the strong performance of the fertilizer (+176%), agricultural equipment (+15%), animal health (+18%) and non-food exports (+47%) divisions. Strategic focus on increasing contributions from high value products and ongoing emphasis on operational efficiencies resulted in PBIT also increasing by 16% to Rs.1.49 billion. The Sector's record-high profitability enabled it to emerge as one of the largest profit contributor to the Hayleys Group during the year.

The Sector maintained its position as the market leader in Sri Lanka's agricultural equipment space through identifying emerging opportunities for mechanization, particularly given the acute labour shortages in the industry. We expanded the product range and pursued growth through our farmer extension program which enabled us to further grow our market share in agricultural equipment. In fertilizer, the removal of the quota system has created a level playing field and our competencies in blending and distribution enabled the Sector to capture market share in this segment; resultantly our share increased from 18% to 25% during the year under review while ensuring compliance to all regulatory requirements.

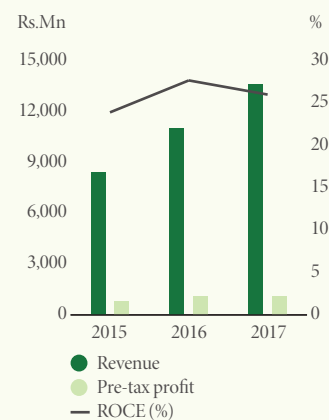
In line with our strategic thrust towards strengthening regional capabilities, we further expanded our international operations in Bangladesh. We remain optimistic on the opportunities presented by these regional capabilities in driving synergies across markets. Meanwhile, the Animal Health segment also performed well during the year, as we sought to further widen our world-class product range. The exports segment is also positioned for strong growth as we continue to pursue an innovation-led strategy in new product development.

### Agriculture Sector Performance



Source: CBSL Annual Report 2016

### Financial Performance



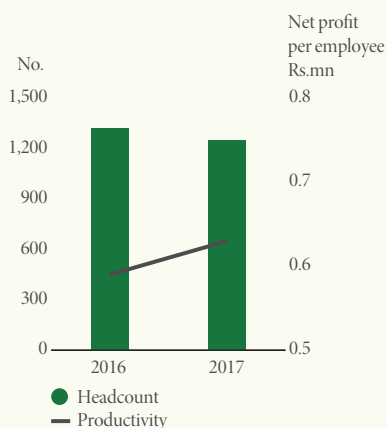
Sector	2017
Crop Production	8
Crop Protection	10
Pest Management	3
Animal Health and Nutrition	17
Plant Nutrition	6
Food Processing	18
Biotechnology	4
Agri Equipment	12
Agri Technology	5

We are an industry leader in innovation, and invested over Rs.24.0 million in 2016 in strengthening our research capabilities and intellectual capital. Collaboration plays a vital role in sharing technology, knowledge and efficiencies and we continue our partnerships with universities, research institutes and NGOs. The sector currently has 82 product developments in the pipeline. Employees are continuously engaged in furthering our innovation drive and over 80 projects were conceptualized during the year. A key innovation of the year was the use of drones for soil mapping which will enable the formulation of the most appropriate and sustainable fertilizer for specific soil conditions, ensuring the cultivation of superior quality tea. Other innovations introduced by the Sector include the use of nozzle technology for spraying, slow-release fertilizers, paddy transplanters and ecologically sustainable crop protection products. In exports, we continue to focus on developing value added products and during the year launched a premium Moringa product for the export market (discussed below); other products launched by the Sector include spice infused virgin coconut oil, dehydrated fruits and organic products.

Sustainability and stakeholder value creation is at the core of our offering and the Sector's multi-faceted agricultural extension services directly empowers over 15,000 island-wide farmers and out-growers through training and awareness programs on sustainable agricultural practices, provision of input materials, and equipment, among others. In 2016 we invested Rs. 166 million in this initiative with a total of 3,408 farmer training programmes carried out. Based on the concept of our sustainable seaweed project, a novel Moringa outgrower project was launched in the Northern Province where over 50,000 free plantlets have been distributed to date across 10,000 farmers with the objective of improving rural livelihood and nutrition through sustainable agricultural development. Our value proposition includes buy-back guarantees, technical support and continuous training on production techniques.

Total value created to our employees increased by 23% to Rs. 0.82 billion as we further strengthened our employee value proposition; investment in training amounted to Rs.6.0 million translating to 9 average hours of training per employee. We remain committed to preserving our natural environment, with multiple initiatives in sustainable product development, enhancing energy efficiency and water conservation.

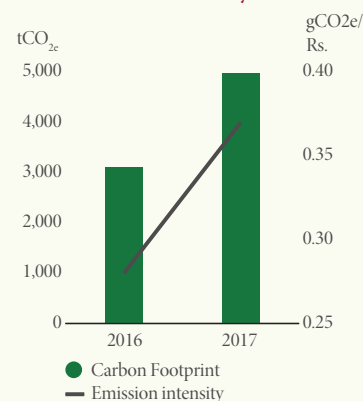
### Headcount and Productivity



### Segmental performance

Program	No. supported	Investment (Rs.)
Moringa	>10,000	5 mn
Gherkins Project Northern Province	1,600	94 mn
Bee Keeping Project	255	2.49 mn

### Total Carbon Footprint and Emission Intensity



### Environmental initiatives

Water	- Rainwater harvesting at Boralanda with a capacity of 5.4 million litres of water
	- R&D on water retaining soil additives and hydro gels
Waste and effluents	- Segregation and responsible disposal of waste
	- R&D on biological-Inoculum for rapid composting
Products and services	- Disseminating sustainable practices through extension services
	- R&D on organic and bio fertilizers and pesticides
	- R&D on resource efficient high yielding plating materials
	- Focus on urban farming and organic products
	- Marine conservation



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## CONSUMER

*The Consumer Sector experienced a challenging year, with several external and internal factors affecting performance due to which the Sector's revenue and profit declined by 8% and 99% respectively. We have strategically realigned our portfolio and placed emphasis on enhancing the visibility of our products, which is expected to augur well for the Sector in the next financial year.*

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Financial Capital		
	2017	2016
Revenue (Rs.mn)	5,227	5,718
PBIT (Rs.mn)	179	228
PBT (Rs.mn)	8.7	116.8
PAT (Rs.mn)	0.4	67.8
Total assets (Rs.mn)	3,183	2,688
ROCE (%)	10.1	13.5

Human Capital		
	2017	2016
Headcount	302	302
Training hours	4,170	2,450
Average training hours	13.8	8.4
Net profit/employee (Rs.mn)	0.001	0.224
Investment in training (Rs.mn)	2.6	1.6

Social and Relationship Capital		
	2017	2016
No. of principals	50	42
Customers acquired	182	204

### Market position

- Sole distributor of Proctor and Gamble with a range of well-known home and personal care brands
- Distributor of Phillips Lighting
- Distributor of Fujifilm
- Distributor for Blue Cross Pharmaceuticals, 3M first aid dressings and Bayer Glucometers



### Strategy

- Proactive engagement with distributors to widen portfolio



### Outlook

- Good growth prospects in the lighting solutions cluster and healthcare range.

Manufactured Capital		
	2017	2016
PPE	82	73
Capital expenditure	39	50

Natural Capital		
	2017	2016
Bulbs sent for recycling	5,645	-
Solid waste (MT)	14.2	-
Carbon footprint (tCO2e)	394	108



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Clusters in sector	Operating context	Contribution to sector
Home products/Imaging/ Healthcare: distributorship of P&G, Marico, Fuji, Xerox, Blue Cross, 3M first aid dressings and Bayer Glucometers	<b>Internal impacts:</b> <ul style="list-style-type: none"> <li>- Lack of visibility as a healthcare solutions provider</li> </ul> <b>External impacts:</b> <ul style="list-style-type: none"> <li>- Multiple changes in taxation</li> <li>- Adverse weather conditions affected consumer demand</li> <li>- Increased stringency of regulations</li> <li>- Pricing control on 48 products</li> <li>- Intense competition</li> <li>- Increasing focus on environmental considerations</li> <li>- Undeclared parallel imports</li> </ul>	Revenue: 76% PBT: 306%
Lighting	<b>Internal impacts:</b> <ul style="list-style-type: none"> <li>+ Global drop in pricing of LED lights</li> <li>+ Increased awareness of LED lighting</li> </ul>	Revenue: 24% PBT: -206%

### Operating context

Consumer demand moderated during the year, reflecting multiple revisions to the tax structures and the resultant decline in disposable incomes, adverse weather conditions and a tighter monetary policy stance which saw rising interest rates towards the latter part of the year. The depreciation of the Sri Lankan Rupee against the US Dollar also pushed up the prices of imported goods, further affecting demand. Overall, Sri Lanka's household consumption expenditure (which accounts for 67% of the Gross Domestic Expenditure) was relatively stagnant in 2016, increasing marginally by 0.7%.

Multiple changes in tax regulations during the year resulted in higher costs, both in terms of margin compression and increased administration and inventory costs. As a distributor, our operating model is not designed to absorb sudden increases in price and proactive and effective engagement with our principals was vital in preserving margins.

### Strategy and performance

The Consumer Sector's performance was affected by a multitude of external and internal challenges during the year, which resulted in the revenue and profit declining by 8% and 99% respectively.

The moderation in profits reflect subdued performance of the Sector's Healthcare, Imaging and Lighting solutions clusters while the Home products range recorded commendable growth supported by its effective distribution model.

The Group's Healthcare division has been impacted by intensifying competition and its lack of visibility as a pharmaceuticals distributor. In effectively countering this, we restructured the Sector, brought in fresh leadership skills and are now pursuing growth in new product segments such as Neutraceuticals and Cosmeceuticals. In Lighting, we provide a range of domestic and commercial lighting solutions. The increasing awareness and propensity towards energy efficient lighting systems will augur well for the Sector, which has pursued strong growth in its LED solutions. A global drop in LED prices is expected to trickle down to the local market and the resultant improvement in our value for money proposition will sustain growth of this product in the medium to long-term.

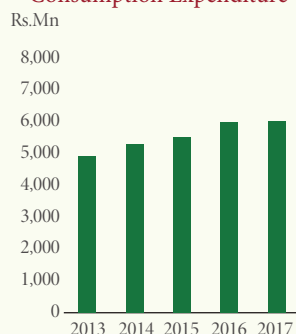
We maintained proactive engagement with our network of 50 principals during the year and hope to further widen our product portfolio in the coming year, particularly in the Home Products range. Our distributors are a vital aspect

#### Contribution to Group

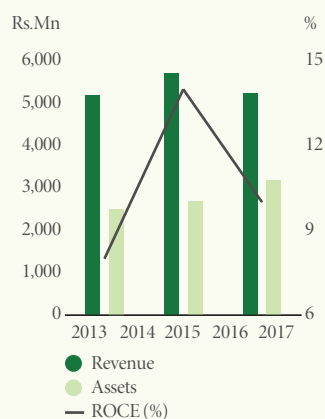
<b>5%</b>	<b>0.1%</b>
Revenue	Profit Before Tax
<b>2%</b>	<b>4%</b>
Total Assets	Total Liabilities
<b>1%</b>	<b>0.5%</b>
Employees	Carbon footprint

## DID YOU KNOW?

Hayleys Lighting has pioneered and popularised the use of energy efficient LED lighting in the country.

Household  
Consumption Expenditure

## Financial Performance



## Environmental initiatives

- |        |  |
|--------|--|
| Energy | <ul style="list-style-type: none"> <li>- Improving fuel efficiency of vehicles</li> <li>- Raising public awareness on the importance of LED</li> </ul> |
| Waste  | <ul style="list-style-type: none"> <li>- Recycling of CFL bulbs</li> </ul>   |

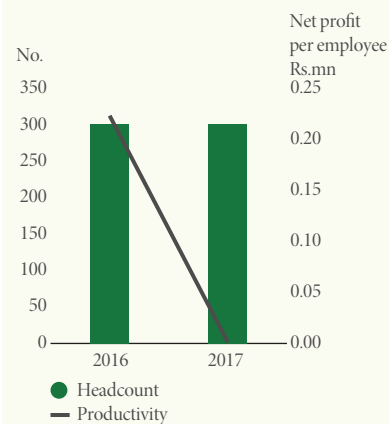
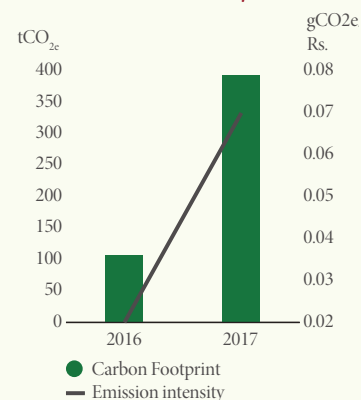


of our value creation process and we continue to support them through needs based financial support and guidance on selling techniques.

Our team comprises of 302 employees and we continued to enhance our value proposition to them through providing opportunities for skill and career development. During the year we invested Rs. 2.6 mn in training which translated to 4,170 training hours.

The environmental footprint of the Consumer Sector is relatively low, as our operations are primarily 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, contributing towards achieving reductions in the country's domestic energy footprint. During the year we collected 5,645 CFL bulbs from the general public and sent to an approved third party recycler.

## Headcount and Productivity

Total Carbon Footprint  
and Emission Intensity

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## LEISURE

*The Group's Leisure sector achieved an impressive revenue growth of 25% during the year, crossing the Rs.5 billion turnover mark. Profits for the year however declined to Rs. 302 million impacted by the weaker than expected performance of our resort in Pasikuddah as well as ongoing refurbishments in our new resort in Maldives.*

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Financial Capital		
	2017	2016
Revenue (Rs.mn)	5,619	4,501
PBIT (Rs. mn)	772	991
PBT (Rs.mn)	376	679
PAT (Rs.mn)	302	558
Total assets (Rs.mn)	10,821	8,509
ROCE (%)	8.6	13.7

Human Capital		
	2017	2016
Headcount	1,666	1,488
Training hours	11,906	11,533
Average Training Hours	7.2	7.8
Investment in training	2.7	-
Net profit/employee (Rs.mn)	0.18	0.37

Social and Relationship Capital		
	2017	2016
Investment in CSR (Rs.mn)	1.1	1.0
No. of beneficiaries	310	66
Average occupancy		
Kingsbury	87%	84%
Amaya	59%	62%



Manufactured Capital		
	2017	2016
PPE (Rs.mn)	11,733	9,147
Capital expenditure(Rs.mn)	3,178	358

Intellectual Capital		
	2017	2016
New products (Tours)	6	-

Natural Capital		
	2017	2016
Energy usage (GJ)	174,667	124,356
Water use (m3)	151,014	4,156,513
Solid waste (MT)	69	NA
Carbon footprint (tCO2e)	18,860	12,229



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Clusters in sector	Operating context	Contribution to sector
Renewable energy	<p><b>Internal impacts:</b></p> <ul style="list-style-type: none"> <li>- Refurbishment of Amaya Kuda Rah</li> </ul> <p><b>External impacts:</b></p> <ul style="list-style-type: none"> <li>- Geopolitical tensions in global markets</li> <li>- Competition from the informal sector</li> <li>- Adverse weather conditions</li> <li>+ Increasing connectivity and growth of online channels</li> <li>- Changing needs of travellers</li> <li>+ Increasing focus on sustainable tourism</li> <li>- Increasing competition for labour</li> </ul>	<p><b>Resorts</b></p> <p>Revenue: 35% PBT: (16%)</p> <p><b>City Hotels</b></p> <p>Revenue: 54% PBT: 113%</p>
Inbound tours	<p><b>Internal impacts:</b></p> <p><b>External impacts:</b></p>	<p>Revenue: 11% PBT: 3%</p>

Contribution to Group	
5%	4%
Revenue	Profit Before Tax
8%	10%
Total Assets	Total Liabilities
6%	15.5%
Employees	Carbon footprint
4%	
Water footprint	

### Operating context

Tourist arrivals into Sri Lanka grew by 14% in 2016, crossing the 2 million mark for the first time in history, upheld by increased connectivity through the operation of new airlines, numerous destination promotion activities and a range of destination promotion activities. Sri Lanka's largest source markets of Western Europe, East Asia (primarily China) and South Asia (mainly India) recorded relatively strong growth during the year, while growth was moderate in the Middle Eastern and Eastern European markets.

On the supply side, the industry has seen a sharp increase in room inventory over the last few years, with the total number of graded rooms surging by over 40% during the last 4 years. During the year, the average occupancy rate in graded establishments increased marginally to 74.8% from 74.5% the previous year. Meanwhile, the changing expectations of travellers and rising preferences for more authentic travel experiences have driven demand for home stays and informal stays. In the informal sector room capacity has increased by nearly 80% since 2012.

### Strategy and performance

The leisure sector recorded strong top line growth of 25% during the year, crossing Rs. 5.0 billion in revenue for the first time in history. Profitability however was affected by refurbishments in the Sector's newest property in Maldives, together with the weak performance of Amaya Beach in Pasikuddah, which was impacted by adverse weather and the slower than anticipated improvements in accessibility. Meanwhile shift in traditional source markets has compelled Sri



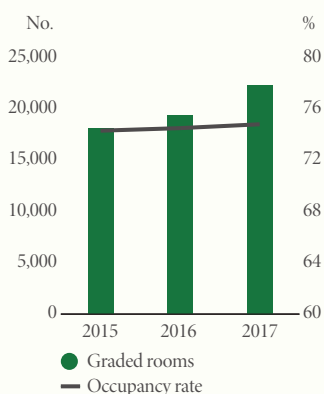
Lankan resorts to depend more on emerging markets, which usually generate relatively lower yields. Overall the sector generated a pre-tax profit of Rs. 376.1 mn during the year, compared to Rs. 679.1 mn the year before.

Changes in guest expectations and travel preferences are challenging the established norms of traditional travels. Guests' pursuit of more authentic and personalised experiences has driven the need for different accommodation models. In effectively responding to this emerging trend, the Sector invested in a unique, purpose-build health and wellness resort during the year, offering an authentic Sri Lankan experience to the discerning traveller. Comprising 15 rooms and 5 tree houses, the initial response for this new venture has been extremely encouraging. We have also partnered with the Hayleys Group's plantations sector to develop a planter's bungalow as a hospitality offering.

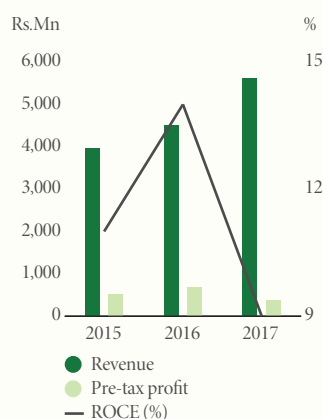
The Sector also focused on refining and strengthening its marketing model during the year with emphasis placed on direct business and increasing bookings through its own website. In terms of markets, we refocused on the traditional markets of Europe, UK and Russia while placing parallel emphasis on emerging markets such as China and India.

In the hospitality industry, people are a key source of competitive advantage, as they facilitate the customer experience. All efforts are made to hire resort staff from adjacent communities and our employee value proposition ensures that we contribute directly to their socio-economic progress and skill development. We continue to enhance our employee value proposition through multiple opportunities for skill development and during the year, invested Rs. 2.7 million in 11,906 training hours for our people. Our employees are amongst the most sought after in the industry, a testament to the quality of training we provide them. Total payments to employees increased by 12% during the year, in addition to substantial rewards in the form of service charges.

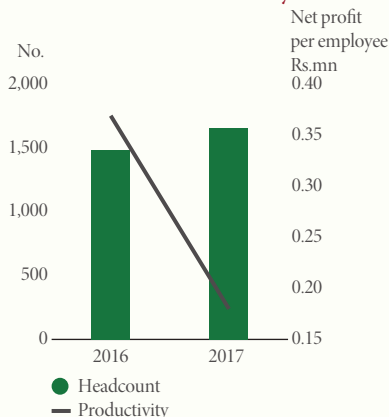
### Graded Rooms/Occupancy Rate



### Financial Performance



### Headcount and Productivity



### Environmental initiatives

- |                     |  |
|---------------------|--|
| Energy              | <ul style="list-style-type: none"> <li>Use of energy efficient lighting and cooling solutions in resorts</li> <li>Hydro power used to power garden lights</li> </ul>       |
| Water               | <ul style="list-style-type: none"> <li>Rainwater harvesting</li> <li>Recycling of water</li> </ul>   |
| Waste and effluents | <ul style="list-style-type: none"> <li>Waste water is recycled and used for gardening and organic farming</li> <li>Recyclable waste sent to 3rd party recyclers</li> </ul> |

As a responsible corporate citizen we place ongoing emphasis on minimising the environmental impact of our operations. During the year we invested Rs. 2.86 million in various initiatives aimed at minimising our environmental footprint. We widened our water recycling efforts during the year, achieving a nearly 55% recycling rate. Meanwhile all properties have implemented mechanisms for recycling and discharging waste water and disposing solid waste appropriately.



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## INDUSTRY INPUTS AND POWER & ENERGY

*The Industry Inputs and Power & Energy sector recorded a revenue growth of 28% during the year, with both business lines recording top line expansion. Sector profitability, however, declined by 10% to Rs. 890 million mainly due to the adverse weather conditions which impacted the Sector's hydro power generation.*

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Financial Capital		
	2017	2016
Revenue (Rs.mn)	4,660	3,637
PBIT (Rs.mn)	1,063	966
PBT (Rs.mn)	1,016	1,090
PAT (Rs.mn)	890	983
Total assets (Rs.mn)	8,624	5,272
ROCE (%)	15.2	24.4

Human Capital		
	2017	2016
Headcount	298	226
Training hours	2,083	949
Average Training Hours	7.0	4.2
Net profit/employee (Rs.mn)	3.0	4.4
Investment in training (Rs.mn)	7	4.89

Social and Relationship Capital		
	2017	2016
Investment in CSR (Rs.mn)	1.7	1.2
New customers	332	375
Payments to suppliers (Rs.mn)	3,207	3,528
No. of principals	508	497



Manufactured Capital		
	2017	2016
PPE (Rs.mn)	5,523	3,066
Capital expenditure(Rs.mn)	3,056	38

Intellectual Capital		
	2017	2016
New products	33	50
Products in pipeline	31	70
Investments in R&D	4.5	2.3

Natural Capital		
	2017	2016
Energy usage (GJ)	968	787
Renewable energy generation (kWh'000)	118,471	117,313
Water use (m3)	5,608	6,350
Effluents (m3)	4,814	5,553
Carbon footprint (tCO2e)	274	220

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Clusters in sector	Operating context	Contribution to sector
Renewable energy	<b>Internal impacts:</b> <ul style="list-style-type: none"> <li>+ The Hayleys' Group's increasing focus on renewable energy</li> </ul> <b>External impacts:</b> <ul style="list-style-type: none"> <li>- Severe drought conditions</li> <li>+ Global drive towards renewable energy</li> <li>- Slow processes in getting necessary approvals</li> </ul>	Revenue: 22% PBT: 61%
Industrial inputs	<b>Internal impacts:</b> <ul style="list-style-type: none"> <li>+ New product development</li> </ul> <b>External impacts:</b> <ul style="list-style-type: none"> <li>+ A growing healthcare sector</li> <li>+ Growth potential of the food and beverage sector</li> <li>- Exchange rate impacts</li> <li>- Extended credit terms for State sector</li> </ul>	<b>Industrial material solutions and Colour solutions</b> Revenue: 26% PBT: 13% <b>Power engineering solutions</b> Revenue: 30% PBT: 14% <b>Lifesciences and Medical equipment</b> Revenue: 22% PBT: 12%

### Operating context

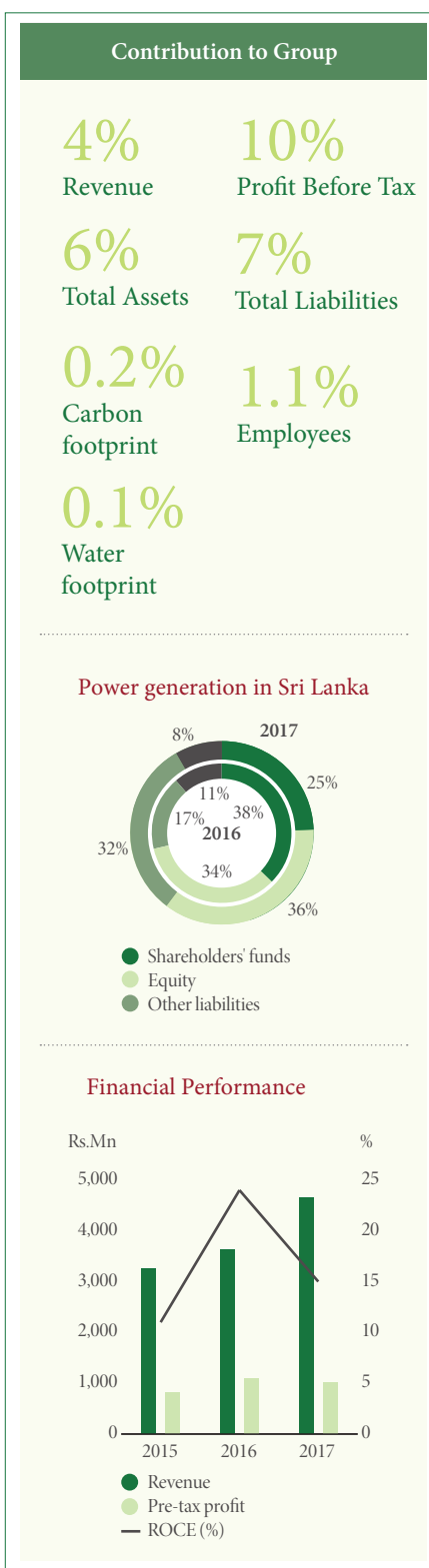
The Sri Lanka Sustainable Energy Authority (SLSEA) continues to actively promote the adoption and sustainable use of all forms of renewable energy in the country. In 2016, coal and fuel power sources accounted for over 66% of total electricity generation (2015: 51%) as hydro sources were affected by the severe drought in the first and last quarters of the year. Accordingly, power generation from coal and fuel sources increased by 13% and 96% respectively, while hydro power (excluding mini hydro) declined by 29%. Meanwhile, generation from non-conventional renewable energy sources also declined by 21%, mainly due to the impact of weather conditions on mini hydro plants. The primary sources of NCRE are small hydro power plants (capacity less than 10 MW), wind, solar and biomass plants.

By the end of 2016, 172 mini hydropower projects, 15 wind power plants, nine biomass

power plants and five solar power projects had been commissioned, adding approximately 342.2 MW, 128.5 MW, 24.1 MW and 21.4 MW, respectively, to the national grid. Sri Lanka's geo-climatic conditions present a host of opportunities for the development of NCRE sources. For instance, it is estimated that there is 1GW of wind power potential available in Mannar, Puttalam and Jaffna while solar power also presents numerous opportunities, given its scalability and accessibility.

### Strategy and performance

The Sector achieved a top line growth of 28% during the year, upheld by the strong performance of the industrial inputs segment division (+35%) and moderate growth in Power & Energy (+10%). Overall profitability however, declined by 10% to Rs. 889.69 million due to a drop in profits in the Power & Energy sector which was impacted by the severe drought that prevailed for most part of the year.





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Amongst the Sector's key achievements of the year was the commissioning of Sri Lanka's largest solar power plant in Welikande, a 10MW first-of-its kind plant in the country which utilizes a solar tracking system which follows movements of the sun. Commissioned in January 2017, the Sector anticipates strong profit generation from this venture in the next financial year. In August 2016, we also commissioned a 4.3MW mini-hydro plant in Mawanana at a total investment of over Rs.1.0 billion. During the year, the Sector's hydro power generation was affected by the severe droughts that were prevalent for most part of the year, while the wind power plants demonstrated a strong performance which led to a 10% increase in revenue.



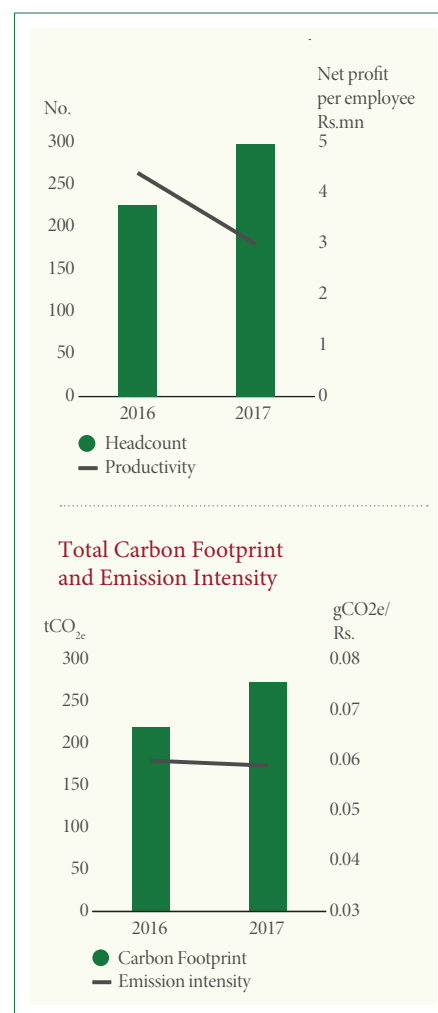
The industry inputs division turned in a year of strong growth, delivering revenue and profit expansion of 35% and 20% respectively during the year. All product/service offerings under Hayleys Industrial solutions were brought under the common brand name of Aventura, with the aim of building brand recognition while driving synergies and innovation across our portfolio. Within the division, the Power & Engineering cluster performed well, obtaining the contract to provide heavy lifting equipment to the ports as well as the Group's transport business. In Lifesciences we installed a state-of-the-art mammography, the first of its kind in Sri Lanka. We continued to strengthen our business partnerships and during the year successfully acquired the agency for Hitachi to provide MRI and CT scanners to the healthcare industry. In colour solutions, we upgraded the Haycolour Research and Development centre, with the objective of driving innovation in this business line. As a sector, we will continue to invest in strengthening our research and innovation capabilities and are currently in the process of launching the country's first ever B2B e-commerce platform for the Hayleys Group.

We place ongoing emphasis on developing our pool of 298 employees and during the year we invested in Rs. 6.9 million which translated to total training hours of 2,083. The sector is an active contributor to the Hayleys' Group's

Sathdiyawara community initiative and has so far invested LKR 3.5 Mn in a reverse osmosis plant in Phimbiyagollawa, through which we provide 10,000 liters of purified water to over 300 families.

The Sector's environmental footprint is relatively low, with a carbon footprint of 274 tCO<sub>2</sub>e during the year. On the other hand, we generated approximately 120 million kWhs of energy through renewable sources which carry zero emissions, thereby offsetting nearly 54% of the Hayleys' Group's total carbon footprint (scope 1 & 2).

Segmental performance		
	Revenue growth %	Profit growth %
Industrial Inputs	35	20
Renewable Energy	10	(17)





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## TRANSPORTATION AND LOGISTICS

*The diversity in its business lines enabled the Group's Transportation and logistics sector to withstand industry challenges to achieve a revenue and profit growth of 53% and 1 % respectively, supported by healthy performance in most sectors. With the freight management and shipping industries expected to post gradual recovery in 2017/18, the Sector is well positioned to capture growth opportunities in regional markets.*

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	2017	2016
Revenue (Rs.mn)	24,245	15,812
PBIT (Rs.mn)	1,857	1,578
PBT (Rs.mn)	1,788	1,620
PAT (Rs.mn)	1,193	1,176
Total Assets (Rs.mn)	16,491	11,312
ROCE (%)	17.1	20.7

Human Capital		
	2017	2016
Headcount	1,594	1,428
Training hours	2,866	670
Average training hours	1.8	0.5
Net profit/employee (Rs.mn)	0.75	0.82

Social and Relationship Capital		
	2017	2016
Investment in CSR (Rs.mn)	1.8	11.8
No. of beneficiaries	4,926	4,000
Payments to suppliers (Rs.mn)	11,175	7,786

### Market position

- Largest player in the country's transportation and logistics industry
- Handles 18% of container throughput at the Colombo Port
- Widest coverage of integrated end-to-end logistics solutions



### Strategy

- Focus on strengthening customer relationships
- Operational efficiencies through consolidating brands under the Advantis umbrella



### Outlook

- Emphasis on pursuing regional expansion opportunities

Manufactured Capital		
	2017	2016
PPE (Rs.mn)	6,645	4,189
Capital expenditure (Rs.mn)	1,828	682

Natural Capital		
	2017	2016
Energy usage (GJ)	57,134	72,287
Water use (m3)	55,537	80,000
Effluents (m3)	49,984	72,000
Carbon footprint (tCO2e)	11,177	6,168

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Clusters in sector	Operating context	Contribution to sector
International freight management	<p><b>Internal impacts:</b></p> <ul style="list-style-type: none"> <li>-</li> </ul> <p><b>External impacts:</b></p> <ul style="list-style-type: none"> <li>- Sharp decline in shipping rates due to supply outstripping demand</li> <li>- Prolonged slowdown in trade flows</li> <li>+ Industry consolidation is expected to bolster shipping rates over the medium term</li> </ul>	Revenue: 31% PBT: 56%
Integrated logistics	<p><b>Internal impacts:</b></p> <ul style="list-style-type: none"> <li>- Union-driven wage revisions</li> </ul> <p><b>External impacts:</b></p> <ul style="list-style-type: none"> <li>- Some of the key customers were impacted by natural disasters</li> </ul>	Revenue: 13% PBT: 2%
Marine services	<p><b>Internal impacts:</b></p> <ul style="list-style-type: none"> <li>-</li> </ul> <p><b>External impacts:</b></p> <ul style="list-style-type: none"> <li>- Subdued trade flows</li> <li>- Increasing competitive pressures</li> </ul>	Revenue: 39% PBT: 27%
Terminals and engineering	<p><b>Internal impacts:</b></p> <ul style="list-style-type: none"> <li>-</li> </ul> <p><b>External impacts:</b></p> <ul style="list-style-type: none"> <li>- Slowdown in infrastructure developments</li> </ul>	Revenue: 6% PBT: 10%
International operations	<p><b>Internal impacts:</b></p> <ul style="list-style-type: none"> <li>-</li> </ul> <p><b>External impacts:</b></p> <ul style="list-style-type: none"> <li>- Managing cultural disparities</li> </ul>	Revenue: 10% PBT: 13%
Others		Revenue: 1% PBT: -8%

### Operating context

Global trade volumes are estimated to have grown by a mere 1.9% in 2016, compared to 2.7% the year before attributed to prolonged uncertainty in some key developed economies and an unexpected weakening of several emerging markets. The global maritime industry continued to experience over capacity leading to a prolonged decline in freight rates. Persistently low rates and overcapacity have encouraged industry consolidation with several large shipping

lines forming alliances with counterparts. The consolidation is expected to benefit the industry as it will contribute towards a gradual uptick in rates over the medium to long-term

Sri Lanka's ports sector given its unique ability to handle mega container vessels performed commendably during the year 2016 with total container handling at the Colombo Port increasing by 10.6% to 5.7 million TEUs. Meanwhile, total cargo handled and

transshipment volumes grew by a respective 11.5% and 10.7% during the period. Meanwhile the Government has called for expressions of interest to invest in the East Terminal, the commissioning of which will also cater to the new generation of deep draft vessels at the Colombo Port. The outlook for the logistics sector remains favourable with some of the planned infrastructure projects envisaged to materialise over the short to medium term.

### Strategy and performance

Diversity of the sector's business lines enabled it to withstand external pressures to a certain extent with revenue increasing by 53% to Rs. 24,245 million during the year. Profitability, however, was affected by the persistent pressure on the freight rates in the International Freight Management and Marine Services sector. Meanwhile consolidation of the Sector's products under the Advantis umbrella enabled the Sector to generate operational efficiencies and further enhance brand recognition. Overall the Sector's pre-tax profit grew by Rs. 168 million (compared to Rs. 1,620 million the year before).

Although the Terminals & Engineering sector was challenged by several external factors the sector performed commendably well. The expansion of the container storage & repair operation helped the sector to close the year with an encouraging outlook.

The Sector's operations in India, Maldives, Malaysia and Myanmar (International Operations) continued to perform well and further regional expansion remains a key strategic priority for the Sector.

Integrated Logistics experienced a challenging year as several third-party logistics customers were adversely impacted by floods. This compelled us to ramp up warehousing capacity at short notice by renting additional space for fixed time periods. Subsequent difficulties in generating revenue through these additional warehouses impacted the business line's overall profitability although our ability to successfully fulfill the needs of our clients at short-notice has

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strengthened customer confidence and nurtured more sustainable relationships. Meanwhile, the state of the art facility constructed at the Free Zone in Katunayake commenced operations during the year and is expected to be a significant contributor to the Group's profitability in 2017/18. We further expanded the scale of our operations in Marine Services with the deployment of two vessels in the Male-Colombo route.

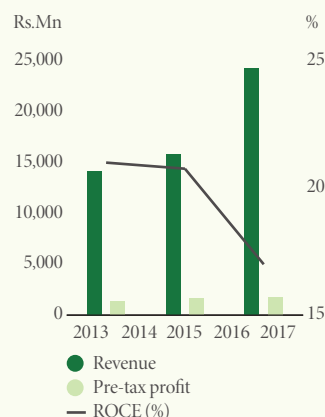
Mountain Hawk Express, the licensee for FEDEX in Sri Lanka was also able to secure the licensee for TNT Express after a competitive bidding process. With greater market presence as a result of the acquisition, the sector is expected to significantly improve its performance.

Our human capital proposition was further enhanced during the year; an across the board wage increase resulted in total payments to employees increasing by 11%. Talent development was a key strategic priority during the year and we invested Rs.27 million in multiple initiatives directed at strengthening leadership and technical skills. We continue to maintain a commendable health and safety record, supported by a dedicated team which leads the EHS initiative (Environmental, Health and Safety). Meanwhile Mountain Hawk Express, emerged among the top 25 best employers in the

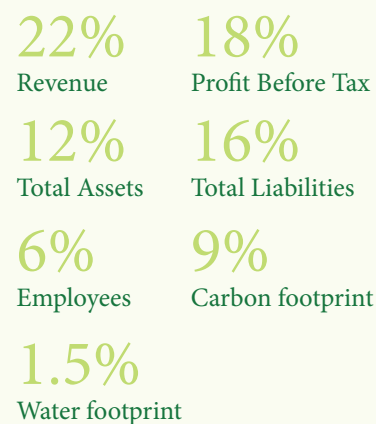
### Global Trade Volumes



### Financial Performance



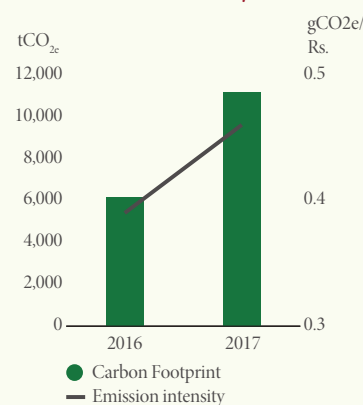
### Contribution to Group



### Headcount and Productivity



### Total Carbon Footprint and Emission Intensity





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country based on the survey conducted by Great Place to Work Sri Lanka.

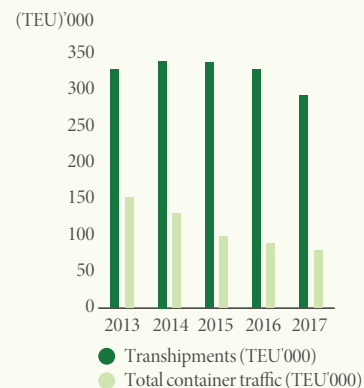
The sector's operations are relatively energy-intensive and we have made concerted efforts towards reducing our energy footprint. We are currently in the process of developing a platform to better monitor and optimize the usage of our distribution fleet, which is expected to generate substantial fuel savings. We also utilize battery operated machinery in the warehouses and facilities, which leads to lower energy consumption and zero emissions. Within the Fed Ex Air Express Transportation business, we have emulated the practices of their parent company by implementing the carbon neutral envelope shipping program, which tracks the CO<sub>2</sub> emitted through the shipment. The increased operational activity during the year resulted in the Sector's carbon footprint increasing by more than 80% during the year under review.

As part of our sustainability commitments, the Sector launched 'Manudham Yaathra'-an initiative to create road safety awareness during the year. Carried out in partnership with the Sri Lanka Police, the first phase consisted of creating employee awareness through structured engagement mechanisms; we hope to further expand this to the general public during the coming financial year.

### DID YOU KNOW?

We handle  
**18%**  
of container throughput at the  
Colombo Port

### Transshipments & Total container traffic



### Environmental initiatives

Energy	<ul style="list-style-type: none"> <li>Use of battery operated machinery</li> <li>Energy efficient lighting in the warehousing facilities</li> </ul>
Carbon footprint	<ul style="list-style-type: none"> <li>Carbon neutral envelope shipping</li> <li>Rationalisation of vehicle usage</li> </ul>



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## OTHERS

*The Others sector represents the Group's investments, projects and the Shared services operations. During the year, the Sector recorded a revenue and profit growth of 63% and 4% respectively, reflecting the consolidation of Fentons. The performance of other businesses within the Sector was varied and is discussed in detail subsequently.*

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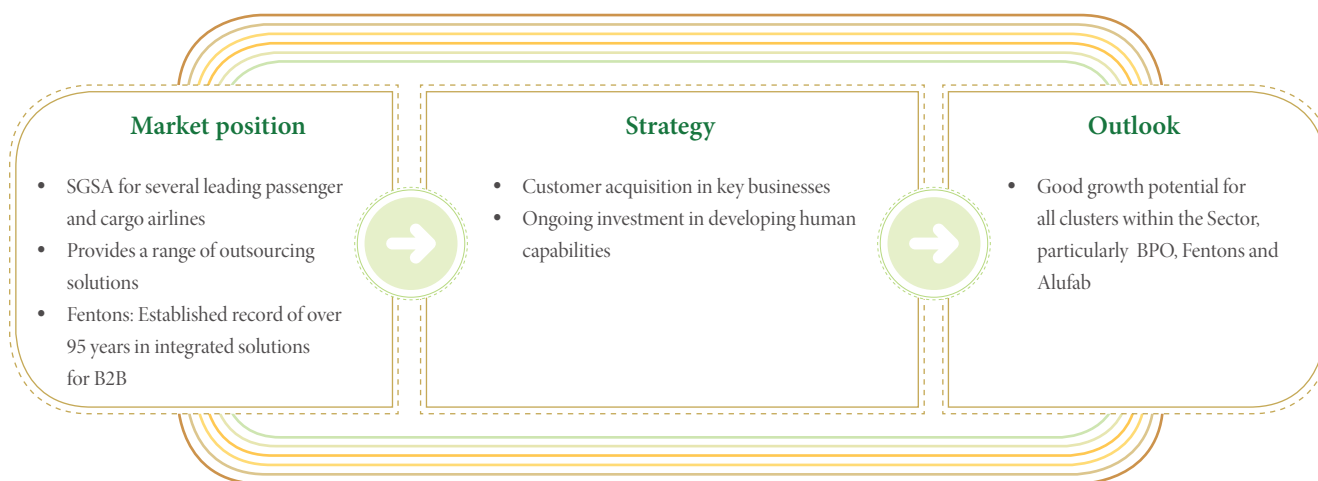
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Financial Capital		
	2017	2016
Revenue (Rs.mn)	3,197	1,957
PBIT (Rs.mn)	1,855	1,648
PBT (Rs.mn)	1,154	1,120
PAT (Rs.mn)	1,118	1,077
Total Assets (Rs.mn)	31,036	23,143
ROCE (%)	6.5	8.0

Human Capital		
	2017	2016
Headcount	889	771
Training hours	2,649	383
Average Training Hours	3	0.5
Net profit/employee (Rs.mn)	1.26	1.4
Investment in training (Rs.mn)	9	12.8

Social and Relationship Capital		
	2017	2016
Investment in CSR (Rs.mn)	0.04	-
New customers	229	-
Payments to suppliers (Rs.mn)	379	-



Manufactured Capital		
	2017	2016
PPE(Rs.mn)	13,118	6,919
Capital expenditure(Rs.mn)	556	66

Intellectual Capital		
	2017	2016
New products developed	12	

Natural Capital		
	2017	2016
Energy usage (GJ)	1,351	6,968
Water use (m3)	2,581	503.9
Effluent discharge (m3)	1,897	-
Carbon footprint (tCO2e)	123	701

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Clusters in sector	Operating context	Contribution to sector
Business Process Outsourcing and Shared Services	<b>Internal impacts:</b> <b>External impacts:</b> <ul style="list-style-type: none"> <li>+ Opportunities stemming from Brexit, which has rendered the UK relatively expensive for companies operating there</li> <li>+ Policy changes in the United States</li> <li>+ Increasing focus on simplifying businesses through outsourcing back-office functions</li> </ul>	Revenue: 1% PBT: 0.5%
Hayleys Investments and Services	<b>Internal impacts:</b> <b>External impacts:</b>	Revenue: 19% PBT: 98.5%
Aviation	<b>Internal impacts:</b> <b>External impacts:</b> <ul style="list-style-type: none"> <li>- Dependent on the strategy and business of the Principals</li> </ul>	Revenue: 17% PBT: 6%
Alufab	<b>Internal impacts:</b> <b>External impacts:</b> <ul style="list-style-type: none"> <li>- Delays in the commencement/awarding of several large infrastructure projects</li> </ul>	Revenue: 4% PBT: -6%
Fentons	<b>Internal impacts:</b> <b>External impacts:</b> <ul style="list-style-type: none"> <li>Growth in the private sector construction projects</li> </ul>	Revenue: 59% PBT: 1%

## Strategy and performance

The Sector recorded a revenue growth of 63% to Rs. 3.20 bn during the year under review, upheld by the consolidation of Fentons Group's revenue during the year. The Sector generated a profit of Rs. 1.12 bn during the year, a marginal growth of 4% over last year. Sector level debt which primarily represents borrowings at Hayleys PLC level increased by 23% to Rs. 9.3 bn to fund new investments.

## BPO

The Group's BPO operations sector specializes in providing a range of Business Process Outsourcing (BPO) solutions to domestic and overseas corporates. The Shared Services Operations (SSO) cater to the Hayleys Group's diverse industry sectors. The Group's 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. During the

Contribution to Group	
3%	12%
Revenue	Profit Before Tax
23%	16%
Total Assets	Liabilities
0.5%	1%
Employees	Carbon footprint
4%	
Water footprint	

year, the sector pursued customer acquisition in Australia and the UK, generating a profit of Rs. 3 million. The outlook for the BPO sector remains encouraging with global dynamics such as Brexit and changes in the political landscape in US providing numerous opportunities for growth.

During the year under review, sector revenue and profit grew mainly from new customer acquisition as well as improved efficiency levels and improved performance from the consultancy division and IT services division.

## Aviation & Travels

In the Aviation industry, the Group acts as the GSA for several leading international passenger and cargo airlines, while Hayleys Airport Services

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## Sector Review

offers flight handling supervision, terminal services and cargo handling services.

The Aviation and Travel business turned in a year of good growth with profits growing by approximately 39%, supported by an expansion of new customer segments, product offering and new destinations.

The performance of the Aviation division is highly dependent on the strategy of the principals and therefore there are fluctuations depending on outbound passenger volumes and exports.

The latest expansion of the cluster Aviation Supply Services, represent principals, supply materials and services to the aviation industry on infrastructure projects, airports, airlines and related organizations both locally and regionally.

During the year, the cluster generated a profit of Rs.63 mn to the Sector.

### Alufab

Alufab is a leading fabricator and supplier of high quality architectural aluminum joinery systems, glazing and façade products in Sri Lanka. The Company specializes in providing tailor-made solutions for Aluminum Windows and Doors, Enclosures, Shop Fronts, Curtain Walls, Louvers and Awnings. Since coming under the Hayleys Group in October 2014, Alufab has focused on enhancing the quality of its products, strengthening its skill development and customer acquisition. During the year, we invested in capacity expansion as well as structured training for around 100 third-party installers. The year under review was a challenging one for the Company as several infrastructure projects which were awarded to the Company were delayed resulting in a loss of Rs. 65 million. That said, the Company's order book has secured substantial orders and is expected to contribute positively to the Sector's earnings in the next financial year.

### S&T Interiors

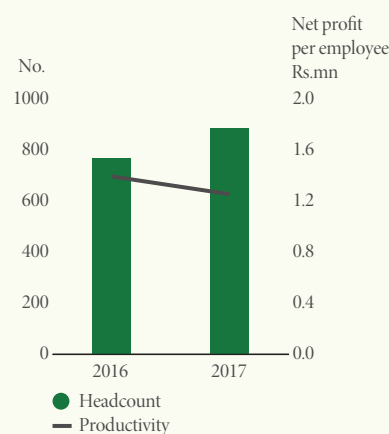
S&T Interiors was formed under an exclusive joint venture agreement with S&T a leading Oman based interior fit-out and contracting

company and Hayleys Leisure Holdings. Despite being a new entrant to Sri Lanka, the Company was awarded a contract to execute the complete interior fit-out works for the Movenpick City Hotel, which was successfully completed during the year under review. The cluster's performance was relatively flat during the year due to delays in the awarding/commencement of several large projects. We continue to invest in employee development in the cluster with over 50% of local employees being sent for international training exposure with S&T Oman.

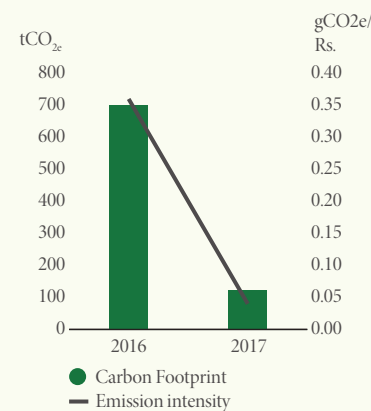
### Fentons

Acquired by the Group in March 2016, Fentons Limited is one of Sri Lanka's leading system integrator for MEP (Mechanical, Electrical and Plumbing) solutions, currently catering to B2B customers in multiple industry verticals including Industry Process control and manufacturing, Utility (Electricity, water, ports, telco's etc), Commercial including Banking & finance, hospitality, health care, leisure, information Technology and Residential including collective housing and apartments with an established track record of over 96 years, the Company benefits from a strong brand reputation and satisfied and repetitive customer base over generations. Electrical system integration from extra low voltage to high voltage, Data centre solutions, Fire protection and detection systems, Extra low voltage solutions (including CCTV, telephone systems, BMS Systems), mission critical power solutions & Solar systems are among the wide range of solutions offered by the company. During the year, Fentons secured projects well over Rs. 3 bn supported by customer acquisition and several new tenders. Some large scale land mark projects secured by the company are CCC, Colombo Hilton and Marriot hotel. The Group's deep insights and industry experience in the construction sector is anticipated to accrue multiple synergies for Fentons and is well positioned to benefit from the expected surge in the country's construction sector.

### Headcount and Productivity



### Total Carbon Footprint and Emission Intensity



# Consolidated Statement of Financial Performance

## Principles of preparation

The Consolidated Statement of Financial performance aims to provide a holistic and balanced overview on the performance of the Group's monetized capitals, comprising its financial and manufactured capitals. The Performance Statement is based on the Consolidated Financial Statements from pages 204 to 290, which have been prepared in accordance with the Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka.

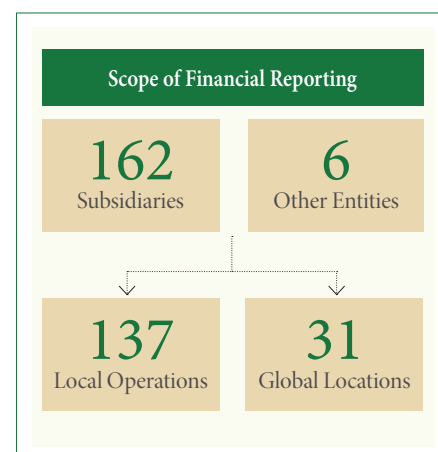
## Scope and boundary

The Statement of Financial Performance covers the operations of Hayleys PLC and its 162 subsidiaries (referred to as the Group) and the Group's interests in equity accounted investees.

## Principal accounting policies

The Group's accounting policies are described in each of the individual notes to the Consolidated Financial Statements from pages 204 to 220 of this Report. Key changes in accounting policies during the year are,

- Fair value of investment properties (LKAS 40) - Previously investment properties had been measured using the cost model whereby the asset was carried at cost less accumulated depreciation and impairment. The policy was changed to recognise investment properties at fair value and gains or losses arising from changes in the fair value to be recognised in profit or loss for the relevant period.
- Produce on bearer biological assets (LKAS 41) - Previously agricultural produce prior to harvest had been recognised at cost less accumulated depreciation/impairment. The policy was change to measurement at fair value and accordingly after initial recognition, changes in the fair value are recognised in profit or loss at the end of each reporting period.





## Consolidated Statement of Financial Performance

Consolidated Statement of Financial Performance				
		2017	2016 (Restated)	Change %
<b>FINANCIAL CAPITAL</b>				
Revenue	Rs. mn	111,383	92,275	20.71
Results from operating activities	Rs. mn	9,675	8,510	13.69
Profit before tax	Rs. mn	7,025	6,952	1.06
Profit after tax	Rs. mn	5,048	5,195	(2.82)
Profit attributable to owners of the parent	Rs. mn	2,784	3,118	(10.71)
Dividends	Rs. mn	563	488	15.38
Gross profit Margin	%	23.3	24.5	(5.11)
Operating Profit Margin	%	8.7	9.2	(5.82)
Net Profit Margin	%	4.5	5.6	(19.50)
Earnings per share (basic)	Rs.	37.12	41.57	(10.70)
Return on Assets (ROA)	%	3.9	5.0	(22.86)
Return on Capital Employed (ROCE)	%	9.41	10.63	(11.48)
Interest cover	No. of times	3	4	(27.31)
<b>Financial Position Highlights and Ratios</b>				
Total Assets	Rs. mn	130,002	103,196	25.98
Total Debt	Rs. mn	44,748	33,123	35.09
Equity attributable to equity holders of the parent	Rs. mn	40,866	31,096	31.42
Gearing	%	43.53	41.39	5.19
Debt/Equity	%	77.10	70.61	9.20
Equity Asset ratio	%	44.64	45.46	(1.79)
Net assets per share	Rs.	544.88	414.61	31.42
Current ratio	No. of times	1.2	1.1	2.33
Quick asset ratio	No. of times	0.8	0.8	4.50
No. of Shares in issue	No. mn	75	75	0.00
<b>MANUFACTURED CAPITAL</b>				
Property, plant & equipment	Rs. mn	66,407	50,350	31.89
Investment Properties	Rs. mn	1,764	1,935	(8.82)
Property plant and equipment Additions	Rs. mn	13,278	4,563	191.99

# Financial Capital



## FINANCIAL CAPITAL

*The diversity and breadth of its operations have enabled the Group to build a strong foundation for sustainable revenue growth*

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## Financial Capital

## Results for the year

### Revenue

#### Management approach

The diversity and breadth of its operations have enabled the Group to build a strong foundation for sustainable revenue growth. The Group's export oriented business interests are also geographically diversified, with revenue streams originating from multiple regions. During the year, several sectors continued to place strategic focus on higher value addition, moving away from pure volume growth strategies, while growth was also pursued through expansion into new markets and driving client acquisition in existing markets.

#### Accounting policies

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, irrespective of when the payment is received (refer to Note 3.5.1 on pages 214 to 215)

#### Results

The Group's revenue grew by an impressive 21% during the year to reach a record high of Rs.111.38 billion, making its mark as the first listed company in the country, to report the achievement of crossing the Rs.100 billion revenue milestone. The Transportation, Agriculture, Purification and Hand Protection sectors were the largest contributors to revenue growth. It is noteworthy that all sectors excluding Consumer and Textiles (which recorded marginal declines in top line) achieved expansion in revenue, albeit to varying degrees (refer to Sector Reviews on pages 74 to 126). During the year, the domestic market contributed 46% of the Group's revenue.

## Operating costs

#### Management approach

The Group's operating expenses consist of administrative, distribution and other expenses. Several sectors strategically focused on enhancing productivity and optimising processes with the objective of generating operational efficiencies during the year. Efforts of several key sectors (Hand protection, Purification and Agriculture) to drive energy and water efficiency initiatives have also contributed towards curtailing overhead expenses.

#### Accounting policies

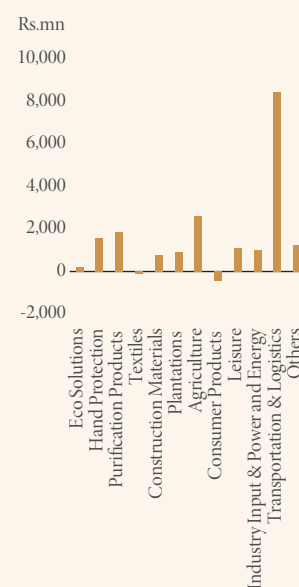
Expenses are recognised on the basis of a direct association between the cost incurred and the earnings of specific items of income (refer to Note 3.5.2 on page 215)

#### Results

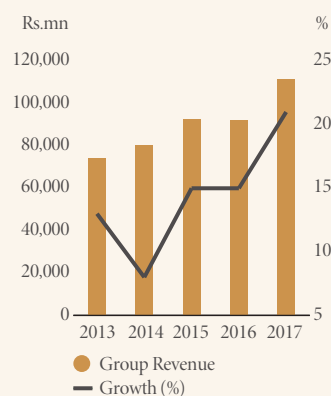
The Group's overhead expenses grew by 16% to Rs. 17.27 bn, at a relatively slower pace than its top line growth. Administrative expenses are the largest cost component and increased by 18% while the increase in distribution expenses was contained to 8%.

Sector	ROCE (%)	
	2017	2016
Eco solutions	18%	4%
Hand Protection	11%	6%
Purification	14%	13%
Textiles	5%	10%
Construction Materials	43%	55%
Agriculture	26%	28%
Plantations	6%	3%
Transport and logistics	17%	21%
Consumer	10%	13%
Power & Energy	15%	27%
Industrial solutions	16%	21%
Leisure	9%	14%
Other	7%	8%

#### Incremental revenue



#### Revenue Growth



## Earnings before Interest and tax (EBIT)

### Management approach

The Group's EBIT is an indicator of operating level profitability. Growing EBIT through operational efficiencies and expanding the combined portfolio of value added products/services was a priority for all sectors during the year.

### Accounting policies

EBIT is computed by deducting all operational expenses (excluding interest and tax expenses) from the Group's gross profit.

### Results

Consolidated EBIT increased by 14% to Rs. 9.67 bn during the year, supported by the strong growth in top line, increased cost efficiencies as well as a 49% increase (or Rs 336.01 mn) in other income. The growth in other income was due to higher commission income and a gain of Rs. 71.31 million generated on the share buyback of Sojitz Kelanitissa (Pvt) Ltd, a non-current investment. Largest contributors to Group EBIT were Transportation (15%), Agriculture (12%) and Purification (11%). Overall the consolidated EBIT margin was relatively unchanged at 9%.

## Net Finance Cost

### Management approach

The Group's strong business positions and excellent track record enable it to borrow from Banks at relatively favourable rates. Meanwhile, interest trends and outlook is monitored on on-going basis at Sector level as well as at Group level by a dedicated Treasury Unit, which also negotiates favourable rates with banks.

### Accounting policies

Interest income and interest expenses are recognised as it accrues in the Statement of Profit or Loss (refer to Note 3.5.2.3 on page 215 of this Report)

## Results

The relatively high interest rate scenario together with a 35.1% increase in the Group's total borrowings resulted in net finance costs increasing by 61% to Rs.3.11 billion during the year. Finance income declined in view of a normalizing of foreign exchange gains compared to last year. Hayleys PLC accounts for 22% of the consolidated finance costs, as 18% of the Group's debt lie at holding company level. The Group's Average Weighted cost of debt increased to 8.1% from 6.5% the year before.

## Profitability

### Management approach

As a key pillar of the Group's strategic agenda Sectors sought to strengthen profitability through increasing contributions from value added products, generating operational efficiencies and prudent management of the balance sheet.

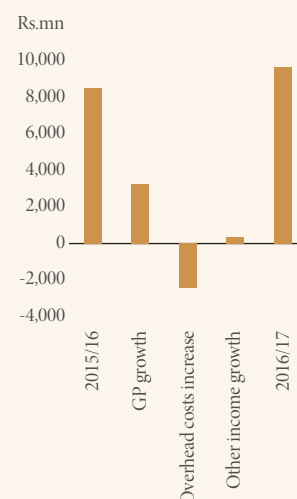
### Accounting policies

The policies governing the revenue and expense recognition which determine the computation of the Group's profitability indicators are detailed in the Notes to the Financial Statements from pages 214 to 215 of this Annual Report.

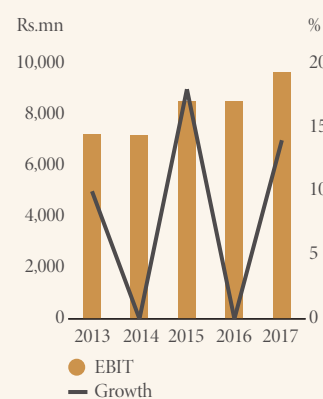
### Results

Despite the surge in finance expenses during the year, the Group's pre-tax profit increased to a record high of Rs. 7.03 bn from Rs.6.95 bn the year before. All sectors were profitable during the year, with the Transportation, Others, Agriculture, Construction materials and Purification sectors pre-tax profits of Rs.1.0 billion. Meanwhile the Group's tax payment increased by 13% to Rs. 1.98 billion during the year, with the effective tax rate rising to 29% from 26% the year before as a larger quantum of current year's income was taxed at 28%. Resultantly, the Group's profit after tax declined by 3% to Rs. 5.05 bn during the year. Meanwhile the Group's Return on Capital Employed (ROCE) declined marginally to 9.4% from 10.6% the year before.

Impacts on EBIT



EBIT Growth



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## Financial Capital

### Strength of our Financial Position

#### Management approach

Several sectors in high growth industries such as leisure and construction materials sought capacity expansions during the year, resulting in asset growth. The Group's acquisition led growth strategy has resulted in a larger asset base as well as a more diversified earnings profile.

#### Accounting policies

Accounting policies pertaining to the measurement of assets and liabilities is given in the Notes to the Financial Statements from pages 207 to 214 of this Annual Report.

### Results

The Group's total assets increased by 26% to Rs. 130.0 billion as at end-March 2017, with non-current and current assets growing by a respective 29% and 22% during the year. The Group's assets tilted towards the longer term, with non-current assets accounting for 60% of the Group's asset base, compared to 59% the year before. The increase in long-term assets were supported by additions to our Manufactured Capital (PPE) in Leisure, Plantations, Power & Energy and Transportation Sectors. Meanwhile, net working capital requirements increased by 18% to Rs. 24.79 bn reflecting an overall increase in the Sectors' operational activity during the year.

Sector Investments in		
Sector	Investment	Description
Leisure	2,588	Luxury Resorts PPE additions
Plantations	2,689	Replanting in Plantations & Global Beverages PPE additions
Power and Energy	2,995	Solar One and new hydro plant
Transportation	1,828	Expansion of operations

### Capital structure

#### Management approach

From a consolidated perspective, the Group's growth strategy has been driven by debt-funded acquisitions (by the parent entity) in recent years. However, strong profit and cash generation within the key sectors have enabled good dividend upstreaming to the Holding Company.

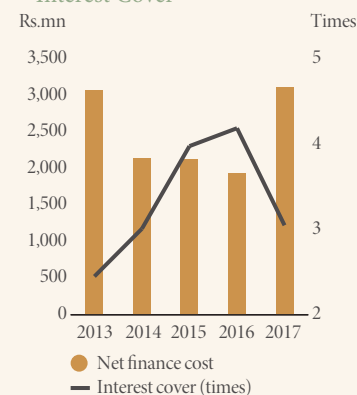
#### Accounting policies

The policies underpinning the recognition of liabilities and provisions in given in Note 3.4 to the Financial Statements on page 214 of this Report.

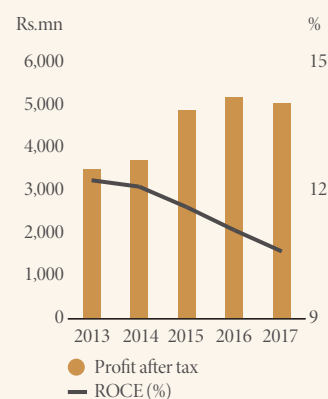
### Results

The asset base is funded by equity (45%), borrowings (34%) and other liabilities (21%). The Group's total debt increased by 35% to Rs.44.75 bn during the year mainly to fund the Group's investments in the Luxury Resort (Pvt) Ltd and other capacity increases and investments. Despite the increase in debt, the Group's debt protection metrics remained within comfortable limits due to the strong profit generation at subsidiary level. Accordingly, the Group's interest cover continued to be relatively healthy at 3, while the Operating Cash Flow/Debt cover was 0.16 times. With a share of 21% of borrowings, debt at the holding company level is the largest component of the Group's debt profile, followed by Transportation,

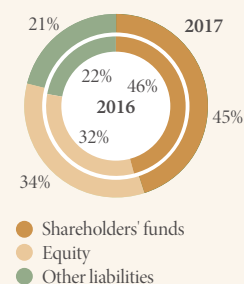
#### Net finance cost vs Interest Cover



#### Profit After Tax vs ROCE



#### Statement of Financial Position Composition





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Leisure and Plantations. The debt profile tilted more towards the long-term, with borrowings maturing after 1 year accounting for an increased 46% of total debt (compared to 36% the year before).

## Cash flow

Relatively higher tax expenses and an increase in net finance costs resulted in a slight moderation of the Group's cash flow position, despite stronger operational activity. Net operating cash

flow declined by 9% to Rs. 7.2 bn during the year, mainly due to increased working capital requirements. Meanwhile net cash outflow from investing activities amounted to Rs. 11.1 bn during the year, reflective of ongoing capacity expansions and investments in new ventures. Proceeds from new borrowings during the year resulted in a net inflow from financial activities amounting to Rs. 1.6 bn.

### ROCE Decomposition

Return on Capital Employed

**2016/17: 9.4%**    **2015/16: 10.6%**

#### Profitability

EBIT Margin:  
2016/17: 8.7%  
2015/16: 9.2%

#### Efficiency

Asset Turnover:  
2016/17: 0.86  
2015/16: 0.89

#### Leverage

Equity Multiplier:  
2016/17: 1.26  
2015/16: 1.29

## Investor relations

Hayleys PLC maintains a constructive and ongoing dialogue with its shareholders, facilitated through multiple engagement platforms including the Annual General Meeting, the publication of the Annual Report, quarterly reporting to the CSE as well as periodic press releases and announcements. Through our engagement we seek to provide meaningful and relevant information to facilitate informed decision making.

This section of the Report provides information on Hayleys PLC's listed securities.

### Our share

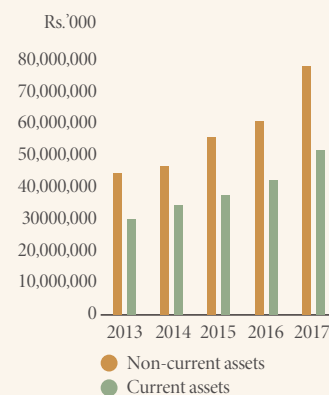
The Hayleys PLC share is listed on the Main Board of the Colombo Stock Exchange under the ticker symbol "HAYL". All debentures are also listed on the Colombo Stock Exchange. As at

end-March 2017, there were 75,000,000 shares in issue with a total shareholder base of 6018.

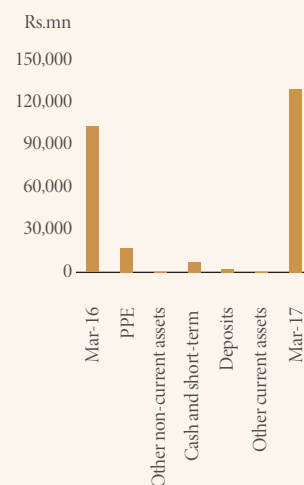
### Performance of the share

The Colombo Stock Exchange (CSE) demonstrated some volatility during the first half of the year ending 31st March 2017 before recording a gradual yet persistent decline from October 2016. Compared to the beginning of the reviewed period, the ASPI remained relatively flat by end 2017 recording a closing value of 6,061.94. The performance of the broad market was affected by tightening of monetary policy which resulted in higher interest rates on fixed income securities as well as prolonged uncertainty in global markets particularly in the wake of dramatic political shifts in the USA and European regions. Resultantly, the CSE also experienced selling pressure with foreign investors being net sellers during the year.

### Asset growth



### Incremental Asset Growth



## Financial Capital

Our share performed commendably against this backdrop increasing by 8% to close the year Rs. 265.00 from Rs.245.70 last year. The share traded between a high of Rs.309 (in August 2016) and a low of Rs. 245 (in April 2016). Resultantly, the market capitalisation also increased from Rs 18.4 bn in March 2016 to Rs. 19.8 bn in March 2017. The creditable performance of the share even in bleak market conditions reflects investor's positive sentiments on the Group's growth prospects. The level of trading was however, subdued with 1,461,614 shares changing hands through 2725 transactions. Accordingly value of shares traded amounted to Rs. 403.97 mn compared to Rs. 1.55 bn the year before.

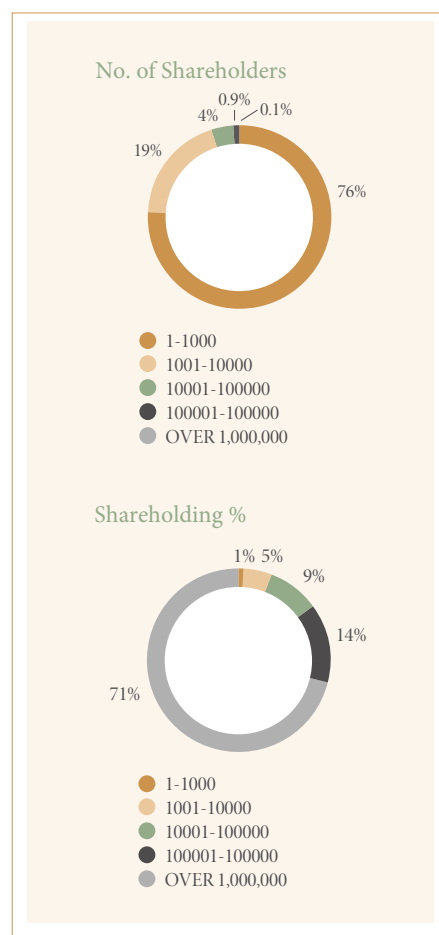
### Shareholder returns

Returns to shareholder take the form of dividend payments and share price appreciation. The Group's dividend policy is formulated taking into consideration the Group's overall performance, growth plans as well as economic and market dynamics. Earnings per share amounted to Rs. 37.12 compared to Rs. 41.57 the year before. In demonstrating its commitment to sustainable value creation, dividend per share increased 15% to Rs. 7.50. Meanwhile, net assets per share increased by 31% to Rs.544.88.

The share's net book value of Rs.544.88 as at end-March 2017 reflects an intrinsic value of Rs.279.88 per share representing the strength of our non-monetized capital including innovation capabilities, deep rooted relationships with suppliers and communities, strong brand equity as well as our ability to attract the country's top talent.

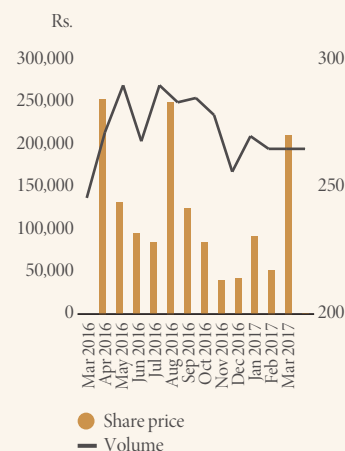
### Shareholders

Hayleys PLC had a total of 6018 shareholders as at end-March 2017, with the share held by the 20 largest shareholders remaining relatively unchanged at 79%. Meanwhile non-residents held 3.7% of the shareholding. The public shareholding amounted to 37.62% by end-March 2017, compared to 37.61% the year before.



	End-March 2017
Number of shares in issue	75,000,000
No. of shareholders	6,018
Public shareholding	37.62%
Director's shareholding	38,083,008
Inter-company shareholding	NIL

### Performance of the share



Rs	2013	2014	2015	2016	2017
EPS	23.48	24.11	34.42	41.57	37.12
DPS	4.50	5.00	6.00	6.50	7.50
NAVPS	296.69	316.31	390.15	414.61	544.88

# Manufactured Capital



## MANUFACTURED CAPITAL

*As a Group with substantial interests in the manufacturing sector, Manufactured Capital is a crucial input in our value creation process enabling us to manufacture and deliver our products efficiently and responsibly. We continue to invest in maintaining and upgrading these assets while also pursuing consistent improvements in energy and resource efficiency.*

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## Manufactured Capital

### Manufacturing capabilities

#### Management approach

We have strengthened our manufacturing capabilities in response to market conditions and increased capacity in several of our key sectors has enabled the Group to capitalize on emerging opportunities. Our manufacturing capabilities are versatile and dynamic, and have supported our manufacturing goals of better quality, reduced cycle times and manufacturing lead times as well as energy and resource efficiency.

#### Basis of preparation

The table below lists the Group's key manufacturing facilities, the products manufactured and the current aggregate net book value of these assets by sector. Please refer to note 4.3.1 of the Financial Statements for the accounting policy pertaining to the measurement and recognition of these assets.

#### Results

The Group currently operates over 35 manufacturing facilities, including 3 in Thailand

and Indonesia. The total carrying value of the buildings and plant & machinery of these facilities amounted to Rs. 27.2 bn by end-March 2017. (Please refer table)

### Value addition

#### Management approach

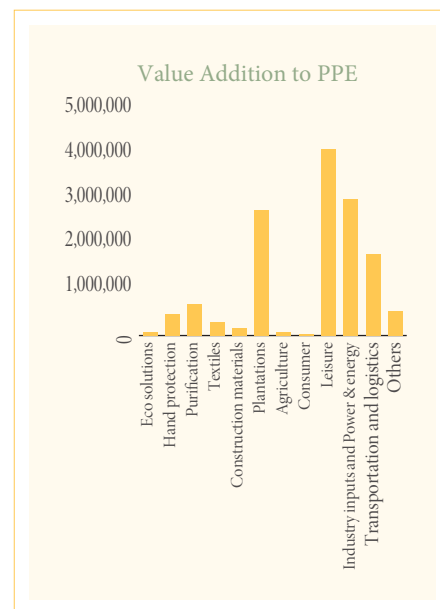
We make regular investments in the upkeep and enhancement of our Manufactured Capital, to ensure the smooth functioning of our facilities and continuity of production.

#### Basis of preparation

The value addition to Manufactured Capital is measured through the annual additions to the Property, Plant and Equipment

#### Results

During the year under review, the Group's total value addition to its Manufactured Capital amounted to Rs. 13.2 bn with significant investments in the Power & Energy Sector, Leisure Sector and Transportation and Logistics sector.



Sector	Factory (main products manufactured)	Location	Net book value of Buildings and Plant & Machinery (March 2017) Rs.mn
Eco Solutions	PVC backed tufted coir mats, Scraper mats, Flock Mats and Cleaning Devices	Katana	1,489
	Rubber Mats	Dankotuwa	
	Powerloom	Galle	
	Brushes and Brooms	Ekala	
	Twisted Fibre, Coir Twine	Nattandiya	
	Twisted Fibre, Coir Twine, Coco Peat block, Coco Peat brick, Grow Bag	Madampe	
	Twisted Fibre, Coco Peat block, Coco Peat brick, Chopped Fibre	Kuliypitiya	
	Stitched Blankets	Kuliypitiya	
	Needled Coir, Rubberized Coir	Kotugoda	
Hand Protection	Manufacture of a spectrum of household, industrial and medical gloves	Kottawa	4,578
		Kottawa	
		Kottawa	
		Hanwella	
		Biyagama Export Processing Zone B	



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Sector	Factory (main products manufactured)	Location	Net book value of Buildings and Plant & Machinery (March 2017) Rs.mn
Purification	Coconut shell based activated carbon	Biyagama Export Processing Zone A	3,410
		Khuan Nieng, Songkhala, Thailand	
		Sri Lanka	
		Thailand	
Textile	Fabric knitting , dyeing , Printing and Brushing –Cotton & Polyester	Indonesia	3,915
		Neboda	
Construction Material	Extrusion	Sapugaskanda, Makola	794
	Anodizing		
	Powder Coating		
	Wood Effect		
	Die Manufacturing		
	Aluminium Melting		
Plantations	Tea Powder/Concentrate	Hatton	4,029
	Tea Aroma	Hatton	
	Black tea Manufactured	High Grown	
		Low grown	
	Bulk Tea	Kiribathgoda	
	Tea Bags		
	Tea Packets		
	Tea	Nuwara Eliya	
	Tea	Hatton	
	Tea	Kegalle	
Agriculture	Rubber	Kegalle	370
	Crop Protection	Kottawa	
	Agri Equipments	Ekala	
	Agri Fertilizer - Fertilizer Mixtures	Sapugaskanda	
	Gherkin based pickles, Exotic pickles, Relish, Pastes, Tropical fruit chunks, Tropical dried fruits, Fruit juices/ puree	Biyagama	
	Seeds, Cut flower & Plants	Boralanda	
	Tissue culture plant	Nanuoya	
Leisure	Amaya Hills Resort	Kandy	8,492
	Amaya Lake	Dambulla	
	Amaya Beach	Pasikuddah	
	Amaya Hunnas	Kandy	
	Amaya Signature	Dambulla	
	The Kingsbury	Colombo	
Others	Aluminum Doors, Windows and Façade Etc	Makola	108
<b>TOTAL</b>			<b>27,185</b>



# Consolidated Statement of Social Performance

*The Social Statement covers the operations of Hayleys PLC, 162 subsidiaries and 6 other entities which represent the Group's 12 sectors.*

## Principles of preparation

Through the Consolidated Statement of Social Performance, the Group reports on the performance of its Human Capital and Social and Relationship Capital. The discussion is based on issues of strategic importance and key aspects of the Group's value proposition which drive sustainable value creation to its diverse stakeholders. The Statement has been prepared in accordance with the guidelines prescribed by several internationally recognised sustainability and corporate reporting frameworks which the Group has adopted voluntarily. Where applicable, the Group's contribution towards the Sustainable Development Goals is also highlighted.

## Scope and boundary

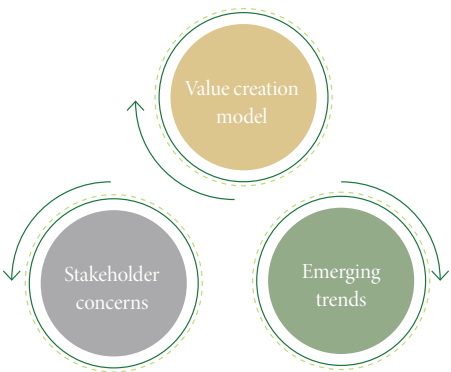
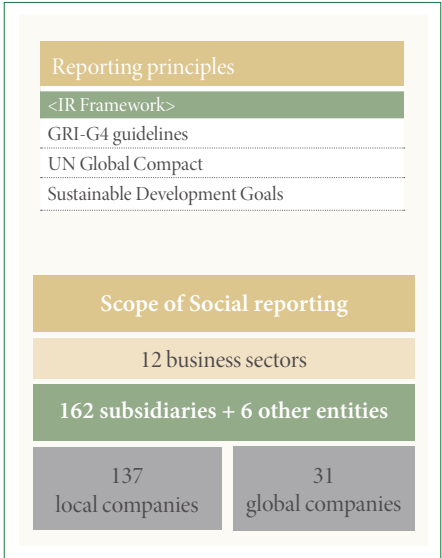
The Social Statement covers the operations of Hayleys PLC and 162 subsidiaries and 6 other entities which represent the Group's 12 sectors. It includes the Group's local operations and global activities around the world. During the year, we broadened the coverage of our social reporting by implementing mechanisms to capture information in more subsidiaries. We have also widened the scope and transparency of our reporting and present quantitative information on our customers, suppliers and new product development.

## Stakeholder relationships and inclusivity

As a Group with a global customer reach, we understand the critical importance of identifying and effectively responding to the needs of our stakeholders. Stakeholder mapping and robust mechanisms for stakeholder engagement (as discussed on pages 139 to 160) ensures the inclusion of stakeholder expectations when formulating strategy and determining material issues.

## Materiality

The issues discussed in subsequent sections of our Social Statement are those that have been carefully selected and prioritised (as discussed on pages 59 to 60). These factors reflect the issues that are most significant to our stakeholders, risks and opportunities stemming from the operating landscape and the Group's approach to value creation.



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			2017	2016	Change %
<b>HUMAN CAPITAL</b>	<b>EMPLOYEES</b>				
	Employees on payroll	No.	28,137	27,146*	3.7
	Female representation	%	41	44	(6.8)
	Total value created	Rs.mn	15,207	13,396	13.5
	New recruits	No.	4,091	2,371	72.5
	Investment in training	Rs. mn	72	56.4	27.7
	Training hours	Hours	126,602	98,770	28.2
	Average training hours	Hours	4.5	3.5	28.6
	Retention rate	Rate	87%	89%	(2.2)
	Workplace injuries	No.	450	250	80.0
	Lost working days	No.	2,544	1,202	111.6
<b>SOCIAL AND RELATIONSHIP CAPITAL</b>	<b>CUSTOMERS</b>				
	Total number of customers reached (estimate)	No.	85,000	80,000	6.3
	<b>Customers acquired during the year</b>	No.	10,935	N/A	-
	Revenue generated	Rs.mn	111,383	92,275	20.7
	<b>SUPPLIERS AND BUSINESS PARTNERS</b>				
	Total number of suppliers (estimate)	No.	19,400	N/A	-
	Small and medium scale suppliers (estimate)	No.	13,586	N/A	-
	Total payments to suppliers	Rs. mn	50,395	N/A	-
	Proportion of spending on local suppliers (or paid to local suppliers)	%	55	N/A	-
	Suppliers supported through development programs	No.	2,037	N/A	-
	Investment in supplier development	Rs. mn	218.3	N/A	-
	<b>COMMUNITY ENGAGEMENT</b>				
	Investment in CSR initiatives	Rs. mn	111	51	117.6
	Beneficiaries reached (estimate)	No.	38,985	N/A	-
	Staff volunteer hours	Hours	10,407	N/A	-
	No. of new products developed (estimate)	No.	299	N/A	-
	No. of products in the pipeline	No.	304	N/A	-

\*Restated

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# Human Capital



## HUMAN CAPITAL

*The Hayleys Team of 28,137 employees is at the core of the Group's innovation and sustainability, driving the growth of diverse businesses and ensuring the creation of shared values. Our employee value proposition has given us a unique competitive advantage as a preferred employer, enabling the Group to attract and retain the country's top talent.*

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### The team profile

Business line	Male	Female	Total
Executive (Permanent)	2,964	834	3,798
Executive (Fixed Term/ Temporary)	243	128	371
Clerical/Supervisory (Permanent)	2,872	429	3,301
Clerical/Supervisory (Fixed Term/ Temporary)	1,555	173	1,728
Others	8,861	10,078	18,939
Total	16,495	11,642	28,137

## Our team

### Management approach

The Group benefits from a diverse mix of skills, industry experience and talent which is managed through formalised governance structures and policy frameworks. All human resource activity within the Group is coordinated centrally with the HR departments of each sector to ensure uniformity in policy frameworks and application of policies. Voluntary standards impacting HR activities include the GRI G4 standards on Labour and Human Rights and the UN Global Compact Principles 1 to 6.

### Method of preparation

Total employee numbers reported comprise the Group's permanent and contract employees and represent our operations in Sri Lanka as well as in overseas locations. The Group does not have any part-time employees at present.

### Developments

The Group's total employee base increased to 28,137 by end-March 2017, compared to 27,146 the year before. Our overseas employee base stands at 1,188. Female representation was relatively high at 41%. Our employees are spread across all 9 provinces in Sri Lanka and 16 countries.

## Talent attraction

### Management approach

Hayleys Group has nurtured a reputation as a preferred employer due to the numerous opportunities provided for career progression through lateral movement across business sectors, competitive remuneration and robust training and development programmes. We are an equal opportunity employer with zero tolerance of child labour and forced labour in accordance with the UN Global Compact principles. Recruitment is mainly focused on attracting young professionals at junior executive level who take part in a Group induction programme. This is followed by a high level of mentoring and on the job experience. The Group also recruits Management Trainees through a structured selection process and thereafter selected candidates are further developed through a one year Management Trainee Programme.

### Method of preparation

Information pertaining to new recruits including gender, category and age breakdowns are maintained at Sector level and collated by the centralized HR function.

### Developments

During the year, the Group added 4,091 new recruits to its team to support its growth agenda mainly in the leisure and agriculture sectors. The majority of new recruits were under the age of 30 and females accounted for 23% of new employee hires during the year.

### Employee value proposition

Rewards and recognition

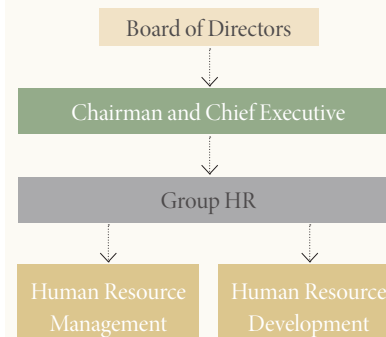
Talent development

### Employee value

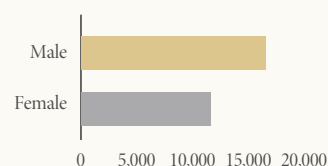
Conducive work environment

Engagement

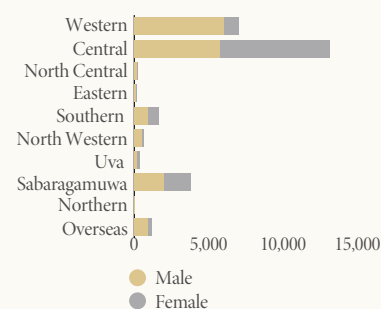
### HR Governance structure



### Permanent employees by type and gender



### Employees by Region and Gender



## Human Capital

# Leadership development is a key aspect of our employee value proposition and ensures the retention of high-performing employees

## Learning and development

### Management approach

Continuous investment in training and developing our employees is a key element of our employee value proposition. A robust talent management framework is in place to monitor performance, identify training needs and develop employee potential in line with our goals and strategy. The Group provides numerous opportunities for skill development including on the job-training, cross functional and cross sectoral exposure as well as structured training programs. We also support employees' lifelong learning by providing opportunities to engage in Toastmasters and Speech Crafters programmes. In addition, the Group is also an approved training partner for numerous professional bodies such as the Institute of Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants of UK, Association of Chartered Certified Accountants (ACCA) and the Chartered Institute of Marketing, UK.

### Method of preparation

Training hours undergone by employees and investment in training is tracked at sector level and include participation in internal and external structured training programs. It does not include on-the-job, cross functional and cross sectoral training.

## Developments

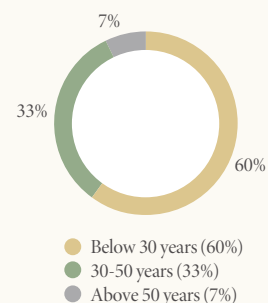
The Group invested Rs. 72 million in training initiatives during the year, translating to 126,602 of total training hours. On average, an employee of Hayleys received 4.5 hours of training during the year, compared to 3.5 hours the year before.

## Rewards and remuneration

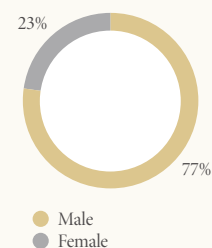
### Management approach

The Hayleys Group offers an attractive and comprehensive package of benefits designed to attract and retain top talent. Remuneration is determined based on qualifications, skills and performance with Group direction for all permanent employees to undergo bi-annual performance appraisals. The Group does not practice any form of gender-based discrimination when determining remuneration and the ratio between the salaries of men and women at entry level is 1:1. In most Group Companies the 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. A maximum of 1½ months pay per year of service for employees with over 35 years' service. Further information on defined benefit plan obligations are given on pages 264 to 265 of this Annual Report.

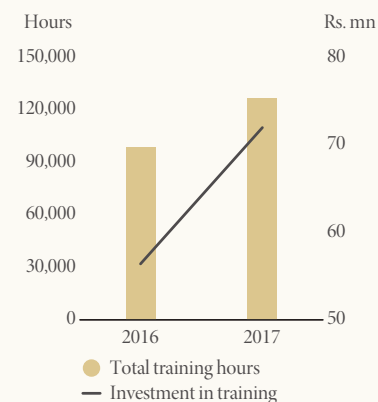
New Employees by Age



New Employees by Gender



Training hours and Investment



Average training hours

Category	Male	Female
Managerial	11.8	15.2
Executive	13.6	18.1
Other	3.6	2.6



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### Method of preparation

Total payments to employees include salaries and wages, allowances and other benefits.

### Developments

Total value created to employees increased by 14% to Rs. 15.21 bn during the year.

### Employee productivity

#### Management approach

Measuring productivity enables the Group to effectively identify how well employees are contributing towards the Group's growth and profitability objectives.

### Method of preparation

Sector-level, industry-specific indicators are used to monitor employee productivity. However, at a Group level standard measures of revenue per employee and net profit per employee are used to monitor productivity.

### Developments

The Group's revenue per employee ratio improved to Rs 3.96 mn. However the net profit/employee reflected a decline to Rs 0.18 mn during the year under review as overall profitability was affected by higher finance costs.

### Career progression

#### Management approach

Leadership development is a key aspect of our employee value proposition and ensures the retention of high-performing employees and effective succession planning. High-performers are identified through performance appraisals and are groomed for leadership positions through cross-functional and cross-sectorial exposure. Internal candidates are also given the opportunity to apply for emerging vacancies.

### Method of preparation

Promotions are tracked at sector-level and collated by Group HR.

### Developments

During the year, 713 employees were promoted across the Group.

### Health and safety

#### Management approach

Ensuring an injury and hazard free work environment is a key focus area and a Board-approved Health and Safety policy is in place to establish a baseline standard. Many sectors which involve varying degrees of occupational health and safety hazards have more stringent policies in place which go well beyond the legal requirements. Sectors with higher levels of risk have also established Occupational Health & Safety (OHS) Committees comprising workforce representatives and management to facilitate OHS risk management.

### Method of preparation

Sectors which operate manufacturing facilities have accident registers which are used to record any work-place related accidents and occupational diseases. Other sectors monitor health and safety indicators through accident/incident records.

### Developments

Total injuries increased to 450 from 250 last year while total lost working days amounted to 2,544 in 2016/17. The Group commenced a centrally driven focus to enhance the health and safety awareness and training within the Group.

Sectors have also undertaken the following initiatives during the year.

- Awareness sessions
- Chemical training and handling,
- Continuous analysis of the Personal Protective Equipment usage
- Improving and modifying safety guards.
- Job Safety Analysis (JSA) is conducted before carrying out each and every maintenance activity, Conducting Tool Box meetings
- Demarcation of designated paths

Average training hours		
Sector	Total training hours	Avg. training hours
Eco Solutions	3,353	8.26
Hand Protection	9,985	5.36
Purification	5,835	7.8
Textiles	13,473	10.71
Construction Materials	1,673	3.18
Plantations	55,715	3.24
Agriculture	12,530	10.01
Consumer	4,170	13.81
Leisure	11,906	7.15
Industry Inputs	2,083	6.99
Others	2,649	2.98
Transportation	2,866	1.8
Hayleys PLC	364	2.6

### Employee benefits

Medical insurance

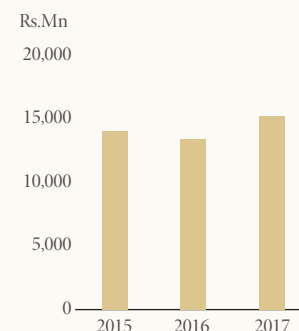
Worker's compensation

Maternity leave

Reimbursement of professional subscriptions

Sector level benefits

### Total Payments to Employees



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## Human Capital



### Industrial relations

#### Management approach

We recognise our employees' right to freedom of association and consequently, many of our operations have active trade unions that negotiate on behalf of their members. We maintain proactive engagement with trade union representatives on an ongoing basis. Collective bargaining agreements are in place for several sectors and strict adherence to minimum notice periods regarding operational changes is observed.

#### Method of preparation

HR functions and all activities pertaining to trade unions and industrial relations are driven centrally by Group HR with the exception of our plantations sector, which is an industry based negotiation handled by the Regional Plantation Companies (RPCs) and The Employers' Federation of Ceylon (EFC).

#### Developments

Approximately 69% of our employees are represented by trade unions while 63% are covered by collective agreements. The Plantation sector experienced some disruption to work due to prolonged industrial action in September 2016; there were no other instances of industrial action in the other Sectors.

### Grievance handling

#### Management approach

An open-door policy and a high level of formal and informal mechanisms ensure that employees have the opportunity to bring forward their grievances. Sectors also have structured grievance handling mechanisms which ensure anonymity and equitable treatment.

#### Method of preparation

In addition to the collective bargaining processes that take place, the Group also facilitates grievance handling of its employees. For this purpose the Group has a grievance handling policy which provides a structured grievance handling framework for the complainants as well as complaint recipients, and provides guidelines on how to lodge a grievance and how that grievance will be resolved to ensure fair and equitable treatment to all our employees.

#### Developments

No employee grievances have been escalated to the centre during the year as such grievances have been resolved at the first instance at sector level.

### Employee retention

#### Management approach

Our unique employee value proposition and robust HR policies and frameworks which are applied in a consistent and fair manner have enabled the Group to record consistently low employee turnover levels.

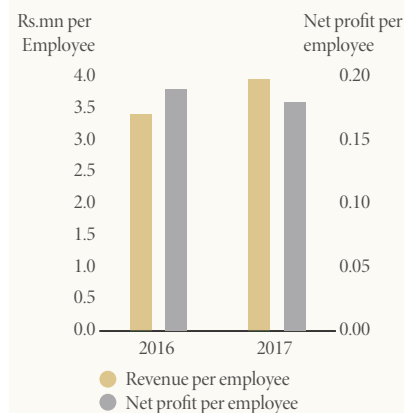
#### Method of preparation

The turnover rates disclosed in the inset include employees who left the organisation voluntarily or due to dismissal, retirement or death.

#### Developments

The Group's overall employee turnover rate was 13% during the year, with the highest turnover rates recorded in the non-executive categories. This includes the Plantations Sector (in which manual labour turnover is relatively high due to labour migration).

### Employee productivity



### Promotions by Category

Category	No. promoted
Managerial (Assistant Manager & Above)	143
Executives & Junior Executives	308
Others	262

### Health and safety committees

Sector	No. of formal committees	Workforce % represented
Agriculture	1	16
Construction		
Material	1	100
Eco Solutions	4	16
Plantations	3	5
Purification	4	100
Transport	1	100

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### Collective Agreements

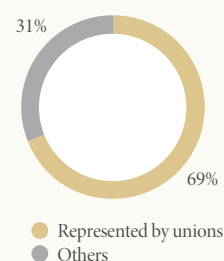
Sector	Representation	% Employees covered by collective agreement	Minimum notice periods for operational changes
Plantations	Yes	98%	1 month
Purification	Yes	47%	2 weeks
Hand Protection	Yes	23%	-
Agriculture	Yes	5%	-
Fibre	Yes	22%	1 month



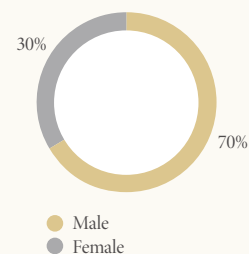
### Health and safety indicators

Work-related injuries	450
Occupational disease	-
Lost working days	2,543
Work-related fatalities	-

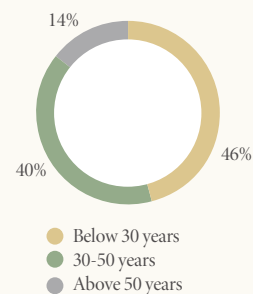
### Union Representation



### Employee Turnover by Gender



### Employee Turnover by Age





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# Social and Relationship Capital



## CUSTOMERS

*Customers are at the heart of our value creation process and their expectations and concerns are a key input in determining strategy. The Group's unique value proposition to its customers consists of innovation in products/services, strong commitment to product responsibility considerations, ensuring superior service quality and a high level of customer satisfaction.*

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## Customer reach

### Management approach

The diverse nature of the Group's export-driven businesses enables it to cater to a global network of customers. In recent years, the Group has collectively focused on widening its reach through geographical diversification and moving up the value chain through innovative and premium product offerings. We engage with our customers through multiple platforms including CRM (ongoing), Satisfaction surveys (ongoing), visits (ad-hoc) and through our sales teams. Key topics arising from engagement include product and service quality, innovation and ease of transactions.

### Basis of preparation

The Group's customer base has been estimated based on the profiles maintained within the credit information system. Essentially this consists of customers to whom the Group provides goods and services on credit, which represent a majority of its customers.

### Developments

The Group is estimated to have acquired over 10,900 customers during the year, led by the Transportation, Agriculture and Industry Inputs, Power & Energy Sectors. This bears testimony to the precision of the Group's geographical expansion strategy and its ability to capture growth opportunities in diverse markets and customer segments.



## Customer satisfaction

### Management approach

Accurately assessing customer satisfaction levels is critical to ensuring that our customer value proposition is in line with customer expectations. Structured mechanisms are in place to evaluate customer satisfaction and results of these surveys provide vital inputs in product development, customer relationship management and overall strategy formulation.

### Basis of preparation

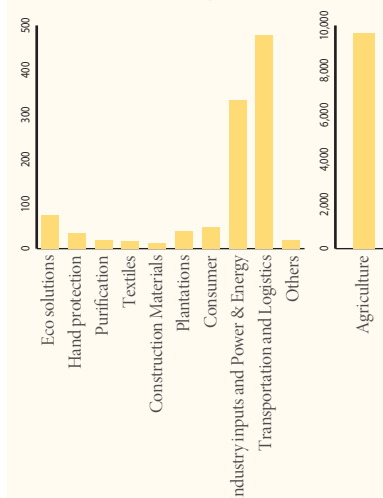
Several of our sectors conduct customer satisfaction surveys periodically and on an ongoing basis. Satisfaction is measured through multiple platforms including feedback forms, one-to-one engagement and satisfaction surveys.

### Developments:

During the year, customer satisfaction levels improved across most sectors, as the Group focused on effectively pre-empting and responding to emerging customer needs through innovation and superior customer service.



### New Customers by Sector





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### Product responsibility

#### Management approach

Several of our sectors have approved Product Responsibility policy frameworks in place to ensure high standards of product quality and safety. The Group's buyers represent the world's largest manufacturers and service providers and adherence to the quality standards required by these buyers have enabled the Group to implement global best practices.

#### Basis of preparation

The Group has obtained and continues to comply with a range of domestic and international quality certifications which provide assurance to external stakeholders regarding our processes,



systems and products (refer to pages 18 to 23 for full list) We also monitor non-compliance to customer health and safety regulations, marketing communications and product and service labelling requirements among others.

#### Developments

During the year, sectors obtained/renewed certifications in line with their relevant businesses. There were no instances of non-compliance with any regulations and/or guidelines pertaining to customer health and safety marketing communications and product and service labelling requirements.

#### Service quality

##### Management approach

Continued emphasis on enhancing the quality of our service has enabled the Group to nurture and sustain mutually beneficial, long-term relationships with its global pool of clients. Most sectors have structured mechanisms for identifying and responding to customer grievances; this information is collated and effectively applied in enhancing overall customer service.

#### Basis of preparation

Customer complaints/grievances received through formal channels as well as grievances resolved during the period are tracked and analysed by several key sectors. The information presented herein represents Hand Protection, Textiles, Eco Solutions, Agriculture, Tea Exports and Plantations.

#### Developments

The total number of customer complaints received during the year was 7,799 of which 60% (or 4,641) was resolved during the year.

#### Results of customer satisfaction surveys of a few sectors

Sector	2016/17
Transport	9/10
Textiles	7/10
Agriculture	6/10
Purification	8.5/10
Hand Protection	8/10
Construction	6/10
Material	

#### Customer complaints received and addressed

Customer complaints received	7,799
Complaints resolved	4,641

#### A few accreditations of some sectors

##### Agriculture

- KOSHER
- ISO 50001:2011
- OHSAS 18001
- Rainforest Alliance

##### Eco Solutions

- Business Social Compliance
- Global Organic Latex Standard
- SMETA

##### Textiles

- Carbon Conscious Certificate
- Organic Content Standards Certification
- NEXT Lab Accreditation

##### Purification

- Halal Certification
- ISO 9001:2015
- ISO 14001:2015

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## SUPPLIERS AND BUSINESS PARTNERS

*The Group has nurtured mutually beneficial, sustainable relationships with a large pool of local and international suppliers. Suppliers are vital in our value creation process as the quality of our products, continuity of our operations and cost structures are dependent on our ability to source high-quality raw materials efficiently on an ongoing basis. We strive to go beyond transactional relationships to nurture long-term relationships by providing a multi-faceted value proposition encompassing economic, social and environmental benefits.*

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## Social and Relationship Capital



### Supplier profile

#### Management approach

The Group procures raw materials from a diverse pool of local and international suppliers, who range from individuals and small scale suppliers to large B2B players. We engage with our suppliers through annual conventions, site visits (ad-hoc) and supplier development programmes (ongoing). Key topics arising from engagement included value addition and capacity building, long-term partnerships and quality of service.

#### Basis of preparation

Supplier related information is tracked at sector level through the procurement teams.

#### Developments

The Group's total supplier base exceeded 19,000 by end-March 2017, of which 70% were small and medium scale suppliers. Hand Protection, Purification, Agriculture Textiles and Eco Solutions procure mostly from small scale suppliers, while Industrial Inputs and Consumer source from large-scale suppliers. We did not identify any significant suppliers as having high risks of child/forced or compulsory labour.

### Value infusion

#### Management approach

When procuring from out-growers and small scale agricultural suppliers, several sectors have implemented guaranteed buy-back mechanisms to ensure a secure source of income to suppliers. Through such mechanisms the Group has successfully empowered a large number of suppliers, supported livelihoods and directly

#### Supplier development initiatives

Hand Protection	Firstlight
Purification	Haritha Angara
Agriculture	Seaweed program Farmer extension
Eco Solutions	Athwela

Engagement

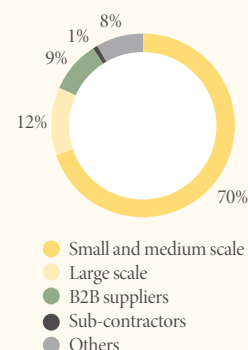
Value infusion

#### Supplier value

Supplier development

Sustainable practices

#### Supplier Profile



#### Products sourced locally

Sector	% of products sourced locally
Hand Protection	65%
Eco Solutions	95%
Purification	75%
Plantations	100%
Group Average	65%

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contributed towards uplifting the socio-economic progress of their families.

### Basis of preparation

Direct value infusion to suppliers consists of payments made for the procurement of goods and services.

### Developments

Total payments to suppliers amounted to Rs.50.4 billion for the year under review, of which approximately 55% comprised payments to local suppliers.

### Supplier development

#### Management approach

The Group's approach towards nurturing relationships with suppliers is underpinned by continuous investment in developing and empowering supplier communities. Our ongoing supplier development programs targeted at improving the quality of raw materials, propagating sustainable practices, preserving the environment and uplifting the socio economic status of our supplier community.

### Basis of preparation

Investments and impacts of the Group's key supplier development initiatives are monitored consistently, to ensure optimal resource allocation and effective management of the programmes.

### Developments

During the year, total investments in supplier development programmes amounted to Rs. 218.3 million, with an estimated beneficiary base of over 2,000 suppliers. A summary of key supplier development programmes are given below, please refer pages 155 to 160 for further information on these projects.

### Firstlight by DPL

Firstlight ensures a fair price for rubber latex provided by farmers by guaranteeing rubber

smallholders a price which is indexed to RSS1 (the highest grade of consumed rubber) for their field latex. The company provides the necessary funds both from own sources and those of customers to fund a wide range of education, health and infrastructure projects to improve the overall quality of life of smallholders and their families.

### Haritha Angara by Purification

Haritha Angara aims to empower Sri Lankan charcoal makers through the provision of technical support, guidance on ecologically friendly charcoaling processes and buy back agreements.

### Seaweed project by Agriculture

The project aims to improve the livelihoods of impoverished families in the Northern Province, by empowering women and providing them with a source of supplementary income through aqua-agriculture.

### Athwela by Rileys

Athwela strives to nurture a sustainable supplier base through the provision of necessary assistance to rural families in Sri Lanka to develop skills and knowledge to supply coconut husk fibre for twisted fibre brushes and rods.

### Hayleys Jeevadhara by Agriculture

The project is anticipated to contribute towards the socio economic progress of over 100,000 households in Jaffna, Killinochchi, Mullaitivu, Mannar and Vavuniya by enhancing farmer incomes.

#### Haritha Angara

Beneficiaries (to date)	Direct: 800
	Indirect: 4,000
Districts (to date)	13
Investments to date (Rs.mn)	5.1

#### Seaweed project

Beneficiaries	1,000
Districts	3
Investments to date (Rs.mn)	50

#### Jeevadhara Project

Beneficiaries	>10 000
Districts	3
Investments to date (Rs.mn)	5

#### Athwela

Beneficiaries	153
Districts	1
Investments to date (Rs.mn)	271

#### Firstlight

Beneficiaries	2,180
Districts	5
Investment (Rs.mn)	1.4



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## BRAND AND NETWORK

*The Group continues to actively engage with industry stakeholders and contribute towards policy making with the objective of creating an enabling industry and regulatory environment.*



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## Our brands

### Management approach

The Group's track record of excellence, its unique customer value proposition, strong market position and continued emphasis on innovation has enabled it to build strong brands in several of its key business lines.

### Basis of preparation

Hayleys does not carry out a formal brand valuation; however the Group is a frequent recipient of numerous local and international awards and accolades which attest to its excellence in multiple aspects of its operations.

### Developments

During the year, the Group emerged victorious as the Best Corporate Citizen Sustainability Awards,

clinching several top awards including the overall Best Corporate Citizen of 2016. As a Group, Hayleys and its subsidiaries won in excess of 65 awards during the year.

### Network

The Group continues to actively engage with industry stakeholders and contribute towards policy making with the objective of creating an enabling industry and regulatory environment. The Group's membership in several industry forums and associations facilitate ongoing communication with the relevant authorities and industry stakeholders.

### Key Awards and accolades in 2016

Winner Best Corporate Citizen of 2016

Winner Best Employee Relations

Winner Triple Bottom Line  
(Social Sustainability)

Winner Diversified Sector

Top 10 Corporate Citizen

Winner Best Corporate Citizen  
Grand Slam Award

### Membership in industry associations

- Chamber of Commerce Business Councils
- United Nations Global Compact
- Lanka Business Coalition for HIV-AIDS
- Institute of Chartered Shipbrokers
- National Agribusiness Council
- Sri Lanka Association of Inbound Tour Operators
- Ethical Tea Partnership
- Water Quality Association



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## Social and Relationship Capital



## COMMUNITY RELATIONSHIPS

*The relationships we have nurtured within the communities we operate in truly sets us apart from our peers. Through a range of strategic and holistic CSI initiatives we have empowered and supported tens of thousands of Sri Lanka's most vulnerable families.*

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## Our CSR Commitment

### Management approach

Our sustainability agenda aims to develop mutually respectful, sustainable relationships with the communities we engage in, and our approach towards corporate social investment (CSI) is based on meaningful and active collaboration, participation and dialogue. The Group's CSI activities are strategically focused towards four key areas of social empowerment, as illustrated below. We engage with these communities through multiple CSI initiatives which are focused towards addressing their needs of capacity building, creation of jobs.

### Basis of measurement

The success of our CSI initiatives are evaluated based on the number of beneficiaries supported as well as socio economic benefits generated as a direct result of these initiatives.

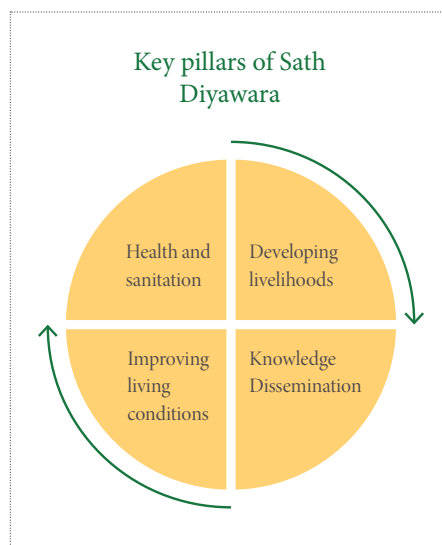
### Developments and results

During the year under review, the Group invested Rs 110 million in CSI initiatives, directly supporting over 35,000 individuals across the country. Total employee volunteer hours in CSI activities are estimated to be in excess of 10,400 hours.

### Puritas Sath Diyawara

#### Management approach

The flagship CSR initiative of the Hayleys Group, Puritas Sath Diyawara was launched with the aim of leveraging on our expertise in water purification to provide purified water to families in areas affected by Chronic Kidney Disease (CKD). CKD is estimated to have affected around 400,000 individuals (approximately 10%-15% of the population in the area) claiming more than 22,000 lives so far. The disease which originated in the North Central Province and is now spreading rapidly to Northern, North Western, Eastern and Uva Provinces. It is estimated that approximately 2.8 million people are at risk of contracting this deadly disease. Affecting predominantly male farmers in agricultural areas, CKD has resulted in a multitude of socio economic challenges



### Sath Diyawara at a glance

Supports over  
**25,500**  
individuals

Reach of  
**16**  
villages

Total investment of  
**Rs. 50 mn**

**4 plants**  
added in 2016/17

Total of  
**13 plants**  
by end-March 17

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Sri Lanka Export Development Board -  
Presidential Export Awards

for farming communities and has emerged as a major health problem in rural Sri Lanka. Conceptualized and launched by Puritas (Pvt.) Ltd., the initiative has expanded in partnership with other sectors within the Group. A Puritas Sath Diyawara project consists of commissioning a Reverse Osmosis (RO) water treatment plant and distribution system (through docking stations) to enable residents to obtain high quality potable water. Once the project is completed, it is handed-over to the Community Based Organization (CBO) of the village who will be responsible for the operation and maintenance of the system. Continuous monitoring is facilitated by the Company. The CBO is registered in the respective regional office of the National Water Supply and Drainage Board (NWSDB) as well as the Divisional Secretariat (DS).

### 'Going Beyond'...

As the second phase of this project, 'Going Beyond' strives to address the broader socio economic needs of the people living in CKD affected villages where Hayleys Group sectors

invested in the water purification projects through knowledge dissemination and empowerment. Key Initiatives carried out through this include provision of infrastructure & facilities for school children, empowering youth and women, building awareness of sustainable methods of waste management/ re-greening villages and uplifting domestic entrepreneurship. Under this initiative 2,270 children were given school essentials for the academic year 2017 in 10 schools across villages that are nurtured through 'Going Beyond'.

### Basis of evaluation

The success of the project is assessed through the number of individuals and families who have obtained access to clean drinking water as a result of this initiative.

### Developments and results

Since its launch in 2014, the project has reached sixteen villages (13 projects) and now helps over 25,000 people in CKD affected areas in the North

	Company	Village	District	Beneficiaries	Investment (Rs.mn)	Completion
1	Haycarb PLC & Puritas (Private) Limited	D10, Maithreepura	Anuradhapura	1,542	3.2	15th August 2014
2	Hayleys Advantis	Balayawewa	Anuradhapura	1,557	3.5	
3	Hayleys Plantations Sector	Kiriketuwewa Sinhala Ataweerawewa	Anuradhapura	2,495	3.6	10th March 2015
4	Hayleys Industrial Solutions Ltd	Pihimbiyagollewa	Anuradhapura	2,153	3.6	
5	Hayleys Agriculture Holdings Ltd	Nikawewa – Left	Mullaitivu	1,660	4.4	3rd September 2015
6	Alumex PLC	Billewa	Anuradhapura	1,953	3.5	
7	Dipped Products Ltd	Parangiyawadiya	Anuradhapura	1,256	3.5	20th November 2015
8	Haycarb PLC & Puritas (Private) Limited	Ananthapuram Sivanagar Iranapalai	Mullaitivu	3,004	4.3	11th March 2016
9	Hayleys PLC	Nelumwewa	Polonnaruwa	1,442	4.3	29th April 2016
10	Hayleys Advantis	Neriyakulam	Vavuniya	2,243	4.3	30th April 2016
11	Hayleys Fabrics PLC	Rathmalgahawewa	Anuradhapura	2,112	3.9	10th June 2016
12	Two entities outside Hayleys Group	Thanthrimale Ulukkulama	Anuradhapura	4,079	7.9	15th November 2015 and 7th January 2017
	TOTAL			25,496	49.8	



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and North Central provinces. To date, Puritas Sath Diyawara has seen investment of over Rs. 49 Mn (including investment made by two entities outside Hayleys Group) and commissioned 13 Reverse Osmosis plants which provide access to 130,000 liters of purified water per day. During the year, Hayleys PLC, Advantis and Hayleys Fabrics PLC invested over Rs.12.5 mn in three RO plants, with an estimated beneficiary base of nearly 5,800 individuals.

## Firstlight by DPL

### Management approach

A multi-faceted program which effectively addresses a wide range of economic and social issues faced by rubber small holders, the primary focus of Firstlight is to ensure a fair price for rubber latex provided by farmers. Accordingly, DPL guarantees the rubber smallholders a price which is indexed to RSS1 (the highest grade of consumed rubber) for their field latex. The Company provides the necessary funds both from own sources and those from Customers who patronize FirstLight project, to fund a wide range of education, health and infrastructure projects to improve the overall quality of life of smallholders and their families.

In addition to providing a fair price for field latex, the project supports farmers through providing technical knowledge on sustainable agricultural practices such as preparation of soil, importance of using high quality plant material, planting methods, harvesting techniques and field up keep among others. The initiative also aims to improve the overall quality of life of smallholder families through sponsoring regular health clinics, provision of educational materials and other assistance, recreational facilities for sports clubs and schools as well as cultural and religious events.

### Basis of evaluation

The effectiveness of the project is evaluated through the number of individuals and families supported. In addition, Firstlight has also enabled Dipped Products PLC to nurture a secure and sustainable supply chain, ensuring continuity of

raw material supply and better predictability of prices.

### Key developments

Currently in its 9th year of operation, Firstlight has expanded its scope and coverage to now support 2180 farmers across 9 districts.

## Hayleys Jeevadhara

### Management approach

Through its latest sustainability initiative, Jeevadhara, the Agriculture Sector aims to distribute over 1 million Moringa plants to families in Jaffna and neighbouring areas of the Northern Province via a network of 100,000 out-growers. The project is anticipated to contribute towards the socio economic progress of over 100,000 households in Jaffna, Killinochchi, Mullaitivu, Mannar and Vavuniya by enhancing farmer incomes while creating sustainable supply of pods and leaves for domestic consumption and value added exports. Moringa is also considered to be highly potent in nutrients with one table spoon estimated to provide 14 percent of the protein, 40 percent of the calcium, 23 percent of the iron and most of the vitamins, children aged one to three require.

### Basis of evaluation

The success of the project is dependent on its ability to generate a source of additional income to the out-growers and the Sector anticipates that on average a farmer could earn up to Rs.50,000 per year from 10 mature trees.

### Developments

Over the first few months of the project, we have successfully distributed over 50,000 moringa plants amongst 10,000 farmers. Our extension teams continue to assess and ensure the development of these plants and provide the necessary technology/know-how to the farmers.

## Athwela by Rileys

### Management approach

Athwela, launched by Rileys, a sub sector of the Eco Solutions sector of the Group, strives to develop a sustainable supplier base through the

### Key principles of Firstlight

Fair price for field latex

Technical support and education

Provision of input materials

Community capacity building

District	No. of farmers supported through Firstlight
Monaragala	1450
Kaluthara	200
Colombo	250
Rathnapura	50
Galle	30
Bibile	200

## Athwela

Beneficiary base of nearly  
**153 families**



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provision of necessary assistance to rural families in Sri Lanka to develop skills and knowledge to supply coconut husk fibre for twisted-in-wire fibre brushes and twisted-in-wire rods. Rileys engages exporter's experts in twisted-in-wire brush fibre rod production from Japan to provide exclusive training to families, facilitating skill development, greener practices and high quality production. Transparent buy back agreements are in place to ensure a source of income to these families.

### Basis of evaluation

The success of the project is evaluated primarily based on its reach and the numbers of families it benefits.

### Developments

Initially introduced in the Kurunegala district, the project reach has now been expanded to other areas and currently benefits nearly 153 families. 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 in the neighbourhoods.

### Haritha Angara by Haycarb

#### Management Approach

Initiated and carried out by the Group's Purification sector, Haritha Angara aims to

empower Sri Lankan charcoal producers through the provision of technical support, guidance on ecologically friendly charcoaling processes and buy back agreements.

This initiative mainly utilizes shell output of the Kernel Industry and also attracts domestically discarded shells for charcoaling purposes. Domestic shell usage has resulted in minimizing waste at household level whilst providing a regular market for coconut shells with premium pricing mechanisms. Haycarb provides technical support, guidance and long-term zero interest financing to convert traditional open pit charcoaling sites to environment friendly manufacturing.

Haycarb has also partnered with awareness programs conducted by the Coconut Development Authority in all districts, on collection and utilisation of discarded domestic shells for charcoaling creating a supplementary income stream.

### Basis of evaluation

The success of the project is evaluated through its direct and indirect socio economic impacts on suppliers and their families.

### Developments

To date, the initiative has supported nearly 60 suppliers operating 78 eco-friendly pits covering

nearly 190 co-employees and directly benefiting around 250 dependent families in the districts of Kurunagala, Gampaha, Puttalam, Polonnaruwa, Anuradhapura, Jaffna, Ampara, Hambanthota, and Kaluthara, contributing directly towards uplifting their standard of living. Haycarb plans to expand the Haritha Angara Initiative to cover the other districts in the Island in the future.

### Fabricator Training Programs by Alumex

#### Management approach

Alumex having recognized the need to propagate technical guidance to fabricators/technicians engages in providing practical insights into the application and usage of Aluminium profiles, components, new products and new technologies. The training is targeted towards a wide range of fabricators and technicians 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. 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.

### Basis of evaluation

The sector evaluates the success of the project on the number of fabricators trained.

### Skill development by Alumex

#### Fabricator training

These programmes cover estimation, fabrication, identification of profiles, and correct usage of profiles

#### Government, NGO, Private Sector Institution training

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

#### Technical Training Institutes

The Alumex Training Center 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.

#### NVQ Level 3 and 4

The Alumex Training Center facilitates students at Aluminium Fabricator Training Center's under NGO's Island wide to obtain National Vocational Qualification Certification (NVQ).

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TTEL	
Community infrastructure	Water schemes, re-roofing houses, ramps and drains, sanitation, factory rest rooms, house constructions, community centres among others Investment: 26.3 million
Community capacity building	EWHC initiatives and awareness programs for over 19,000 beneficiaries Investment: 2.11 million
Health and nutrition	Immunization programs, preventive healthcare, antenatal programs, postnatal programs among others Beneficiaries: 293,159 Investment: 9.7 million
Youth empowerment	Vocational programs: 3,557 Number trained: 14,161 Investment: 0.68 million

KVPL	
Living environment	Electrification - 151 New toilets - 70 Access roads - 2 Km Reroofing housing units - 104 Water schemes - 11 Field rest rooms - 9 Child development centres - 5
Health and nutrition	Dengue awareness - 170 Eye clinics - 64 AIDS awareness - 29 Oral cancer programs - 246 TB Awareness - 225 Cataract removal - 38 Dental clinics - 13
Community capacity building	Loans granted - Rs.72.2 mn Deposits accepted - Rs 38.9 Household cash management programmes: 88
Youth Empowerment	Home gardening - 50 Vocational training - 9 Computer classes - 27 English classes - 17

Rs. 2 million is generated monthly in the villages as income for various stakeholders of the value chain.



## Home for Every Plantation Worker

### Management approach

Launched in 2006 as ongoing project by our plantation companies, KVPL and TTEL, 'A Home for Every Plantation Worker' is a unique and multi-dimensional community initiative targeted at uplifting the living standards of employees and estate community amounting to nearly 110,000 individuals. The project is structured around the four focus areas aimed at uplifting the socio economic status of estate families in the Group's plantations.

### Living Environment

We engage our communities in multiple initiatives including the improvement of housing, water, sanitation, recreation and learning facilities which 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, and reputed non-government organizations.

## Developments

During the year Alumex invested close to Rs. 3.5 Mn in this initiative offering training to more than 450 individuals. To date the training programs have supported over 10,000 fabricators and technocrats.

## Seaweed project by Hayleys Agriculture Management approach

This project was initiated as a partnership with AquaAgri India in collaboration with National Agri Business Development Programme and National Aquatic Resources Research and Development Agency (NARA) and aims to improve the livelihoods of impoverished families in the Northern Province, by empowering women and 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 enhances polyculture production. Carrageenan extracted from this variety of seaweed is used in the global food, pharma and cosmetic industries as an additive as well as in the production of organic fertilizer and hence has experienced a growing demand from countries such as Philippines, China, Australia and USA.

## Developments

The seaweed project has created many job opportunities in the rural areas of the Northern Province, with currently over 1000 individuals employed in the neighbouring villages in Kilinochchi, Mannar and Jaffna while 250 families benefit indirectly from this in the first year of its inception. By the 4th year of operations, the project aims to provide 4000 direct employment opportunities. Approximately



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Social and Relationship Capital



Health and Nutrition

Our comprehensive health and nutrition 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 programs and training sessions throughout the year.

Youth Empowerment

Working in collaboration with government institutes and reputed NGOs 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, 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.

Basis of evaluation

The success of the initiative is underpinned on its ability to bring about significant improvements in the quality of life our estate community families.

Developments

During the year, the Sector invested over Rs. 110.5 million in a wide array of initiatives and activities under the four pillars described above.



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## INTELLECTUAL CAPITAL

*The extensive product portfolio we have developed is a result of the relentless pursuit of innovation through leveraging on in-house research capabilities. In several of our business sectors, we have been at the forefront of industry innovation, driving the country's key economic sectors to new heights. Our intellectual capital comprises the knowledge-based intangibles that have facilitated these capabilities and which are a key source competitive advantage.*

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## Social and Relationship Capital

### R&D capabilities and Innovation

#### Management approach

We focus on continuously strengthening our research and development capabilities by facilitating a learning culture which stimulates innovation and knowledge sharing. Research capabilities are harnessed through dedicated R&D facilities and expert teams in several sectors. New product development is an ongoing process and is a result of the collective efforts of the R&D team, as well as the marketing, quality assurance and production teams. We also continue to partner and collaborate with leading research institutions and universities in developing and commercializing research that facilitates innovation.

#### Basis of preparation

The Group's innovative capabilities are assessed through the number of new products developed and launched during a particular period and the number of new products in the pipeline.

#### Developments

As a Group, key innovations in the last 2 years include,

- Launch of Moringa based products by Hayleys Agriculture
- Growing media products and hygiene brushes by Eco Solutions
- Value added tea products, tea extracts and aromas by the Group's tea exports sector
- A range of specialised hand protection solutions by DPL including electro static dissipative gloves, thermal insulation gloves, anti-vibration gloves and bio-degradable nitrile gloves etc.

- The launch of an authentic leisure offering, Amuna by Amaya
- Innovation in the textile sector with the launch of INNO, the Sector's own fabric brand.
- Construction Material- Tested window and door systems, curtain walls, lift and slide door profiles, wardrobe designs and AluSys

Total revenue generated from innovative products during the year amounted to Rs. 3.9 bn.

The Group also has a strong pipeline of new products, collectively exceeding 304.

### Systems, processes and tacit knowledge

#### Management approach

The Group's established track record in most of its key business sectors has enabled it to nurture an invaluable base of organisational knowledge. Our processes and systems have been refined through the years, facilitating a high level of adaptability to dynamic market conditions. Compliance to suite of international quality and safety certifications has also allowed us to develop best practices in all aspects of our operations.

#### Basis of preparation

Our ability to consistently outperform our competitors and maintain leadership position in our business sectors is testimony to the strength of our organisational capital.

#### Developments

During the year, we maintained leadership/ dominant positions in most of our business sectors, as listed below.

Our product pipeline		
Sector	New product developed	Products in pipeline
Eco Solutions	43	32
Hand Protection	2	4
Purification	4	3
Textiles	100	115
Construction Material	53	14
Plantations	18	13
Agriculture	28	82
Leisure	6	6
Industry Input	33	31
Others	12	4
<b>Total</b>	<b>299</b>	<b>304</b>

#### Strong market position

Largest player in Sri Lanka's transportation and logistics industry

Market leader in the aluminium extrusion industry

Global leader in coconut shell based activated carbon

Amongst the world's leading non-medical glove manufacturers

Largest exporter of processed fruits and vegetables

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# Natural Capital



## NATURAL CAPITAL

*Hayleys PLC has a commendable track record in environmental compliance, supported by robust risk management mechanisms and reporting structures which ensure that all relevant regulations are complied with.*



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## Natural Capital

		2017	2016	y-o-y change
Energy consumption (direct)	mil GJ	2.04	2.41	-0.33
Renewable electricity generation	mil kWh	127,481	117,313	+10,168
Water usage	mil m3	3.98	2.8	+1.18
Ground water usage	%	9	12.7	-29%
Water recycled	%	8	12	-33%
Solid waste	MT	11,101	7,039	+4,062
Effluents discharged	mil m3	3.14	2.13	+1.01
Carbon footprint (scope 1,2,3)	tCO <sub>2</sub> (eq)	122,884	83,261	+39,623
Emission intensity	kgCO <sub>2</sub> (eq)/revenue	1.10	0.90	+0.20
Investment in environmental preservation	Rs.mn	211.1	665.6	-454.5

### Principles of preparation

In the Consolidated Statement of Environmental Performance, the Hayleys Group reports on its performance pertaining to the consumption of natural resources and its impacts on the environment. The statement also contains additional information of strategic importance such as the Group's investment in environmental preservation activities and its level of environmental compliance. The Statement has been prepared based on several internationally recognised sustainability frameworks and calculation methodologies. Where applicable, the Group's contribution towards the Sustainable Development Goals is also highlighted.

### Scope and boundary

The Environmental Statement covers the operations of Hayleys PLC and the entirety of its 131 subsidiaries in Sri Lanka and 1 location overseas. Every year, we seek to enhance the completeness and quality of our information and this year we have widened the coverage of our environmental disclosures to include the 'Others' sector, which represents the parent company and several of its investments (refer to pages 305 to 307 for full list). Following this improvement, we now monitor and disclose the environmental performance of all of the Group's 12 sectors.

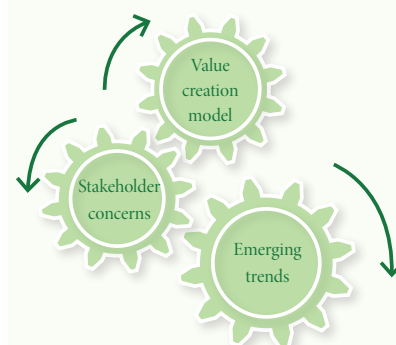
During the year, we also initiated coverage on Fentons and Amaya Kuda Rah Maldives which were acquired in March 2016 and July 2016 respectively. The data presented covers the manufacturing facilities, resorts and all office buildings as well as transport of company owned vehicles.

### Materiality

The issues discussed in the following sections of our Environmental Statement are those that have been carefully selected and prioritised (as discussed on pages 59 to 60). These factors reflect the issues that are most significant to our strategy, stakeholders, risks and opportunities stemming from the operating landscape and the Group's approach to value creation.

### 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. All new initiatives/acquisition and business ventures are subject to comprehensive feasibility and impact assessment studies which include sustainability considerations such as environmental impacts, health and safety conditions and other social factors. environmental and social considerations.





As an Organisation which consumes several key natural resources we are cognizant of the role we can play in ensuring that natural resources are preserved for a sustainable future. Comprehensive and standardized policy frameworks have been implemented across all sectors detailing the measurement, tracking and monitoring of material environmental indicators. Meanwhile multiple sectors within the Group have obtained and continue to comply with domestic and global environmental certifications.

## Raw materials



### Management approach:

We are a Group with substantial interests in the manufacturing sector, and therefore use a wide variety of raw materials in our production processes. These account for a significant portion of our manufacturing costs and determine the overall quality of our products. Multiple measures and actionable plans are in place within the sectors to ensure the efficient and responsible use of raw materials. Several sectors have also implemented ongoing supplier development

initiatives to ensure the sustainability of key supply chains (Refer to Supplier Development on page 151 of this Report)

### Method of preparation:

Material usage is tracked on a consistent basis using suitable indicators across all our sectors. For reporting purposes, the Sectors measure and disclose the consumption of the top 5 renewable input materials and the top 5 non-renewable input materials. In this Report, we have focused on the Group's key manufacturing sector organisations in disclosing raw material consumption.

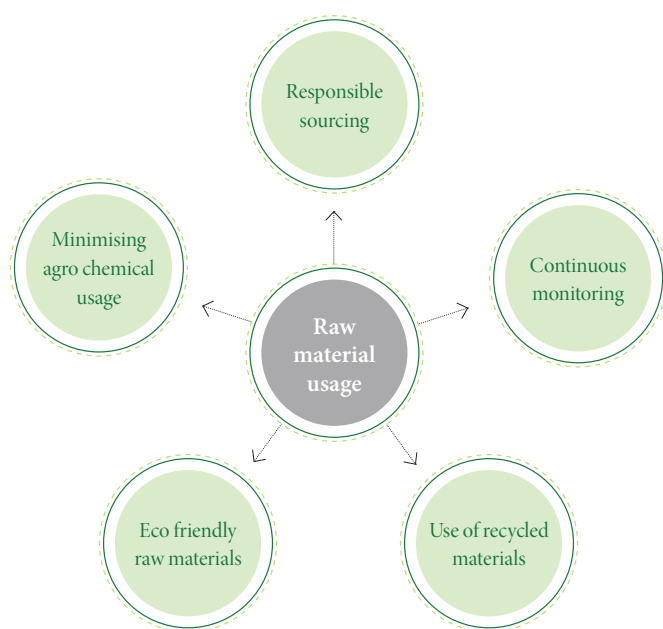
### Developments and Results:

Increased operational activity in nearly all the sectors resulted in higher consumption of raw materials during the year.

Environmental Management Framework					
Managing inputs			Managing outputs and impacts	Investment and Compliance	
Raw materials	Energy	Water	Raw materials		Raw materials

Consumption of Raw Material			
Sector	Raw material	2016/17	2015/16
Purification	Coconut charcoal (MT)	87,661	70,573
Construction Material	Aluminium billets (MT)	5,798	6,393
Eco Solutions	Coconut fibre(MT)	15,800	15,200
	Fibre Pith(MT)	10,000	13,000
Plantations	Bought leaf (MT)	24,921	10,091
	Bought latex(MT)	217	241

### Raw material management:



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## Natural Capital

### Energy



#### Management approach:

The Group's primary energy sources are fossil fuels, electricity from the national grid, and renewable energy. We have continued to drive down energy consumption through Group-wide and sector-specific initiatives to improve energy efficiency over the long-term. Over the longer term we also hope to reduce dependence on fossil fuels through the increased generation of renewable energy and over the last 3 years have invested over Rs. 2 billion in enhancing the renewable energy generation capacity in our Power& Energy Sector.

#### Method of preparation:

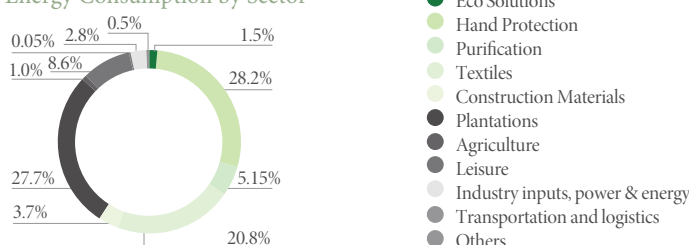
Electricity sourced through the national grid is captured at sector level primarily through electricity bills. Fuel consumption data is tracked by the sectors separately. Using the raw data captured at sector level, Group Sustainability computes the Sector-wise and Group-wide energy consumption using density rates and calorific values.

#### Developments and Results:

The Group's key energy initiative during the year was the commissioning of Sri Lanka's largest solar power plant in Welikande, a 10MW first-of-its kind plant in the country which utilizes a solar tracking system which follows movements of the sun. In addition, we also commissioned a 4.2MW mini-hydro plant in Mawanana. With these two investments, the Group's total NCRE generation capacity increased to nearly 50MW and we currently generate close to 2% of the country's total energy supply. Meanwhile, Sectors continue to engage in a range of initiatives targeted towards enhancing energy efficiency, as listed.

In GJ	2017	2016
Diesel	221,178	1,976,629
Petrol	31,590	2,809
Furnace oil	310,517	2,410
Firewood	1,084,480	-
LPG	19,023	11,306
Electricity	371,899	414,015
<b>Direct energy</b>	<b>2,038,696</b>	<b>2,407,171</b>
<b>Indirect energy</b>	<b>233,333</b>	<b>414,015</b>
<b>TOTAL ENERGY CONSUMPTION</b>	<b>2,272,010</b>	<b>2,821,186</b>

Energy Consumption by Sector



Energy initiatives		
	Initiative	Sectors
Energy efficient lighting and cooling	• Replaced CFL with LED bulbs	Plantations, Eco solutions,
	• Buildings modification to use increased natural light	Leisure, Hayleys PLC, Hand protection, Construction materials
	• Use of electronic ballasts for fluorescent lamp	
Energy efficient equipment	• Installing energy efficient capacitor banks, Use of variable frequency motors	Plantations, Textiles, Eco solutions, Transportation, Hand protection,
	• Rationalization of boilers	Construction materials
	• Inverter technology for motors	
Others	• Natural heat for fibre drying	
	• Channeling waste heat to the production process	
	• Carbon neutral envelope shipping	
	• Carbon footprint calculation and being carbon conscious	

As a result of these initiatives, the Group's direct energy consumption declined by 14% to 2.04 million GJs during the year, a commendable achievement given the increase in operational activity. Meanwhile, renewable energy sources accounted for approximately 51% of the Group's direct energy consumption during the year.

#### Commitment to renewable energy

Plantations	• Biomass used as fuel in hot water systems
Purification	• Pollutant gas and heat used to generate electricity
Hand protection	• Furnace oil heaters replaced with bio mass- resulting in 72% of power sourced through renewable energy
Textiles	• Saw dust used to generate electricity

## Water



### Management approach:

The Group has a relatively high level of water consumption and increasing water efficiency is a key focus area in the Group's environmental sustainability agenda. Mechanisms are in place to continuously monitor water consumption trends and identify areas for improving water efficiency. In addition to water stewardship, all our business sectors are mandated to ensure that water discharge meets all applicable regulatory requirements. Most of our sectors engage in recycling used water prior to it being re-used in operations or discharged.

### Method of preparation:

Water consumption from municipality lines is tracked using the relevant bills at sector level. Meanwhile meters are used to measure water obtained from ground water sources.

### Development and results:

Plantations is one of the Group's most water intensive sectors and adopts a framework for Integrated Water Management inclusive of chemical free buffer zones and live fences around water sources. Meanwhile rainwater harvesting is carried out by almost all sectors in the Group including Leisure, Purification, Plantations and Agriculture. Hayleys Agriculture operates an extensive rainwater harvesting system, with a total collection capacity of 5.4 million litres at its hybrid flower seed production facility in Boralanda. This is sufficient to cater to the total water requirement of the farm area.

During the year, the Group's reported water consumption increased by 42% partly due to improvements in data capture as well as an overall increase in operational activity across the

Group. Meanwhile, the Group's ground water consumption as a proportion declined to 9% from 12% the previous year.

## Waste and Effluents

### Management approach:

All sectors engage in the segregation and responsible disposal of waste, in compliance with regulatory requirements and industry best practice. All sectors ensure that effluents discharged from our operations comply with the requisite water quality standards as prescribed by the Government. All such effluent plants are checked on a regular basis by independent assessors to ensure it meets compliance levels. Our discharge water quality levels (BOD, COD, TSS, pH and oil and grease levels) comply with government standards.

### Method of preparation:

Solid waste generated by the sectors is weighed or in certain instances are estimated based on a trial test. Effluents are monitored using flow meters and also estimated based on a fixed input to sewerage fraction

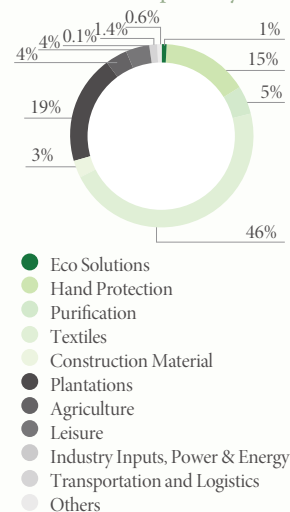
### Developments and results:

During the year, several of our sectors enhanced capacity of the effluent treatment plants in line with increased operational activity. In addition numerous sector-specific initiatives are in place to segregate and responsibly dispose of all waste and effluents.

The monitoring of solid waste done in a more systematic manner this year which allowed us to get a more accurate reading. Hence the increase in value reported.

During the year, the Group's total solid waste generation increased by 58% while total effluents also increased by 47% due to the higher production levels in the manufacturing sector organisations.

Water consumption by sector



Water withdrawal by source

	2016/17	2015/16
Surface water (m3)	2,552,964	1,430,880
Ground water (m3)	376,758	357,763
Rain water (m3)	10,887	22,583
Municipal lines (m3)	836,564	998,509
Waste water and other (m3)	201,998	1651.7
<b>TOTAL (m3)</b>	<b>3,979,172</b>	<b>2,811,187</b>

Water discharge by destination

	2016/17	2015/16
Municipality sewerage, drainage lines (m3)	157,295	6069
Recycled through ETPs (m3)	805,741	262583
Rivers, lakes, wetlands (m3)	2118,560	1856370
To ground through soakage pit (m3)	54,607	9512
<b>TOTAL (m3)</b>	<b>3,136,202</b>	<b>2,134,536</b>

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Sector	
<ul style="list-style-type: none"> <li>Waste water is treated at effluent treatment plants and monitored to ensure compliance with water quality standards. Hand Protection and Textile sectors allow the public to check the quality of discharged water.</li> <li>Factory and domestic waste water purification systems</li> <li>Waste water is recycled and used for gardening and organic farming.</li> </ul>	Hand Protection (Reverse Osmosis plants), Construction Material, Textiles, Purification  Plantations  Leisure
Integrated Waste Management programs comprising, <ul style="list-style-type: none"> <li>Bio-degradable waste used to produce compost</li> <li>Metal, glass, plastic, polythene, paper and E-waste are segregated, and sent for recycling</li> <li>Incineration is prohibited</li> </ul>	Plantations
Spent carbons undergo regeneration in the Thailand factory eliminating the need for incineration or landfill disposal	Purification
Waste yarn and fabric is provided to villagers who engage in cottage industries.	Textiles
Used CFL bulbs are collected from the general public, mercury extracted and sent to an approved third party collector	Consumer
Solid waste is classified and, <ul style="list-style-type: none"> <li>Recyclable solid waste (plastic and paper) is sent to approved third party recyclers.</li> <li>Hazardous solid waste is sent to INSEE Ecocycle for incineration.</li> </ul>	Hand Protection, Leisure  Agriculture, Textile, Construction Material

Waste & Effluent percentage by sector		
	Effluent	Waste
Eco Solutions	0.7%	11.1%
Hand Protection	19.4%	16.4%
Purification	5.8%	31.3%
Textiles	51.0%	8.5%
Construction Material	3.2%	9.0%
Plantations	12.3%	11.3%
Agriculture	2.7%	11.5%
Consumer	0.0%	0.1%
Leisure	2.6%	0.6%
Industry Inputs, Power & Energy	0.0%	0.0%
Transportation and Logistics	1.6%	0.0%
Others	0.7%	0.0%

Solid waste by type of disposal (MT)		
	Hazardous	Non-hazardous
Reuse	3	927
Recycling	17	1,458
Composting	179	952
Recovery		45
Incineration	2,362	86
Deep well injection	-	-
Landfill	0.7	1,015
On-site storage	714	1,150
Other		2,193
TOTAL	3,276	7,825

## Carbon footprint



### Management approach:

Climate change and eco-system decline impacts the Group directly through supply and demand for raw materials which are derived from natural sources, availability of water, erratic weather conditions and impacting the demand for agro chemicals in numerous ways. Having understood the potential impacts of climate change on our value creation process, we understand and monitor these impacts as part of the Group's risk management process.

### Method of preparation:

The calculation of the carbon footprint is based on the WBCSD/WRI Greenhouse Gas Protocol Corporate Standard and the PAS 2050. 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. However the scope 3 based data collected has improved which impacted the total GHG emission of the group. The data presented is analysed at Sector level and not from an individual company perspective.

### Developments and results:

Sector wide initiatives were targeted towards driving down energy consumption. However the Group's reported carbon footprint increased by 48% during the year with the increase of operational activity and due to improvement in data collection. Because of this all the sectors demonstrated an increase in carbon footprint.



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Sector	Scope 1	Scope 2	Scope 3	Sector Total	% Share by Sector (16/17)	Sector Total (15/16)
Eco Solutions	367	1,094	7,273	8,734	7.1%	2,275
Hand Protection	9,112	5,713	9,271	24,096	19.6%	17,274
Purification	4,997	4,504	536	10,037	8.2%	5,687
Textiles	12,162	7,303	984	20,449	16.6%	21,504
Construction Material	3,658	2,983	478	7,120	5.8%	4,413
Agriculture	1,173	621	3,199	4,992	4.1%	3,111
Plantations	8,782	6,014	685	15,481	12.6%	9,691
Transportation and Logistics	2,056	827	8,293	11,177	9.1%	6,168
Consumer	-	-	394	394	0.2%	108
Leisure	4,400	13,146	1,315	18,860	15.4%	12,229
Industrial Input and Power & Energy	31	62	180	274	0.2%	100
Others	25	1,130	113	1,269	1.0%	701
<b>Total by Scope</b>	<b>46,765</b>	<b>43,397</b>	<b>32,721</b>	<b>122,884</b>	<b>100.0%</b>	<b>83,262</b>

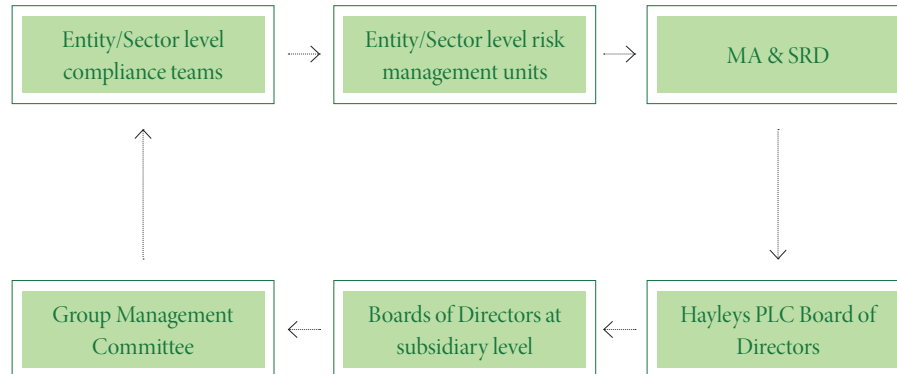
## Environmental Compliance and Investment

### Management approach:

Hayleys PLC has a commendable track record in environmental compliance, supported by robust risk management mechanisms and reporting structures which ensure that all relevant regulations are complied with. At entity and sector level, compliance is monitored through regular reporting to the relevant Risk Management Units while the Boards of Directors of the respective subsidiaries hold apex responsibility for ensuring regulatory compliance. At Hayleys PLC level, the Management Audit & System Review Department (MASRD) function performs regular checks on compliance to all applicable regulations and findings are reported to the Hayleys PLC Board of Directors through the Group Management Committee.

### Method of preparation:

Group sustainability maintains a record of all instances of environmental non-compliance as well as environmental grievances presented and addressed during the year.



### Developments and results:

The Group's total investment in activities pertaining to environmental preservation amounted to Rs.211.1 mn during the year, the composition of which is given below. There were no instances of non-compliance to any environmental regulations/guidelines or voluntary codes during the year. Meanwhile, 16 environmental grievances were filed during the year, with 8 already addressed and resolved.

Prevention and environmental management (Rs.mn)	107.8
Investment in special initiatives-waste, emission (Rs.mn)	103.3

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# Way Forward

	INDUSTRY OUTLOOK	OUR STRATEGY	FORECAST
 <p>Eco solutions</p>	<p>Positive demand globally for growing media products in line with increasing urbanization, environmental regulations and decline in arable land.</p>	<p>We will continue to focus on expanding our value added product range through investing in research and product development. Also strengthening backward integration to have better control over the raw material supply.</p>	<p>Revenue growth: 25%</p> <p>PBT growth: 50%</p>
 <p>Hand protection</p>	<p>Demand factors are expected to support growth with the outlook on the global economy turning more optimistic.</p>	<p>Strategic emphasis on expanding footprint and share of business with existing customers. Increased focus on strengthening the performance of DPL Universal Gloves while maintaining focus on sustainable manufacturing.</p>	<p>Revenue growth: 4%</p> <p>PBT growth: 2%</p>
 <p>Purification</p>	<p>Demand for water related applications will be the forefront of demand growth, supported by air and mining applications.</p>	<p>Expansion in non-traditional markets as well as value added product applications. Puritas is expected to see growth through efforts in positioning ourselves as a regional player in water and waste water treatment systems.</p>	<p>Revenue growth: 8% (8%)</p> <p>PBT growth: 11%</p>
 <p>Textiles</p>	<p>Although demand from key markets remained flat, the recent renewal of GSP+ concessions from the EU is encouraging and will serve to increase the competitiveness of the fabric mills.</p>	<p>An innovation led growth strategy supported by a strong pipeline of products for next year and efficiencies in the supply chain.</p>	<p>Revenue growth: 20%</p> <p>PBT growth: &gt; 100%</p>
 <p>Construction materials</p>	<p>Demand is expected record strong growth supported by infrastructure projects and high-rise buildings as well as the increasing use of aluminium profiles in residences.</p>	<p>Planning to double capacity in 2017/18. The new powder coating plant will enable the manufacture of larger high quality profiles, to cater to the modern high-rise buildings, the demand for which is currently being imports.</p> <p>Also a centralised warehouse facility is expected to significantly enhance loading efficiencies.</p>	<p>Revenue growth: 30%</p> <p>PBT growth: 1%</p>
 <p>Plantations</p>	<p>Uncertainty in rainfall patterns and the low application of fertilizers could impact the country's crop although supply constraints in the short-term may lead to buoyant prices.</p>	<p>The Sector will focus on refining the processes put in place in 2016/17 to drive productivity improvements. We will continue to invest in replanting and good agricultural practices to ensure that superior quality will be maintained. Positive outlook for Global Beverages, which has a strong product pipeline and is building customer relationships.</p>	<p>Revenue growth: 31%</p> <p>PBT growth: 75%</p>

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	INDUSTRY OUTLOOK	OUR STRATEGY	FORECAST
 <b>Agriculture</b>	The country's natural resources present a plethora of opportunities for the Agriculture sector, although a cohesive agricultural policy is essential for the sustainable development of the industry.	Increased focus on regional expansion. Product development efforts will focus on value addition to natural ingredients and plant-based wellness products.	Revenue growth: 26%  Profit growth: 18%
 <b>Consumer</b>	Moderate consumption growth expected from 2017/18 and growth prospects in the lighting solutions and healthcare range.	Emphasis on widening the product portfolio through expansion to Nutraceuticals and Cosmeceuticals while nurturing new customer relationships.	Revenue growth: 35%  Profit growth: From cover base to 20 fold.
 <b>Leisure</b>	The outlook for Sri Lankan tourism appears promising, supported by increased destination promotions as well as growth in arrivals from non-traditional markets. Competition from the informal sector, however will continue to impact occupancy levels and yields of hotel operators.	Profit contribution from Amaya Kuda Rah is expected to support overall growth in profits. We will focus on strengthening our distribution channels and enhancing our customer value proposition through developing authentic Sri Lankan experiences.	Revenue growth: 20%  Profit growth: 75%
 <b>Industrial Inputs, Power &amp; Energy</b>	Increasing focus on expanding the country's renewable energy generation	In Industrial inputs, we plan to invest in launching the country's first ever B2B industrial e-commerce platform. We also plan to grow our agency network in the healthcare and construction business lines. In power, expansions planned for industrial solar and solar storage systems.	Revenue growth: 14%  Profit growth: 9%
 <b>Transportation &amp; Logistics</b>	Outlook for the industry is positive, as consolidation of major shipping lines is expected to support an improvement in rates.	We will pursue further regional expansion opportunities, particularly in South Asia. Several new investments are planned including the consolidation of warehousing services through a mega distribution centre and cold chain logistics	Revenue growth: 27%  Profit growth: 2%
 <b>Others</b>	Good growth prospects in the BPO industry, with anticipated growth in the Australian, UK and US markets.	Continued emphasis on product development and customer acquisition in the BPO arm and Fentons.  The Group's flagship project for the year, the Hayleys Twin Towers will commence preliminary work, given that the requisite concessions and approvals are obtained.	Revenue growth: 33%  Profit growth: 2%

# 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 2017. 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 305 to 307.

The Principle activities of the Group are categorized into different business sectors i.e. Eco Solutions, Hand Protection, Purification Products, Textiles, Construction Materials, Agriculture, Plantations, Transportation & Logistics, Consumer Products, Industry Inputs, Power & Energy, Leisure and Others. The main activities of the sectors are described in the Management Discussion & Analysis section (pages 74 to 126) 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, as well as future business developments are appraised in the Chairman's message (pages 28 to 33) and Management Discussion & Analysis (pages 74 to 126) 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 2016/17 invested in Luxury Resorts (Pvt) Ltd which operates Amaya Kudah Rah a resort hotel in Maldives.

### 2.3 Financial Statements of the Company and the Group

The Financial Statements of the Company and the Group are given on pages 204 to 290 of this report.

### 2.4 Auditors' Report

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 191.

### 2.5 Accounting Policies and changes during the year

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 which requires compliance with Sri Lanka Accounting Standards. The detailed accounting policies adopted in the preparation of the Financial

Statements are given on pages 204 to 220 .Changes in accounting policies made during the accounting period are described under pages 204 to 220 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. As further required by the Act, 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 as follows.

#### 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 during the year 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 the following.



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Mr. M.D.S. Goonatilleke - 11,001 shares  
(resigned w.e.f - 12/05/2016)

Mr. W.D.N.H. Perera - 11 shares  
(resigned w.e.f - 08/03/2017)

## 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.

### The Kingsbury PLC

- 125,000 shares were purchased by Mr. M.H. Jamaldeen, spouse of Mrs. Isabel Jamaldeen, Non-Executive Director of The Kingsbury PLC.

### Amaya Leisure PLC

The following shares were allotted from the scrip dividend made by the Company.

Elles (Pvt) Ltd. – 10,178 (Mr. L.T. Samarawickrama has the controlling interest).

200,000 shares were disposed by Mr. S. Senaratne.

### Alumex PLC

- 1,500,000 shares were purchased by Hayleys PLC., parent company (Mr. A.M. Pandithage, Mr. S.C. Ganegoda and Dr. H. Cabral PC Directors of Alumex PLC are also Directors of Hayleys PLC.)
- 20,000 shares were purchased by Mr. S. Munaweera, a Non-Executive Independent Director of Alumex PLC.
- 16,500,000 shares were disposed by Starpack Investments (Pvt) Ltd (Mr. H.H. Abdhusein, who was a Non- Executive Director of Alumex PLC prior to his resignation on 6th June 2016, is also

### Hayleys Fabric PLC

508,933 shares were disposed by Hayleys Group Services (Pvt) Ltd. (Hayleys Group Services (Pvt) Ltd is a subsidiary of Hayleys PLC and common Directors are Mr. A.M. Pandithage and Mr. S.C. Ganegoda)

### Hunas Falls Hotels PLC

10,000 shares were purchased by Mr. S.C. Ganegoda.

#### 2.6.3 Payment of remuneration to Directors

Executive Directors' remuneration is structured 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 2017, which is 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 2017, which is given in note 2.7, is determined according to scales of payment decided upon by the Board. 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 Orient Insurance Limited 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. 5.3 mn. 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 2016/17 is Rs. 319.5 mn (Rs. 219.1 mn) consisting of Rs. 311.8 mn for Executive Directors and Rs. 7.7 mn for Non Executive Directors.

Name of Director	No of Shares
Mr. K.D.D. Perera	13,429
Mr. C.J. Wickramasinghe	42,870
Mr. S. Senaratne	11,428
Mr. L.T. Samarawickrama -1,800	133,895
HSBC/Mr. L.T. Samarawickrama – 12,891	-
People's Leasing Finance PLC/ Mr. L.T. Samarawickrama – 119,204	-
*Mr. W.D.N.H. Perera	2
Mr. S.H. Amarasekera – 371	625
(Jointly with Mr. B.M. Amarasekera)	-
HSBS/Mr. S.H. Amarasekera - 254 (Jointly with Mr. B.M. Amarasekera)	-
Mr. D.E. Silva	1,581

\* Mr. W.D.N.H. Perera resigned with effect from 8th March 2017.

a Director /Shareholder of Starpack Investments (Pvt) Ltd)

The following related Companies were issued shares from the scrip dividend.

Hayleys PLC – 580,986 (parent company)

- 2,000,000 shares were disposed by Mr. H.H. Abdhusein. (Mr. H.H. Abdhusein who served as a Non-Executive Director of Alumex PLC resigned with effect from 6th June 2016.

## Annual Report of the Board of Directors

Directors' remuneration in respect of the Company's Subsidiaries for the financial year 2016/17 is Rs. 743.8 mn (Rs. 576.6 mn.) consisting of Rs. 721.4 mn for Executive Directors and Rs. 22.4 mn for Non Executive Directors.

### 2.8 Corporate Donations

Donations by the Company amounted to Rs. 755,867 (Rs. 551,106) which includes a sum of Rs.119,000 (Rs. 167,000) made to Government approved charities.

Donations by the Subsidiaries amounted to Rs. 20.5 mn (Rs 17.3 mn).

### 3. Future Developments

Information on future developments are contained in the Chairman's message (pages 28 to 33), and Management Discussion & Analysis (pages 74 to 126) sections of this Annual Report.

### 4. Group Revenue and International trade

The revenue of the Group was Rs 111.4bn ( Rs 92.3 bn.) 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 41 to the Financial Statements.

The Group's exports from Sri Lanka, amounted to Rs. 52.9 bn (Rs.33.7 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 60.1.bn (Rs. 50.3 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. 7.02bn (Rs.6.95bn). After deducting

Rs.1.98bn (Rs 1.76bn) for taxation the profit was Rs. 5.05bn (Rs.5.2bn). When an amount of Rs.2.26bn (Rs2.08bn.) for non-controlling interests was deducted, the Group profit attributable to owners of the Parent for the year was Rs. 2.78bn ( Rs 3.12bn.). A sum of Rs.562.5mn(Rs 487.5mn .) has been set aside for 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 dividend payable. A solvency certificate has been sought in respect of the dividend of Rs.7.50 per share (First & Final Rs. 6.50) to be paid to the holders of issued ordinary shares of the Company as at the close of business on 30th May 2017. 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 2017 amounts to Rs39.3bn ( Rs.29.5bn) comprising Capital Reserves of Rs 0.9 bn(Rs1.1bn), Other components of equity of Rs. 19.0bn (Rs. 11.6bn ) and Revenue Reserves of Rs.19.3 bn (Rs 16.9bn ). 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. 12.5 bn (Rs. 6.4 bn) and Rs. 72.8 mn.(Rs. 58.6 mn) respectively.

Information relating to capital expenditure on Property, Plant & Equipment ( including capital work –in-progress), Biological assets, Investment properties, Intangible assets, are given in Note 14,15,16 and 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 pages 296 to 297.

### 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 2017. 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 pages 296 to 297 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 2017.

The Company, in May 2016, issued Twenty million (20,000,000) Senior, Unsecured, Listed, Redeemable, Rated three year (2016/2019) debentures at a face value of Rs.100/- each to raise Rs.2 bn.

#### 8.2 Issue of Shares and Debentures by subsidiaries and equity accounted investees.

Subsidiaries and equity accounted investees did not issue any shares and debentures during the year ended 31st March 2017.

#### 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 2017. There was no change in stated capital during the year.

The debentures of the Company, consist of the following:

- Twenty Million (20,000,000) Listed, Rated, Senior, Unsecured, redeemable, three year (2016/19) debentures amounting to Rs. 2bn.
- Twenty Million (20,000,000) Listed, Rated, Senior, Unsecured, redeemable, four year (2015/2019) and five year (2015/2020) debentures amounting to Rs. 2bn

## 9. Share Information

Information relating to earnings, dividend, net assets, market value per share, share trading and distribution of shareholding is given on page 301.

## 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 300.

### 10.2 Public holding

There were 6,018 (6,416) registered shareholders as at 31st March 2017. The percentage of shares held by the public, as per the Colombo Stock Exchange rules, being 37.62 % (37.61%) representing 6,005 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 28 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.R.V. Waidyaratne

## Non-Executive Directors

Mr. K.D.D. Perera- (Co-Chairman-Non Executive)

## Non-Executive Independent Directors

Dr. H. Cabral, PC

Mr. M.H. Jamaldeen

Mr. M.Y.A. Perera

Mr. N.L.S. Joseph

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

Mr. M.D.S. Goonatilleke who served as a Non-Executive Independent Director resigned with effect from 12th May 2016.

Mr. W.D.N.H. Perera who served as a Non-Executive Director resigned with effect from 8th March 2017.

Mr. M.Y.A. Perera, a Non-Executive Independent Director was appointed to the Board with effect from 12th September 2016.

Mr. N.L.S. Joseph, a Non-Executive Independent Director was appointed to the Board with effect from 15th March 2017.

In terms of the Article 27(2) of the Articles of Association of the Company, Messrs. M.Y.A. Perera and N.L.S. Joseph are eligible for election and the required resolutions proposing their elections will be submitted at the Annual General Meeting.

Messrs. M.H. Jamaldeen, K.D.D. Perera and Dr. K.I.M. Ranasoma 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.

Eco Solutions			
A.M.Pandithage	S. C. Ganegoda	H.C.S Mendis	F.R. Alles
Dr. S.A.B.Ekanayake	T. G.Thoradeniya	B. D. A. Perera	N. Udage
K.S.Padiwita	Dr.P.C. Vermunt	L.Uralagamage	T.Samarawickrama
Ms.M.Hirai	Ms. A.M.C. Holder - Vermunt	A. Venugopal	M.I.L.Perera
A.R.K.Jayawardena	Ms. M. Shiraishi	J. A. M. V. D. Hout	T.Fukushima
S.Fukushima			
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	(K.A.L.S. Fernando)	M. Bottino
(D.K.Welmillage)	S Rajapakse	B.A Mahipala	S.P.Peiris
M. Orlando	A.Orlando	T.G.Thoradeniya	S.A.N.Pushpakumara
Ms.Y.Bhaskaran (Alternate)	(D.B.K.Pathirage)	S.M.Shaikh	H.S.R.Kariyawasan
K.D.G.Gunaratne	K.S.Padiwita		

## Annual Report of the Board of Directors

<b>Purification Products</b>			
A.M.Pandithage	K.D.D. Perera	(W D N H Perera)	S.C.Ganegoda
H.S.R.Kariyawasan	Ms. M.J.A.S.Abeyratne	(D.E.Ranarajah)	A. M. Senaratna
Dr. S A K Abayawardana	M.S.P.Udaya kumara	Ms.S.S.Ragunathan	B.Balaratnarajah
S. Rajapakse	J. D. Naylor	(D.J.Perera)	Ms.Y.Bhaskaran(Alternate)
P.Karnchanabatr	B.Karnchanabatr	K.Karnchanabatr	P.S. Suraweera
Y.P.A.S.Pathiratna	A.A.M.Caderbhoy	B.R.P.Liyanage	(N.E.Megonnel)
Ms. C Karnchanabatr	T. Karnchanabatr	(D.M. Thomas)	R.K.A.Karim
R.Bittel	M.Marques	J.Yaurai	
E.Senduk	S.H.C.Winston		
M.H.Jamaldeen			
<b>Textiles</b>			
A.M.Pandithage	K.D.D Perera	S.C. Ganegoda	E.R.P.Goonetilleke
R.N. Somaratne	Dr.N.S.J.Nawaratne	A.S. Jayatilleke	Ms.Y.Bhaskaran(Alternate)
H Somashantha			
<b>Construction Materials</b>			
A.M.Pandithage	S.C. Ganegoda	R.P.Peris	R.P.Pathirana
D.W.P.N.Dediwela	(H.H.Abdulhusein)	A.J.Hirdaramani (Alternate)	T.Akbarally(Alternate)
S. Munaweera	A.A.Akbarally	Dr H. Cabral, PC	
<b>Plantations</b>			
A.M.Pandithage	K.D.D.Perera	W.G.R. Rajadurai	S.C.Ganegoda
L.T.Samarawickrama	J.A.G. Anandarajah	(G.K. Seneviratne)	Merrill J Fernando
S. Siriwardana	Dr.S.S.S.B.D.G. Jayawardena	Malik J Fernando	L.N.De S Wijeyaratne
S.L.Athukorala	Ms M D A Perera	D.S.Seneviratne	N.R.Ranatunge
(N.Weeraratne)	R.M.Hanwella	D.C.Fernando (Alternate)	M F M Ismail
N T Bogahalanda	R A B Ranatunga	(D S Wijesekera)	S.Rajapakse
(J.M.Kariyapperuma (Alternate))	Tomokatsu Ishida	Takashi Ishida	C.Perera
M.R.Zaheed	Dr K I M Ranasoma	F. Mohideen	(W D N H Perera)
N A R R S Nanayakkara	C.V. Cabraal	G.A.R.D.Prasanna	M.H.Jamaldeen
<b>Agriculture</b>			
A.M.Pandithage	M.R.Zaheed	S.C. Ganegoda	L.K.B. Godamunne
Ms. J. Dharmasena	D.Nilaweera	(K R Rajapakse)	R Seevaratnam
M.Symons	(H.P.Lin)	G.Olbrechts	A.C.Pathirage
S.Kodama	D.G.Talpahewa	P.Patnaik	A.Patnaik
L.N.Abeseekara	A.C.Pathirage	M.A.S.Mallawaarachchi	M.A.Rajap
S.M.Gamage	A.N.K. Perera	S.Yamada	S.I.H.M.Musfiquir
<b>Consumer</b>			
A.M.Pandithage	M.R.Zaheed	S.C.Ganegoda	H.D.M.P.S.Karunatilika
D.D.W.Siriwardene	R Seevaratnam	A.R.Zubair	S.L.Athukorala
(M.D.S.Goonatilleke)	(G.A.B.I.Silva)	M.S.Lakshminarasimhan	



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<b>Leisure</b>			
A.M.Pandithage	K.D.D. Perera	L.T.Samarawickrama	S.C.Ganegoda
S.J.Wijesinghe	N.J.De S. Deva-Aditya	L.N.De.S.Wijeyeratne	Ms.R.N.Ponnambalam
C J Wickramasingha	D E Silva	B C S A P Gooneratne	S B Rangamuwa
A K Dheerasinghe	(H Somashantha (Alternate))	M H Jamaldeen	S Senaratne
(Ms) I. Jamaldeen	S.L.Athukorala	L.D.E.A de Silva	D.L.C.Fernando
J A S S Adihetti	Ms.W.D. De Costa	Capt. J.L.C.Fernando	T.P.Juay
P.N.R.Dias	T.W.De Silva	K.T.M. De Soysa	(W.D.N.H.Perera)
K.A.Y.P.Sumanapala	J P Van Twest	S H Amarasekera	R.S.Tissanayagam
Ms.A.A.K.Amarasinghe (Alternate)			
<b>Industry Inputs and Power &amp; Energy</b>			
A.M.Pandithage	M.R.Zaheed	S.C.Ganegoda	(M.D.S. Goonatilleke)
L.J.C.De Silva	D.D.W. Siriwardene	Dr A Sivagananathan	C.Wijesundera
M.C.T.Ockersz	D. Hewageegana	M.Y.A.Perera	Malik J Fernando
M.Najmudeen	H.S.R. Kariyawasan	Dr K I M Ranasoma	A.R.De Zilva
W.G.R.Rajadurai	D.S.Arangala	V.K.Hirdaramani	Merill J Fernando
K.B.M.I.Perera	R.P.Pathirana(Alternate)	A.A.Akbarally	B.Balaratnarajah
<b>Transportation &amp; Logistics</b>			
A.M.Pandithage	S.C. Ganegoda	L.R.V. Waidyaratne	S.R. Sadanandan
A.B.Ratnayake	(Ms) E.M.C.S. Gamage	A.M.Senaratna	R. Seevaratnam
F.T. Salem	C.D.La Ferriere	L.B Culas	M.G. Gomez
K.L.C.Fernando	P.S Gunawardena	C.James	R.W.P.Polonowita
D.D.W. Siriwardene	(Ms.Y.N.Perera)	C.I.J. Charles	M I S Sabar
M.D.D.Pieris	R.Angkriwan	A.D.Liu	M. Masri
P Jayanetti	J.R.Hill	M.R.S.M.S.R.C. Samaratunge	I A M Gahazali
H A H Rodrigo	S Mahadeva	A F K Kulasinghe (Alternate)	V.V.P. Daluwatte
P H Rohani	T J G Decarpentrie	(L.L.Quan)	(Ma Honghan)
I.I.Rushdhee	A.Saaaid	R.Hassan	R S Ramakrishnan
D.Janik	W.D.K.de Silva	S.N.Wickremesooriya	T.K.Wijemanne
M.A.J.Ranatunge	N.P.Samarasinghe	S. Mizukami	C.K.de Zoysa
R.A.Perera	D.N.W.Y.Min	J.Mathew	W.Y.Fei
T.U.K. Peiris	T.Hanajima	U.T.Z.Tun	H.Ishizaki (Alternate)
A.H.Kulasinghe	Capt. P.L. Cumaratunga	A.A.Djohan	S.I. Ramakrishnan
M. Haijiao	F.S.Abeygoonnewardena	J C Anandappa	K Wada
K.M.A.Fernando	M.Nabeel	S.Djohan	M.R.B.A. Tajuddin
W.Shanhe	L.D.E.A.de Silva	L.Senanayake	Ms.Z.Yinghui
H.Noguchi	M.S.Lalachandra	M.S.M.Ibrahim	S.E.J.Abeysundere

## Annual Report of the Board of Directors

Others			
A.M.Pandithage	M.R.Zaheed	S.C.Ganegoda	H.S.R.Kariyawan
K.D.D.Perera	(W.D.N.H.Perera)	Dr.H.Cabral, PC	(M.D.S.Goonatilleke)
L.T.Samarawickrama	L.R.V.Waidyaratne	S.J.Wijesinghe	A.S.Jayatilleke
P.J.Claesson	D.V.Press	S.Senaratne	D.E.Silva
J.G.Victoria	K.A.Y.P.Sumanapala	Ms.V.Jayasundera	E.J.Pietersz
S.D.D.K.Senaratne	E.R.P.Goonetilleke	L.D.E.A.de Silva	Ms.M.P.Abeysekera
D.D.W.Siriwardene	Dr.A.Sivagananathan	M.Y.A.Perera	H.D.M.P.S.Karunatilaka
Ms.S.Abeytunge	Chandev W. Abhayaratne	R.W.Abhayaratne	C.J.Wickramasinghe
Chandresa W. Abhayaratne	M.H.Jamaldeen	S.Munaweera	S.L.Athukorala
Dr.K.I.M.Ranasoma		Ms.D.G.Talpahewa	(R.A.Karunaratne)
D.J.A.Wijesinghe			
T.G.Thoradeniya			

### 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 30.

None of the Directors hold debentures in Hayleys PLC

### 13. Employee share ownership plans

The Group does not operate a share option schemes.

The Hayleys PLC Employees Share Trust was dissolved during the year, in accordance with the Circular 'CSE 02/2012' Issued by the Colombo Stock Exchange, after distributing the shares held by the Trust among the eligible beneficiaries.

### 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. Related Party Transactions

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

The related party transactions of the Company during the financial year have been reviewed

by the Related Party Transactions Review Committee and are in compliance with the Section 09 of the CSE Listing Rules.

### 16. 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 163 to 169.

### 17. 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 223.

### 18. Events 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 269.

### 19. 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 has adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the Financial Statements.

### 20. 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.

### 21. Appointment of Auditors

Messrs Ernst & Young, Chartered Accountants, are deemed reappointed, in terms of Section 158 of the Companies Act No.7 of 2007, as Auditors of the Company.

### 22. 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. 1.8 mn (Rs. 1.7mn), and Rs. 46.5 mn (Rs 42.1mn) as audit fees by the Company and its Subsidiaries respectively. In addition, they were paid Rs. 0.28 mn (Rs. 0.7mn) and Rs. 21.8 mn (Rs

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16.1mn.), by the Company and its Subsidiaries respectively, for non- audit related work, which consisted mainly of tax consultancy services.

In addition to the above, Group companies, both local and overseas, engage other audit firms. Audit fees and payments relating to non- audit work in respect of these firms amount to Rs. 9.3 mn (Rs12.3mn.) and Rs. 5.6 mn (Rs. 5.6 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.

**23. 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 page 302 of this Report.

**24. 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 Human Capital Employees Section of the Consolidated Statement of Social Performance.

The number of persons employed by the Group at year-end was 28,137 (27,146).

**25. Shareholders**

It is the Group's policy to endeavour to ensure equitable treatment to its shareholders.

**26. 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.

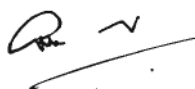
**27. Corporate Governance**

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 42 to 57 discusses this further.

**28. Annual General Meeting**

The Annual General Meeting will be held at Balmoral Ballroom, The Kingsbury Hotel, No. 48, Janadhipathi Mawatha, Colombo 01, at 10.00 a.m. on Thursday, 29th June 2017. The Notice of the Annual General Meeting appears on page 322.

For and on behalf of the Board




**A.M.Pandithage**

Chairman & Chief Executive



**S.C.Ganegoda**

Director



**Hayleys Group Services (Pvt) Ltd**

Secretaries

19th May 2017

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 2017 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.

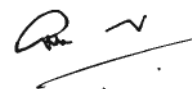
The Financial Statements were audited by independent external auditors, Messers Ernst & Young, Chartered Accountants, the independent external auditors. Their report is given on page 191 of the Annual Report.

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 32 to the Financial Statements in this Annual Report.



A.M. Pandithage  
Chairman & Chief Executive



L. D.E. A. De Silva  
Group Chief Financial Officer

19th May 2017



# Directors' Statement on Internal Controls

The following statement fulfills 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 2013, 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 2015/16 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



**Dr. Harsha Cabral, PC.**  
Member, Audit Committee

19th May 2017

# Nomination Committee Report

## Composition of the Committee

The Nomination Committee comprises two 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)- ( resigned w.e.f.  
08.03.2017)

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 36 to 37 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.

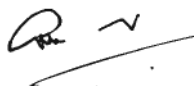
- Review the structure, size, composition and competencies of the Board and make recommendations to the Board with regard to any changes.
- Recommend the requirements of new expertise and succession arrangements for retiring Directors.
- Recommend on any matter referred by the Board of Directors.

## Re- election of Directors at the Annual General Meeting

Messrs M.Y.A.Perera, N.L.S.Joseph were proposed to elect and M.H.Jamaldeen, K.D.D.Perera, K.I.M.Ranasoma were proposed for re-election to the Board at the Annual General Meeting to be held on 29th June 2017 and the Committee decided to recommend the said names to be approved by the Board of Directors.

## Meetings

The Committee met two times during the year under review. The attendance at the meetings given in table on page 44 of the Annual Report.



Mohan Pandithage  
Chairman  
Nomination Committee

19th May 2017

# Remuneration Committee Report

## Composition of the Committee

The Remuneration Committee appointed by and responsible to the Board of Directors comprises four 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)

M.Y.A Perera (IND/NED)- ( appointed w.e.f 12.09.2016)

M.H. Jamaldeen (IND/NED)

W.D.N.H.Perera (NED) - (resigned w.e.f 08.03.2017)

M.D.S. Goonatileke (IND/NED)- (resigned w.e.f 12.05.2016)

( IND- Independent Director, NED- Non-Executive Director)

Brief profiles of the Directors are given on pages 36 to 37 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 met three times during the year under review. The attendance at the meetings given in table on page 44 of the Annual Report.

Dr. Harsha Cabral, PC.  
Chairman  
Remuneration Committee

19th May 2017

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# 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.

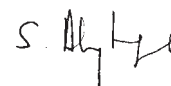
As required by Section 56 (2) of the Companies Act, the Board of Directors has authorized distribution of the dividend, being satisfied based on information available to it that the Company would satisfy the solvency test after such distribution in accordance with Section 57 of the Companies Act, and have sought 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 19 sets out their responsibilities in relation to the Financial Statements.

## Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its Subsidiaries as at the Balance Sheet date have been paid or where relevant, provided for.

By order of the Board  
HAYLEYS GROUP SERVICES (PVT) LTD



Secretaries

19th May, 2017



# Related Party Transactions Review Committee Report

## Composition of the Committee

The Board has established the Related Party Transaction Review Committee in terms of the Code of Best practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange .

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director. The Committee comprised of the Following members;

Dr H Cabral, PC (IND/NED) - Chairman

Mr. M Y A Perera (IND/NED)-Appointed (w.e.f 12.09.2016)

Mr. S C Ganegoda (ED)

Mr. M. D. S. Goonatilleke (IND/NED)-Resigned w.e.f. 12.05.2016

(ED- Executive Director, IND/NED - Independent Non-Executive Director)

The brief profiles of the existing Members of the Committee are given on pages 28 to 33 of the Annual Report.

## The duties of the Committee

- To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

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

## Task of the Committee

The Committee re-viewed the related party transactions and their compliances in Hayleys PLC and the its Group Companies and communicated the same to the Board.

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

## Meetings

The Committee met 4 times during the year under review. The attendance at the meetings given in table on page 44 of the Annual Report.

Dr. Harsha Cabral, PC.

Chairman

Related Party Transactions Review Committee

17th May, 2017

# 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.

Mr. M Y A Perera (Chairman) – INED  
(Appointed on 12th September 2016)

Mr. M D S Goonatilake (Chairman) – INED  
(Resigned on 12th May 2016)

Mr. W D N H Perera – NED (Resigned on 8th March 2017)

Dr. H Cabral – INED

Mr. M H Jamaldeen – INED

(INED - Independent Non-Executive Director  
NED - Non-Executive Director)

The Chairman of the Committee, Mr. A Perera, an Independent Non - Executive Director, is a finance professional with over 25 years of post-qualification experience. He is a fellow member of the Institute of Chartered Management Accountants (U.K) and fellow member of Institute of Bankers and has a MBA from Post Graduate Institute of Management, University of Sri Jayawardenepura. He is also a member of Institute of Engineers of Sri Lanka and a Chartered Engineer.

Brief profiles of each member are given on pages 36 & 37 of this report. Their individual and collective financial knowledge and business acumen and the independence of the Committee, are brought to bear on their deliberations and

judgments on matters that come within the Committee's purview.

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 the 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 the 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 5 times during the year. The attendance of the members at these meetings is stated in the table on page 44.

Other members of the Board and the Group Management Committee, as well as the External Auditors were present at discussions where it 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 Enterprise Governance Report on pages 42 to 53.

## 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

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procedure in Group companies that are selected according to an annual plan. These reports were reviewed by the audit committee.

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

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

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

### Subsidiary Company Audit Committees

Certain listed subsidiaries and also some of the unlisted subsidiaries have appointed their own Audit Committees comprising Independent Non Executive Directors. These Audit Committees function independent of the Audit Committee of Hayleys PLC but have similar terms of reference. The minutes of their meetings are made available to Hayleys Audit Committee.

### External Audits

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

units. Remedial action was recommended wherever necessary.

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

### Appointment of External Auditors

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young, continued as Auditors for the financial year ending 31st March 2018.

### 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

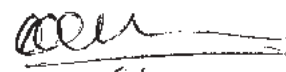
The committee continuously emphasized on upholding ethical values of the staff members. In this regard, Code of Ethics and Whistle-Blowers Policies were put in place and followed educating and encouraging all members of the staff. All appropriate procedures are in place to conduct independent investigations 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

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.



M Y A Perera  
Chairman  
Audit Committee.

17th May 2017



# THE CREATION AND SHARING OF HOLISTIC VALUE

## FINANCIAL CALENDAR

**2016**

08th August 2016  
1st Quarter Report

07th November 2016  
02nd Quarter Report

**2017**

13th February 2017  
03rd Quarter Report

19th May 2017  
04th Quarter Report

30th May 2017  
Annual Report  
2016/17

9th June 2017  
Dividend Payable for  
FY 2016/17

29th June 2017  
66th Annual General  
Meeting



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## INDEPENDENT AUDITOR'S REPOST



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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 statement of financial position as at 31 March 2017, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and 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 control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's 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 audit evidence about the amounts 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 controls 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 2017, 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 2017, 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.

19 May 2017  
Colombo

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## STATEMENT OF PROFIT OR LOSS

For the year ended 31st March	Notes	Consolidated		Company	
		2017	2016 (Restated)	2017	2016
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	6	111,383,076	92,274,683	338,222	330,083
Cost of sales		(85,461,619)	(69,642,934)	(186,551)	(169,221)
<b>Gross profit</b>		<b>25,921,457</b>	<b>22,631,749</b>	<b>151,671</b>	<b>160,862</b>
Group dividend		-	-	1,586,916	1,467,416
Other income	7	1,024,222	688,209	71,470	1,489
Distribution expenses		(3,419,040)	(3,171,259)	-	-
Administrative expenses		(13,578,638)	(11,460,388)	(91,627)	(139,434)
Other expenses	8	(273,354)	(178,314)	(23)	-
<b>Results from operating activities</b>		<b>9,674,647</b>	<b>8,509,997</b>	<b>1,718,407</b>	<b>1,490,333</b>
Finance income	9	718,637	843,766	44,650	71,407
Finance cost	9	(3,830,279)	(2,775,241)	(815,075)	(672,845)
<b>Net finance cost</b>		<b>(3,111,642)</b>	<b>(1,931,475)</b>	<b>(770,425)</b>	<b>(601,438)</b>
Change in fair value of investment properties	15	249,286	130,479	-	-
Share of profit of equity accounted investees (net of tax)	18	212,871	242,537	-	-
<b>Profit before tax</b>	10	<b>7,025,162</b>	<b>6,951,538</b>	<b>947,982</b>	<b>888,895</b>
Tax expense	11	(1,976,840)	(1,756,478)	(9,600)	(21,132)
<b>Profit for the year</b>		<b>5,048,322</b>	<b>5,195,060</b>	<b>938,382</b>	<b>867,763</b>
Profit for the period attributable to:					
Owners of the parent		2,783,933	3,117,553		
Non-controlling interest		2,264,389	2,077,507		
<b>Profit for the year</b>		<b>5,048,322</b>	<b>5,195,060</b>		
<b>Earnings per share</b>					
Basic - (Rs.)	12	37.12	41.57		
Diluted - (Rs.)	12	37.12	41.57		

Notes from pages 204 to 290 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Notes	Consolidated		Company	
		2017	2016 (Restated)	2017	2016
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit for the year		5,048,322	5,195,060	938,382	867,763
Other comprehensive income					
Items that will not be reclassified subsequently to Statement of Profit or Loss					
Revaluation of land		7,540,561	-	5,648,000	-
Share of other comprehensive income of equity accounted investees		-	-	-	-
Actuarial (loss)/ gain on employee benefit obligations	28	394,067	(378,352)	(28,213)	(70,694)
Income tax on other comprehensive income	11	(68,082)	50,304	-	-
Items that will be reclassified subsequently to Statement of Profit or Loss					
Net exchange differences on translation of foreign operations		449,755	367,727	-	-
Share of other comprehensive income of equity accounted investees		374	(469)	-	-
Net change in fair value of available-for-sale financial assets		12,065	(6,850)	-	-
Total other comprehensive income for the year, net of tax		8,328,740	32,360	5,619,787	(70,694)
Total comprehensive income for the year, net of tax		13,377,062	5,227,420	6,558,169	797,069
Total comprehensive income for the year attributable to:					
Owners of the parent		10,343,403	3,086,212		
Non- controlling interest		3,033,659	2,141,208		
		13,377,062	5,227,420		

## STATEMENT OF FINANCIAL POSITION

As at 31st March		Consolidated			Company	
		2017	2016 (Restated)	2015 (Restated)	2017	2016
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets						
Non-current assets						
Property, plant & equipment	14	66,407,294	50,349,876	46,083,653	2,377,439	6,674,109
Investment properties	15	1,764,423	1,935,137	1,815,092	-	-
Biological assets	16	374,353	342,797	307,476	-	-
Intangible assets	17	6,434,205	6,297,430	5,715,803	-	-
Investments in subsidiaries	18	-	-	-	21,947,100	9,881,296
Investments in equity accounted investees	18	721,633	671,797	489,096	-	-
Other non- current financial assets	19	197,858	223,038	241,478	104,297	141,764
Other non-current assets	20	1,657,145	595,977	1,022,155	-	-
Deferred tax assets	27	604,150	399,217	385,745	-	-
Total non-current assets		78,161,061	60,815,269	56,060,498	24,428,836	16,697,169
Current assets						
Inventories	21	17,678,103	15,033,125	12,625,359	1,206	1,421
Amounts due from subsidiaries	39	-	-	-	1,176,681	1,111,039
Amounts due from equity accounted investees	39	68,375	30,162	49,854	13,655	5,762
Trade and other receivables	22	23,876,704	19,053,659	17,859,520	12,746	13,983
Other current assets	22	1,462,471	1,471,295	1,273,295	61,414	11,134
Income tax recoverable	30	344,815	193,581	219,469	5,411	2,287
Other current financial assets	19	479,520	929,875	39,562	17,196	445,180
Short term deposits		2,920,857	1,971,981	2,413,781	-	-
Cash in hand and at bank		5,007,087	3,694,342	3,111,428	64,955	98,559
Assets classified as held for sale	40	3,021	3,021	3,021	-	-
Total current assets		51,840,953	42,381,041	37,595,289	1,353,264	1,689,365
Total assets		130,002,014	103,196,310	93,655,787	25,782,100	18,386,534
Equity and liabilities						
Stated capital	23	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000
Employee share trust loan	23	-	-	(148,558)	-	-
Capital reserves		943,608	1,067,819	1,303,980	13,226	13,226
Other components of equity		19,013,131	11,576,897	11,573,045	1,991,460	6,314,023
Revenue reserves		19,333,998	16,875,824	14,957,837	13,490,522	3,096,965
Total equity attributable to equity holders of the company		40,865,737	31,095,540	29,261,304	17,070,208	10,999,214
Non-controlling interest		17,173,230	15,817,529	15,220,068	-	-
Total equity		58,038,967	46,913,069	44,481,372	17,070,208	10,999,214



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## HAYLEYS PLC

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As at 31st March	Notes	Consolidated			Company	
		2017	2016 (Restated)	2015 (Restated)	2017	2016
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Non-current liabilities</b>						
Interest-bearing borrowings	25	20,634,704	12,235,849	12,069,274	5,901,449	3,555,665
Grants	26	743,387	739,677	713,495	-	-
Deferred tax liabilities	27	1,853,124	1,554,561	1,420,630	-	-
Employee benefit obligations	28	5,608,640	5,678,535	4,958,643	557,063	521,012
<b>Total non-current liabilities</b>		<b>28,839,855</b>	<b>20,208,622</b>	<b>19,162,042</b>	<b>6,458,512</b>	<b>4,076,677</b>
<b>Current liabilities</b>						
Trade and other payables	29	16,766,174	13,130,738	11,943,409	256,522	241,627
Provisions	29	15,350	22,662	25,479	-	-
Other current liabilities	29	1,405,240	1,312,459	497,790	30,507	10,823
Other current financial liabilities	19	1,374	553	15,942	1,281	-
Amounts due to subsidiaries	39	-	-	-	34,777	27,376
Amounts due to equity accounted investees	39	-	-	20,888	-	-
Income tax payable	30	821,832	720,534	515,624	-	-
Current portion of long term interest-bearing borrowings	25	5,060,603	6,394,488	3,686,844	1,211,273	2,987,765
Short-term interest-bearing borrowings	31	19,052,287	14,492,853	13,306,065	719,020	43,052
Liabilities directly associated with assets classified as held for sale	40	332	332	332	-	-
<b>Total current liabilities</b>		<b>43,123,192</b>	<b>36,074,619</b>	<b>30,012,373</b>	<b>2,253,380</b>	<b>3,310,643</b>
<b>Total liabilities</b>		<b>71,963,047</b>	<b>56,283,241</b>	<b>49,174,415</b>	<b>8,711,892</b>	<b>7,387,320</b>
<b>Total equity and liabilities</b>		<b>130,002,014</b>	<b>103,196,310</b>	<b>93,655,787</b>	<b>25,782,100</b>	<b>18,386,534</b>

It is certified that the Financial Statements have been prepared in compliance with the requirements of Companies Act No. 7 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 &amp; Chief Executive



Sarath Ganegoda

Director

19th May, 2017

Notes from pages 204 to 290 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2017 Consolidated	Notes	Stated capital  Rs. '000	Employee share Trust loan  Rs. '000	Capital Reserves	
				Reserve on scrip issue  Rs.'000	Other capital reserve  Rs.'000
Balance as at 1st April 2016 - As previously stated		1,575,000	-	612,184	490,492
Effect of change in accounting policy - LKAS 40	38	-	-	-	-
Effect of transition to LKAS 41	38	-	-	-	-
Adjustment to the fair value on acquisition - SLFRS 3	38	-	-	(34,857)	-
Balance as at 1st April 2016 - Restated		1,575,000	-	577,327	490,492
Profit for the year		-	-	-	-
Other comprehensive income					
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 gain on employee benefit obligations		-	-	-	-
Income tax on other comprehensive income		-	-	-	-
Total other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	-	-
Transactions with owners, recorded directly in equity					
Dividends to equity holders		-	-	-	-
Unclaimed dividend-write back		-	-	-	-
Realised gain on Timber		-	-	-	-
Transfers		-	-	-	(73,099)
Impairment loss transferred to Statement of Profit or Loss		-	-	-	-
Total contributions by and distributions to owners		-	-	-	(73,099)
Changes in ownership interests in subsidiaries					
Acquisition of non-controlling interest with a change in control		-	-	-	-
Acquisition of non-controlling interest without a change in control		-	-	(49,537)	(1,575)
Disposal of subsidiaries		-	-	-	-
Total changes in ownership interests in subsidiaries		-	-	(49,537)	(1,575)
Total transactions with owners		-	-	(49,537)	(74,674)
Balance as at 31st March 2017		1,575,000	-	527,790	415,818

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.

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Attributable to equity holders of the Company									
Other Components of Equity			Revenue Reserves				Shareholders' funds	Non-controlling interest	Total equity
Revaluation reserve	Available-for-sale reserve	Foreign currency translation reserve	General reserve	Timber reserve	Bearer Biological produce reserve	Retained earnings			
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
10,636,028	1,819	939,050	2,233,358	72,860	-	14,294,046	30,854,837	15,728,293	46,583,130
-	-	-	-	-	-	273,214	273,214	127,511	400,725
-	-	-	-	-	2,346	-	2,346	4,145	6,491
-	-	-	-	-	-	-	(34,857)	(42,420)	(77,277)
10,636,028	1,819	939,050	2,233,358	72,860	2,346	14,567,260	31,095,540	15,817,529	46,913,069
-	-	-	-	8,731	6,596	2,768,606	2,783,933	2,264,389	5,048,322
-	-	228,923	-	-	-	-	228,923	220,832	449,755
-	-	-	-	-	-	357	357	17	374
-	8,350	-	-	-	-	-	8,350	3,715	12,065
7,282,984	-	-	-	-	-	-	7,282,984	257,577	7,540,561
-	-	-	-	-	-	53,626	53,626	340,441	394,067
-	-	-	-	-	-	(14,771)	(14,771)	(53,311)	(68,082)
7,282,984	8,350	228,923	-	-	-	39,212	7,559,469	769,271	8,328,740
7,282,984	8,350	228,923	-	8,731	6,596	2,807,818	10,343,402	3,033,660	13,377,062
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(487,500)	(487,500)	(1,488,201)	(1,975,701)
-	-	-	-	-	-	1,788	1,788	806	2,594
-	-	-	-	(176)	-	176	-	-	-
-	-	-	48	-	-	73,051	-	-	-
-	13,776	-	-	-	-	-	13,776	7,800	21,576
-	13,776	-	48	(176)	-	(412,484)	(471,936)	(1,479,595)	(1,951,531)
-	-	-	-	-	-	-	-	-	-
3,529	(69)	(1,765)	151	-	-	(52,004)	(101,270)	(141,608)	(242,878)
(99,494)	-	-	-	-	-	99,494	-	(56,755)	(56,755)
(95,965)	(69)	(1,765)	151	-	-	47,490	(101,270)	(198,363)	(299,633)
(95,965)	13,707	(1,765)	199	(176)	-	(364,995)	(573,206)	(1,677,958)	(2,251,164)
17,823,047	23,876	1,166,208	2,233,557	81,415	8,942	17,010,084	40,865,737	17,173,230	58,038,967

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 which include commercial timber plantations cultivated on estates.

Notes from pages 204 to 290 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2016 Consolidated	Notes	Stated capital Rs. '000	Employee share Trust loan Rs. '000	Capital Reserves	
				Reserve on scrip issue Rs.'000	Other capital reserve Rs.'000
Balance as at 31st March, 2015 - As previously stated		1,575,000	(148,558)	816,801	487,179
Effect of change in accounting policy - LKAS 40	38	-	-	-	-
Effect of transition to LKAS 41	38	-	-	-	-
Balance as at 31st March, 2015 - Restated		1,575,000	(148,558)	816,801	487,179
Charge relating to super gains tax	24	-	-	-	-
Profit for the year		-	-	-	-
Other comprehensive income					
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 on employee benefit obligations		-	-	-	-
Income tax on other comprehensive income		-	-	-	-
Total other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	-	-
Transactions with owners, recorded directly in equity					
Dividends to equity holders		-	-	-	-
Unclaimed dividend-write-back		-	-	-	-
Recovery for the year		-	148,558	-	-
Transfers		-	-	-	3,245
Total contributions by and distributions to owners		-	148,558	-	3,245
Changes in ownership interests in subsidiaries					
Acquisition of non-controlling interest with a change in control		-	-	-	-
Acquisition of non-controlling interest without a change in control		-	-	(239,474)	68
Total changes in ownership interests in subsidiaries		-	-	(239,474)	68
Total transactions with owners		-	148,558	(239,474)	3,313
Balance as at 31st March 2016		1,575,000	-	577,327	490,492

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Attributable to equity holders of the Company										
Other Components of Equity			Revenue Reserves					Shareholders' funds	Non-controlling interest	Total equity
Revaluation reserve	Available-for-sale reserve	Foreign currency translation reserve	General reserve	Timber reserve	Bearer Biological produce reserve	Retained earnings				
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000		Rs.'000	Rs.'000	Rs.'000
10,857,027	10,199	705,819	2,216,088	63,387	-	12,521,008		29,103,950	15,105,525	44,209,475
-	-	-	-	-	-	154,648		154,648	109,011	263,658
-	-	-	-	-	2,707	-		2,707	5,532	8,239
10,857,027	10,199	705,819	2,216,088	63,387	2,707	12,675,656		29,261,304	15,220,068	44,481,372
-	-	-	-	-	-	(655,989)		(655,989)	(283,840)	(939,829)
-	-	-	-	10,258	(361)	3,107,656		3,117,553	2,077,507	5,195,060
-	-	233,007	-	-	-	-		233,007	134,720	367,727
-	-	-	-	-	-	(448)		(448)	(21)	(469)
-	(4,730)	-	-	-	-	-		(4,730)	(2,120)	(6,850)
-	-	-	-	-	-	-		-	-	-
-	-	-	-	-	-	(297,579)		(297,579)	(80,773)	(378,352)
-	-	-	-	-	-	38,409		38,409	11,895	50,304
-	(4,730)	233,007	-	-	-	(259,618)		(31,341)	63,701	32,360
-	(4,730)	233,007	-	10,258	(361)	2,848,038		3,086,212	2,141,208	5,227,420
-	-	-	-	-	-	-		-	-	-
-	-	-	-	-	-	(450,000)		(450,000)	(1,134,028)	(1,584,028)
-	-	-	-	-	-	5,867		5,867	-	5,867
-	-	-	-	-	-	-		148,558	-	148,558
(208,858)	(3,738)	-	14,411	-	-	194,940		-	-	-
(208,858)	(3,738)	-	14,411	-	-	(249,193)		(295,575)	(1,134,028)	(1,429,603)
-	-	-	-	-	-	-		-	(367,458)	(367,458)
(12,141)	88	224	2,859	(785)	-	(51,251)		(300,412)	241,579	(58,833)
(12,141)	88	224	2,859	(785)	-	(51,251)		(300,412)	(125,879)	(426,291)
(220,999)	(3,650)	224	17,270	(785)	-	(300,444)		(595,987)	(1,259,907)	(1,855,894)
10,636,028	1,819	939,050	2,233,358	72,860	2,346	14,567,261		31,095,540	15,817,529	46,913,069



## STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March			Capital Reserve	Other Component of Equity	Revenue Reserve		
Company	Stated capital	Employee share trust loan	Other capital reserve	Revaluation reserve	General reserve	Retained earnings	Total equity
	Rs. '000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April, 2016	1,575,000	-	13,226	6,314,023	382,087	2,714,878	10,999,214
Profit for the year	-	-	-	-	-	938,382	938,382
Other comprehensive income							
Actuarial loss on employee benefit obligations	-	-	-	-	-	(28,213)	(28,213)
Revaluation of land	-	-	-	5,648,000	-	-	5,648,000
Total other comprehensive income	-	-	-	5,648,000	-	(28,213)	5,619,787
Total comprehensive income for the year	-	-	-	5,648,000	-	910,169	6,558,169
Transactions with owners, recorded directly in equity							
Recovery for the year	-	-	-	-	-	-	-
Unclaimed dividend - write back	-	-	-	-	-	325	325
Transfers	-	-	-	(9,970,563)	-	9,970,563	-
Dividends to equity holders	-	-	-	-	-	(487,500)	(487,500)
Total contributions by and distributions to owners	-	-	-	(9,970,563)	-	9,483,388	(487,175)
Total transactions with owners	-	-	-	(9,970,563)	-	9,483,388	(487,175)
Balance as at 31st March 2017	1,575,000	-	13,226	1,991,460	382,087	13,108,435	17,070,208
Balance as at 1st April, 2015	1,575,000	(148,558)	13,226	6,314,023	382,087	2,385,797	10,521,575
Charge relating to super gain tax (Note 24)	-	-	-	-	-	(22,674)	(22,674)
Profit for the year	-	-	-	-	-	867,763	867,763
Other comprehensive income							-
Actuarial loss on employee benefit obligations	-	-	-	-	-	(70,694)	(70,694)
Total other comprehensive income	-	-	-	-	-	(70,694)	(70,694)
Total comprehensive income for the year	-	-	-	-	-	797,069	797,069
Transactions with owners, recorded directly in equity							
Dividends to equity holders	-	-	-	-	-	(450,000)	(450,000)
Unclaimed dividend-write-back	-	-	-	-	-	4,686	4,686
Recovery for the year	-	148,558	-	-	-	-	148,558
Total contributions by and distributions to owners	-	148,558	-	-	-	(445,314)	(296,756)
Total transactions with owners	-	148,558	-	-	-	(445,314)	(296,756)
Balance as at 31st March 2016	1,575,000	-	13,226	6,314,023	382,087	2,714,878	10,999,214

## STATEMENT OF CASH FLOWS

For the year ended 31st March	Notes	Consolidated		Company	
		2017	2016 (Restated)	2017	2016
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash flows from operating activities					
Cash generated from operations	A	9,730,658	10,616,752	1,626,614	1,815,100
Employee benefit paid	28	(528,326)	(410,898)	(58,134)	(14,835)
Income tax paid	30	(2,003,508)	(1,402,217)	(12,724)	(21,667)
Super gain tax paid		-	(939,829)		(22,674)
Net cash inflow from operating activities		7,198,824	7,863,808	1,555,756	1,755,924
Cash flows from investing activities					
Purchase and construction of property, plant & equipment		(11,301,360)	(6,361,888)	(72,798)	(58,637)
Investments in other non- current assets		(1,107,767)	(132,076)	-	-
Investments in other current financial assets		(2,469,362)	-	(2,000,000)	
Investments in other non -current financial assets		-	(895,285)	-	(402,832)
Development of biological assets	16	(5,357)	(7,511)	-	-
Grants received - capital	26	44,270	90,288	-	-
Improvements to investment property	15	-	(2,488)	-	-
Proceeds from disposal of property, plant & equipment/ Investment property		205,271	204,198	6,886	5,312
Proceeds from disposal of intangible assets		1,984	1,148	-	-
Proceeds from disposal of current financial assets		2,921,811	-	2,426,808	-
Proceeds from disposal of subsidiaries	37	330,112	-	-	-
On acquisition of right to generate hydro power/ ERP system		(216,480)	(65,713)	-	-
Proceeds from buy back of shares of non current financial assets		99,280		99,280	
Proceeds from the sale of equity accounted investees	37	-	460,000	-	-
Long term investments in group companies and others		-	(121)	(2,048,720)	(515,952)
Acquisition through business combinations	37	-	(859,855)	-	-
Interest received	9	272,791	177,793	6,270	33,077
Dividends received from equity accounted investees		163,409	194,353	-	-
Dividends received from non-group companies	9	9,909	6,191	282	802
Net cash used in investing activities		(11,051,489)	(7,190,966)	(1,581,992)	(938,230)
Net cash inflow before financing		(3,852,665)	672,842	(26,236)	817,694

## STATEMENT OF CASH FLOWS

For the year ended 31st March	Notes	Consolidated		Company	
		2017 Rs.'000	2016 (Restated) Rs.'000	2017 Rs.'000	2016 Rs.'000
<b>Cash flows from financing activities</b>					
Capital payment on finance lease		(26,827)	(29,250)	-	-
Recovery of employee share trust loan		-	148,558	-	148,558
Interest paid (including interest capitalized)		(3,152,556)	(2,011,580)	(678,744)	(605,470)
Dividend paid to non-controlling interest		(1,487,395)	(1,134,028)	-	-
Proceeds from interest-bearing borrowings	25	13,858,547	6,799,581	3,500,000	1,442,000
Repayment of interest-bearing borrowings	25	(7,130,810)	(5,026,408)	(2,998,485)	(1,833,517)
Forward contract liability payment		(867)	(15,389)	(867)	(12,033)
Long term loan facility fee		(5,981)	-	(5,981)	-
Debenture issue fee		(11,759)	-	(11,759)	-
Dividends paid to equity holders of parent	13	(487,500)	(450,000)	(487,500)	(450,000)
Net cash inflow / (outflow) from financing activities		1,554,852	(1,718,516)	(683,336)	(1,310,462)
Net increase / (decrease) in cash and cash equivalents		(2,297,813)	(1,045,674)	(709,572)	(492,768)
Cash and cash equivalents at beginning of the year		(8,825,415)	(7,779,741)	55,507	548,275
Cash and cash equivalents at end of the year	B	(11,123,228)	(8,825,415)	(654,065)	55,507

Notes from pages 204 to 290 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

For the year ended 31st March	Notes	Consolidated		Company	
		2017	2016 (Restated)	2017	2016
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
A. Cash generated from operations					
Profit before tax		7,025,162	6,951,538	947,982	888,895
Adjustments for:					
Net finance costs	9	3,111,642	1,931,475	770,425	601,438
Share of profits from equity accounted investees	18	(212,871)	(242,537)		-
Depreciation on property, plant & equipment	14	2,997,780	2,513,668	34,305	35,370
Impairment of property, plant & equipment	14	75,332	27,405	-	-
Change in fair value of investment properties	15	(249,286)	(130,479)	-	-
Change in fair value of bearer biological assets		(18,805)	1,748		
Change in fair value of biological assets	16	(24,455)	(27,810)	-	-
(Gain)/loss on the disposal of property, plant & equipment	7/8	(35,561)	(60,577)	(141)	(1,489)
Gain on the disposal of long term investment	7	(71,309)	-	(71,309)	-
Loss on the disposal of current financial assets	8	22	-	-	-
Scrip Dividend		-	-	(40,669)	-
Gain on bargain purchase of subsidiary	7	(86,311)	(3,862)	-	-
Amortisation of intangible assets	8	181,733	140,626	-	-
Net gains/(loss) on translation of foreign currency		(25,884)	398,949	-	-
Impairment of trade & other receivables	22	5,630	116,759	-	-
Provision for unrealised profit and write-down of inventories	21	(49,360)	244,400	-	-
Impairment/ amortisation of other non -current assets	20	46,599	33,254	-	-
Gain on the disposal of equity accounted investees	7	(25,300)	(107,485)	-	-
Provision for post employee benefit obligations	28	838,638	645,178	65,972	49,536
Grants amortised	7	(40,560)	(64,106)	-	-
		13,442,836	12,368,144	1,706,565	1,573,750
(Increase)/decrease in trade and other receivables		(4,858,061)	(598,298)	(122,450)	284,038
(Increase)/decrease in inventories		(2,576,812)	(2,166,247)	216	432
Increase/(decrease) in trade and other payables		3,722,695	1,013,153	42,283	(43,120)
		9,730,658	10,616,752	1,626,614	1,815,100
B. Analysis of cash and cash equivalents					
Cash in hand and at bank		5,008,202	3,695,457	64,955	98,559
Short - term deposits		2,920,857	1,971,981	-	-
		7,929,059	5,667,438	64,955	98,559
Short-term interest bearing borrowings	31	(19,052,287)	(14,492,853)	(719,020)	(43,052)
Cash and cash equivalents		(11,123,228)	(8,825,415)	(654,065)	55,507

\* 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 page 320.

#### 1.2 Consolidated Financial Statements

The Consolidated Financial Statements of Hayleys PLC, as at and for the year ended 31st March 2017 encompasses 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 page 320 and on pages 305 to 307. 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 2017 were authorised for issue by the Directors on 19th May 2017.

#### 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;

- Lands which are recognised as property plant and equipment which are measured at cost at the time of the acquisition and subsequently carried at fair value
- Lands and building which are recognised as investment property which are measured at cost at the time of the acquisition and subsequently carried at fair value
- Financial instruments reflected as fair value through profit or loss which are measured at fair value.
- Financial instruments designated as available-for-sale financial assets which are measured at fair value.
- Consumable biological assets and agricultural produce from bearer biological assets which 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. Subsidiaries whose functional currencies are different as they operate in different economic environments are reflected in Note 34 to the Financial Statements.

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.

### 2.5 Comparative information

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

### 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

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

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

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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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 Statement of Profit or Loss. 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, which is measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree 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. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 Statement of Profit or Loss.

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 the Statement of Profit or Loss or 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 interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

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

### 3.1.2 Non - controlling interests

Profit or loss and each component of Other Comprehensive Income are attributed to equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

### 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 separately.

The Statement of Profit or Loss 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

## NOTES TO THE FINANCIAL STATEMENTS

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 Statement of Profit or Loss 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 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 Statement of Profit or Loss.

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 Statement of Profit or Loss.

### 3.1.4 Transactions eliminated on consolidation

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 the Statement of Profit or Loss. All differences arising on settlement or translation of monetary items are taken to Statement of Profit or Loss. Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are translated at the exchange rate that prevailed at the date of the 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 Statement of Profit or Loss).

#### 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 Statement of Profit or Loss 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 Statement of Profit or Loss.

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 investments which are designated as available for sale and designated as fair value through profit or loss and derivatives; non-financial assets such as owner occupied land and investment properties, at fair value at each reporting 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
- Investment properties - Note 15
- Financial instruments (including those carried at amortised cost) - Note 19
- Biological assets (Consumables and agricultural produce) - Note 16

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

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 Bases 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 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 including construction in progress are measured at cost net of accumulated depreciation and accumulated impairment losses, if any, except for land which 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 includes 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.

## NOTES TO THE FINANCIAL STATEMENTS

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.

Any revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the Statement of Profit or Loss, the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation 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 the Statement of Profit or Loss 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 (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in the Statement of Profit or Loss. Gains are not classified as revenue.

### 3.2.1.6 Depreciation

Depreciation is recognised in the Statement of Profit or Loss on a straight-line basis over the

estimated useful lives of each part of an item of property, plant & equipment, in reflecting 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:

Description	Period
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 – 10 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 the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and 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

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a Finance Lease,

Finance leases 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 Statement of Profit or Loss.

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 Statement of Profit or Loss 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 properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day to-day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise. Fair values are evaluated with sufficient frequency by an accredited external, independent valuer.

Investment properties are derecognised when disposed, or permanently withdrawn from use



because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use for a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted using Group accounting policy for property, plant and equipment.

### 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 Statement of Profit or Loss 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.

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 Statement of Profit or Loss in the expense category consistent with the function of the intangible assets.

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

#### 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 Statement of Profit or Loss 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, being determined to have an indefinite useful life, 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 lists of 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.



## NOTES TO THE FINANCIAL STATEMENTS

### 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 or loss as incurred.

### 3.2.3.11 Amortisation

Amortisation is recognised in profit or 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 are available for use. The estimated useful lives for the current and comparative periods are as follows:

Description	Period
Right to generate hydro power	15- 20 years
Right to generate solar power	20 years
Customer List	5 years
ERP Systems	5-10 years
Operating Lease -	
The Kingsbury PLC	54 years
Amaya Leisure PLC	20 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 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, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

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

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

#### 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 or 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 Statement of Profit or Loss.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under LKAS 39 are satisfied.

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 Statement of Profit or Loss. 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 Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in finance costs for loans and in other 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 Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in finance costs.

#### Available-for-sale financial assets

Available-for-sale financial assets 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 assets 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 Statement of Profit or Loss 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 if the management has the ability and intention to hold these assets for the foreseeable future or until maturity.

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 the Statement of Profit or Loss 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 Statement of Profit or Loss.

### 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. An impairment exists if one or more events that have occurred since the initial recognition of the asset (an incurred '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 observable data indicating 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.

The amount of any impairment loss identified 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 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 Statement of Profit or Loss. 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 Statement of Profit or Loss. 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 the Statement of Profit or Loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.3.1.4.2 Available-for-sale financial assets

For available-for-sale financial assets, 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 Statement of Profit or Loss – is removed from Other Comprehensive Income and recognised in the Statement of Profit or Loss. Impairment losses on equity investments are not reversed through the Statement of Profit or Loss; 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 are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings and payables, 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

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 incurred for the purpose of repurchasing 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 Statement of Profit or Loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss so designated at the initial date of recognition, and only if criteria of LKAS 39 are satisfied. The group has not designated any financial liability at fair value through profit or loss.

#### 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 Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

#### 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. Financial guarantee contracts

are recognised 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 Statement of Profit or Loss.

#### 3.3.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if,

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

#### 3.3.4 Derivative financial instruments

##### 3.3.4.1 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 Statement of Profit or Loss.

### 3.3.5 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.

### 3.3.6 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.

### 3.3.7 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 Impairment of non-financial assets

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

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

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

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

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Formers - Provision for impairment



## NOTES TO THE FINANCIAL STATEMENTS

In respect of formers, a 10% provision on the written down value is recognized as impairment in Statement of Profit or Loss.

### 3.3.9 Cash and cash equivalents

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

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

## 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 for entities of the Group operating in Sri Lanka, 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 based on legal liability method or the following basis by the respective entities.

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 Statement of Profit or Loss net of any reimbursement.

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

### 3.4.5 Warranties

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

### 3.4.6 Capital commitments and contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the 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 Statement of Profit or Loss

For the purpose of presentation of the Statement of Profit or Loss, 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 received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

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 or loss in proportion to the stage of completion of the transaction at the reporting date.

**Hospitality revenue**

Room revenue generated by the hospitality sector is recognised on the rooms occupied on a daily basis. Food and beverage revenue is recognised at the time of related sale.

**Rental income**

Rental income is recognised in profit or loss as it accrues.

**Dividend**

Dividend income is recognised in profit or 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 or 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 or 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 income" in profit or loss.

**Other income**

Other income is recognized on an accrual basis.

**3.5.2 Expenses**

Expenses are recognized in the profit or loss 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 or 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 or 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 cost**

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 the Statement of Profit or Loss. Interest income is recognised as it accrues in the Statement of Profit or Loss.

Finance cost 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 the Statement of Profit or Loss.

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

Current tax relating to items recognised directly in Other Comprehensive Income is recognised in Other Comprehensive Income and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**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:

- 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

## NOTES TO THE FINANCIAL STATEMENTS

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 the Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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 the Statement of Profit or Loss.

Tax on dividend income from subsidiaries is recognised as an expense in the Consolidated Statement of Profit or Loss 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 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 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 Group.

Those accounting policies that significantly vary from the rest of the Group are given below.

### 4.3.1 Property, plant & equipment

#### 4.3.1.1 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 Statement of Profit or Loss in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

#### 4.3.1.2 Biological asset

Biological assets are classified as either mature biological assets or 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.

#### 4.3.1.2.1 Bearer Biological Asset

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.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting 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. The expenditure incurred on bearer biological assets (Tea, Rubber) which comes into bearing during the year, is transferred to mature plantations.

#### 4.3.1.2.2 Infilling Cost on Bearer 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 Statement of Profit or Loss in the year in which they are incurred.

#### 4.3.1.2.3 Borrowing Cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale are capitalised as a part of the asset.

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss.

The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with the in LKAS 23 - Borrowing Costs.

Borrowing costs incurred in respect of specific 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.

The amount so capitalised and the capitalisation rates are disclosed in Notes to the Financial Statements.

#### 4.3.1.2.4 Consumable Biological Asset

Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is 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.

#### The main variables in DCF model concerns

Variable	Comment
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each species in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Group.

Variable	Comment
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 fulfilled in bringing the trees in to saleable condition.
Planting cost	Estimated costs for the further development of immature areas are deducted.

The gain or loss arising on initial recognition of consumable biological assets at fair value less cost to sell and from a change in fair value less cost to sell of consumable biological assets are included in statement of profit or loss for the period in which it arises.

Permanent impairments to biological asset are charged to the Statement of Profit or Loss in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

#### 4.3.1.2.5 Nursery Plants

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

#### 4.3.1.3 Depreciation

Depreciation is recognized in the Statement of Profit or Loss on a straight line basis over the estimated useful lives of each item of property, plant and equipment as follows,

Description	Years
Mature plantations - Tea	33
- Rubber	20
Sanitation, water & electricity supply	20

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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.

### 4.3.1.4 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	Years
Bare land	53
Improvements to land	30
Mature plantations (Tea & rubber)	30
Buildings	25
Machinery	20

### 4.3.2 Inventories

#### 4.3.2.1 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.

#### 4.3.2.2 Input material, spares and consumables

At actual cost on weighted average basis.

#### 4.3.2.3 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.

### 4.3.3 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 Statement of Profit or Loss over the useful life of the asset).

### 4.4 Statement of Cash Flows

The Statement 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.

### 4.5 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 and the Board 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.

### 4.6 Changes in accounting policies and disclosures

#### 4.6.1 Change in subsequent measurement policy for investment properties

The Group re-assessed its accounting for investment property with respect to measurement after initial recognition. The Group had previously measured all investment property using the cost model whereby, after initial recognition of the asset classified as investment property, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

On 31 March 2017, the Group decided to change the method of accounting for investment property, as the Group believes that the fair value model provides more relevant information to the users of its financial statements and is more aligned to practices adopted by its competitors. In addition, available valuation techniques provide reliable estimates of the investment property's fair value. The Group applied the revaluation model retrospectively.

After initial recognition, investment property is measured at its fair value at the end of the reporting period and a gain or loss arising from changes in the fair value in the reporting period is recognised in profit or loss for that period and disclosed in Note 15 to the Financial Statements.

#### 4.6.2 New and amended standards and interpretations

Agriculture: Bearer Plants (Amendments to LKAS 16 and LKAS 41) Produce on bearer biological assets

LKAS 41 requires the produce on bearer plant prior to harvest to be measured at fair value less costs to sell. The Group previously presumed any agricultural produce prior to harvest (produce on) as bearer biological asset and measured at cost less accumulated depreciation and accumulated impairment losses, if any.



After initial recognition, changes in the fair value of such agricultural produce recognised in profit or loss at the end of each reporting period.

The Group applied this amendment retrospectively and disclosed in Note 38.3 to the Financial Statements.

#### 4.7 Standards Issued but not yet Effective

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

##### SLFRS 9 Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

##### SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under SLFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of SLFRS 15, which is subject to changes arising from a more detailed ongoing analysis.

Revenue of the Group is generated through the sale of goods and the rendering of services as reflected

in Note 6.1 to these financial statements. In preparation for SLFRS 15, the Group has reviewed its contracts with customers and comment as follows;

- Sales contracts relating to sales of goods are predominantly designed to have a single performance obligation. Such contracts are not expected to have a significant impact on the Group's profit or loss and the Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.
- Several entities within the Group do have contracts with customers relating to the arrangements which are presently accounted for in accordance with LKAS 11 – Construction Contracts. Such contracts do have multiple performance obligations which are discharged over a period of time. The Group is presently in the process of reviewing such contracts in determining whether the adoption of SLFRS 15 could significantly affect the timing that revenue is recognized.
- The Leisure Sector and the Transportation and Logistics Sectors have contracts with customers which relate to the rendering of services. Such contracts do have multiple performance obligations which are discharged over a short period in time. The Group expects that the adoption of SLFRS 15 in such sectors could have an impact on the timing of revenue being as the performance obligations are being discharged but does not expect a significant impact on the Group's profit or loss.

In preparation for SLFRS 15, the Group is however reviewing all contracts entered into with customers for provisions relating to variable considerations, loyalty arrangements or warranty obligations. Pending a detailed analysis of the underlying contracts, the possible impact from SLFRS 15 is not readily estimable as of the reporting date.

##### Presentation and disclosure requirements

SLFRS 15 provides presentation and disclosure requirements, which are more detailed than under current SLFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in Group's financial statements. Many of the disclosure requirements

in SLFRS 15 are completely new. In 2016 the Group developed and started testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

##### SLFRS 16 Leases

SLFRS 16 provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 leases, IFRIC 4 determining whether an arrangement contains a lease, SIC 15 operating leases - incentives; and SIC 27 evaluating the substance of transactions involving the legal form of a lease. Earlier application is permitted for entities that apply SLFRS 15 Revenue from Contracts with customers.

SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

The following amendments and improvements are not expected to have a significant impact on the Company's/ Group's Financial Statements.

- Amendments to SLFRS 10 and LKAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- LKAS 7 Disclosure Initiative – Amendments to LKAS 7.
- LKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to LKAS 12.
- SLFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to SLFRS 2.
- Applying SLFRS 9 Financial Instruments with SLFRS 4 Insurance Contracts — Amendments to SLFRS 4.

## 5 Critical Accounting 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



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and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

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

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

## 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 requires impairment, in accordance with the accounting policy stated in Note 3.3.8. The basis of determining the recoverable amounts of cash generating units and key assumptions used are given in Note 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 establish 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 Employee Benefit Obligations

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 28 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of employee 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 the open market approach in determining the fair value of the land. Further details on Revaluation of land are disclosed in Note 14 to the Financial Statements.

## 5.7 Fair valuation of Investment Property

The Group measures lands and buildings which are recognised as investment property at fair value amount with change in value being recognised in profit or loss. The valuer has used the open market approach in determining the fair value of the land. Further details on fair value of investment property are disclosed in Note 15 to the Financial Statements.

## 5.8 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 in Note 16. Such estimations are subject to significant uncertainties.

## 5.9 Consolidation of Entities with the Group Holds 50% of the Voting Rights

The Group holds 50% of the issued share capital of Carbokarn Company Ltd.,(CK) Thailand which in turn is the Parent Company of two fully-owned subsidiaries; CK Regen Systems Co. Ltd. and Shizuka Co. Ltd. The Group also holds 50% of the issued capital of Solar One Ceylon (Pvt) Ltd. Although the Group holds 50% of the issued capital of the mentioned entities they are considered as subsidiaries for financial reporting after due consideration of the agreements with partners and the current operating arrangement.

## 6. Revenue

### 6.1 Industry Segment Revenue

For the year ended 31st March	Consolidated					
	Sale of goods	Rendering of services	Total revenue	Sale of goods	Rendering of services	Total revenue
	Rs.'000	Rs.'000	2017 Rs.'000	Rs.'000	Rs.'000	2016 Rs.'000
Eco solutions	4,012,613	-	4,012,613	3,791,081	-	3,791,081
Hand protection	14,281,444	-	14,281,444	12,725,304	-	12,725,304
Purification products	13,553,575	-	13,553,575	11,705,824	-	11,705,824
Textiles	8,228,977	-	8,228,977	8,364,207	-	8,364,207
Construction materials	4,706,316	-	4,706,316	3,944,150	-	3,944,150
Agriculture	13,611,732	-	13,611,732	11,023,145	-	11,023,145
Plantations	9,989,254	-	9,989,254	9,095,537	-	9,095,537
Transportation & logistics	-	24,245,431	24,245,431	-	15,812,275	15,812,275
Leisure	-	5,618,505	5,618,505	-	4,501,214	4,501,214
Consumer products	5,277,527	-	5,277,527	5,718,155	-	5,718,155
Power & energy	1,026,860	-	1,026,860	935,278	-	935,278
Industry inputs	3,633,625	-	3,633,625	2,701,321	-	2,701,321
Others	2,009,612	1,187,605	3,197,217	282,676	1,674,516	1,957,192
	80,331,535	31,051,541	111,383,076	70,286,678	21,988,005	92,274,683

### 6.2 Geographical Segment Revenue

For the year ended 31st March	Consolidated	
	2017	2016
	Rs.'000	Rs.'000
Asia (excluding Sri Lanka)	21,603,994	14,065,386
Australia	1,555,296	1,757,596
Europe	13,151,492	13,163,681
America	7,056,615	5,457,405
Africa	1,096,093	1,803,911
Indirect exports	15,584,129	14,027,117
Sri Lanka	51,335,457	41,999,587
	111,383,076	92,274,683

### 6.3 Gross Revenue

For the year ended 31st March	Company	
	2017	2016
	Rs.'000	Rs.'000
Rent and building related income	338,222	330,083
	338,222	330,083

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### 7. Other Income

For the year ended 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Grants amortised*	40,560	64,106	-	-
Gain on disposal of property, plant & equipment	51,828	70,860	161	1,489
Change in fair value of biological assets	43,260	26,063	-	-
Gain on disposal of long-term investment	71,309	-	71,309	-
Gain on disposal of subsidiaries/equity accounted investees	25,300	107,485	-	-
Sundry Income/Scrap sales	348,012	276,564	-	-
Rent income	49,999	43,043	-	-
Gain on bargain purchases	86,311	3,862	-	-
Indent commission	307,643	96,226	-	-
	1,024,222	688,209	71,470	1,489

\* Details of the grants are given in Note 26 to the financial statements.

### 8. Other Expenses

For the year ended 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Loss on disposal of property, plant & equipment	16,267	10,283	20	-
Impairment of property, plant & equipment	75,332	27,405	-	-
Loss on disposal of current financial assets	22	-	3	-
Amortisation of intangible assets	181,733	140,626	-	-
	273,354	178,314	23	-

### 9. Net Finance Cost

#### 9.1 Finance Income

For the year ended 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Interest income on loans and receivables	53,434	46,823	5,712	12,625
Interest income on bank deposits/ Unit trust income	219,357	130,970	23,709	20,548
Guarantee income	-	-	139	254
Dividend income on available-for -sale financial assets	9,909	6,191	282	802
Change in fair value of financial assets at fair value through profit or loss	2,785	3,053	-	-
Foreign exchange gain	433,152	656,729	14,808	37,178
Total finance income	718,637	843,766	44,650	71,407

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## 9.2 Finance Cost

For the year ended 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Interest on long term loans	(1,467,466)	(1,080,929)	(560,429)	(611,104)
Interest on short term loans	(1,621,829)	(857,449)	(126,897)	(10,464)
Finance charges payable under finance leases	(81,868)	(89,300)	-	-
Change in fair value of financial assets at fair value through profit or loss	(483)	(7,758)	(230)	(1,275)
Impairment of financial assets	(31,071)	(12,470)	(9,495)	(12,470)
Foreign exchange loss	(627,562)	(727,335)	(118,024)	(37,532)
<b>Total finance cost</b>	<b>(3,830,279)</b>	<b>(2,775,241)</b>	<b>(815,075)</b>	<b>(672,845)</b>
<b>Net finance cost</b>	<b>(3,111,642)</b>	<b>(1,931,475)</b>	<b>(770,425)</b>	<b>(601,438)</b>

## 10 Profit Before Tax

Profit before tax is stated after charging all expenses including the following.

For the year ended 31st March	Notes	Consolidated		Company	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Directors' emoluments		1,063,379	795,680	319,573	219,117
<b>Auditors' fees (includes overseas subsidiaries)</b>					
<b>Audit services</b>					
- Ernst & Young		48,345	43,792	1,822	1,705
- Other auditors		15,081	12,393	-	-
<b>Non audit services</b>					
- Ernst & Young		22,067	16,826	279	706
- Other auditors		5,590	5,550	-	-
Depreciation on property, plant & equipment	14	2,997,780	2,513,668	34,305	35,370
Donations		21,260	17,884	756	551
Impairment/ (reversal) for bad trade and other receivables	22	5,630	116,759	-	-
Provision/(reversal) for unrealised profit and write-down of inventories	21	(49,360)	244,401	-	-
<b>Staff cost</b>					
Defined contribution plan cost		1,350,636	1,207,864	73,456	68,061
Employee benefit plan cost	28	838,638	645,178	65,972	49,536
Other Staff cost (excluding defined contributions & defined benefits)		13,017,374	11,542,489	703,151	648,800
Staff training and development cost		70,310	56,440	3,561	12,813
Legal fees		69,845	79,978	-	-
Operating leases		667,742	349,548	-	-
Research and development cost		50,537	49,289	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 11 Taxation

#### 11.1 Tax Expense

For the year ended 31st March	Consolidated	
	2017 Rs.'000	2016 Rs.'000
<b>Consolidated Statement of Profit or Loss</b>		
<b>Current income tax</b>		
Income tax on current year profits		
Parent	1,135	3,672
Subsidiaries	1,570,129	1,315,747
	1,571,264	1,319,419
Under provision in respect of previous years	28,862	59,075
Irrecoverable ESC	1,849	4,410
	1,601,975	1,382,904
<b>Deferred tax expense</b>		
Origination of temporary differences		
Parent	-	-
Subsidiaries	20,994	142,287
	20,994	142,287
Tax on dividend income	353,871	231,287
<b>Tax expense reported in the Statement of Profit or Loss</b>	<b>1,976,840</b>	<b>1,756,478</b>

#### 11.2 Consolidated Statement of Other Comprehensive Income

For the year ended 31st March	Consolidated	
	2017 Rs.'000	2016 Rs.'000
<b>Deferred tax related to items charged or credited directly to other comprehensive income during the year :</b>		
Actuarial (loss)/ gain on defined benefit plans	68,082	(50,304)
<b>Income tax charged directly to other comprehensive income</b>	<b>68,082</b>	<b>(50,304)</b>



## 11.3 Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Profit before tax	7,025,162	6,951,538	947,982	888,895
Share of profit of equity accounted investees	(212,871)	(242,537)	-	-
Intra-group adjustments	3,360,307	2,934,282	-	-
	10,172,598	9,643,283	947,982	888,895
Disallowable expenses	4,904,966	3,959,024	423,154	352,998
Tax deductible expenses	(5,447,294)	(5,040,117)	(96,677)	(104,506)
Tax exempt income	(4,169,042)	(3,834,192)	(1,688,063)	(1,501,645)
Tax loss b/f	(6,447,485)	(6,565,902)	(1,215,490)	(2,804,742)
Adjustment for tax loss b/f	1,197,795	170,137	451,913	1,966,623
Tax loss c/f	4,344,971	6,447,485	1,181,234	1,215,490
Taxable income	4,556,509	4,779,718	4,053	13,113
Income tax @ 28%	867,084	728,065	1,135	3,672
Income tax @ 15%	90,727	86,231	-	-
Income tax @ 12%	205,852	126,001	-	-
Income tax at other tax rates	407,601	379,122	-	-
Income tax on current year profit	1,571,264	1,319,419	1,135	3,672
Under provision in respect of previous years	28,862	59,075	8,465	17,460
Irrecoverable ESC	1,849	4,410	-	-
	1,601,975	1,382,904	9,600	21,132
Origination of temporary differences	20,994	142,287	-	-
Tax on dividend income	353,871	231,287	-	-
Tax expense	1,976,840	1,756,478	9,600	21,132
Effective tax rate (%)	29%	26%	1%	2%

- 11.4 Corporate Income Taxes of companies resident in Sri Lanka have been computed in accordance with the Inland Revenue Act No. 10 of 2006 as amended, whilst Corporate Taxes of non-resident companies in the Group have been computed in keeping with the domestic statutes in their respective countries.

Irrecoverable Economic Service Charge has been charged in the Statement of Profit or Loss.

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 2016/17 (Y/A 2015/16 - 28 %)

## NOTES TO THE FINANCIAL STATEMENTS

### 11.5 Tax Exemptions

#### 11.5.1 In terms of the Inland Revenue Act

- Hayleys Global Beverages (Pvt) Ltd is yet to commence its 10 year income tax holiday.
- Ultracarb (Pvt) Ltd is entitled for a 6 year 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 commenced during Y/A 2014/15
- 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 No.10 of 2006.

#### 11.5.2 In terms of BOI Agreements

Companies enjoying Tax Holidays under BOI Law are as follows;

TTEL Somerset Hydro Power (Pvt) Ltd.	The tax holiday ended on September 22, 2015. The income tax rate of 10% would be applicable in terms of the BOI agreement for the next two years.
TTEL Hydro Power Company (Pvt) Ltd.	The tax holiday ended on Oct 16, 2015. The income tax rate of 10% would be applicable in terms of the BOI agreement for the next two years.
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, 2019
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
Solar One Ceylon (Pvt) Ltd.	10 year tax holiday is yet to commence

#### 11.5.3 Exemptions outside Sri Lanka

Shizuka Co.Ltd.	8 year tax holiday commenced during Y/A 2011/12
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### 11.6 Concessionary Tax Rates

#### 11.6.1 In terms of the Inland Revenue Act No.10 of 2006

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 a concessionary rate 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
Quality Seed Company (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 Fabric PLC	Profits from qualifying exports & indirect exports.

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Hayleys Fibre 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
Bonterra Lanka Ltd.	Profits from qualifying exports
DPL Plantations (Pvt) Ltd.	Profits from agriculture
Hayleys Plantation Services (Pvt) Ltd.	Profits from agriculture
Hayleys Travels (Pvt) Ltd.	Profits from promotion of tourism
Hayleys Tours (Pvt) Ltd.	Profits from promotion of tourism
Lanka Orient Express Lines Ltd.	Profits from transshipment and services to foreign ships
Cosco Shipping Lines Lanka (Pvt) Ltd.	Profits from transshipment and services to foreign ships
Clarion Shipping (Pvt) Ltd.	Profits from transshipment and services to foreign ships
NYK 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
Kalupahana Power Company (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
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
Alco Industries (Pvt) Ltd.	10% for 2 years up to Y/A 2016/2017
Logiwiz NW (Pvt) Ltd.	10% for 2 years up to Y/A 2016/2017
Moceti International (Pvt) Ltd.	15% Indefinitely
Lanka Maritime Services Ltd.	15% Indefinitely
Lanka Bunkering Services (Pvt) Ltd.	15% indefinitely
Logiwiz Ltd.	20 % Indefinitely

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### 11.6.3 Non Resident Companies

Corporate income tax rates of non-resident companies are:

Company	Income tax rate
Haychem (Bangladesh) Ltd.	35%
PT Mapalus Makawanua Charcoal Industry	25%
Haycarb USA Inc	34%
Logiwiz Logistics India (Pvt) Ltd.	30%
Eurocarb Products Ltd.	20%
Haycarb Holding Australia (Pty) Ltd.	30%
Carbokarn Co. Ltd.	23%
ICOGUANTI S.p.A.	27.5%
CK Regen Systems Co.Ltd.	23%
Haylex Ltd.	20%
Haylex BV	20%
Haylex Japan	34.3%
Charles Fibre (Pvt) Ltd.	30%
PT Haycarb Palu Mitra	25%
Dipped Products (Thailand) Ltd.	10%
Total Transport Solutions Maldives (Pvt ) Ltd.	15%
Nautical Maldives (Pvt) Ltd.	15%
One World Logistics Maldives (Pvt) Ltd.	15%
Super Logistics (Pvt) Ltd.	15%
Advantis Kusuhara Sedate Myanmar (Pvt) Ltd.	25%
Premium Global Logistics Sdn Bhd	24%
Advantis Singapore (Pte) Ltd.	17%
Advantis Sedate Myanmar (Pvt) Ltd.	25%
Luxury Resort (Pvt) Ltd.	15%

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## 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 dilutive potential ordinary shares.

There were no potentially dilutive ordinary shares outstanding at any time during the year /previous year.

Basic/diluted earning per share calculated as follows.

	Consolidated	
	2017	2016
For the year ended 31st March		
Profit attributable to equity holders of the Parent (Rs.'000)	2,783,933	3,117,553
Weighted average number of ordinary shares of the parent	75,000,000	75,000,000
Basic/diluted earnings per share (Rs.)	37.12	41.57
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	
	2017	2016
For the year ended 31st March		
Interim dividend Rs. 7.50 per share (2016 - Rs. 6.50 per share) ( Rs.'000)	562,500	487,500
Dividend per ordinary share (Rs.)	7.50	6.50

13.1 The dividends represent re-distribution of dividends received by the Company and are therefore not subject to the 10% tax deduction.

13.2 The Directors have approved the payment of interim dividend of Rs. 7.50 per share on 19th May 2017, for the year ended 31st March 2017, payable on 9th June 2017.



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### 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 2017 Rs.'000	Total 2016 Rs.'000	Total 2015 Rs.'000
<b>Cost or valuation:</b>									
Gross book value									
At the beginning of the year	14,472,050	6,538,089	15,366,692	24,274,379	1,402,715	3,672,132	65,726,057	60,144,341	50,528,503
Revaluation of land	7,542,793	-	-	-	-	-	7,542,793	-	3,108,054
Acquisition through business combinations	-	-	-	-	-	-	-	951,079	2,145,150
Additions	760,825	396,222	4,976,282	6,180,037	295,561	669,517	13,278,444	4,563,221	4,919,680
Transfer from/ (to) investment properties	401,000	-	-	-	-	-	401,000	-	9,030
Transfer from biological assets	-	-	-	-	-	-	-	-	3,273
Disposals	-	-	(36,444)	(477,606)	(166,226)	(111,457)	(791,733)	(515,480)	(927,788)
Disposals of subsidiaries	(361,568)	-	-	-	-	-	(361,568)	-	-
Transfer to mature/immature plantations	-	(1,744)	-	-	-	-	(1,744)	-	-
Effect of movements in exchange rates	38,806	-	123,799	587,039	6,830	26,377	782,851	582,896	358,439
At the end of the year	22,853,906	6,932,567	20,430,329	30,563,849	1,538,880	4,256,569	86,576,100	65,726,057	60,144,341
<b>Depreciation:</b>									
At the beginning of the year	215,841	1,557,733	2,865,282	11,842,194	811,295	2,242,016	19,534,361	16,413,549	14,194,320
Acquisition through business combinations	-	-	-	-	-	-	-	689,358	128,515
Depreciation for the year	26,306	168,410	504,224	1,719,279	218,449	361,112	2,997,780	2,513,668	2,433,786
Transfer to investment properties	-	-	-	-	-	-	-	-	(8,910)
Disposals	-	-	(1,956)	(199,334)	(321,706)	(92,933)	(615,929)	(364,062)	(594,651)
Effect of movements in exchange rates	-	-	45,247	327,521	4,912	18,709	396,389	281,848	260,489
At the end of the year	242,147	1,726,143	3,412,797	13,689,660	712,950	2,528,904	22,312,601	19,534,361	16,413,549
<b>Impairment</b>									
At the beginning of the year	2,260	-	-	58,905	-	-	61,165	52,890	50,493
Effect of movements in exchange rates	-	-	-	1,356	-	-	1,356	1,591	(251)
Disposals	-	-	-	(25,094)	-	-	(25,094)	(20,721)	(13,872)
Impairment for the year	-	-	67,082	8,250	-	-	75,332	27,405	16,520
At the end of the year	2,260	-	67,082	43,417	-	-	112,759	61,165	52,890
<b>Net book value as at 31st March</b>	22,609,499	5,206,424	16,950,450	16,830,773	825,930	1,727,665	64,150,740	46,130,531	43,677,902
Capital work -in progress							2,256,554	4,219,345	2,405,751
<b>Carrying amount as at 31st March</b>							66,407,294	50,349,876	46,083,653

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## 14.2 Company

As at 31st March	Freehold land	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Total 2017	Total 2016
	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	6,321,000	274,527	45,785	55,341	293,326	6,989,979	6,974,362
Revaluation of land	5,648,000	-	-	-	-	5,648,000	-
Additions	-	8,537	7	64,270	13,679	86,493	31,475
Disposals	(9,976,370)	-	-	(13,770)	(9,151)	(9,999,291)	(15,858)
At the end of the year	1,992,630	283,064	45,792	105,841	297,854	2,725,181	6,989,979
<b>Depreciation</b>							
At the beginning of the year	-	61,264	39,481	7,616	237,595	345,956	322,620
Depreciation for the year	-	4,840	1,512	7,186	20,767	34,305	35,370
Disposals	-	-	-	(7,000)	(9,129)	(16,129)	(12,034)
At the end of the year	-	66,104	40,993	7,802	249,233	364,132	345,956
Net book value as at 31st March	1,992,630	216,960	4,799	98,039	48,621	2,361,049	6,644,023
Capital work in progress	-	-	-	-	-	16,390	30,086
Carrying amount as at 31st March	-	-	-	-	-	2,377,439	6,674,109

## 14.3 Carrying value

As at 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
At cost	38,206,657	32,328,075	384,809	353,109
At valuation	18,503,963	11,453,645	1,992,630	6,321,000
On finance leases	9,696,674	6,568,156	-	-
	66,407,294	50,349,876	2,377,439	6,674,109

- 14.4 Hayleys Global Beverages (Pvt) Ltd and Alumex PLC, which are subsidiaries of Hayleys PLC have capitalised borrowing costs amounting to Rs. 112.2 mn and Rs. 1.9 mn respectively. (2016- Rs. 64.4 mn for Hayleys Global Beverages (Pvt) Ltd)

## NOTES TO THE FINANCIAL STATEMENTS

**14.5** The Group's property, plant & equipment includes capitalized finance leases and leasehold rights on land. The carrying amount of these assets are:

As at 31st March	Consolidated			
	Cost	Accumulated depreciation/ amortization	Carrying value 2017	Carrying value 2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	790,996	182,231	608,675	598,114
Mature/Immature Plantations	4,633,675	1,170,620	3,463,055	3,252,707
Buildings	5,972,087	438,648	5,533,439	2,644,760
Machinery & Store Equipment	47,401	47,401	-	-
Motor vehicles	119,378	88,520	30,858	70,810
Furniture fittings and office equipment	126,390	65,833	60,557	1,765
<b>Total</b>	<b>11,689,927</b>	<b>1,993,253</b>	<b>9,696,674</b>	<b>6,568,156</b>

**14.6** Unexpired lease periods of land:

Company	Years
Kelani Valley Plantations PLC	30
Kaluapahana Power Company (Pvt) Ltd.	30
HJS Condiments Ltd.	83/76/43/18
Talawakelle Tea Estates PLC	28
The Kingsbury PLC	52
Culture Club Resorts (Pvt) Ltd.	25
Sun Tan Beach Resorts Ltd.	91

**14.7** 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:

As at 31st March		Revaluation surplus	
		2017	2016
Company	Location	Rs.'000	Rs.'000
Hayleys PLC / World Export Center Ltd.	Colombo (31.03.2017)	11,962,023	6,314,023
Volanka (Pvt) Ltd.	Katana (31.03.2017)	260,831	179,519
	Galle (31.03.2017)	148,277	128,827
Chas P. Hayley & Co. (Pvt) Ltd.	Galle (31.03.2017)	715,800	463,225
Dipped Products Ltd.	Kottawa (31.03.2017)	149,031	123,676
	Weliveriya (31.03.2013)	70,973	70,973
Venigros (Pvt) Ltd.	Weliveriya (31.03.2013)	50,925	50,925
Alumex PLC	Gonawala (31.03.2017)	48,586	35,224
Alumex PLC	Makola (31.03.2017)	243,601	157,383
Alco Industries (Pvt) Ltd.	Makola (31.03.2017)	1,525	-
Haycarb Ltd.	Badalgama & Madampe (31.03.2017)	172,046	128,571
	Wewalduduwa (31.03.2017)	215,345	156,945
Recogen (Pvt) Ltd.	Badalgama (31.03.2017)	70,306	35,606
Carbokarn Co. Ltd.	Bangkok (31.03.2017)	60,615	55,461
Shizuka Co. Ltd.	Ratchaburi (31.03.2017)	25,207	22,828
PT Mapalus Makawanua	Bitung (31.03.2017)	63,518	60,367

		Revaluation surplus	
As at 31st March		2017	2016
Company	Location	Rs.'000	Rs.'000
PT Haycarb Palu Mitra	Palu City (31.03.2017)	7,640	-
Lignocell Pvt Ltd.	Kuliyapitiya (31.03.2017)	26,783	14,183
	Madampe (31.03.2017)	29,939	18,734
Hayleys Agriculture Holdings Ltd.	Dambulla (31.03.2017)	4,204	2,404
	Kottawa (31.03.2017)	103,207	79,414
Haychem Bangladesh Ltd.	Mymensingh (31.03.2017)	44,641	34,395
Hayleys Industrial Solutions (Pvt) Ltd.	Malabe (31.03.2017)	218,221	164,439
Haycolour Pvt Ltd.	Kalutara (31.03.2017)	40,736	32,292
Hayleys Fibre PLC	Kuliyapitiya (31.03.2017)	197,058	189,000
Hayleys Advantis Ltd.	Welisara (31.03.2017)	1,602,688	1,128,688
	Kotugoda (31.03.2017)	849,400	677,100
Ravi Industries (Pvt) Ltd.	Ekala (31.03.2017)	292,000	243,375
Volanka Exports (Pvt) Ltd.	Welipanna (31.03.2017)	26,643	20,887
Rileys Ltd.	Galle (31.03.2017)	348,046	287,491
Toyo Cushion Lanka (Pvt) Ltd.	Katana (31.03.2013)	48,174	48,174
Sunfrost (Pvt) Ltd.	Allawwa (31.03.2017)	40,972	29,890
Bhagya Hydro (Pvt) Ltd.	Gomala Oya (31.03.2017)	1,074	-
Neluwa Cascade Hydro Power (Pvt) Ltd.	Neluwa (31.03.2017)	679	-
Hayleys Fabric PLC	Neboda (31.03.2017)	58,491	52,267
Hunas Falls Hotels PLC	Elkaduwa (31.03.2017)	23,620	8,000
Alufab PLC	Kotugoda (31.03.2017)	6,437	-
The Beach Resorts Ltd.	Wadduwa (31.03.2015)	-	184,836
Kandyan Resorts (Pvt) Ltd.	Kandy (31.03.2017)	273,819	254,042
Culture Club Resorts (Pvt) Ltd.	Dambulla (31.03.2017)	880	480
		18,503,963	11,453,645
Revaluation reserve attributable to Non-controlling interest		(672,304)	(805,476)
		17,831,659	10,648,169
Acquisition of non-controlling interest without a change in control		(8,612)	(12,141)
		17,823,047	10,636,028

- 14.8 Land owned by the Group was revalued as at 31st March 2017 by an independent Chartered Valuation Surveyor. The fair value of the land was determined based on transactions observed in the market, appropriately adjusted for differences in the nature, location or condition of the specific property.
- 14.9 Land owned by the Group other than that mentioned above have been stated at cost as the appreciation in value is insignificant. Further information is provided on page 296 to 297 There are no tax implications or tax liabilities pertaining to revaluation of land.
- 14.10 There has been an impairment of property, plant & equipment amounting to Rs 75.3 mn ( 2016-Rs. 27.4 mn) which is disclosed in Note 8 to the Financial Statements.
- 14.11 Property, plant & equipment with a carrying value of Rs. 12,145 mn ( 2016- Rs.11,916 mn) and Rs. Nil ( 2016- 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.
- 14.12 The carrying value of revalued land given above, had the said land been included at cost, would amount to Rs. 4,105 mn (2016 -Rs. 2,862 mn) for the Group and Rs. 1 mn (2016- Rs 7 mn ) to the Company.

## NOTES TO THE FINANCIAL STATEMENTS

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

As at 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Mature plantations	34,290	-	-	-
Buildings	127,477	88,435	-	-
Machinery and equipment	3,538,835	2,836,812	38,896	38,642
Furniture, fittings and office equipment	1,310,758	1,210,954	175,614	169,643
Motor vehicles	486,927	301,158	3	3
	5,498,287	4,437,359	214,513	208,288

### 14.14 Capital Expenditure Commitments

The approximate amounts of capital expenditure approved by the Directors as at 31st March, 2017 were: Capital expenditure contracted for which no provision is made in the Financial Statements for the Group - Rs. 310 mn (2016 - Rs.947 mn) and for the Company Rs. Nil ( 2016- Nil) . Capital expenditure approved by the Directors but not contracted for the Group Rs. 1,972 mn (2016 - Rs.2,318 mn) and for the Company Rs. 277 mn ( 2016- Rs. 212 mn).

### 14.15 Unobservable Inputs used in Measuring Fair Value

The table below sets out information about significant unobservable inputs used in measuring fair value of land.

Category	District	Valuation technique	Significant unobservable input	Range of estimate (weighted average) for unobservable input Rs'000	Fair value measurement sensitivity to unobservable input
Freehold land	Colombo	Open market basis	Land -Rate per perch	125 to 15,000	Significant increases /(decreases) in estimated price per perch in isolation would result in a significantly higher / (lower) fair value.
	Gampaha			35 to 1,500	
	Kurunegala			25 to 60	
	Galle			13 to 2,500	
	Puttalam			30 to 60	
	Matale			13 to 38	
	Kalutara			60 to 100	
	Kegalle			12 to 80	
	Kandy			200 to 500	
	Ampara			9 to 11	
	Trincomalee			125 to 175	

## 15 Investment Properties

As at 31st March	Consolidated		
	Total 2017 Rs.'000	Total 2016 Rs.'000	Total 2015 Rs.'000
Carrying value			
At the beginning of the year	1,935,137	1,815,092	1,453,444
Additions	-	2,488	2,331
Transfers to property, plant and equipment	(420,000)	-	(36,846)
Disposals	-	(12,922)	(109)
Change in fair value during the year	249,286	130,479	396,272
At the end of the year	1,764,423	1,935,137	1,815,092



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## 15.1 Rental Income

For the year ended 31st March	2017 Rs'000	2016 Rs'000
Rental income derived from investment properties	77,358	77,727
Direct operating expenses generating rental income	(1,215)	(7,862)
<b>Net profit arising from investment properties</b>	<b>76,143</b>	<b>69,865</b>

15.2 Investment properties are stated at fair value. The fair value of investment properties as at 31st March, 2017 based on a valuation performed 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
Carbotels (Pvt) Ltd	Weyagala Estate, Elkaduwa, Matale.	-	65.06	-	45,400	45,400
Eastern Hotels (Pvt) Ltd	Nilakara Estate, Nilaweli, Trincomalee	600	23.47	1,603	563,400	565,003
Hayleys Advantis Group	No. 49/4 -18A, Galle road, Kollupitiya	2,450		78,000	-	78,000
	No. 46/12, Sayuru Sevana, Nawam Mawatha, Colombo 2	45,980	0.24	250,000	350,000	600,000
Dipped Products PLC	Nadungamuwa, Weliweriya		7.85		125,500	125,500
Venigros (Pvt) Limited	Nadungamuwa, Weliweriya	55,581	7.09	77,800	108,000	185,800
Toyo Cushion Lanka (Pvt) Ltd	105, Thimbirigaskatuwa road, Katana	26,143	3.40	19,869	94,351	114,220
The Queensbury (Pvt) Ltd	Kaluwamodara, Bentota	-	0.28	-	50,500	50,500
				427,272	1,337,151	1,764,423

Category	District	Valuation Technique	Range of Estimate for Unobservable Input Rs'000
Freehold land	Colombo	Open market basis	95 to 6,500
	Gampaha		80 to 175
	Matale		3 to 5
	Kalutara		1,000 to 1,500
	Trincomalee		125 to 175

15.3 The Group has no restriction on the realisability of its investment properties and has no contractual obligations to purchase, construct or develop the Investment properties or for maintenance and enhancement.

## NOTES TO THE FINANCIAL STATEMENTS

### 16 BIOLOGICAL ASSETS

As at 31st March	Consolidated	
	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	342,797	307,476
Increase due to development	9,254	10,320
Change in fair value of biological assets	24,455	27,810
Decrease due to harvest	(3,897)	(2,809)
Transfer to immature plantations	1,744	-
At the end of the year	374,353	342,797

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of 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 the 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 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 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 at fair value 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 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. (2016 - 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%	-10%
	Rs.'000	Rs.'000
Managed timber		
As at 31 March 2017	28,735	(32,065)
As at 31 March 2016	27,300	(28,577)

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### 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:

Discount rate fluctuation	+1.5%	-1.5%
Managed Timber	Rs.'000	Rs.'000
<b>As at 31 March 2017</b>	<b>(11,869)</b>	<b>13,080</b>
<b>As at 31 March 2016</b>	<b>(7,804)</b>	<b>7,645</b>

## 17 Intangible Assets

As at 31st March	Right to generate hydro/solar power/development cost Rs.'000	Goodwill Rs.'000	ERP system Rs.'000	Brand name Rs.'000	Customer list Rs.'000	Operating lease Rs.'000	Total 2017 Rs.'000	Total 2016 Rs.'000
<b>Cost</b>								
<b>At the beginning of the year</b>	97,790	4,843,224	590,511	148,183	152,420	1,177,111	7,009,239	6,287,901
Acquisition through business combinations	-	-	-	-	-	-	-	650,437
Additions	139,441	-	79,034	-	-	-	218,475	61,171
Gain on bargain purchase	-	86,311	-	-	-	-	86,311	-
Disposals	-	-	(4,445)	-	-	-	(4,445)	(4,836)
Effect of movements in exchange rates	-	-	17,814	-	-	-	17,814	14,566
<b>At the end of the year</b>	<b>237,231</b>	<b>4,929,535</b>	<b>682,914</b>	<b>148,183</b>	<b>152,420</b>	<b>1,177,111</b>	<b>7,327,394</b>	<b>7,009,239</b>
<b>Amortisation</b>								
<b>At the beginning of the year</b>	35,457	145,959	293,793	-	124,984	118,346	718,540	574,287
Amortisation for the year	12,549	-	122,193	-	27,436	19,555	181,733	140,626
Disposals	-	-	(2,461)	-	-	-	(2,461)	(3,689)
Acquisition through business combinations	-	-	-	-	-	-	-	32
Effect of movements in exchange rates	-	-	113	-	-	-	113	7,284
<b>At the end of the year</b>	<b>48,006</b>	<b>145,959</b>	<b>413,639</b>	<b>-</b>	<b>152,420</b>	<b>137,901</b>	<b>897,925</b>	<b>718,540</b>
<b>Net book value</b>	<b>189,225</b>	<b>4,783,576</b>	<b>269,275</b>	<b>148,183</b>	<b>-</b>	<b>1,039,210</b>	<b>6,429,469</b>	<b>6,290,699</b>
<b>Capital work in progress</b>	<b>-</b>	<b>-</b>	<b>4,736</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,736</b>	<b>6,731</b>
<b>Carrying amount</b>							<b>6,434,205</b>	<b>6,297,430</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 17.1 The aggregate carrying amount of goodwill allocated to each unit is as follows

Company	Rs. Mn
Dipped Products PLC	97
Dipped Products' Group Companies	33
Advantis Group Companies	433
Haycarb Group Companies	202
Hunas Falls Hotels PLC	8
The Kingsbury PLC	633
Hayleys Plantation Services ( Pvt) Ltd	220
Alumex PLC	1,052
Amaya Leisure Group Companies	1,553
Alufab PLC	20
Fentons Group Companies	532
	4,784

### Methods used in estimating recoverable amounts are given below

The recoverable value of Dipped Products PLC, Hunas Falls Hotels PLC, Alumex PLC, were based on fair value less cost to sell and others were based on value in use calculation. 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 (10% - 20%), 2015/16 (10% - 20%)

**Inflation** - Based on the current inflation rate and the percentage of the total cost subjected to the inflation

**Discount Rate** - Average market borrowing rate adjusted for risk premium (15% - 20%), 2015/16 (15% - 20%)

**Margin** - Based on current margin and business plan

17.2 There has been no impairment of intangible assets.

17.3 The Remaining amortisation period of right to generate hydro power and solar power excluding development cost amounting to Rs. 35,772 mn.

Category	Remaining amortisation period	Carrying amount Rs.'000	Total amount Rs.'000
Hydro power	59 months	2,512	
Hydro power	80 months	1,718	
Hydro power	119 months	16,754	20,984
Solar power	228 months	132,469	132,469
			153,453

17.3.1 The Group has recognised an intangible asset in respect of right to generate solar power through the acquisition of Solar One Ceylon ( Pvt) Ltd amounting to Rs. 139 mn.

17.4 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 is favourable 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- 52 years

Amaya Leisure PLC- 18 years

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17.5 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.

17.6 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.

## 18 Investments

### 18.1 Company Investment in Subsidiaries

As at 31st March	% Holding		No. of Shares			Value		
	2017	2016	2017	Movement	2016	2017 Rs.'000	Movement Rs.'000	2016 Rs.'000
<b>Investee</b>								
<b>Quoted investments*</b>								
Haycarb PLC ( Rs.3,039 mn )	68	68	20,125,103	-	20,125,103	47,204	-	47,204
Hayleys Fibre PLC ( Rs. 308 mn )	65	65	5,200,000	-	5,200,000	3,575	-	3,575
Dipped Products PLC ( Rs. 1,916 mn )	42	42	25,210,938	-	25,210,938	408,490	-	408,490
Hayleys Fabric PLC ( Rs. 1,666 mn )	59	59	122,487,023	-	122,487,023	1,355,791	-	1,355,791
Amaya Leisure PLC ( Rs. 1,334 mn )	40	40	20,915,531	580,986	20,334,545	2,202,220	40,669	2,161,551
Alumex PLC (Rs.2,929 mn)	52	51	154,144,500	1,500,000	152,644,500	1,306,161	28,808	1,277,353
Alufab PLC (Rs. 211 mn)	63	63	7,538,454	-	7,538,454	174,292	-	174,292
The Kingsbury PLC( Rs. 1,741 mn )	46	46	112,307,057	-	112,307,057	1,864,073	-	1,864,073
			467,928,607	2,080,986	465,847,620	7,361,806	69,477	7,292,329
<b>Unquoted Investments</b>								
Chas P. Hayley & Company (Pvt) Ltd.	100	100	999,920	-	999,920	698	-	698
Ravi Industries (Pvt) Ltd.	86	86	10,791,694	-	10,791,694	15,935	-	15,935
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	34,140,149	10,442	34,129,707	367,147	986	366,161
Volanka Exports (Pvt) Ltd.	4	4	128,405	5,302	123,103	2,103	104	1,999
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	1,225,875	3,167	1,222,708	13,452	113	13,339
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	1,229,463	11,186	1,218,277	16,903	371	16,532
Hayleys Agriculture Holdings Ltd.	98	97	19,001,014	10,244	18,990,770	257,104	959	256,145
Hayleys Consumer Products Ltd.	99	99	19,416,240	-	19,416,240	251,317	-	251,317
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
Haydea Business Solutions (Pvt) Ltd.	100	100	249,999	-	249,999	2,500	-	2,500
Hayleys Fabric Solutions Ltd.	100	100	6	-	6	-	-	-
Haylex BV	100	100	1,000	-	1,000	25,733	-	25,733



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As at 31st March	% Holding		No. of Shares			Value		
	2017	2016	2017	Movement	2016	2017 Rs.'000	Movement Rs.'000	2016 Rs.'000
Hayleys Leisure Holdings (Pvt) Ltd.	100	100	2,000,000	-	2,000,000	20,000	-	20,000
The Queensbury (Pvt) Ltd.	100	100	1	-	1	0	-	0
Nirmalapura Wind Power (Pvt) Ltd.	30	30	29,900,000	-	29,900,000	154,204	-	154,204
Hayleys Global Beverages (Pvt) Ltd.	60	60	44,100,000	5,100,000	39,000,000	441,000	51,000	390,000
Fentons Ltd.	75	75	3,347,329	-	3,347,329	250,000	-	250,000
Hayleys Tours (Pvt) Ltd.	100	100	500,000	499,999	1	5,000	5,000	-
Luxury Resort (Pvt) Ltd.	100	-	16,191,000	16,191,000	-	1,546,378	1,546,378	-
World Export Center Ltd	100	-	1,039,141,701	1,039,141,701	-	10,391,417	10,391,417	-
Quality Seed Company (Pvt) Ltd.	74	74	1,878,000	-	1,878,000	3,707	-	3,707
			1,315,592,909	1,060,973,040	254,619,869	14,755,981	11,996,326	2,759,654
Company investment in subsidiaries (at cost)			1,783,521,516	1,063,054,027	720,467,489	22,117,787	12,065,803	10,051,983
Provision for fall in value of investment made by the Company								
Hayleys Electronics (Pvt) Ltd.						(95,687)	-	(95,687)
Hayleys Business Solutions International (Pvt) Ltd.						(75,000)	-	(75,000)
Company investment in subsidiaries						21,947,100	12,065,803	9,881,296

\* Figures in brackets indicate market value of Quoted investments.

18.1.1 Countries of incorporation of overseas subsidiaries are give in Note 18.3 to the Financial Statements.

### 18.2 Investment In Equity Accounted Investees

		Consolidated							
		% Holding		No. of Shares			Value		
As at 31st March		2017	2016	2017	Movement	2016	2017	Movement	2016
Investor	Investee						Rs.'000	Rs.'000	Rs.'000
Unquoted Investments									
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	30	780,000	-	780,000	7,800	-	7,800
Hayleys Industrial Solutions (Pvt) Ltd.	Joule Power (Pvt) Ltd. **	25	25	26,250,000	-	26,250,000	262,500	-	262,500
Hayleys Industrial Solutions (Pvt) Ltd.	Beta Power (Pvt) Ltd. **	25	25	26,250,000	-	26,250,000	262,500	-	262,500
							567,284	-	567,284
Group investments in equity accounted investees (at cost)							567,284	-	567,284

\* Joint venture

\*\* Associates

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#### 18.2.1 Net assets of equity accounted investees as follows,

As at 31st March	Consolidated							
	Investment at Cost		Profit/(Loss)		Others		Net Assets	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Negombo Hotels Ltd.	-	-	-	11,215	-	(359,442)	-	-
Yusen Logistics & Kusuvara ( Pvt) Ltd	1,950	1,950	(3,377)	(9,122)	373	(468)	4,164	7,168
Bonterra Lanka Ltd	8,034	8,034	29,544	14,285	(34,208)	(1)	49,566	54,230
S & T Interiors ( Pvt ) Ltd	7,800	7,800	434	3,445	(273)	-	11,410	11,249
Lakdiyatha ( Pvt) Ltd	24,500	24,500	12,505	10,352	(1,352)	-	97,866	86,713
Joule Power ( Pvt) Ltd	262,500	262,500	80,699	105,405	(63,788)	150,038	272,354	255,443
Beta Power (Pvt) Ltd	262,500	262,500	93,067	106,957	(63,788)	150,038	286,274	256,994
	567,284	567,284	212,871	242,537	(163,035)	(59,836)	721,633	671,797
Transferred to other long term investments								-
Group Investments in equity accounted investees	567,284	567,284	212,871	242,537	(163,035)	(59,836)	721,633	671,797

#### 18.2.2 Summarised financial information of equity accounted investees which has not been adjusted for the Group's share,

As at 31st March	2017 Rs.'000	2016 Rs.'000
<b>Assets and liabilities</b>		
Current Assets	737,047	799,165
Non-current Assets	3,728,024	4,966,349
Current Liabilities	2,751,728	792,972
Non-current Liabilities	2,355,128	2,906,515

For the year ended 31st March	2017 Rs.'000	2016 Rs.'000
<b>Revenue and profit</b>		
Revenue	1,941,633	2,254,651
Profit after tax	769,414	880,218
Total comprehensive income	769,414	867,173

For the year ended 31st March	2017 Rs.'000	2016 Rs.'000
<b>Cash flows</b>		
Cash flows from operating activities	950,185	890,677
Cash flows from Investing activities	(791,735)	216,406
Cash flows from financing activities	(299,592)	(932,096)

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18.2.3 The Company has neither contingent liabilities nor capital commitments in respect of its 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), HaycarbUSA 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), Premium Global Logistics Sdn Bhd (Malaysia), Advantis Singapore Pte Ltd. (Singapore), Advantis Kusuhara Sedate (Pvt) Ltd. (Myanmar), Advantis Sedate Myanmar (Pvt) Ltd. (Myanmar), Luxury Resort (Pvt) Ltd. (Maldives)

### 18.4 Inter-Company Shareholdings

Investor	Investee	% Holding		No. of Shares	
		2017	2016	2017	2016
Agro Technica Ltd.	Sunfrost (Pvt) Ltd.	1	1	75,000	75,000
Chas P. Hayley & Co. (Pvt.) Ltd.	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 & Company (Pvt) Ltd.	-	-	80	80
	Alumex PLC	5	5	14,213,900	14,213,900
	Amaya Leisure PLC	21	21	11,072,484	10,764,915
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	4,516,250	4,516,250
	Texnil (Pvt) Ltd.	100	100	7,500,000	7,500,000
	ICOGUANTI S.p.A (Italy) (€1 - each)	100	61	3,150,000	1,925,000
	Hanwella Rubber Products Ltd.	73	73	18,152,000	18,152,000
	D P L Premier Gloves Ltd.	100	100	45,000,000	45,000,000
	D P L Universal Gloves Ltd.	100	100	35,000,000	35,000,000
	D P L International Ltd.	100	-	1	-
DPL Plantations Ltd.	Kelani Valley Plantations PLC	72	72	24,626,900	24,626,900
	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
	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
	Carbokarn Co. Ltd.(100 Bhat, 100% 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

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Investor	Investee	% Holding		No. of Shares	
		2017	2016	2017	2016
Haycarb PLC	Haycarb USA Inc.	100	100	1,285,000	1,285,000
	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 Seed Company (Pvt) Ltd.	6	6	147,000	147,000
	PT.Haycarb Palu Mitra	60	60	1,290,000	1,290,000
Carbokarn Co. Ltd.	CK Regen Systems Co.Ltd.	50	50	75,000	75,000
	Shizuka Co.Ltd.	50	50	137,500	137,500
Puritas (Pvt) Ltd.	Lakdiyatha (Pvt) Ltd.	49	49	2,450,000	2,450,000
	Puricarb (Pte) Ltd.	100	100	50,000	50,000
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.	100	93	2,499,994	2,329,894
	Hayleys Agro Fertilizers (Pvt) Ltd.	100	100	14,999,999	14,999,999
	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 Fabric PLC	2	2	3,472,257	3,472,257
	Aquagri (Pvt) Ltd.	51	51	1,275,000	1,275,000
	Quality Seed 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
	Bonterra Lanka Ltd.	50	50	803,394	803,394
	Rileys (Pvt) Ltd.	19	19	7,750,000	7,750,000
Hayleys Industrial Solutions (Pvt.) Ltd.	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	42,067,241	42,067,241
	Joule Power (Pvt) Ltd.	25	25	26,250,000	26,250,000
	Beta Power (Pvt) Ltd.	25	25	26,250,000	26,250,000
	Solar One Ceylon (Pvt) Ltd.	50	-	35,085,952	-
Hayleys Hydro Energy (Pvt) Ltd.	Neluwa Cascade Hydro Power (Pvt) Ltd.	100	100	11,910,001	11,910,001
Hayleys Plantation Services (Pvt) Ltd.	Talawakelle Tea Estates PLC	75	75	17,750,000	17,750,000
Talawakelle Tea Estates PLC	TTEL Hydro Power Company (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
	Hayleys Fabrics PLC	2	2	5,036,850	5,036,850
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	4,999,998	4,999,994

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Investor	Investee	% Holding		No. of Shares	
		2017	2016	2017	2016
Toyo Cushion Lanka (Pvt) Ltd.	Dean Foster (Pvt) Ltd.	2	2	235,294	235,294
	Amaya Leisure PLC	2	2	881,712	857,220
Volanka (Pvt) Ltd.	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
	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	694,332	675,045
Kelani Valley Plantations PLC	Kalupahana Power Company (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.	40	40	29,400,000	26,000,000
Hayleys Group Services (Pvt) Ltd.	Hayleys Fabrics PLC	0	0	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
	S & T Interiors (Pvt) Ltd.	30	30	780,000	780,000
Alumex PLC	Avro Enterprises (Pvt) Ltd. **	-	100	-	25,002
	Alco Industries (Pvt) Ltd.	100	100	3,000,002	3,000,002
	Alumex Systems (Pvt) Ltd.	100	100	1	1
Hayleys Consumer Products Ltd.	Global Consumer Brands (Pvt) Ltd.	100	100	17,599,999	17,599,999
	International Consumer Brands (Pvt) Ltd.	100	100	3,000,000	3,000,000
	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	-	6,176,790
	Sun Tan Beach Resorts Ltd.	56	56	99,815,153	99,815,153
	Hunas Falls Hotels PLC	16	16	899,000	899,000
	C D C Conventions (Pvt) Ltd.	100	100	1,000,002	1,000,002
	Bhagya Hydro (Pvt) Ltd.	100	100	3,499,999	3,499,999
Hayleys Power Ltd.	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	29,700,000	25,000,000
	Neluwa Upper Hydro Power (Pvt) Ltd.	100	100	100,000	100,000
	Lindula Hydro Power(Pvt) Ltd.	100	100	250,000	250,000
Fentons Ltd.	Fentons Smart Facilities (Pvt) Ltd.	100	100	1	1
	Energynet (Pvt) Ltd.	51	51	73,196	73,196
	Nex-Gen Asia (Pvt) Ltd.	100	100	100	100

\*\* - Amalgamated with Alumex PLC.



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## 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 2017	Total 2016	Available for sale investments	Total 2017	Total 2016
	Unquoted equity shares Rs.'000	Quoted equity shares Rs.'000	Rs.'000	Rs.'000	Unquoted shares Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	155,657	67,381	223,038	241,478	141,764	141,764	154,234
Additions	-	-	-	121	-	-	-
Disposal	(27,972)	-	(27,972)	-	(27,972)	(27,972)	-
Impairment for the year	(9,495)	-	(9,495)	(12,470)	(9,495)	(9,495)	(12,470)
Change in fair value	2,116	10,171	12,287	(6,091)	-	-	-
At the end of the year	120,306	77,552	197,858	223,038	104,297	104,297	141,764

#### 19.1.1 Investment Details

Investor	Investee	Number of shares		Value	
		2017	2016	2017 Rs.'000	2016 Rs.'000
Unquoted equity shares - Available for sale investments					
Hayleys PLC	Sojitz Kelanitissa (Pvt) Ltd.	17,798,968	24,940,613	62,296	99,763
	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	180	171
Hayleys Advantis Group	SLAFFA Cargo Services Ltd.	38,571	38,571	12,330	10,223
Total				120,306	155,657
The unquoted equity shares do not have a quoted market price in active market and the fair value is carried at cost.					
Quoted equity shares - Available for sale investments					
Dipped Product PLC	Royal Ceramic Lanka PLC	220	220	26	22
Hayleys Advantis Group	Ceybank Unit Trust	200,000	200,000	4,724	4,794
	Pyramid Unit Trust	200,000	200,000	6,650	6,480
	Comtrust Equity Fund	200,000	200,000	4,081	3,873
Amaya Leisure PLC	Royal Ceramic Lanka PLC	521,600	521,600	62,070	52,212
Total				77,552	67,381

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### 19.2 Other Current Financial Assets

As at 31st March	Consolidated							Total 2017	Total 2016
	Available for sale investments			Financial instruments at fair value through profit or loss					
	Unquoted equity shares	Quoted equity shares	Quoted debt securities	Foreign exchange forward contract	Quoted equity shares	Unit trust			
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000		Rs.'000
At the beginning of the year	-	1,660	-	32,453	29,965	865,797	929,875		39,562
Additions	-	-	-	8,778	-	2,460,584	2,469,362		895,285
Acquisition through business combinations	-	-	-	-	-	-	-		483
Disposals	-	-	-	(32,872)	(9,642)	(2,879,297)	(2,921,811)		-
Change in fair value	-	(210)	-	-	2,304	-	2,094		(5,455)
At the end of the year	-	1,450	-	8,359	22,627	447,084	479,520		929,875

As at 31st March	Company				
	Financial instruments at fair value through profit or loss			Total 2017	Total 2016
	Foreign exchange forward contract	Quoted equity shares	Unit trust		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	32,453	9,339	403,388	445,180	11,170
Additions	8,359	-	2,000,000	2,008,359	435,285
Disposals	-	(272)	(2,403,388)	(2,403,660)	-
Change in fair value	(32,453)	(230)	-	(32,683)	(1,275)
At the end of the year	8,359	8,837	-	17,196	445,180

## 19.2.1 Investment Details

Investor	Investee	Number of shares		Value	
		2017	2016	2017	2016
				Rs.'000	Rs.'000
Quoted equity shares -Available for sale investments					
Advantis Group	Union Bank PLC	100,000	100,000	1,450	1,660
Total				1,450	1,660
Foreign exchange forward contract - Fair value through profit or loss					
Hayleys PLC				8,359	32,453
Total				8,359	32,453
Quoted equity shares - Fair value through profit or loss					
Hayleys PLC	Aitken Spence Hotel Holdings PLC	-	112	-	6
	ACL Cables PLC	-	260	-	26
	Central Industries PLC	15,914	7,957	700	683
	Ceylon Cold Stores PLC	-	252	-	108
	DFCC Bank PLC	-	338	-	46
	Kelani Tyres PLC	17,200	17,200	946	1,101
	Lanka Orix Leasing Company PLC	1,404	1,520	86	109
	National Development Bank PLC	21,469	20,681	2,997	3,491
	Three Acre Farms PLC	1,840	1,840	236	157
	Hatton National Bank PLC - Non Voting	20,930	15,000	3,872	2,565
	Hatton National Bank PLC	-	5,000	-	997
	Environmental Resources Investment PLC	-	5,000	-	50
Dean Foster (Pvt) Ltd.	ACL Cables PLC	8,240	4,120	449	416
	Asiri Hospital Holdings PLC	-	270	-	6
	Bairaha Farms PLC	-	900	-	130
	Blue Diamonds Jewellery Worldwide PLC	13	13	0	0
	Central Industries PLC	-	900	-	77
	Nation Lanka Finance PLC	-	1,300	-	1
	Lanka Orix Leasing Company PLC	3,280	3,280	200	236
	Three Acre Farms PLC	2,000	2,000	257	170
	Kelani Tyres PLC	-	2,000	-	128
	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	-	4
	Browns Investments PLC	-	186,200	-	242
Advantis Group	Commercial Bank PLC-Voting	-	20,000	-	2,318
	John Keells Holdings PLC	-	5,195	-	879
	DFCC Bank PLC	7,600	10,000	866	1,370
	Hatton National Bank PLC - Non Voting	-	10,000	-	1,710
	Hatton National Bank PLC	8,109	10,000	1,802	1,993
	National Development Bank PLC	2,534	10,000	341	1,688
	Beruwala Resort PLC	344,474	1,000,000	344	1,200
	Union Bank PLC	400	400	7	7

## NOTES TO THE FINANCIAL STATEMENTS

Investor	Investee	Number of shares		Value	
		2017	2016	2017 Rs.'000	2016 Rs.'000
Amaya Leisure PLC	The Fortress Resorts PLC	90,075	90,075	1,045	1,171
	LB Finance PLC	20	20	5	2
	Free Lanka Capital Holdings PLC	5,320,000	5,320,000	7,980	6,384
Fentons Ltd.	Hotel Sigiriya PLC	5,500	5,500	483	483
<b>Total</b>				<b>22,627</b>	<b>29,965</b>
<b>Unit trust - Fair value through profit or loss</b>					
Hayleys PLC	NDB Wealth Management Limited.	-	29,896,297	-	403,388
	NDB Wealth Money Fund				
Carbotels (Pvt) Ltd.	NDB Wealth Management Limited.	34,270,559	34,270,559	447,084	462,409
	NDB Wealth Money Fund				
<b>Total</b>				<b>447,084</b>	<b>865,797</b>

### 19.3 Other Current Financial Liabilities

As at 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
<b>Financial instruments at fair value through profit or loss</b>				
Foreign exchange forward contracts	1,374	553	1,281	-
<b>Total Other current financial liabilities</b>	<b>1,374</b>	<b>553</b>	<b>1,281</b>	<b>-</b>

### 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 2017, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

Assets measured at fair value

As at 31st March	Notes	2017 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Available-for-sale financial assets:					
Quoted equity shares	19.1/19.2	79,002	79,002	-	-
Financial assets at fair value through profit or loss:					
Foreign exchange forward contract	19.2	8,359	-	8,359	-
Quoted equity shares	19.2	22,627	22,627	-	-
Unit trust	19.2	447,084	447,084	-	-

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#### Liabilities measured at fair value

As at 31st March	Notes	2017 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
<b>Financial liabilities at fair value through profit or loss</b>					
Foreign exchange forward contracts	19.3	1,374	-	1,374	-

During the reporting period ended 31 March 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

#### 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
	2017 Rs.'000	2017 Rs.'000	2017 Rs.'000	2017 Rs.'000
<b>Financial Assets</b>				
Other non- current financial assets		-		-
Available for sale investments	197,858	197,858	104,297	104,297
Other current financial assets				
Available for sale investments	1,450	1,450	-	-
Financial instruments at fair value through profit or loss	478,070	478,070	17,196	17,196
Trade and other receivables	23,876,704	23,876,704	12,746	12,746
Amounts due from subsidiaries	-	-	1,176,681	1,176,681
Amounts due from equity accounted investees	68,375	68,375	13,655	13,655
Short term deposits	2,920,857	2,920,857	-	-
Cash in hand and at bank	5,007,087	5,007,087	64,955	64,955
	32,550,401	32,550,401	1,389,530	1,389,530
<b>Financial Liabilities</b>				
Interest-bearing borrowings*	25,695,307	25,693,253	7,112,722	7,108,434
Trade and other payables	16,766,174	16,766,174	256,522	256,522
Amounts due to subsidiaries	-	-	34,777	34,777
Other current financial liabilities				
Financial instruments at fair value through profit or loss	1,374	1,374	1,281	1,281
Short-term interest-bearing borrowings	19,052,287	19,052,287	719,020	719,020
	61,515,142	61,513,088	8,124,322	8,120,034

\* Include fixed interest loans carried at amortised cost.

The fair value of the financial assets and liabilities is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Cash in hand and at bank and short term deposits, trade receivables and , 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



## NOTES TO THE FINANCIAL STATEMENTS

### 20 Other Non Current Assets

As at 31st March	Consolidated				
	Formers	Leasehold right	Others	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Total Rs.'000	Total Rs.'000
Cost	560,600	1,003,101	414,561	1,978,262	870,495
Impairment for the year	(282,832)	-	(6,115)	(288,947)	(274,518)
Amortization for the year	-	(32,170)	-	(32,170)	-
	277,768	970,931	408,446	1,657,145	595,977

Luxury Resort (Pvt) Ltd has 22 year of unexpired leasehold right in Amaya Kudah Rah Maldives.

### 21 Inventories

As at 31st March	Consolidated		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Raw materials & consumables	5,606,791	5,352,679	1,206	1,421
Produce stocks	1,129,622	948,119	-	-
Produce on Bearer Biological Assets	25,296	6,491	-	-
Nurseries	12,536	19,446	-	-
Work-in-progress	1,966,072	1,329,256	-	-
Finished goods	9,200,254	7,576,541	-	-
Goods-in-transit	467,247	579,668	-	-
	18,407,818	15,812,200	1,206	1,421
Provision for write-down of inventories	(599,675)	(671,446)	-	-
Provision for unrealised profit and write- down of inventories	(130,040)	(107,629)	-	-
	17,678,103	15,033,125	1,206	1,421

21.1 Carrying amount of inventories pledged as security for bank facilities obtained amounted to Rs.1,045 mn (2016 - Rs. 1,346 mn).

21.2 Inventory carried at net realisable value as at 31st March 2017 Rs. 693 mn (2016 - Rs. 491 mn).

### 22 Trade and Other Receivables/Other Current Assets

#### 22.1 Trade and Other Receivables

As at 31st March	Consolidated		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade receivables	18,802,792	15,263,370	-	-
Bills receivable	3,190,418	2,097,834	-	-
	21,993,210	17,361,204	-	-
Payment in advance, deposits	2,577,855	2,448,139	44,139	45,017
Duty rebate receivable	4,680	6,780	-	-
Employee loans	108,209	39,156	789	1,148
Provision for impairment	(807,250)	(801,620)	(32,182)	(32,182)
	23,876,704	19,053,659	12,746	13,983

## 22.1.1 Movement in the Provision for Impairment

As at 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	(801,620)	(684,861)	(32,182)	(32,182)
Reversal/ (charge) for the year	(5,630)	(116,759)	-	-
At the end of the year	(807,250)	(801,620)	(32,182)	(32,182)

## 22.1.2 The Aging Analysis of Trade and Bills Receivable is as follows,

As at 31st March	Total Rs.'000	Neither past due nor impaired Rs.'000	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 2017	21,993,210	12,704,630	6,537,969	1,413,844	319,218	400,207	617,342
Balance as at 31st March 2016	17,361,204	9,794,861	4,805,981	1,102,159	950,776	224,197	483,230

## 22.1.3 Currency-wise Analysis of Trade and Other Receivables

As at 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Sri Lankan Rupees	11,761,409	10,346,069	12,746	13,983
Australian Dollars	170,986	83,862	-	-
Pounds Sterling	167,637	146,877	-	-
United States Dollars	7,852,037	5,016,913	-	-
Euro	2,183,102	2,069,142	-	-
Thai Baht	199,859	124,111	-	-
Indian Rupees	49,222	30,935	-	-
Maldivian Rufiyaa	307,661	219,153	-	-
Bangladesh Taka	566,031	451,089	-	-
Others	618,760	565,508	-	-
	23,876,704	19,053,659	12,746	13,983

## 22.2 Other Current Assets

As at 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Prepayments	998,616	1,117,430	61,414	11,134
Pre paid staff benefit	48,456	42,791	-	-
VAT receivables	211,690	208,987	-	-
Other Tax receivables	203,709	102,087	-	-
	1,462,471	1,471,295	61,414	11,134

## NOTES TO THE FINANCIAL STATEMENTS

### 23 Stated Capital

As at 31st March	Company	
	2017 Rs. '000	2016 Rs. '000
Issued & fully paid - ordinary shares		
At the beginning of the year	-75,000,000 ( 1st April 2016 - 75,000,000)	1,575,000
At the end of the year	-75,000,000 (31st March 2017 - 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.

#### 23.1 Employee Share Trust Loan

The Hayleys PLC Employees' Share Trust was set up through 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 loan was fully settled during 2015/16 from the proceeds of the sale of shares of the Share Trust.

### 24 Other Capital Reserves & Retained Earnings

#### 24.1 Other Capital Reserves

As at 31st March	Capital profit on redemption of debentures Rs.'000	Fixed asset replacement reserve Rs.'000	Capital reserve on sale of property, plant & equipment Rs.'000	Capital redemption reserve fund Rs.'000	Debenture redemption reserve fund Rs.'000	Reserve on amalgamation Rs.'000	Total Rs.'000
Consolidated							
Balance as at 1st April 2015	109	11,750	89,407	65,757	1,047	319,109	487,179
Aquisition of non-controlling interest without a change in control	-	-	2	-	-	66	68
Transfers	-	-	-	3,245	-	-	3,245
Balance as at 31st March 2016	109	11,750	89,409	69,002	1,047	319,175	490,492
Transfers	-	-	(73,099)	-	-	(1,575)	(74,674)
Balance as at 31st March 2017	109	11,750	16,310	69,002	1,047	317,600	415,818

As at 31st March	Capital profit on redemption of debentures Rs.'000	Fixed asset replacement reserve Rs.'000	Capital reserve on sale of property, plant & equipment Rs.'000	Debenture redemption reserve fund Rs.'000	Total Rs.'000
Company					
Balance as at 31st March 2016	109	11,750	320	1,047	13,226
Balance as at 31st March 2017	109	11,750	320	1,047	13,226

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## 24.2 Super Gain Tax

As per the provisions of Part III of the Finance Act No. 10 of 2015, which was certified on 30 October 2015, the Group and the Company was liable for Super Gain Tax of Rs. 939.8 mn and Rs. 22.7 mn respectively. According to the Act, the Super Gain Tax was deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards and hence the expense of Super Gain Tax has been accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

## 25 Interest Bearing Borrowings

### 25.1 Total Non-Current Portion of Interest Bearing Borrowings

As at 31st March	Notes	Consolidated		Company	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Finance lease obligations	25.5	660,752	611,486	-	-
Debentures	25.6	3,985,037	1,991,065	3,985,037	1,991,065
Long-term loans	25.9	15,988,915	9,633,298	1,916,412	1,564,600
<b>Total non- current interest-bearing borrowings</b>		<b>20,634,704</b>	<b>12,235,849</b>	<b>5,901,449</b>	<b>3,555,665</b>

### 25.2 Current Portion of Interest Bearing Borrowings

As at 31st March	Notes	Consolidated		Company	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Finance lease obligations	25.5	21,999	77,167	-	-
Debentures	25.6	-	1,998,176	-	1,998,176
Long-term loans	25.9	5,038,604	4,319,145	1,211,273	989,589
<b>Total current interest-bearing borrowings</b>		<b>5,060,603</b>	<b>6,394,488</b>	<b>1,211,273</b>	<b>2,987,765</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 25.3 Finance Lease Obligations

As at 31st March	Consolidated	
	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	2,591,963	2,654,242
New leases obtained	26,836	17,863
	2,618,799	2,672,105
Acquisition through business combinations	-	36,633
Effect of movement in exchange rates	6,631	1,776
Repayments	(108,696)	(118,551)
At the end of the year	2,516,734	2,591,963
Finance charge unamortised	(1,833,983)	(1,903,310)
Net lease obligation	682,751	688,653

### 25.4 Currency Wise Analysis of Finance Lease Obligations

As at 31st March	Consolidated	
	2017 Rs.'000	2016 Rs.'000
Sri Lankan Rupees	662,347	671,881
Bangladesh Taka	20,404	16,772
	682,751	688,653

### 25.5 Analysis of Finance Lease Obligations by Year of Repayment

As at 31st March	Consolidated	
	2017 Rs.'000	2016 Rs.'000
Finance lease obligations repayable within 1 year from year-end		
Gross liability	109,501	112,199
Finance charges unamortised	(87,502)	(35,032)
Net lease obligations repayable within 1 year from year-end	21,999	77,167
Finance lease obligations repayable between 1 and 5 years from year-end		
Gross liability	378,478	374,899
Finance charges unamortised	(333,359)	(184,157)
Net lease obligations	45,119	190,742
Finance lease obligations repayable after 5 years from year-end		
Gross liability	2,028,755	2,104,865
Finance charges unamortised	(1,413,122)	(1,684,121)
Net lease obligations	615,633	420,744
Net lease liability repayable later than 1 year from year-end	660,752	611,486



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#### 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. Accordingly reassessed the liability to make lease payments 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. 29.4 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 reassessment, 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	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	3,989,241	3,979,481	3,989,241	3,979,481
Issued during the year	2,000,000	-	2,000,000	-
Repayments during the year	(2,000,000)	-	(2,000,000)	-
At the end of the year	3,989,241	3,979,481	3,989,241	3,979,481
Amortisation of debenture issue expense	(4,204)	9,760	(4,204)	9,760
Net Debenture	3,985,037	3,989,241	3,985,037	3,989,241
Repayable within one year	-	1,998,176	-	1,998,176
Repayable after one year	3,985,037	1,991,065	3,985,037	1,991,065

\* Details of the debentures are given in page 302 to the Financial Statements.

### 25.7 Currency wise Analysis of Debentures

As at 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Sri Lankan Rupees	3,985,037	3,989,241	3,985,037	3,989,241
	3,985,037	3,989,241	3,985,037	3,989,241

### 25.8 Analysis of Debentures by Year of Repayment

As at 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Long term loans repayable between 2 and 5 years from year-end	3,958,037	1,991,065	3,958,037	1,991,065
	3,958,037	1,991,065	3,958,037	1,991,065

## NOTES TO THE FINANCIAL STATEMENTS

### 25.9 Long term Borrowings

As at 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	13,952,443	11,107,196	2,554,189	2,903,067
Acquisitions through business combinations	-	673,742	-	-
Effect of movements in exchange rates	352,294	391,995	76,936	36,300
Adjustment for USD loan facility fee	(4,955)	6,337	(4,955)	6,339
New loans obtained	11,858,547	6,799,581	1,500,000	1,442,000
	26,158,329	18,978,851	4,126,170	4,387,706
Repayments	(5,130,810)	(5,026,408)	(998,485)	(1,833,517)
At the end of the year	21,027,519	13,952,443	3,127,685	2,554,189
Transfer to current liabilities ( repayable within one year)	(5,038,604)	(4,319,145)	(1,211,273)	(989,589)
Repayable after one year	15,988,915	9,633,298	1,916,412	1,564,600

25.9.1 Hayleys PLC, Luxury Resort (Pvt) Ltd, Hayleys Advantis Ltd, Solar One Ceylon (Pvt) Ltd, Hayleys Fabric PLC have obtained loans during the year amounting to Rs. 1,500 mn, 2,497 mn, 1,540 mn, 1,243 mn, 1,216 mn respectively.

### 25.10 Currency wise Analysis of Long Term Borrowings

As at 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Sri Lankan Rupees	9,050,866	7,038,103	600,000	866,667
Australian Dollars	179,049	-	-	-
United States Dollars	11,679,100	6,781,358	2,527,685	1,687,522
Euro	94,713	103,477	-	-
Bangladesh Taka	19,530	26,928	-	-
Thai Baht	-	2,577	-	-
Others	4,261	-	-	-
	21,027,519	13,952,443	3,127,685	2,554,189

### 25.11 Analysis of Long Term Borrowings by Year of Repayment

As at 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Long term loans repayable between 1 and 2 years from year-end	5,390,789	3,790,347	1,211,276	1,364,600
Long term loans repayable between 2 and 5 years from year-end	7,215,156	5,385,072	705,136	200,000
Long term loans repayable later than 5 years from year-end	3,382,970	457,879	-	-
	15,988,915	9,633,298	1,916,412	1,564,600

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## 25.12 Long Term Borrowings Repayable After One Year

Company	Lender/rate of interest (p.a.)	2017 Rs. '000	2016 Rs. '000	Repayment	Security
Hayleys PLC	HSBC (USD) (3.35%)	506,633	964,600	To be paid bi annually in equal installments of USD 1.67 mn	None
	Standard Chartered Bank PLC USD (LIBOR+3.25%)	1,009,778	-	To be paid annually in equal installments of USD 0.833 mn	None
	Commercial Bank of Ceylon PLC (7.85%)	400,000	600,000	To be paid bi annually in equal installments of Rs.100 mn	None
ICOQUANTI S.p.A	Alessandria Financing 1.95% (Euro 1,000,000)	84,124	94,965	Repayment over 2 years as per agreed schedule.	None
Dipped Products (Thailand) Ltd.	HSBC (LIBOR + 2%)	195,788	296,727	Monthly installments ending December, 2019	Corporate guarantee from Dipped Products PLC
DPL Universal Gloves Ltd.	HSBC (LIBOR + 2%)	265,974	-	Monthly installments ending May, 2019	Corporate guarantee from Dipped Products PLC
DPL Premier Gloves Ltd.	HSBC (LIBOR + 2%)	427,661	614,934	Monthly installments ending April, 2020	Mortgage over Company land and buildings
Mabroc Teas (Pvt) Ltd.	HSBC (LIBOR + 3%)	35,585	-	Monthly installments ending August 2021.	None
Kelani Valley Plantations PLC	DFCC Bank PLC ( 9.42%)	-	-	Monthly installments ending March, 2017.	Primary mortgage over the leasehold rights of four estates.
	DFCC Bank PLC (AWPLR-0.5% ) 1st 2 years (AWPLR+1.5%) After	82,440	109,922	Monthly installments ending 2021.	Primary mortgage over the leasehold rights of four estates.
	Sri Lanka Tea Board (AWPLR +1%)	38,889	-	Monthly installments ending August 2022.	Tea Sales Proceeds
	NDB Bank PLC (AWPLR-0.5% ) 1st 2 years (AWPLR+1.5%) After	35,065	47,441	Monthly installments commencing February 2016	Primary mortgage over the leasehold rights, buildings, plant & machinery of three estates.
	Amana Bank PLC (SLIBOR with a cap of 14% and floor of 7.25%)	28,270	38,862	Monthly installments ending 2021.	None
	Amana Bank PLC (SLIBOR with a cap of 14% and floor of 7.25%)	67,002	83,333	Monthly installments ending 2023.	None
	Amana Bank PLC (SLIBOR with a cap of 14% and floor of 7.25%)	38,631	44,359	Monthly installments ending 2023.	None
	Amana Bank PLC (SLIBOR + 3.25%)	46,667	-	Monthly installments ending 2022.	None
Haycarb PLC	Commercial Bank of Ceylon PLC (LIBOR + 3.75%)	-	7,929	Monthly installments over 5 years commencing June, 2011	None
	HSBC (LIBOR + 3.5%)	-	6,511	Monthly installments over 5 years commencing July, 2012	None
	HSBC (LIBOR + 3.15%)	3,192	21,269	60 equal monthly installments commencing May, 2013.	None

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Company	Lender/rate of interest (p.a.)	2017 Rs. '000	2016 Rs. '000	Repayment	Security
Haycarb PLC	HSBC (LIBOR + 3.15%)	3,395	22,620	60 equal monthly installments commencing May, 2013.	None
	HSBC (LIBOR + 2.75%)	41,616	51,675	60 equal monthly installments commencing March 2016	None
	HSBC (LIBOR + 2.75%)	41,616	-	60 equal monthly installments commencing April 2016	None
	HSBC (LIBOR + 2.75%)	113,992	-	60 equal monthly installments commencing June 2016	None
	Commercial Bank of Ceylon PLC (LIBOR + 4.75%)	-	9,130	47 equal monthly installments commencing November, 2013.	None
	Standard Chartered Bank PLC (LIBOR + 2.5%)	2,366	41,448	48 equal monthly installments commencing July, 2014.	Mortgage over the share certificate of Haycarb Value Added Products (Pvt) Ltd, amounting to Rs.400 mn
	Standard Chartered Bank PLC (LIBOR + 4%)	-	25,537	12 grace period plus 60 Monthly installments commencing July 2014.	None
	Standard Chartered Bank PLC (LIBOR + 4%)	-	42,638	12 grace period plus 60 Monthly installments commencing July 2014.	None
PT Haycarb Palu Mitra	HSBC (5.83%)	19,038	52,046	Payable in 16 quarterly installments commencing September 2014	Mortgage over Company land and buildings
PT Mapalus Makawanua Charcoal Industry.	HSBC (6.07%)	18,576	46,796	Quarterly installments over three years commencing June -2015	Corporate guarantee for US\$ 4,200,000/- from Haycarb PLC
Haycarb Holding Bitung Ltd.	Commercial Bank of Ceylon PLC (LIBOR + 4%)	-	23,380	Payable in 59 monthly installments.	Corporate guarantee for US \$ 80,000 from Haycarb PLC.
Haycarb Holding Australia (Pty) Ltd.	HSBC (12.5%)	4,049	-	Payable in 36 monthly installments commencing August 2016	None
Haycarb USA Inc.	Hatton National Bank PLC (LIBOR + 3.75%)	113,761	-	Payable in 35 monthly installments commencing September 2016	Corporate guarantee for US\$ 1,750,000/- from Haycarb PLC
	Hatton National Bank PLC (LIBOR + 3.75%)	75,977	43,403	Payable in 60 monthly installments commencing September 2015	Corporate guarantee for US\$ 1,750,000/- from Haycarb PLC
Logiventures (Pvt) Ltd.	Hatton National Bank PLC (LIBOR + 3.5%)	85,317	116,952	Payable in 56 monthly installments of Rs 3Mn and 1st installment of Rs 1 mn.	Mortgage of land at Sedawatta

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Logiwiz (Pvt) Ltd	HSBC (SLIBOR+ 1%)	50,000	-	36 monthly installments commencing after 12 months grace period	None
	HSBC (SLIBOR+ 1%)	100,000	-		None
	HSBC (SLIBOR+ 1%)	25,000	-		None
Hayleys Free Zone Limited	Seylan Bank PLC (LIBOR + 3.5% )	-	196,872	Quarterly installments commencing from Feb-16	None
	Seylan Bank PLC (LIBOR + 3.5%)	-	286,685	Quarterly installments commencing from December 2016	None
	HSBC (LIBOR + 2.75%)	1,223,520	-	39 monthly installments commencing after 18 months grace period	Corporate guarantee from Hayleys Advantis Ltd.
Logistic International Ltd.	HSBC (LIBOR + 2%)	-	7,664	Monthly installments ending 2017.	None
	HSBC (LIBOR + 2%)	197,904	65,111	Monthly installments ending 2020.	Corporate guarantee from Hayleys Advantis Ltd.
Logiwiz Logistics India (Pvt) Ltd	HDFC Bank Ltd. -15.75%	2,483	-	36 monthly installments commencing December, 2016	None
Moceti International Ltd.	Standard Chartered Bank PLC (LIBOR + 1.9%)	113,993	253,208	Quarterly installments ending 2020.	None
TTEL Hydro Power Company (Pvt) Ltd.	Sampath Bank PLC (8.75%)	16,124	37,622	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+0.25%)	37,483	87,487	60 Monthly installments commencing 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.
	Sampath Bank PLC (AWPLR+0.25%)	275,000	100,000	48 Monthly installments commencing from February 2017	Letter of undertaking from the company to channel all dividend receivables, through the account maintained with Sampath Bank PLC
	Peoples Bank PLC (AWPLR +0.5%)	187,480	-	48 Monthly installments commencing from April 2017	Primary mortgage over property situated at Malabe
Hayleys Fabric PLC	Commercial Bank of Ceylon PLC (6.5%)	-	300	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%)	-	20,220	36 monthly installments of USD 222,223/	None
	Hatton National Bank PLC (3 month LIBOR+ 4.25% )	-	128,610	36 monthly installments of USD 27,728 after grace period of 6 months	None
	Standard Chartered Bank PLC (LIBOR + 3.5%)	944,459	-	36 monthly instalments of US\$ 239,591	Mortgage over machinery
	Standard Chartered Bank PLC (LIBOR + 3.35%)	-	135,893	18 monthly installments of USD 57,562	Mortgage over machinery



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Talawakelle Tea Estates PLC	NDB Bank PLC (AWPLR +1.5%)	87,500	117,500	60 Installment ending 2021.	Primary mortgage over lease hold rights of Somerset, Great Western, Holyrood, and Dessford Estates.
	Sampath Bank PLC (8%)	8,692	21,736	92 installment ending November, 2018.	Primary mortgage over lease hold rights to the value of Rs. 30 Mn of Clarendon Estate.
	Sri Lanka Tea Board ( 11.96%)	27,222	-	60 monthly installments commencing from March 2015	Tea Sales Proceeds
Ravi Industries (Pvt) Ltd	Hatton National Bank PLC. (3 months LIBOR+4.2 %)	-	1,519	Installment ending September, 2017.	Primary Mortgage over specific Machinery.
	Hatton National Bank PLC- LKR (AWPLR+0.5% )	-	475	Quarterly installments from September 2012.	Primary Mortgage over specific Machinery.
	Hatton National Bank PLC-USD (3 months LIBOR + 4 %)	60,977	78,538	Quarterly installments from September 2012.	Primary Mortgage over specific Machinery.
Volanka (Pvt) Ltd.	DFCC Bank PLC ( AWPLR+ 0.075%)	7,143	21,429	One year grace period loan repayment start date from January 2012.	Mortgage on Land and Building at Katana.
Chas P. Hayley & Co. (Pvt) Ltd	Hatton National Bank PLC- (AWPLR+1%)	85,000	115,000	60 Installment ending 2021.	None
Rileys (Pvt) Ltd.	Hatton National Bank PLC- (AWPLR+1%)	82,500	112,500	60 Installment ending 2021.	Corporate guarantee for Rs.250 mn from Volanka Ltd.
Alumex PLC	Standard Chartered Bank PLC (AWPLR + 0.25%)	512,000	-	48 monthly or quarterly installments commencing April, 2018	None
The Kingsbury PLC	Bank of Ceylon PLC (AWPLR)	192,929	398,990	6 year including 1& 1/2 year grace period	Mortgage on leasehold land,building and fixtures ( building and building intergals)
	DEG Deutsche Investitions (6m LIBOR +4.25%)	759,925	964,567	Semi annual repayment on each 15th of June and December respectively commencing on 15th June 2015. for 12 installments	Mortgage on leasehold land,building and fixtures ( building and building integrals) and movable assets, furniture, equipment (Plant & Machinery & equipment, furniture & fittings, Motor Vehicles and linen, cutlery, crockery and glassware)
Haychem Bangladesh Ltd	CBCL (15% )	11,970	20,338	60 monthly equal installment.	None
Sun Tan Beach Resorts Ltd.	DFCC Bank PLC (PLR +1%)	296,970	345,455	66 Monthly installments commencing from December, 2014	Leasehold Right of the land and Hotel building belongs to Sun Tan Beach Resorts Ltd
	Hatton National Bank PLC (PLR + 7.5%)	644,338	678,367	Monthly installments commencing from January, 2017	Leasehold property

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Amaya Leisure PLC	Seylan Bank PLC (3 M - AWPLR + 1%)	107,550	207,750	Monthly installments commencing from May, 2014	None
Hayleys Global Beverages (Pvt) Ltd	Hatton National Bank PLC (AWPLR+0.75%)	1,625,423	1,165,822	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%)	197,498	192,399	To be repaid over a period of 8 years	Mortgage bond for Rs. 750 mn ordinary shares of Hayleys Neluwa Hydro (Pvt) Ltd valued at Rs.300 mn.
	DFCC Vardhana Bank PLC (AWPLR+0.5%)	430,556	325,000	72 monthly installments after a grace period of 2 years	Mortgage bond for 500 mn
Neluwa Cascade Hydro Power (Pvt) Ltd.	Sampath Bank PLC (AWPLR+0.5%)	29,379	71,423	60 Monthly installments commencing from July, 2015	Primary mortgage for Rs. 100 mn over the project land & assets
Fentons Ltd.	Commercial Bank of Ceylon PLC (AWPLR + 2%)	-	44,106	Monthly installments	Mortgage over land & building
	Sampath Bank PLC (13%)	-	9,595	Monthly installments	Mortgage over stock & debtors
	Standard Chartered Bank PLC (AWPLR + 2%)	116,444	-	48 monthly installments	Corporate Guarantees from Hayleys PLC
	Lanka Orix Leasing Company PLC (17.5%)	1,889	2,982	60 monthly installments	None
Energy Net Ltd.	Sampath Bank PLC (15%)	4,500	7,500	Monthly installments	Mortgage over stock & debtors
	Lanka Orix Leasing Company PLC (15%)	-	4,157	60 monthly installments	Mortgage over stock & debtors
Solar One Ceylon (Pvt) Ltd.	Sampath Bank PLC (AWPLR +0.75%)	1,243,000	-	96 equal monthly installments commencing September 2018	Mortgage over Lease Land & Mortgage over 100% shares
Luxury Resort (Pvt) Ltd.	Sampath Bank PLC (LIBOR + 5%)	2,496,660	-	60 equal monthly installments commencing January 2018	Leasehold Right of the land and Hotel building belong to Luxury Resort (Pvt) Ltd
		15,988,915	9,633,298		

## NOTES TO THE FINANCIAL STATEMENTS

### 26 Grants

As at 31st March	Consolidated	
	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	739,677	713,495
Grants received during the year	44,270	90,288
Amortised during the year	(40,560)	(64,106)
At the end of the year	743,387	739,677

#### 26.1 Grants Received for the Group is 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 as a grant to finance the project on conversion of the diesel fired boiler to dendro thermal power.

Agriculture Sector - Received by the USAID for construction of Gherkin Storage Facilities(Vats) in Padiyathalawa - Eastern Province.

There are no unfulfilled conditions or contingencies attached to these grants.

### 27 Deferred Taxation

As at 31st March	Consolidated		
	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000
Deferred tax asset	604,150	399,217	385,745
Deferred tax liability	1,853,124	1,554,561	1,420,630
Net Deferred Tax Liability	1,248,974	1,155,344	1,034,835

## 27.1 Net Deferred Tax liability

As at 31st March	Consolidated Rs.'000
Balance as at 31st March, 2015	976,539
Effect of transition to LKAS 41- Note 38	58,346
Balance as at 31st March, 2015- Restated	1,034,885
Amount originating during the year- Statement of Profit or Loss	142,287
Amount reversed during the year- Other Comprehensive Income	(50,304)
Acquisition through business combinations	14,196
Effect of movements in exchange rates	14,280
Balance as at 31st March, 2016- Restated	1,155,344
Amount originating during the year- Statement of Profit or Loss	20,994
Amount originated during the year- Other Comprehensive Income	68,082
Effect of movements in exchange rates	4,554
Balance as at 31st March, 2017	1,248,974

## 27.2 Net Deferred Tax Liabilities are attributable to the following as at the year end.

As at 31st March	Consolidated		
	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000
Tax effect of employee benefit obligations	(743,310)	(758,312)	(672,226)
Tax effect of tax loss carried forward	(734,355)	(523,423)	(453,402)
Tax effect of provisions	(126,854)	(89,807)	(99,039)
Others	-	-	-
	(1,604,519)	(1,371,542)	(1,224,667)
Deferred tax liabilities			
Tax effect of property, plant & equipment	2,766,602	2,468,618	2,201,206
Tax effect of investment properties	86,891	58,268	58,346
	2,853,493	2,526,886	2,259,552
Net deferred tax liabilities	1,248,974	1,155,344	1,034,885

## NOTES TO THE FINANCIAL STATEMENTS

### 28 Employee Benefit Obligations

As at 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Present value of unfunded gratuity	5,608,640	5,678,535	557,063	521,012
Total present value of the obligation	5,608,640	5,678,535	557,063	521,012
At the beginning of the year	5,678,535	4,958,643	521,012	415,617
Acquisition through business combinations		99,559	-	-
Effect of movements in exchange rates	13,860	7,701	-	-
Benefits paid during the year	(528,326)	(410,898)	(58,134)	(14,835)
Current service costs	324,501	379,862	11,099	8,690
Interest cost	514,137	265,316	54,873	40,846
Actuarial (gain)/ loss	(394,067)	378,352	28,213	70,694
At the end of the year	5,608,640	5,678,535	557,063	521,012

For the year ended	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
The expense is recognised in the following line items in the Statement of Profit or Loss				
Cost of sales	153,265	133,928	2,323	2,238
Administrative expenses	685,373	511,250	63,649	47,298
	838,638	645,178	65,972	49,536

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.

	Others		Plantations	
	2017	2016	2017	2016
Rate of discount	12%	11%	12%	11%
Salary increase	11%	10%	10% - 11%	10% - 11%

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.5,290mn (2016- Rs.4,808mn) and Rs.599 mn (2016- Rs.501 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 in pages 214.



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## 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 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 (Rs.'000)	5,690,842	5,119,481	582,900	532,736

A one percentage point change in the discount rate

	Consolidated		Company	
	+1%	-1%	+1%	-1%
The present value of defined benefit obligation (Rs.'000)	5,081,811	5,739,853	532,434	583,685

## 28.2 Distribution of Employee Benefit Obligation over Future Working Lifetime

	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
As at 31st March				
Less than or equal 1 year	405,176	523,419	35,021	30,349
Over 1 year and less than or equal 5 years	1,662,388	1,477,294	382,446	172,537
Over 5 year and less than or equal 10 years	1,543,807	1,746,245	94,567	243,898
Over 10 years	1,997,269	1,931,577	45,029	74,228
<b>Total</b>	<b>5,608,640</b>	<b>5,678,535</b>	<b>557,063</b>	<b>521,012</b>

## 29 Trade and Other Payables/Provisions

### 29.1 Trade and Other Payables

	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
As at 31st March				
Trade payables	7,430,282	5,094,400	-	-
Bills payable	1,573,465	1,562,341	-	-
Other payables including accrued expenses	7,471,873	6,374,875	200,951	189,844
Unclaimed dividends	290,554	99,122	55,571	51,783
	<b>16,766,174</b>	<b>13,130,738</b>	<b>256,522</b>	<b>241,627</b>

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### 29.2 Currency Wise Analysis of Trade and Other Payables

As at 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Sri Lankan Rupees	8,541,512	6,611,603	256,522	241,627
Pounds Sterling	83,000	35,169	-	-
United States Dollars	4,714,643	4,086,631	-	-
Euro	1,664,870	804,985	-	-
Thai Baht	1,297,097	1,128,905	-	-
Bangladesh Taka	164,542	133,380	-	-
Others	300,510	330,065	-	-
	16,766,174	13,130,738	256,522	241,627

### 29.3 Provisions

As at 31st March	Consolidated			
	Maintenance warranties ** Rs.'000	Other Rs.'000	Total 2017 Rs.'000	Total 2016 Rs.'000
At the beginning of the year	10,383	12,279	22,662	25,479
Arising during the year	2,376	18,596	20,972	24,042
Utilized	(618)	(27,666)	(28,284)	(26,859)
At the end of the year	12,141	3,209	15,350	22,662

\*\* Hayleys Agriculture Holdings Ltd which sells heavy machineries such as combine harvesters, combine threshers, four wheel tractors has a warranty provision in the Financials Statements for any warranty claim which may arise on machine sold.

### 29.4 Other Current Liabilities

As at 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Other tax payable	176,742	110,655	30,507	10,823
Payments received in advance	1,228,498	1,201,804	-	-
	1,405,240	1,312,459	30,507	10,823

**30 Income Tax****30.1 Income Tax Recoverable**

As at 31st March	Notes	Consolidated		Company	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
At the end of the year	30.2	344,815	193,581	5,411	2,287

**30.2 Income Tax Payable**

As at 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	526,953	296,155	(2,287)	(1,752)
Subsidiaries/ parents' taxation on current year's profit	1,571,264	1,319,419	1,135	3,672
Irrecoverable economic service charge	1,849	4,410	-	-
Under provision in respect of previous years	28,862	59,075	8,465	17,460
Tax on dividend	353,871	231,287	-	-
Acquisition through business combinations	-	4,656	-	-
Effect of movements in exchange rates	(2,274)	14,168	-	-
Payments made during the year	(2,003,508)	(1,402,217)	(12,724)	(21,667)
Net Income Tax payable/(recoverable)	477,017	526,953	(5,411)	(2,287)
Income tax recoverable	344,815	193,581	5,411	2,287
At the end of the year	821,832	720,534	-	-

**31 Short-Term Interest Bearing Borrowings**

As at 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Sri Lankan Rupees	11,659,124	7,844,307	719,020	43,052
Pounds Sterling	23,217	273,624	-	-
United States Dollars	6,271,385	5,082,734	-	-
Euro	305,982	598,625	-	-
Thai Baht	146,186	111,309	-	-
Indonesian Rupiah	264,481	329,400	-	-
Bangladesh Taka	338,060	251,638	-	-
Others	43,852	1,216	-	-
	19,052,287	14,492,853	719,020	43,052

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### 32 Contingent Liabilities and Commitments

#### 32.1 Contingent Liabilities.

##### Company

The contingent liability as at 31st March, 2017 on guarantees given by Hayleys PLC., to third parties amounted to Rs. 357 mn (2016- Rs.30 mn). Total of this sum relates to facilities obtained by its subsidiaries. Details are given in Note 25 to the Financial Statements.

##### Group

Contingent liability as at 31st March 2017 on bills discounted amounted to USD'000 556 (2016- USD'000 344) in respect of Hayleys Fabric PLC.

The contingent liability as at 31st March 2017 on guarantees given by Haycarb PLC to third parties amounted to Rs. 2,602 mn (2016- Rs.2,322 mn). Of this sum, Rs. 2,279 mn (2016- Rs. 2,113 mn) relate to facilities obtained by its subsidiaries.

The contingent liabilities as at 31st March 2017 on guarantees given by Dipped Products PLC to third parties amounted to Rs. 106 mn (2016- Rs.45 mn). Total of this sum relates to facilities obtained by its subsidiaries.

The contingent liabilities as at 31st March 2017 on guarantees given by Alumex PLC to third parties amounted to Rs. 0.04 mn (2016- Rs. 0.7 mn).

#### 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	2017 Rs.'000	2016 Rs.'000
Repayable within one year	137,535	177,143
Repayable after one year less than 5 year	650,182	796,271
Repayable after 5 year	1,171,781	1,054,999
	1,959,498	2,022,413

### 33 Foreign currency translation

The principal exchange rates used for translation purposes were:

As at 31st March	Average		As at 31st March	
	2017	2016	2017	2016
United States Dollar	148.17	139.58	151.99	144.69
Australian Dollar	111.45	102.55	116.24	110.87
Pound Sterling	193.09	209.63	189.96	207.90
Thai Baht	4.21	3.96	4.40	4.08
Bangladesh Taka	1.87	1.78	1.89	1.84
Euro	161.97	153.92	162.36	163.95
Indian Rupee	2.20	2.12	2.34	2.17
Indonesian Rupiah	0.01	0.01	0.01	0.01
Maldivian Rufiyaa	9.61	9.08	9.82	9.41

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## 34 Functional Currency

The Group's functional currency is Sri Lankan Rupee, except in the following subsidiaries and equity accounted investees where the functional currency is different as they operate in different economic environments.

Company	Functional Currency
Hayleys Fabric PLC	USD
Haychem (Bangladesh) Ltd.	Taka
PT Mapalus Makawanua Charcoal Industry	Rupiah
Haycarb Holdings Bitung Ltd.	USD
Eurocarb Products Ltd.	Pounds Sterling
Haycarb Holdings Australia (Pty) Ltd.	Australian Dollars
Haymark 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 S.p.A	Euro
PT Tulus Lanka Coir Industries	Rupiah
Civaro Freight India (Pvt) Ltd	Indian Rupees
Hayleylines Limited	USD
Logiwiz Logistics India (Pvt) Ltd	Indian Rupees
Shizuka Co. Ltd	Thai Baht
Charles Fibers (Pvt) Ltd	Indian Rupees
PT Haycarb Palu Mitra (Indonesia)	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
Premium Global Logistics Sdn Bhd	Ringgit
Advantis Singapore (Pte) Ltd.	Singapore Dollars
Advantis Kusuhara Sedate (Pvt) Ltd.	Kyat
Luxury Resorts (Pvt) Ltd	USD
Advantis Sedate Myanmar (Pvt) Ltd.	Kyat

## 35 Events Occurring After the Reporting Date

Other than mentioned below, no other circumstances have arisen since the Reporting date, which would require adjustments to, or disclosure in the Financial Statements.

- 35.1 The Directors have approved the payment of interim dividend of Rs. 7.50 per share on 19th May 2017, for the year ended 31st March 2017, payable on 9th June 2017. In accordance with Sri Lanka Accounting Standard No. 10 on "Events after reporting period", this dividend has not been recognised as a liability as at the Reporting date.

## 36 Companies with Different Accounting Years

The Financial Statements of, Haylex BV Group has been prepared for the year ended 31st December and ICOGUANTI S.p.A has prepared for the year ended 28th February. These Companies have been consolidated based on the Financial Statements drawn up to 31st December and 28th February since these subsidiaries are not material to the Group.



## NOTES TO THE FINANCIAL STATEMENTS

### 37 Acquisition and Disposal of Subsidiaries / Disposal of Equity Accounted Investees

#### 37.1 The Acquisition made during 2015/16 had the following effect on the Groups' Assets and Liabilities

	Total 2017 Rs.'000	Total 2016 Rs.'000
Property plant and equipment	-	261,721
Intangible assets	-	124
Inventories	-	487,666
Trade and other receivables	-	890,906
Current financial assets	-	483
Long term loans	-	(673,741)
Lease obligations	-	(36,633)
Interest in suspense	-	4,873
Employee benefit obligations	-	(99,559)
Deferred tax asset /(liability )	-	(14,196)
Trade and other payables	-	(971,010)
Income tax recoverable / (payable)	-	(4,655)
<b>Net identifiable assets and liabilities</b>	<b>-</b>	<b>(154,021)</b>
Non-controlling interests	-	367,458
Goodwill/(negative goodwill) acquired	-	646,418
	-	859,855

There were no acquisition made during the year which define under Business Combination (SLFRS 3)

#### 37.2 Satisfied by

	Total 2017 Rs.'000	Total 2016 Rs.'000
Cash Consideration	-	859,855
<b>Analysis of cash and cash equivalents on acquisition of subsidiary</b>		
Cash consideration	-	(150,000)
Short term borrowings	-	(795,988)
Cash in hand and at bank acquired	-	86,133
	-	(859,855)

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**37.3** During the year Amaya PLC, a subsidiary of Hayleys PLC disposed it's investment in The Beach Resorts Ltd.

	2017 Rs.'000
Property plant and equipment	361,568
Total assets	361,568
Non-controlling interests	(56,756)
Profit on disposal of subsidiaries	25,300
Cash consideration	330,112

#### **37.4 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.

	Dipped Products PLC Rs'000	Haycarb PLC Rs'000	Alumex PLC Rs'000	Hayleys Advantis Ltd Rs'000
Non-current assets	10,785,013	5,508,559	1,505,315	7,844,066
Current assets	8,236,286	7,995,400	2,324,382	8,647,351
<b>Total assets</b>	<b>19,021,299</b>	<b>13,503,959</b>	<b>3,829,697</b>	<b>16,491,417</b>
			-	
Non-current liabilities	4,247,663	904,884	709,387	2,896,285
Current liabilities	5,599,463	5,808,012	1,257,001	8,964,098
<b>Total liabilities</b>	<b>9,847,126</b>	<b>6,712,896</b>	<b>1,966,388</b>	<b>11,860,383</b>
			-	
<b>Equity attributable to the owners of the company</b>	<b>4,324,895</b>	<b>4,043,820</b>	<b>851,278</b>	<b>3,568,397</b>
Non-controlling interests	4,849,278	2,747,243	1,012,031	1,062,637
Non-controlling interest in %	44	32	44	5
<b>Revenue</b>	<b>21,137,501</b>	<b>13,553,576</b>	<b>4,728,320</b>	<b>24,245,431</b>
Profit after tax	825,658	916,167	753,496	1,193,241
Profit attributable to the owners of the company	490,372	528,790	423,465	670,832
Profit attributable to the non-controlling interests	335,286	387,377	330,031	522,409
Total comprehensive income	1,297,501	1,206,167	851,468	1,615,006
Dividend paid to non controlling interests	119,723	207,986	433,989	471,445
Net cash inflow from operating activities	942,989	2,078,784	532,708	807,421
Net cash (outflow) from investing activities	(1,349,033)	(866,357)	(628,457)	(2,833,097)
Net cash (outflow)/inflow from financing activities	229,821	(229,800)	105,809	346,801
<b>Total net cash (outflow) )/inflow</b>	<b>(176,223)</b>	<b>982,627</b>	<b>10,060</b>	<b>(1,678,875)</b>

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### 38 Prior year adjustments

The Consolidated Financial Statements have been restated in accordance with Sri Lanka Accounting Standard LKAS 8-Accounting Policies, Changes in Accounting Estimates and Errors, to reflect the followings,

#### 38.1 Adjustment to fair value - SLFRS 3

Hayleys PLC acquired Fentons (Pvt) Ltd in March 2016 and the Financial Statements of the Group for the year ended 31 March 2016 were drawn up applying provisional amounts relating to the fair value of assets and liabilities acquired on Business Combination.

With the completion of the acquisition, the carrying value of assets and liabilities acquired have been adjusted retrospectively in their Financial Statements in accordance with SLFRS 3; Business Combinations.

#### 38.2 Change in subsequent measurement policy for investment properties - LKAS 40

The Group re-assessed its accounting for investment properties with respect to measurement after initial recognition. The Group had previously measured all investment properties using the cost model whereby, after initial recognition of the asset classified as investment properties, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

The Group decided to change the method of accounting for investment properties, as the Group believes that the fair value model provides more relevant information to the users of its Financial Statements. The Group applied the revaluation model retrospectively.

After initial recognition, investment property is measured at its fair value at the end of the reporting period and a gain or loss arising from changes in the fair value in the reporting period is recognised in profit or loss for that period .

#### 38.3 Agriculture: Bearer Plants (Amendments to LKAS 16 and LKAS 41) Produce on bearer biological assets

LKAS 41 requires the produce on bearer plant prior to harvest to be measured at fair value less costs to sell. The Group previously presumed any agricultural produce prior to harvest (produce on) as bearer biological asset and measured at cost less accumulated depreciation and accumulated impairment losses, if any.

After initial recognition, changes in the fair value of such agricultural produce recognised in profit or loss at the end of each reporting period. The Group applied this amendment retrospectively.

## 38.4 Impact to the Consolidated Statement of Profit or Loss for the year ended 31st March 2016

	As per Annual Report published  2016 Rs'000	Effect of change in accounting policy LKAS 40  Rs'000	Effect of Transition to LKAS 41  Rs'000	As per Annual Report published  2017 Rs'000
Revenue	92,274,683	-	-	92,274,683
Cost of sales	(69,642,934)	-	-	(69,642,934)
<b>Gross profit</b>	<b>22,631,749</b>	<b>-</b>	<b>-</b>	<b>22,631,749</b>
Other income	689,956	-	(1,747)	688,209
Distribution expenses	(3,171,259)	-	-	(3,171,259)
Administrative expenses	(11,466,920)	6,532	-	(11,460,388)
Other expenses	(178,314)	-	-	(178,314)
<b>Results from operating activities</b>	<b>8,505,212</b>	<b>6,532</b>	<b>(1,747)</b>	<b>8,509,997</b>
Finance income	843,766	-	-	843,766
Finance costs	(2,775,241)	-	-	(2,775,241)
Net finance costs	(1,931,475)	-	-	(1,931,475)
Change in fair value of investment properties	-	130,479	-	130,479
Share of profit of equity accounted investees ( net of tax)	242,537	-	-	242,537
<b>Profit before tax</b>	<b>6,816,274</b>	<b>137,011</b>	<b>(1,747)</b>	<b>6,951,538</b>
Tax expense	(1,756,533)	55	-	(1,756,478)
<b>Profit for the period</b>	<b>5,059,741</b>	<b>137,066</b>	<b>(1,747)</b>	<b>5,195,060</b>
<b>Attributable to:</b>				
Owners of the parent	3,003,913	114,001	(361)	3,117,553
Non-controlling interest	2,055,828	23,065	(1,386)	2,077,507
	5,059,741	137,066	(1,747)	5,195,060
<b>Earnings per share</b>				
Basic - (Rs.)	40.05	1.52	(0.00)	41.57
Diluted - (Rs.)	40.05	1.52	(0.00)	41.57

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### Impact to the Consolidated Comprehensive Income for the year ended 31st March 2016

	As per Annual Report published  2016 Rs'000	Effect of change in accounting policy LKAS 40  Rs'000	Effect of Transition to LKAS 41  Rs'000	As per Annual Report published  2017 Rs'000
Profit for the period	5,059,741	137,066	(1,747)	5,195,060
<b>Other comprehensive income</b>				
<b>Items will not be reclassified subsequently to profit or loss</b>				
Revaluation of land	-	-	-	-
Share of other comprehensive income of equity accounted investees	-	-	-	-
Actuarial (loss)/gain on Employee benefit obligations	(378,352)	-	-	(378,352)
Income tax on other comprehensive income	50,304	-	-	50,304
				-
<b>Items will be reclassified subsequently to profit or loss</b>				
Net exchange differences on translation of foreign operations	367,727	-	-	367,727
Share of other comprehensive income of equity accounted investees	(469)	-	-	(469)
Net change in fair value of available-for-sale financial assets	(6,850)	-	-	(6,850)
				-
<b>Total other comprehensive income for the year, net of tax</b>	<b>32,360</b>	<b>-</b>	<b>-</b>	<b>32,360</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>5,092,101</b>	<b>137,066</b>	<b>(1,747)</b>	<b>5,227,420</b>
<b>Total comprehensive income for the year attributable to</b>				
Owners of the parent	2,972,574	113,999	(361)	3,107,892
Non-controlling Interest	2,119,527	23,067	(1,386)	2,119,528
	5,092,101	137,066	(1,747)	5,227,420



## 38.5 Reconciliation for the Consolidated Statement of Financial Position as at 31st March 2016

	As per Annual Report published  2016 Rs'000	Adjustment to fair value on acquisition SLFRS 3  Rs.'000	Effect of change in accounting policy LKAS 40  Rs'000	Effect of Transition to LKAS 41  Rs'000	As per Annual Report published  2017 Rs'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant & equipment	50,441,828	(12,144)	(79,808)	-	50,349,876
Investment properties	1,396,312	-	538,825	-	1,935,137
Biological assets	342,797	-	-	-	342,797
Intangible assets	6,227,104	70,326	-	-	6,297,430
Investments in subsidiaries	-	-	-	-	-
Investments in equity accounted investees	671,797	-	-	-	671,797
Other non-current financial assets	223,038	-	-	-	223,038
Other non-current assets	595,977	-	-	-	595,977
Deferred tax assets	399,193	24	-	-	399,217
<b>Total non-current assets</b>	<b>60,298,046</b>	<b>58,206</b>	<b>459,017</b>	<b>-</b>	<b>60,815,269</b>
<b>Current assets</b>					
Inventories	15,136,119	(109,485)	-	6,491	15,033,125
Amounts due from subsidiaries	-	-	-	-	-
Amounts due from equity accounted investees	42,162	(12,000)	-	-	30,162
Trade and other receivables	19,498,173	(444,514)	-	-	19,053,659
Other current assets	1,533,231	(61,936)	-	-	1,471,295
Income tax recoverable	218,899	(25,318)	-	-	193,581
Other current financial assets	929,875	-	-	-	929,875
Short term deposits	1,985,845	(13,864)	-	-	1,971,981
Cash in hand and at bank	3,676,171	18,171	-	-	3,694,342
Assets classified as held for sale	3,021	-	-	-	3,021
<b>Total current assets</b>	<b>43,023,496</b>	<b>(648,946)</b>	<b>-</b>	<b>6,491</b>	<b>42,381,041</b>
<b>Total assets</b>	<b>103,321,542</b>	<b>(590,740)</b>	<b>459,017</b>	<b>6,491</b>	<b>103,196,310</b>
<b>Equity and liabilities</b>					
Stated capital	1,575,000	-	-	-	1,575,000
Employee share trust loan	-	-	-	-	-
Capital reserves	1,102,676	(34,857)	-	-	1,067,819
Other components of equity	11,576,897	-	-	-	11,576,897
Revenue reserves	16,600,264	-	273,214	2,346	16,875,824
<b>Total equity attributable to equity holders of the company</b>	<b>30,854,837</b>	<b>(34,857)</b>	<b>273,214</b>	<b>2,346</b>	<b>31,095,540</b>
Non-controlling interest	15,728,293	(42,420)	127,511	4,145	15,817,529
<b>Total equity</b>	<b>46,583,130</b>	<b>(77,277)</b>	<b>400,725</b>	<b>6,491</b>	<b>46,913,069</b>

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	As per Annual Report published  2016 Rs'000	Adjustment to fair value on acquisition SLFRS 3  Rs.'000	Effect of change in accounting policy LKAS 40  Rs'000	Effect of Transition to LKAS 41  Rs'000	As per Annual Report published  2017 Rs'000
<b>Non-current liabilities</b>					
Interest-bearing borrowings	12,265,720	(29,871)	-	-	12,235,849
Grants	739,677	-	-	-	739,677
Deferred tax liabilities	1,496,269	-	58,292	-	1,554,561
Employee benefit obligations	5,673,028	5,507	-	-	5,678,535
<b>Total non-current liabilities</b>	<b>20,174,694</b>	<b>(24,364)</b>	<b>58,292</b>	<b>-</b>	<b>20,208,622</b>
<b>Current liabilities</b>					
Trade and other payables	13,163,671	(32,933)	-	-	13,130,738
Provisions	22,662	-	-	-	22,662
Other current liabilities	1,817,552	(505,093)	-	-	1,312,459
Other current financial liabilities	553	-	-	-	553
Amounts due to subsidiaries	-	-	-	-	-
Amounts due to equity accounted investees	-	-	-	-	-
Income tax payable	710,414	10,120	-	-	720,534
Current portion of long term interest-bearing borrowings	6,235,591	158,897	-	-	6,394,488
Short-term interest-bearing borrowings	14,612,943	(120,090)	-	-	14,492,853
Liabilities directly associated with assets classified as held for sale	332	-	-	-	332
<b>Total current liabilities</b>	<b>36,563,718</b>	<b>(489,099)</b>	<b>-</b>	<b>-</b>	<b>36,074,619</b>
<b>Total liabilities</b>	<b>56,738,412</b>	<b>(513,463)</b>	<b>58,292</b>	<b>-</b>	<b>56,283,241</b>
<b>Total equity and liabilities</b>	<b>103,321,542</b>	<b>(590,740)</b>	<b>459,017</b>	<b>6,491</b>	<b>103,196,310</b>

## 38.6 Reconciliation for the Consolidated Statement of Financial Position as at 31st March 2015

	As per Annual Report published  2015 Rs'000	Effect of change in accounting policy LKAS 40  Rs'000	Effect of Transition to LKAS 41  Rs'000	As per Annual Report published  2017 Rs'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant & equipment	46,163,919	(80,266)	-	46,083,653
Investment properties	1,412,822	402,270	-	1,815,092
Biological assets	307,476	-	-	307,476
Intangible assets	5,715,803	-	-	5,715,803
Investments in subsidiaries	-	-	-	-
Investments in equity accounted investees	489,096	-	-	489,096
Other non-current financial assets	241,478	-	-	241,478
Other non-current assets	1,022,155	-	-	1,022,155
Deferred tax assets	386,698	(953)	-	385,745
<b>Total non-current assets</b>	<b>55,739,447</b>	<b>321,051</b>	<b>-</b>	<b>56,060,498</b>
<b>Current assets</b>				
Inventories	12,617,120	-	8,239	12,625,359
Amounts due from subsidiaries	-	-	-	-
Amounts due from equity accounted investees	49,854	-	-	49,854
Trade and other receivables	17,859,520	-	-	17,859,520
Other current assets	1,273,295	-	-	1,273,295
Income tax recoverable	219,469	-	-	219,469
Other current financial assets	39,562	-	-	39,562
Short term deposits	2,413,781	-	-	2,413,781
Cash in hand and at bank	3,111,428	-	-	3,111,428
Assets classified as held for sale	3,021	-	-	3,021
<b>Total current assets</b>	<b>37,587,050</b>	<b>-</b>	<b>8,239</b>	<b>37,595,289</b>
<b>Total assets</b>	<b>93,326,497</b>	<b>321,051</b>	<b>8,239</b>	<b>93,655,787</b>
<b>Equity and liabilities</b>				
Stated capital	1,575,000	-	-	1,575,000
Employee share trust loan	(148,558)	-	-	(148,558)
Capital reserves	1,303,980	-	-	1,303,980
Other components of equity	11,573,045	-	-	11,573,045
Revenue reserves	14,800,483	154,647	2,707	14,957,837
<b>Total equity attributable to equity holders of the company</b>	<b>29,103,950</b>	<b>154,647</b>	<b>2,707</b>	<b>29,261,304</b>
Non-controlling interest	15,105,525	109,011	5,532	15,220,068
<b>Total equity</b>	<b>44,209,475</b>	<b>263,658</b>	<b>8,239</b>	<b>44,481,372</b>

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	As per Annual Report published  2015 Rs'000	Effect of change in accounting policy LKAS 40  Rs'000	Effect of Transition to LKAS 41  Rs'000	As per Annual Report published  2017 Rs'000
<b>Non-current liabilities</b>				
Interest-bearing borrowings	12,069,274	-	-	12,069,274
Grants	713,495	-	-	713,495
Deferred tax liabilities	1,363,237	57,393	-	1,420,630
Employee benefit obligations	4,958,643	-	-	4,958,643
<b>Total non-current liabilities</b>	<b>19,104,649</b>	<b>57,393</b>	<b>-</b>	<b>19,162,042</b>
<b>Current liabilities</b>				
Trade and other payables	11,943,409	-	-	11,943,409
Provisions	25,479	-	-	25,479
Other current liabilities	497,790	-	-	497,790
Other current financial liabilities	15,942	-	-	15,942
Amounts due to subsidiaries	-	-	-	-
Amounts due to equity accounted investees	20,888	-	-	20,888
Income tax payable	515,624	-	-	515,624
Current portion of long term interest-bearing borrowings	3,686,844	-	-	3,686,844
Short-term interest-bearing borrowings	13,306,065	-	-	13,306,065
Liabilities directly associated with assets classified as held for sale	332	-	-	332
<b>Total current liabilities</b>	<b>30,012,373</b>	<b>-</b>	<b>-</b>	<b>30,012,373</b>
<b>Total liabilities</b>	<b>49,117,022</b>	<b>57,393</b>	<b>-</b>	<b>49,174,415</b>
<b>Total equity and liabilities</b>	<b>93,326,497</b>	<b>321,051</b>	<b>8,239</b>	<b>93,655,787</b>

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## 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 comprise the Directors of the company and details of compensation are given in Note 10 to the Financial Statements

For the year ended 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Short term employee benefit	1,055,631	795,680	311,825	219,117
Post employee benefit	-	-	-	-
Other long term benefit	-	-	-	-
Termination benefits	-	-	-	-
Share based payment	-	-	-	-
	1,055,631	795,680	311,825	219,117

#### 39.2.3 Other Transactions With Key Management Personnel

39.2.3.1 The names of Directors of Hayleys PLC, who are also directors of subsidiaries joint ventures and equity accounted investees companies are stated on pages 175 to 178.

39.2.3.2 Details of directors and their spouses' share holdings are given on page 301 There were no other transactions with key management personnel other than those disclosed in Note 39 to the Financial Statement.

39.2.3.3 K.D.D Perera purchased entire shareholding of 6,176,790 shares (84.30%) of the The Beach Resorts Limited a subsidiary of Amaya Leisure PLC amounting to Rs. 330 mn during the period



## NOTES TO THE FINANCIAL STATEMENTS

### 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 in pages 305 to 307. Business segment classification is also given under Group Companies.

39.3.1 The Companies within the Group engage in trading transactions under relevant commercial terms and condition.

39.3.2 Hayleys PLC provides office space to its subsidiaries and equity accounted investees and charges rent. In addition the company incurs common expenses such as on finance, export shipping, secretarial, data processing, personnel and administration functions. Such costs are allocated to subsidiary and equity accounted investees. Details are given below.

For the year ended 31st March	2017 Rs'000 Subsidiaries			2016 Rs '000 Subsidiaries		
Business segment	Rent	Common expenses	Purchase of goods and services	Rent	Common expenses	Purchase of goods and services
Eco solutions	10,352	107,600	2,281	8,543	96,137	1,721
Hand protection	18,705	208,825	8	18,836	178,961	4
Purification products	32,080	139,446	926	28,976	116,824	2,794
Textiles	-	85,716	-	-	78,219	1,281
Construction materials	-	40,463	-	-	34,268	-
Agriculture	20,733	105,532	3,667	18,550	96,337	2,475
Plantations	22,722	71,835	599	22,771	64,890	252
Industry inputs	14,708	59,568	857	13,796	54,730	3,501
Power & energy	-	16,959	-	-	11,702	-
Transportation & logistics	76,163	136,821	7,437	76,089	127,999	8,543
Consumer products	23,113	70,493	10,923	21,803	73,338	7,932
Leisure	-	151,630	20,067	-	117,596	12,796
Others	47,256	88,476	29,443	46,037	78,500	33,382
	265,832	1,283,364	76,208	255,401	1,129,501	74,681

### 39.3.3 Disclosure in terms of Section 9.3.2 of the Listing Rules of Colombo Stock Exchange

Name of the Related Party	Relationship	Value of the Related Party Transactions entered into during the Financial Year	Value of Related Party Transactions as a % of Equity and as a % of Total Assets (Consolidated)	Terms and Conditions of the Related Party Transactions	The rational for entering into the transactions
World Export Centre Ltd (Purchaser)	Wholly owned Subsidiary of Hayleys PLC	Total value ( inclusive of stamp duty ) Rs.10,391,417,000/-	As per the 31st March 2016 Audited Accounts  10 % Total Assets and  34 % of Equity	Normal commercial terms.  The valuation of the property was carried out by an independent valuer to ascertain the fair value	Hayleys PLC is desirous of constructing two office building "A" grade office twin Towers, with 55 floors each having 3.8 million sq.ft of commercial office space at the premises with No. 400, Deans Road, Colombo 10 which will enable Sri Lankan and global export orientated firms to house and exhibit their products and services in a single holistic location; and World Export Centre Limited being a wholly owned subsidiary of Hayleys PLC is desirous of carrying out the above proposed development.

## 39.4 Amounts Due From / Due To Subsidiaries

As at 31st March	Company			
	2017		2016	
	Rs'000		Rs '000	
Business segment	Subsidiaries		Subsidiaries	
	Receivable	Payable	Receivable	Payable
Eco solutions	145,170	(377)	159,171	(166)
Hand protection	56,427	-	16,286	-
Purification products	90,558	(940)	66,547	-
Textiles	6,990	-	6,811	-
Construction materials	4,200	-	5,739	-
Agriculture	234,403	(392)	173,843	-
Plantations	9,345	-	12,304	(18)
Industry inputs	167,482	(5)	233,957	(5)
Power & energy	6,350	-	516	-
Transportation & logistics	141,436	(985)	181,935	(1,478)
Consumer Products	22,708	(646)	20,421	(705)
Leisure	76,287	(98)	23,568	(5,115)
Others	215,325	(31,334)	209,941	(19,889)
	1,176,681	(34,777)	1,111,039	(27,376)

## 39.5 Amounts Due From / Due To Equity Accounted Investees

As at 31st March	Consolidated				Company			
	2017		2016		2017		2016	
	Rs'000		Rs '000		Rs'000		Rs '000	
Business segment	Equity accounted investees		Equity accounted investees		Equity accounted investees		Equity accounted investees	
	Receivable	Payable	Receivable	Payable	Receivable	Payable	Receivable	Payable
Eco solutions	8,238	-	2,184	-	8,067	-	532	-
Purification products	9,673	-	3,353	-	-	-	21	-
Transportation & logistics	4,935	-	16,914	-	4,935	-	1,713	-
Others	45,529	-	7,711	-	653	-	3,496	-
	68,375	-	30,162	-	13,655	-	5,762	-

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### 39.6 Transactions With Other Related Companies

Company	Relationship	Name of director	Nature of transaction	Amount Rs. 000
Sampath Bank PLC	Key management personnel/ Significant share holder	K.D.D. Perera	Bank facility	8,564,595
			Outstanding	4,124,457
			Interest paid	346,846
LB Finance PLC	Control/Significant share holder	K.D.D. Perera	Lease rental paid	4,221
			Outstanding	301
Pan Asia Bank PLC	Significant share holder	K.D.D. Perera	Bank facility	787,273
			Outstanding	220,820
			Interest paid	52,169
Royal Ceramics PLC	Control/Significant share holder	K.D.D. Perera	Purchase of goods & services	37,614
			Income from supply of services	7,620
			Outstanding	2,276
Vallibel Finance Ltd.	Control/Significant share holder	K.D.D. Perera	Outstanding	562
Vallibel One PLC	Control/Significant share holder	K.D.D. Perera	Outstanding	301
			Amount paid	4,783
Unidil Packaging Ltd.	Control/Significant share holder	K.D.D. Perera	Amounts paid	40,720
Delmege Limited	Control/Significant share holder	K.D.D. Perera	Amounts paid	3,981
			Outstanding	51
			Technical support fees income	30,172
Lanka Ceramics PLC	Control/Significant share holder	K.D.D. Perera	Amounts received	135
Horana Plantations PLC	Control/Significant share holder	K.D.D. Perera	Amounts paid	2,048
Lanka Tiles PLC	Control/Significant share holder	K.D.D. Perera	Amounts paid	10,776
			Amounts received	1,893
			Outstanding	1413

39.7 Details of guarantees given in respect of related parties are given in Note 32 to the Financial Statements.

39.8 No provision was made in respect of related party receivables.

39.9 No security has been obtained for related party receivables and all related party dues are payable on demand.

39.10 Interest on related party dues are decided based on the inter bank lending rates, associated risk and purpose for which funds are used.

39.11 There are no related parties or related party transactions other than those disclosed in Note 39 to the Financial Statements.

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## 40 Discontinued Operations/ Assets Held for Sales

Assets and Liabilities of discontinued operations

As at 31st March	Consolidated	
	2017 Rs.'000	2016 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.

	Eco Solutions		Hand Protection		Purification		Textiles		Construction Materials		Plantations		Agriculture	
For the year ended 31st March,	2017	2016 (Restated)	2017	2016 (Restated)	2017	2016	2017	2016	2017	2016	2017	2016 (Restated)	2017	2016
In Rs '000														
<b>Revenue</b>														
Total	4,655,457	4,439,109	14,285,240	12,729,461	13,553,575	11,705,824	8,228,977	8,364,207	4,728,320	3,995,449	10,123,032	9,391,870	14,125,005	11,388,353
Intra Group	(642,844)	(648,028)	(3,796)	(4,157)	-	-	-	-	(22,004)	(51,299)	(133,778)	(296,333)	(513,273)	(365,208)
External	4,012,613	3,791,081	14,281,444	12,725,304	13,553,575	11,705,824	8,228,977	8,364,207	4,706,316	3,944,150	9,989,254	9,095,537	13,611,732	11,023,145
<b>Segment results</b>														
Results from operating activities	1,063,797	171,234	978,264	544,242	1,368,272	1,216,377	199,536	369,597	1,050,277	813,113	479,166	216,157	1,486,730	1,287,233
Net finance cost	(136,109)	(89,180)	(142,224)	41,858	(216,024)	(136,319)	(138,295)	(116,550)	(33,877)	(11,853)	(258,591)	(168,197)	(383,911)	(196,785)
Share of profit of equity accounted investees	29,544	14,285	-	-	12,505	10,352	-	-	-	-	-	-	-	-
Change in fair value of Investment Properties	40,220	(9,000)	51,300	21,930	-	-	-	-	-	-	-	-	-	-
Profit before tax	997,452	87,339	887,340	608,030	1,164,753	1,090,410	61,241	253,047	1,016,400	801,260	220,575	47,960	1,102,819	1,090,448
Tax	26,256	17,833	126,821	112,398	248,586	220,910	(11,401)	(4,528)	262,904	212,137	46,724	58,288	312,439	306,554
Depreciation on property, plant & equipment	80,934	76,499	507,052	422,225	364,073	314,677	309,529	252,954	101,379	107,499	408,199	381,637	117,220	119,923
Impairment of property, plant & equipment	67,082	-	-	-	-	-	-	32,256	8,250	-	-	-	-	-
Amortisation of intangible assets	-	-	128	496	33,678	20,020	50,428	33,185	-	-	-	-	-	-
<b>Total assets (excl. equity accounted investees)</b>	<b>7,383,074</b>	<b>6,230,916</b>	<b>11,729,852</b>	<b>10,846,985</b>	<b>13,406,093</b>	<b>11,842,889</b>	<b>5,755,435</b>	<b>4,830,816</b>	<b>3,829,697</b>	<b>2,456,944</b>	<b>12,635,295</b>	<b>11,055,603</b>	<b>9,002,121</b>	<b>7,779,246</b>
Investment in equity accounted investees	49,566	54,230	-	-	97,866	86,713	-	-	-	-	-	-	-	-
Additions to Property Plant & equipment	77,371	55,643	479,362	1,337,436	712,100	664,231	305,986	423,859	169,042	132,507	2,805,839	562,816	70,271	192,494
Improvements to Biological assets	-	-	-	-	-	-	-	-	-	-	9,254	10,320	-	-
Additions to Intangible assets	-	-	-	-	49,282	22,715	-	3,474	-	-	-	-	-	-
Additions to Investment Property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Non Interest bearing liabilities</b>														
Deferred tax Liability	15,627	17,416	100,535	37,495	101,632	76,126	181,433	188,347	106,139	85,948	585,557	483,090	25,517	24,056
Employee benefit obligations	328,260	296,834	542,834	546,491	365,672	289,052	333,859	278,298	91,248	79,522	1,627,033	2,141,113	464,625	407,909
Trade and other payables	209,354	216,393	2,004,862	1,711,267	2,715,711	2,073,940	901,091	769,957	1,046,059	633,237	932,209	698,702	1,987,416	1,865,636
<b>Cash Flow</b>														
Segment cash flows from Operating Activities	(668,637)	170,320	275,728	857,470	2,078,784	286,595	162,422	377,079	532,708	504,635	850,531	1,680,974	217,977	880,805
Segment cash flows from Investment Activities	1,310,397	(25,341)	(729,502)	(883,394)	1,212,427	(609,515)	(548,407)	(395,688)	(628,457)	(137,065)	(1,350,205)	(3,438,903)	13,132	133,024
Segment cash flows from Financing Activities	(9,903)	178,176	(151,796)	782,251	(229,800)	(365,939)	435,526	(350,228)	105,809	(439,601)	764,793	1,780,184	(503,987)	(755,222)



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	Consumer		Leisure		Industry Inputs		Power and Energy		Transportation & Logistics		Others		Non Segment Adjustments		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016 (Restated)	2017	2016 (Restated)	2017	2016 (Restated)	2017	2016 (Restated)
	5,277,527	5,718,155	5,618,506	4,501,214	3,737,608	2,799,634	1,026,860	935,278	24,245,431	15,812,275	3,721,614	2,437,984	-	-	113,327,152	94,218,813
	-	-	-	-	(103,983)	(98,313)	-	-	-	-	(524,398)	(480,792)	-	-	(1,944,076)	(1,944,130)
	5,277,527	5,718,155	5,618,506	4,501,214	3,633,625	2,701,321	1,026,860	935,278	24,245,431	15,812,275	3,197,216	1,957,192	-	-	111,383,076	92,274,683
	178,805	228,428	772,467	990,652	480,957	349,176	582,391	616,565	1,857,068	1,577,599	1,855,012	1,648,095	(2,678,094)	(1,518,471)	9,674,647	8,509,997
	(170,052)	(111,614)	(396,332)	(311,537)	(124,257)	(52,394)	(96,839)	(36,156)	(158,460)	(23,674)	(856,671)	(587,835)	(131,239)	(1,518,471)	(3,111,642)	(1,931,475)
	-	-	-	-	-	-	173,765	212,362	(3,377)	(9,122)	434	14,660	-	-	212,871	242,537
	-	-	-	-	-	-	-	-	93,000	72,182	64,767	45,367	-	-	249,286	130,479
	8,753	116,814	376,135	679,115	356,700	296,782	659,317	792,771	1,788,231	1,616,985	1,063,541	1,120,287	(2,678,094)	(1,649,710)	7,025,162	6,951,538
	8,356	49,026	74,420	121,336	103,788	94,353	22,544	12,014	594,990	443,811	36,111	43,067	124,302	69,279	1,976,840	1,756,478
	28,793	21,495	542,167	445,820	13,016	10,555	177,450	129,557	245,977	164,952	77,061	60,531	24,929	5,344	2,997,780	2,513,668
	-	-	-	-	-	-	-	-	-	-	-	(4,851)	-	-	75,332	27,405
	-	-	24,361	23,832	-	-	12,549	5,577	28,129	24,454	961	1,562	31,500	31,500	181,733	140,626
	3,182,595	2,688,323	10,821,145	8,508,994	3,689,516	2,146,464	4,376,294	2,613,335	16,487,253	11,304,609	31,024,340	23,131,732	(4,042,329)	(2,912,343)	129,280,381	102,524,513
	-	-	-	-	525,000	525,000	33,627	(12,563)	4,164	7,168	11,410	11,249	-	-	721,633	671,797
	39,440	49,885	3,178,393	358,375	61,007	35,509	2,995,787	2,894	1,827,888	681,777	555,953	65,796	-	-	13,278,445	4,563,221
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,254	10,320
	-	-	6,214	3,869	-	-	139,441	-	22,831	31,113	707	-	-	-	218,475	61,171
	-	-	-	-	-	-	-	-	-	818	-	1,670	-	-	-	2,488
	-	-	438,838	418,100	-	-	41,652	32,246	255,804	191,330	390	407	-	-	1,853,124	1,554,561
	69,744	65,986	93,097	71,617	113,581	99,122	5,870	6,772	842,266	702,861	730,551	692,958	-	-	5,608,640	5,678,535
	1,153,899	759,725	800,992	580,298	521,999	493,673	95,888	34,031	3,466,603	2,402,665	930,090	891,214	-	-	16,766,174	13,130,738
	(6,009)	(122,074)	1,164,186	1,232,580	(85,008)	(231,603)	1,607,374	700,055	807,421	948,296	(1,171,488)	1,116,757	1,432,834	(538,082)	7,198,824	7,863,808
	(37,852)	(37,041)	(4,084,199)	(60,740)	(649,482)	340,122	(2,507,062)	(510,194)	2,833,097	(2,073,848)	(1,531,264)	(756,454)	(4,354,112)	1,264,071	(11,051,489)	(7,190,966)
	(4,800)	(4,208)	2,954,392	(462,101)	383,496	(136,112)	774,735	(222,269)	346,801	109,694	27,320	(865,326)	(3,337,734)	(967,815)	1,554,852	(1,718,516)

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### 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. 23 bn ( 2016 - Rs. 19 bn) which is recorded at Note 22 to the Financial Statements.

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## 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 in hand and at bank equivalents of Rs. 5.0 bn at 31 March 2017 (2016 -Rs. 3.7 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+(lka)
- Standard Chartered Bank – AAA (lka)
- Commercial Bank of Ceylon PLC – AA(lka)
- Sampath Bank PLC – A+ (lka)
- Nations Trust Bank PLC – A( lka)
- Pan Asia Banking Corporation PLC Bank– BBB ( lka)
- Hatton National Bank PLC– AA-(lka)
- Bank of Ceylon– AA+(lka)
- DFCC Bank– AA-( lka)
- Citibank -AAA( lka)
- Seylan Bank PLC -A-( lka)
- National Development Bank PLC - A+ (lka)
- Union Bank of Colombo PLC- BB+ (lka)

Source - <http://www.fitchratings.lk>

## 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 longer 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 minimizing 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, debenture 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 .

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The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31st March 2017	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	4,435,483	14,141,663	5,535,744	16,636,102	3,998,602	44,747,594
Trade and other payables	3,855,122	9,630,495	2,761,872	432,498	86,187	16,766,174
Other Current financial liabilities	-	1,374	-	-	-	1,374
	8,290,605	23,773,532	8,297,616	17,068,600	4,084,789	61,515,142

As at 31st March 2017	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	719,020	302,818	908,455	5,901,449	-	7,831,742
Trade and other payables	140,711	93,875	20,034	-	1,902	256,522
Other Current financial liabilities	-	1,281	-	-	-	1,281
	859,731	397,974	928,489	5,901,449	1,902	8,089,545

As at 31st March 2016	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	1,940,133	12,487,087	6,430,247	11,387,097	878,626	33,123,190
Trade and other payables	1,762,988	8,002,049	2,343,684	311,561	710,456	13,130,738
Other Current financial liabilities	-	553	-	-	-	553
	3,703,121	20,489,689	8,773,931	11,698,658	1,589,082	46,254,480

As at 31st March 2016	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	43,053	746,941	2,240,824	3,555,664	-	6,586,482
Trade and other payables	141,334	87,120	11,271	-	1,902	241,627
	184,387	834,061	2,252,095	3,555,664	1,902	6,828,109

### 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 analyses in the following sections relate to the position as at 31 March 2017 and 2016.

### 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		Company
	Increase/ decrease in base point	Effect on profit before tax	Effect on profit before tax
		Rs.'000	Rs.'000
2017	+ 150	(509,067)	(25,932)
	- 150	509,067	25,932
2016	+ 150	(334,452)	(10,785)
	- 150	334,452	10,785

### 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.

		Consolidated		Company
		Increase/ decrease in base point	Effect on profit before tax	Effect on profit before tax
			Rs.'000	Rs.'000
2017	USD	+ 5%	(740,655)	(126,384)
	Euro	+ 5%	5,877	-
	USD	- 5%	740,655	126,384
	Euro	- 5%	(5,877)	-
2016	USD	+ 5%	(546,691)	(84,376)
	Euro	+ 5%	28,103	-
	USD	- 5%	546,691	84,376
	Euro	- 5%	(28,103)	-



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### 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, Aluminum 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

For the year ended 31st March	Consolidated		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Interest Bearing borrowing	20,634,704	12,235,849	5,901,449	3,555,665
Current portion of Long term interest bearing borrowings	5,060,603	6,394,488	1,211,273	2,987,765
Short term interest bearing borrowings	19,052,287	14,492,853	719,020	43,052
	44,747,594	33,123,190	7,831,742	6,586,482
Equity	58,038,967	46,913,069	17,070,208	10,999,214
Equity and debts	102,786,562	80,036,259	24,901,950	17,585,696
Gearing ratio	44%	41%	31%	37%

### Collateral

The Group has not pledged its debtors as collateral for long term borrowings at 31 March 2017 and 2016, other than those mentioned in Note 25.12 to the Financial Statements.

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# TEN YEAR SUMMARY

Year ended 31st March	10-Year Compound Growth (%)	2017 Rs '000	2016 *	2015 *	2014*	2013*	2012*	2011*	2010**	2009**	2008**
			Rs '000	Rs '000	Rs '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Results</b>											
Revenue	14%	111,383,076	92,274,683	92,561,865	80,478,609	74,301,852	65,806,714	54,370,207	38,169,336	32,442,999	31,326,583
Profit before taxation	16%	7,025,162	6,951,538	6,399,915	5,082,621	4,916,576	2,488,223	2,007,207	3,293,392	1,374,638	1,554,720
Taxation	16%	(1,976,840)	(1,756,478)	(1,513,581)	(1,373,628)	(1,411,981)	(914,724)	(903,853)	(684,197)	(571,236)	(464,946)
Profit after tax	17%	5,048,322	5,195,060	4,886,334	3,708,993	3,504,595	1,573,499	1,103,354	2,609,195	803,402	1,089,774
Non-controlling Interest	14%	(2,264,389)	(2,077,507)	(2,305,036)	(1,900,470)	(1,743,449)	(594,330)	(444,128)	(849,893)	(492,464)	(637,151)
Profit attributable to owners of the parent	20%	2,783,933	3,117,553	2,581,298	1,808,523	1,761,146	979,169	659,226	1,759,302	310,938	452,623
<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	-17%	943,608	1,067,819	1,303,980	1,429,680	1,377,676	1,222,076	1,404,887	7,047,507	5,697,166	5,954,623
Other component of equity		19,013,131	11,576,897	11,573,045	8,969,910	9,000,862	6,373,692	6,164,166			
Revenue reserves	15%	19,333,998	16,875,824	14,957,837	12,236,713	10,788,133	9,633,788	6,978,079	6,592,052	5,083,473	4,692,428
Equity attributable to equity holders of the parent	13%	40,865,737	31,095,540	29,261,304	23,723,042	22,251,784	18,313,117	15,230,988	15,214,559	12,355,639	12,222,051
Non-controlling Interest	16%	17,173,230	15,817,529	15,220,068	12,614,224	11,173,102	10,056,647	8,474,612	7,118,790	4,220,619	3,986,239
Borrowings ( short- and long-term)	17%	44,747,594	33,123,190	29,062,183	25,825,466	23,563,413	21,728,944	16,692,083	11,337,734	9,232,776	9,600,416
<b>Assets Employed</b>											
Non-current assets	16%	78,161,061	60,815,269	56,060,498	46,796,361	44,657,106	37,976,929	30,131,853	23,453,761	17,215,706	17,625,669
Current assets	13%	51,840,953	42,381,041	37,595,289	34,508,725	30,086,220	27,832,013	23,732,633	21,414,944	16,414,322	15,732,377
Current liabilities net of borrowings	13%	(19,010,301)	(15,187,278)	(13,019,464)	(12,520,090)	(11,651,381)	(10,151,511)	(8,540,919)	(7,922,413)	(5,317,991)	(5,391,701)
Provisions	17%	(7,461,764)	(7,233,096)	(6,379,273)	(5,880,186)	(5,320,425)	(4,808,050)	(4,133,016)	(2,828,159)	(2,153,244)	(1,906,595)
Grants	11%	(743,387)	(739,677)	(713,495)	(742,077)	(783,222)	(777,670)	(792,868)	(447,050)	(349,759)	(251,044)
Capital Employed	15%	102,786,562	80,036,259	73,543,555	62,162,733	56,988,298	50,071,711	40,397,683	33,671,083	25,809,034	25,808,706
<b>Cash Flow</b>											
Net cash inflow/(outflow) from operating activities		7,198,824	7,863,808	8,631,365	5,553,098	7,296,563	2,472,453	1,203,321	2,589,712	1,082,097	1,841,624
Net cash inflow/(outflow) from investing activities		(11,051,489)	(7,190,966)	(6,339,994)	(3,688,499)	(4,684,957)	(5,113,667)	(4,661,879)	(3,574,446)	200,631	(751,827)
Net cash inflow/(outflow) from financing activities		1,554,852	(1,718,516)	(233,279)	1,480,014	(3,954,861)	(1,661,883)	1,962,119	(1,012,142)	(892,834)	(687,588)
Increase/(decrease) in cash and cash equivalents		(2,297,813)	(1,045,674)	2,058,092	3,344,614	(1,343,255)	(4,303,096)	(1,496,439)	(1,996,876)	389,894	402,209
<b>Key Indicators</b>											
Earnings per share (basic) (Rs.)		37.12	41.57	34.42	24.11	23.48	13.06	8.79	23.46	4.15	6.03
Dividend per share (basic) (Rs.)		7.50	6.50	6.00	5.00	4.50	4.00	4.00	4.00	3.00	3.00
Net assets per share (Rs.)		544.88	414.61	390.15	316.31	296.69	244.17	203.08	202.86	164.74	162.96
Market price per share (Rs.)		265.00	245.70	300.00	285.00	298.70	360.00	382.10	225.00	90.00	97.75
% change in market price (after adjusting for scrip issues)		7.86	(18.10)	5.26	(4.59)	(17.03)	(5.78)	70.00	150.00	(7.90)	(31.20)
% change in All Share Price Index		(0.16)	(10.97)	14.28	4.06	6.00	(24.99)	94.00	127.00	(36.00)	(9.00)
Return on average shareholders' funds (%)		6.81	10.03	8.82	7.62	7.91	5.35	4.33	11.56	3.00	4
Return on average capital employed (%)		10.58	11.08	12.54	12.08	12.25	8.94	7.81	13.30	9.40	11.00
Price earnings ratio (times)		7.14	5.91	8.72	11.82	12.72	27.57	42.32	9.75	21.70	16.2
Interest cover (times covered)		3.05	4.20	3.98	3.01	2.45	2.74	3.41	5.60	2.10	2.5
Dividend payout Ratio (%)		20.21	15.64	17.43	20.74	19.16	30.64	45.51	17.05	72.29	49.75

\* 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.

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## INDICATIVE US DOLLAR FINANCIAL STATEMENTS

### STATEMENT OF PROFIT OR LOSS FOR INFORMATION PURPOSES ONLY

For the year ended 31st March	Consolidated		Company	
	2017	2016	2017	2016
	USD'000	USD'000	USD'000	USD'000
Revenue	751,725	661,088	2,283	2,365
Cost of sales	(576,781)	(498,946)	(1,259)	(1,212)
<b>Gross profit</b>	<b>174,944</b>	<b>162,142</b>	<b>1,024</b>	<b>1,153</b>
Group dividend	-	-	10,710	10,513
Other income	6,912	4,931	482	11
Distribution expenses	(23,075)	(22,720)	-	-
Administrative expenses	(91,642)	(82,106)	(618)	(999)
Other expenses	(1,845)	(1,278)	(0)	-
<b>Results from operating activities</b>	<b>65,294</b>	<b>60,969</b>	<b>11,598</b>	<b>10,678</b>
Finance income	4,850	6,045	301	512
Finance cost	(25,850)	(19,883)	(5,501)	(4,822)
<b>Net finance cost</b>	<b>(21,000)</b>	<b>(13,838)</b>	<b>(5,200)</b>	<b>(4,310)</b>
Change in fair value of investment property	1,682	935	-	-
Share of profit of equity accounted investees (net of tax)	1,437	1,738	-	-
<b>Profit before tax</b>	<b>47,413</b>	<b>49,804</b>	<b>6,398</b>	<b>6,368</b>
Tax expense	(13,342)	(12,584)	(65)	(151)
<b>Profit for the year</b>	<b>34,071</b>	<b>37,220</b>	<b>6,333</b>	<b>6,217</b>
Profit for the period attributable to:				
Owners of the parent	18,789	22,335	-	-
Non-controlling interest	15,282	14,885	-	-
<b>Profit for the year</b>	<b>34,071</b>	<b>37,220</b>	<b>-</b>	<b>-</b>
Average exchange rate	148.17	139.58	148.17	139.58

This information does not constitute a full set of Financial Statements in compliance with SLFRS/LKAS.  
The above should be read together with the Auditors' opinion and the notes to the Financial Statements.

## STATEMENT OF FINANCIAL POSITION FOR INFORMATION PURPOSE ONLY

As at 31st March	Consolidated		Company	
	2017 USD'000	2016 USD'000	2017 USD'000	2016 USD'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant & equipment	436,919	347,984	15,643	46,127
Investment Properties	11,609	13,374	-	-
Biological assets	2,463	2,369	-	-
Intangible assets	42,333	43,524	-	-
Investments in subsidiaries	-	-	144,398	68,293
Investments in equity accounted investees	4,748	4,643	-	-
Other non-current financial assets	1,302	1,541	686	980
Other non-current assets	10,903	4,119	-	-
Deferred tax assets	3,974	2,759	-	-
<b>Total non-current assets</b>	<b>514,251</b>	<b>420,313</b>	<b>160,727</b>	<b>115,400</b>
<b>Current assets</b>				
Inventories	116,311	103,899	8	10
Amounts due from subsidiaries	-	-	7,742	7,679
Amounts due from equity accounted investees	450	208	90	40
Trade and other receivables	157,094	131,686	84	94
Other current assets	9,622	10,169	404	77
Income tax recoverable	2,269	1,338	36	16
Other current financial assets	3,155	6,427	113	3,077
Short term deposits	19,217	13,629	-	-
Cash and cash equivalents	32,944	25,533	427	681
Assets classified as held for sale	20	21	-	-
<b>Total current assets</b>	<b>341,082</b>	<b>292,910</b>	<b>8,904</b>	<b>11,674</b>
<b>Total assets</b>	<b>855,333</b>	<b>713,223</b>	<b>169,631</b>	<b>127,074</b>
<b>Equity and Liabilities</b>				
Stated capital	20,314	20,314	20,314	20,314
Capital reserves	6,208	7,380	87	91
Other components of equity	115,144	70,583	3,152	34,209
Revenue reserves	127,206	116,634	88,759	21,404
<b>Total equity attributable to equity holders of the company</b>	<b>268,872</b>	<b>214,911</b>	<b>112,312</b>	<b>76,018</b>
Non-controlling interest	112,989	109,320	-	-
<b>Total equity</b>	<b>381,861</b>	<b>324,231</b>	<b>112,312</b>	<b>76,018</b>

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### STATEMENT OF FINANCIAL POSITION FOR INFORMATION PURPOSE ONLY

As at 31st March	Consolidated		Company	
	2017 USD'000	2016 USD'000	2017 USD'000	2016 USD'000
<b>Non-current liabilities</b>				
Interest-bearing borrowings	135,764	84,566	38,828	24,574
Grants	4,891	5,112	-	-
Deferred tax liability	12,192	10,744	-	-
Employee benefit obligations	36,901	39,246	3,665	3,601
<b>Total non-current liabilities</b>	<b>189,748</b>	<b>139,668</b>	<b>42,493</b>	<b>28,175</b>
<b>Current liabilities</b>				
Trade and other payables	110,311	90,751	1,688	1,670
Provisions	101	157	-	-
Other current liabilities	9,246	9,071	201	75
Other current financial liabilities	9	4	8	-
Amounts due to subsidiaries	-	-	229	189
Amounts due to equity accounted investees	-	-	-	-
Income tax payable	5,407	4,980	-	-
Current portion of long term interest-bearing borrowings	33,296	44,194	7,969	20,649
Short-term interest-bearing borrowings	125,352	100,165	4,731	298
Liabilities directly associated with assets classified as held for sale	2	2	-	-
<b>Total current liabilities</b>	<b>283,724</b>	<b>249,324</b>	<b>14,826</b>	<b>22,881</b>
<b>Total liabilities</b>	<b>473,472</b>	<b>388,992</b>	<b>57,319</b>	<b>51,056</b>
<b>Total equity and liabilities</b>	<b>855,333</b>	<b>713,223</b>	<b>169,631</b>	<b>127,074</b>
Closing exchange rate	151.99	144.69	151.99	144.69

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## QUARTERLY ANALYSIS

	Quarter 01 Rs.'000	Quarter 02 Rs.'000	Quarter 03 Rs.'000	Quarter 04 Rs.'000
Revenue	24,113,508	28,039,665	30,011,289	29,218,614
Profit before tax	1,034,335	1,449,667	1,582,536	2,958,624
Tax expense	(385,698)	(454,106)	(522,136)	(614,900)
Profit after tax	648,637	995,561	1,060,400	2,343,724
Profit attributable to owners of the parent	354,935	575,252	531,333	1,322,413
Profit attributable to non-controlling interest	293,702	420,309	529,067	1,021,311
Total comprehensive income for the period, net of tax	791,310	1,044,123	6,572,023	4,969,606
Non Current Assets	61,052,312	66,035,496	71,582,653	78,161,061
Current Assets	47,499,736	44,994,862	49,381,700	51,840,953
Non current liabilities	22,470,687	25,451,400	25,346,410	28,839,855
Current liabilities	39,988,690	38,975,093	42,636,481	43,123,192

	Rs.	Rs.	Rs.	Rs.
<b>Market Value of Shares</b>				
Closing share price	268.00	285.00	270.00	265.00
Basic earnings per share	4.73	7.67	7.08	17.63
Diluted earnings per share	4.73	7.67	7.08	17.63
Highest price recorded for the three months ending	292.00	309.00	288.50	279.50
Lowest price recorded for the three months ending	245.00	265.00	255.00	259.00
Market capitalisation (Rs. Mn.)	20,100	21,375	20,250	19,875
<b>Share Trading Information</b>				
No. of transactions	904	787	530	504
No. of shares traded	481,078	458,753	166,609	355,174
Value of shares traded (Rs)	130,874,667	133,021,445	45,663,355	94,418,881

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## VALUE OF REAL ESTATE

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn
<b>Eco Solutions</b>						
Hayleys Fibre PLC	Kuliyapitiya	"Biginhill Estate", Karagahagedara, Kuliyapitiya.	3.93	40,909	12	24
Volanka (Pvt) Ltd	Galle	No.153/1, Robosgewatta, Matara road, Magalle, Galle.	1.22	30,644	7	215
	Katana	No. B 28, Divulapitiya road, Dissagewatte, Katana.	14.50	236,577	19	267
Chas P. Hayley & Company (Pvt) Ltd	Galle	No. 153, Robosgewatta, Matara road, Magalle, Galle.	0.55	9,795	2	142
	Galle	No 161 "Thurnburn /stores", No.195, Bandaranayake Mawatha, Magalle, Galle.	2.41	67,277	8	464
	Galle	No. 193/2, 193/2A, 193/4, Bandaranayake Mawatha, Magalle, Galle.	1.10	13,632	4	126
Lignocell (Pvt) Ltd	Madampe	Sellam Pathaha, Melawagara, Madampe.	7.03	114,179	10	34
	Kuliyapitiya	"Biginhill Estate", Karagahagedera, Kuliyapitiya.	3.94	49,149	7	28
Ravi Industries (Pvt) Ltd	Ekala	252A, Kurunduwatte road, Ekala, Ja-ela.	6.08	99,266	13	292
Volanka Exports (Pvt) Ltd	Nattandiya	Wathugahamulla, Welipannagahamulla.	7.20	67,151	10	29
Rileys (Pvt) Ltd	Ekala	131, Minuwangoda road, Ekala, Ja-ela.	3.80	89,982	9	364
Toyo Cushion Lanka (pvt) Ltd	Katana	105, Thimbirigaskatuwa, Katana.	3.40	26,143	13	94
<b>Hand Protection</b>						
Dipped Products PLC	Kottawa	Brahmanagama, Kottawa.	10.56	129,104	20	169
	Weliweriya	Nedungamuwa, Weliweriya.	7.85	0	-	126
Venigros (Pvt) Ltd	Weliweriya	Nedungamuwa, Weliweriya.	7.09	53,261	6	108
<b>Purification</b>						
Haycarb PLC	Badalgama	Katana Road, Beatrice Estate, Badalgama.	23.61	159,769	13	157
	Madampe	Kuliyapitiya road, New town, Pothuwila, Madampe.	30.27	244,562	13	160
	Wewalduwa	333/25, New road Hunupitiya Wattala.	2.45	59,202	3	223
Recogen (Pvt) Ltd	Badalgama	Katana Road, Beatrice Estate, Badalgama.	10.84	22,604	3	78
<b>Textiles</b>						
Hayleys Fabric PLC	Neboda	Narthupana Estate, Neboda.	55.11	380,776	24	427
<b>Construction Materials</b>						
Alumex PLC	Makola	Off Pitigala road, Sapugaskanda, Makola.	6.07	104,647	10	389
	Gonawala	Maguruwila road, Pattiwila.	1.82	10,441	2	58
	Ekala	"Ekala Estate", Minuwangoda road, Ekala.	6.30	2,000	1	417
Alco Industries (Pvt) Ltd	Gonawala	Maguruwila road, Pattiwila.	1.13	34,638	2	81
<b>Agriculture</b>						
Hayleys Agriculture Holdings Ltd	Dambulla	Athabadiwewa, Pahalawewa, Dambulla.	4.35	2,500	2	11
	Kottawa	No. 168/D, Brahmanagama, Kottawa, Pannipitiya.	4.96	47,506	7	103

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Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn
Sunfrost (Pvt) Ltd	Alawwa	Nelumdeniya road, Alawwa Waththa road, Alawwa.	5.18	21,293	18	62
	Padiyathalawa	Bogaharawa road, Kehelulla, Padiyathalawa.	6.42	1,430	1	9
<b>Leisure</b>						
Hunas Falls Hotels PLC	Kandy	Elkaduwa, Matale.	19.88	54,765	16	64
Culture Club Resorts (Pvt) Ltd	Dambulla	Kapela, Kandalama, Dambulla.	1.00	0	0	2
Kandyan Resorts (Pvt) Ltd	Kandy	Heerassagala, Kandy.	14.22	126,684	10	636
<b>Industry Inputs</b>						
Hayleys Industrial Solutions (Pvt) Ltd	Malabe	No: 59, Pothuarawa Road, Malabe.	2.26	59,595	6	253
Haycolour (Pvt) Ltd	Kalutara	Haycolour Factory, Ethanmadala, Kalutara.	4.43	5,700	5	41
<b>Power &amp; Energy</b>						
Bhagya Hydro (Pvt) Ltd	Gomala oya	Gomala Oya Mini Hydro Power Plant, Godagampola, Rathnapura.	2.11	2,300	2	3
Nelwa Cascade Hydro Power (Pvt) Ltd	Neluwa	Lower Neluwa Mini Hydro Power Plant, Tawalama, Neluwa.	2.45	1,894	1	6
<b>Transportation</b>						
Hayleys Advantis Group	Liyanagemulla	No.710 Negombo road, Liyanagemulla, Seeduwa.	0.62	8,036	1	123
	Kelaniya	No 408 A, Nungamugoda, Kelaniya.	7.72	175,000	6	741
	Welisara	No. 309/18 & No. 317, Negombo Road, Welisara.	3.63	2,050	1	482
	Welisara	No. 309/15, Negombo road, Welisara.	3.14	17,644	7	300
	Sedawatta	No. 148B, Nawalokapura, Sedawatta, Wellampitiya.	2.49	11,610	1	399
	Sedawatte	No. 148/A1, Nawalokapura Sedawatte, Welampitiya.	2.00	8,879	3	320
	Kotugoda	No.193,Minuwangoda road,Kotugoda.	15.68	182,981	30	963
	Colombo 2	No. 46/12, Sayuru Sevana, Nawam Mawatha, Colombo 02.	0.24	45,980	1	350
<b>Others</b>						
Hayleys PLC	Colombo	Foster Lane & Deans road, Colombo 10.	1.56	179,642	11	1,993
World Export Centre Ltd	Colombo	Deans road, Colombo 10.	4.48	Nil	Nil	9,976
Eastern Hotels (Pvt) Ltd	Trincomalee	Nilakarai Estate, Nilaweli, Trincomalee.	23.48	600	3	563
Alufab PLC	Kotugoda	41B, Sasanathilaka road, Opatha, Kotugoda.	2.70	34,550	4	28
The Queensbury (Pvt) Ltd	Bentota	Kaluwamodara, Bentota.	0.28	Nil	Nil	51
Carbotels (Pvt) Ltd	Elkaduwa	Weyagala Estate, Elkaduwa, Matale.	65.06	Nil	Nil	45

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## COUNTRY REPORT

Vital Statistics	
Population (2016):	21.2 Million
Land Area:	65,610 Sq km
Languages:	Sinhalese, Tamil and English
Per capita GDP (2016):	US\$ 3,835
Currency (2016):	Sri Lankan Rupee (LKR 152: 1 US \$)

### 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 2016 per capita income reached US\$ 3,835.

### 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. A subsequent general election resulted in a coalition government, formed on the basis of similar principles of good governance. Constitutional amendments have since 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 Katunayake is also undergoing expansion. Several new power projects are in progress ranging from thermal energy 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 and personal incomes, 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 3.5% of GDP in the medium term, as envisaged in the Fiscal Management Responsibility Act. In June 2016 Sri Lanka entered into a Extended Fund Facility with the IMF, underpinned by a robust fiscal reform programme that is expected to enhance government revenue collection, leading to structural improvements in fiscal balances. 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.

### Economic Climate

As is the trend in emerging economies, Sri Lanka's economy is dominated by the services sector (60% of GDP) with industry (30% of GDP) and agriculture (10% 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 GDP growth, low unemployment (4.4% in 2016), 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

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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 17 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.



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## SHARE INFORMATION

### Ordinary Shareholders as at 31st March 2017

No. of share 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	4,504	998,863	1.3318	59	18,166	0.0242	4,563	1,017,029	1.3560
1,001 - 10,000	1,132	3,188,329	4.2511	42	173,246	0.2310	1,174	3,361,575	4.4821
10,001 - 100,000	201	5,923,315	7.8977	36	854,908	1.1399	237	6,778,223	9.0376
100,001 - 1,000,000	33	8,929,873	11.9065	5	1,791,871	2.3892	38	10,721,744	14.2957
OVER 1,000,000	6	53,121,429	70.8286				6	53,121,429	70.8286
	5,876	72,161,809	96.2157	142	2,838,191	3.7843	6,018	75,000,000	100.0000
CATEGORY									
Individuals	5,595	55,058,072	73.4107	127	2,576,301	3.4351	5,722	57,634,373	76.8458
Institutions	281	17,103,737	22.8050	15	261,890	0.3492	296	17,365,627	23.1542
	5,876	72,161,809	96.2157	142	2,838,191	3.7843	6,018	75,000,000	100.0000

### First Twenty Shareholders as at 31.03.2017

Name of the Shareholder		No.of Shares as at 31.03.2017	%	No.of Shares as at 31.03.2016	%
1	Mr.K.D.D.Perera	32,247,113	43.00	32,247,113	43.00
	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	Employees Provident Fund	3,776,621	5.04	3,510,788	4.68
4	Vallibel One PLC	2,182,584	2.91	2,182,584	2.91
5	Lanka Orix Leasing Company PLC	1,700,004	2.27	1,700,004	2.27
6	Hayleys Group Services(Private) Ltd No.02 A/C	1,117,090	1.49	1,117,090	1.49
7	Mrs.A.M.L.Johnpulle & Mr.B.J.M.Johnpulle	882,165	1.18	890,665	1.19
8	Commercial Leasing & Finance PLC	734,144	0.98	734,144	0.98
9	Mrs.R.N.Ponnambalam	585,745	0.78	583,745	0.78
10	Mrs.R.M.Spittel	564,697	0.75	564,697	0.75
11	Mr.R.H.S.Phillips	520,727	0.69	493,142	0.66
12	Mrs.Y.M.Spittel	465,561	0.62	465,561	0.62
13	Mr.A.C.Wikramanayake	462,204	0.62	462,204	0.62
14	Mrs.P.M.Godamunne	443,447	0.59	443,447	0.59
15	Mrs.S.D. Wickramasinghe .	440,281	0.59	440,281	0.59
16	Sri Lanka Insurance Corporation Ltd-Life Fund	397,418	0.53	347,162	0.46
17	Mr.G.N. Wikramanayake	370,422	0.49	370,422	0.49
18	Associated Electrical Corporation Ltd	334,000	0.45	280,500	0.37
19	Akbar Brothers Pvt Ltd A/C No.01	321,931	0.43	321,931	0.43
20	Mr.N.K.A.D.De Silva	298,540	0.40	298,540	0.40
	TOTAL	59,942,711	79.94	59,552,037	79.41

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## Directors' Shareholding

Name of Director	No. of Shares as at 31.03.2017	No. of Shares as at 01.04.2016
Mr.A.M.Pandithage	125,357	125,357
Mr.K.D.D.Perera - 32,247,113	37,831,363	37,831,363
SBL/ Mr.K.D.D.Perera - 3,400,000		
LB Finance PLC - 1,666		
Vallibel One Plc - 2,182,584		
Mr.M.R.Zaheed	38,395	38,395
Mr.S.C Ganegoda	23,414	23,414
Mr.H.S.R.Kariyawasan	9,427	9,427
Dr.H.Cabral, PC	Nil	Nil
Dr.K.I.M Ranasoma	9634	9634
Mr.L.T.Samarawickrama - 3,988	7,488	7,488
People's Leasing & Finance PLC/ Mr.L.T.Samarawickrama - 3,500		
Mr.L.R.V.Waidyaratne	37,930	37,930
Mr.M.H.Jamaldeen	Nil	Nil
Mr.M.Y.A.Perera	Nil	Nil
Mr.N.L.S.Joseph	Nil	Nil

## Market Value of Shares

The market value of an ordinary share of Hayleys PLC was as follows:

	As at 31/03/2017	As at 31/03/2016
Closing price on	265.00	245.70
Highest price recorded for the twelve months ending	309.00	365.00
Lowest price recorded for the twelve months ending	245.00	237.50
Highest price recorded for the three months ending	279.50	310.00
Lowest price recorded for the three months ending	259.00	237.50
Market capitalisation (Rs.Mn.)	19,875	18,428
Share Trading From 1st April, 2016 to 31st March, 2017		
No. of transactions	2,725	7,515
No.of shares traded	1,461,614	4,826,238
Value of shares traded (Rs.)	403,978,348	1,555,164,150
The public Holding percentage	37.62%	37.61%
Total number of Shareholders representing the Public Holding	6,005	6,401

## 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

This debenture was redeemed on 9th July 2016.

#### 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, 2017, 11.26% (Net of tax)

### DEBENTURE TRADING INFORMATION FOR THE THREE MONTHS AND TWELVE MONTHS ENDED - 31.03.2017

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, 2017, 11.48% (Net of tax)

### DEBENTURE TRADING INFORMATION FOR THE THREE MONTHS AND TWELVE MONTHS ENDED - 31.03.2017

There were no transactions during the period.

#### DEBENTURE 4 -

Listed, rated, senior, unsecured, redeemable, debentures at floating rate ( 6 month (Gross) treasury bill rate + 1.25% ) p.a payable semi annually and redeemable on 31st May, 2019.

Interest rate of comparable Government Securities as at 31st March, 2017, 11.38% (Net of tax).

### DEBENTURE TRADING INFORMATION FOR THE TWELVE MONTHS ENDED - 31.03.2017

No. of Transactions	4
No. of Debentures traded	81,000
Highest Price	100.00
Lowest Price	97.50
Last Traded Price	97.50
Interest yield - Last traded	13.08%
Yield to maturity - Last traded	12.07%

### DEBENTURE TRADING INFORMATION FOR THE THREE MONTHS ENDED - 31.03.2017

There were no transactions during the period.

## Utilization of fund via Capital Market

Debenture	Objective Number	Objectives as per Prospectus	Amount Allocated as per Prospectus Rs. mn	Proposed Date of Utilisation as per Prospectus	Amount allocated from Proceeds Rs. mn	% of Total Proceeds	Amounts Utilised Rs. mn	% of Utilisation against Allocation
Debenture 2/3	1	Restructure debt portfolio	1,735	Upon completion of allotment	1,735	86.75%	1,735	100%
Debenture 2/3	2	Working capital requirements	265	Upon completion of allotment	265	13.25%	265	100%
Debenture 4	1	Redemption of Debenture Issue 2013	2,000	9 July 2016	2,000	100%	2,000	100%

Ratios	31.03.2017	31.03.2016
Debt/ equity ratio	0.46	0.60
Quick asset ratio	0.60	0.51
Interest cover	2.50	2.40

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## HISTORY OF DIVIDENDS AND SCRIP ISSUES

Year ended 31st March	Issue Shares	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
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

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Year ended 31st March	Issue Shares	Basis	No. of shares '000	Cum. No. of shares '000	Dividend	Dividend Rs. '000
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	12,500		
	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	20000	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
2016				75,000	Rs.6.50 p.s	487,500
2017				75,000	Rs.7.50 p.s	562,500



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## GROUP COMPANIES

Sub sector	Company	Nature of the Business
Eco Solutions	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 Services (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 Fabric PLC	Knitted fabric
Construction material	Alumex Group	Aluminium extrusions
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
	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

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## GROUP COMPANIES

Sub sector	Company	Nature of the Business
Leisure	Hunas Falls Hotels PLC	Leisure
	The Kingsbury PLC	Leisure
	Amaya Leisure PLC	Leisure
	Culture Club Resorts (Pvt) Ltd	Leisure
	Kandyan Resorts (Pvt) Ltd	Leisure
	Sun Tan Beach Resorts Ltd	Leisure
	Luxury Resorts Pvt Ltd	Leisure
	Hayleys Tours (Pvt) Ltd	Travel Agency and Destination Management
Industry Inputs and Power & Energy	Hayleys Industrial Solutions (Pvt) Ltd	Engineering and projects, power generation, pigments and industrial raw materials
	Hayleys Lifesciences (Pvt) Ltd	Supplying health care equipment
	Haycolour (Pvt) Ltd	Textile dyestuff and binders
	Hayleys Engineering (Pvt) Ltd	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
	Solar One Ceylon (Pvt) Ltd	Solar power
	Beta Power (Pvt) Ltd	Windpower
	Joule Power (Pvt) Ltd	Windpower
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
Others	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
	Carbotels (Pvt) Ltd	Hotel Investment
	Haylex Group	Marketing
	Hayleys Leisure Holdings (Pvt) Ltd	Investments and Hotel Management

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Sub sector	Company	Nature of the Business
	Air Global (Pvt) Ltd	Airline representation
	North South Lines (Pvt) Ltd	Airline representation
	Millennium Transportation (Pvt) Ltd	Airline representation
	Hayleys Travels (Pvt) Ltd	Travel Agency and Destination Management
	The Queensbury (Pvt) Ltd	Leisure
	Alufab PLC	Architectural Aluminium joinery systems
	S&T Interiors (Pvt) Ltd - Associate	Interior fitout contractors
	Eastern Hotels Ltd	Leisure
	Fentons Group	Solutions provider for building systems infrastructure and information communication technology infrastructure
	World Export Centre Ltd	Construction of "A" grade Office Space

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## GROUP VALUE ADDITION AND DISTRIBUTION

For the year ended 31st March	Consolidated			
	2016/17		2015/16 (Restated)	
	Rs. Mn		Rs. Mn	
<b>Value Created</b>				
Revenue		111,383		92,275
Other Income		1,024		689
Change in fair value of investment properties		249		130
Share of profit of equity accounted investees		213		243
Finance Income		719		844
Cost of materials & Services bought in		(85,047)		(68,730)
		28,541		25,452
	Share %		Share %	
<b>Value Distributed</b>				
To Employees as remuneration	53	15,207	53	13,396
To Government Revenue	8	2,389	10	2,657
<i>Sri Lanka</i>		2,126		2,385
<i>Overseas</i>		263		272
To Shareholders as Dividend	2	563	2	488
To Lenders of capital	19	5,376	16	4,009
<i>Interest on borrowings</i>		3,112		1,931
<i>Non- Controlling interest</i>		2,264		2,078
	82	23,535	81	20,550
<b>Value retained for expansion &amp; growth</b>				
Depreciation	11	2,998	10	2,514
Profit retained	7	2,008	9	2,388
	18	5,006	19	4,902
	100	28,541	100	25,452

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# 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.



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## GLOSSARY OF FINANCIAL TERMS

### 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.

## CARBON CONSCIOUS CERTIFICATE

**CARBON CONSCIOUS CERTIFICATE**

Climate Smart Initiatives (Pvt) Ltd certifies that GHG Inventory of

**Hayleys PLC**

for the financial year 2016/17

has been assessed in accordance with the requirements of Greenhouse Gas Protocol's Product  
Life Cycle Accounting and Reporting Standard

Certificate No – ClimateSI/MRV/004

Date of Certification – 25/05/2017

Period of Assessment – 01.04.2016 to 31.03.2017

Scope of Certification – Cradle to Gate

Total GHG emissions per one hard copy of annual report and one soft copy (CD) of the annual report are  
5.6 kg and 1.4 kg of CO<sub>2</sub> equivalent respectively for the life cycle assessment of product Cradle to Gate.

Chief Executive Officer  
Climate Smart Initiatives (Pvt) Ltd

Period of validity: 25/05/2017 - 31/03/2018

## CARBON NEUTRAL CERTIFICATE

### CARBON NEUTRAL CERTIFICATE 2016/17

Presented to Hayleys PLC



Climate Smart Initiatives (Pvt) Ltd certifies that Hayleys PLC's annual report for financial year 2016/17 is a carbon neutral product having offset annual reports' carbon footprint of 10.32 tCO<sub>2</sub> by purchasing United Nations certified emission reductions (CERs) from waste water treatment project registered under UN Clean Development Mechanism (Reg.3335).

Certificate No : ClimateSI/CNP/002  
Period of Carbon footprint assessment : 11.04.2016 - 31.03.2017



Chief Executive Officer

Climate Smart Initiatives (Pvt) Ltd

25/05/2017



United Nations  
Framework Convention on  
Climate Change

DATE: 24 MAY 2017  
REFERENCE: VC2052/2017

### VOLUNTARY CANCELLATION CERTIFICATE

Presented to  
Hayleys PLC

#### Reason for cancellation

To achieve the carbon neutrality of Hayleys PLC's annual report for year 2016/17 assessed by Climate Smart Initiatives (Pvt) Ltd

Number of units  
cancelled

**11 CERs**  
Equivalent to 11 tonne(s) of CO<sub>2</sub>

Start serial number: TH-5-8458080-1-1-1-3335  
End serial number: TH-5-8458090-1-1-1-3335

The certificate is issued in accordance with the procedure for voluntary cancellation in the CDM Registry. The reason included in this certificate is provided by the cancellor.



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# INDEPENDENT ASSURANCE 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 Assurance Report to the Board of Directors of Hayleys PLC on the Sustainability Reporting Under the Integrated Annual Report 2016-17

## 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 2016-17 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 308 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](http://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 05 April 2017. 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 two sectors of Hayleys PLC; Purification and Plantation 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
    - Mabroc
  - Purification
    - Haycarb 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.

Partners: W R H Fernando FCA FCMA, M P D Cooray FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, Ms. V A De Silva FCA, W K B S P Fernando FCA FCMA, Ms. K R M Fernando FCA ACMA, Ms. L K H Fonseka FCA, A P A Gunasekera FCA FCMA, A Perath FCA, D K Hulangamuwa FCA FCMA LLB (Lond), H M A Jayasinghe FCA FCMA, Ms. A A L Udowyke FCA FCMA, Ms. G G S Manatunga FCA, N M Sulaiman ACA ACMA, B E Wijekunika FCA FCMA  
Principal: T P M Ruberu FCA FCMA

A member firm of Ernst & Young Global Limited

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- Checking the calculations performed by the Company on a sample basis through recalculation.

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 308 of the Report is properly derived from the audited financial statements of the Company for the year ended 31 March 2017.
- 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.

*Sumit Qureshi*

Chartered Accountants

19 May 2017  
Colombo

Partners: W R H Fernando FCA FCMA, N P D Cooray FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, Ms. V A De Silva FCA, W K B S P Fernando FCA FCMA, Ms. K R M Fernando FCA ACMA, Ms. L K H L Fonseka FCA, A P A Gunasekera FCA FCMA, A Harath FCA, D K Hulangamuwa FCA FCMA LLB (London), H M A Jayasinghe FCA FCMA, Ms. A A L Udowyke FCA FCMA, Ms. G G S Manatunga FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA

Principal: T P M Ruberu FCA FCMA

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## GRI CONTENT INDEX TOOL

## GENERAL STANDARD DISCLOSURES-G4

Number	Description	Reference/Comments	Page Reference
Strategy and Analysis			
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	28
Organisational Profile			
G4-3	Name of the organization	Hayleys PLC	10
G4-4	Primary brands, products, and services	Snapshot of our Business	12-13
G4-5	The location of the organization's headquarters	Colombo, Sri Lanka	320
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	42
G4-7	The nature of ownership and legal form	Corporate Information	320
G4-8	The markets served (geographic breakdown, sectors served, and types of customers/beneficiaries)	Our global footprint	11
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	Hayleys at a Glance  Financial Capital	10  128
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).	Human Capital	141
G4-11	The percentage of total employees covered by collective bargaining agreements.	Human Capital	145
G4-12	Describe the organization's supply chain.	Cluster Reviews	75, 79, 83, 88, 92, 96, 102, 115, 119, 124

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## GRI CONTENT INDEX TOOL

Number	Description	Reference/Comments	Page Reference
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	Notes to the Financial Statements	204
G4-14	Whether and how the precautionary approach or principle is addressed by the organization.	Natural Capital	164
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	About this Report	26
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization is a member.	Social and Relationship capital	153
Identified Material Aspects and Boundaries			
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.	Notes to the Financial Statements	305-307
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.	Determining Materiality	59-60
G4-19	List all the material Aspects identified in the process for defining report content.	Determining Materiality	59-60
G4-20	For each material Aspect, the Aspect Boundary within the organization	Determining Materiality	59-60
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	Determining Materiality	59-60
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Restated the no of employees for FY2015/16 as per the Group's sustainability head count narrative (aligned with GRI G4)	316
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Determining Materiality	59-60
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the organization.	Our Key relationships	140-169
G4-25	The basis for identification and selection of stakeholders with whom to engage.	Our Key relationships	140-169
G4-26	The organization's approach to stakeholder engagement	Our Key relationships	140-169
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Our Key relationships	140-169

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Number	Description	Reference/Comments	Page Reference
Report Profile			
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	About this Report	26
G4-29	Date of most recent previous report (if any).	Financial year ended 31st March 2017	316
G4-30	Reporting cycle (such as annual, biennial)	Annual	26
G4-31	The contact point for questions regarding the report or its contents.	About this Report	26
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	26
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	26
Governance			
G4-34	The governance structure of the organization, including committees of the highest governing body.	Corporate Governance	42
Ethics and Integrity			
G4-56	The organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	Corporate Governance	51

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Material Aspect	DMA/Indicators	Reference/comments/Reasons for omission	Page
ECONOMIC ASPECTS			
Economic Performance			
G4-EC1	Direct economic value generated	Consolidated value added statement	308
G4-EC2	Financial implications and other risks and opportunities for the Organisation's activities due to climate change	Natural Capital	166
G4-EC3	Coverage of defined benefit plan obligations	Human Capital	142, 214
ENVIRONMENTAL ASPECTS			
Materials			
G4-EN1	Materials used by weight or volume	Natural Capital	165
Energy			
G4-EN3	Energy consumption within the organization	Natural Capital	166
Water			
G4-EN8	Total water withdrawal by source	Natural Capital	167
Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions	Natural Capital	169
G4-EN16	Energy indirect greenhouse gas (GHG) emissions	Natural Capital	169
G4-EN18	Greenhouse gas (GHG) emissions intensity	Natural Capital	164
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Natural Capital	5
Effluents and Waste			
G4-EN22	Total water discharge by quality and destination	Natural Capital	167
G4-EN23	Total weight of waste by type and disposal method	Natural Capital	168
Compliance			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	There were no violations of environmental laws and regulations during the year due to our strict compliance programme. Consequently there were no fines incurred.	316
Overall			
G4-EN31	Total environmental protection expenditures and investments by type	Natural Capital	169
SOCIAL ASPECTS			
Employment: Labour practices and Decent Work			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Human Capital	142, 145
Employment: Occupational health and safety			
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Human Capital	145

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Material Aspect	DMA/Indicators	Reference/comments/Reasons for omission	Page
Employment: Training and Education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Human Capital	142
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Human Capital	142
Human Rights: Child Labour			
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	Human Capital	141, 150
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced Or compulsory labor, and measures to contribute to the elimination of all forms of Forced or compulsory labor	Human Capital	141, 150
Society: Local Communities			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Community Engagement	154-160



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## CORPORATE INFORMATION

### Name Of Company

Hayleys PLC  
(A public limited company, incorporated in Sri Lanka in 1952)

### Company Number

PQ 22

### Principal Activities

Holding Company carrying out investments in and providing management and services to Hayleys Group Companies

### Stock Exchange Listing

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

### Registered Office

Hayley Building,  
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)  
M R Zaheed  
S C Ganegoda  
H S R Kariyawasan  
Dr. H Cabral, PC  
L T Samarawickrama  
Dr. K I M Ranasoma  
L R V Waidyaratne  
M H Jamaldeen  
M Y A Perera - (appointed w.e.f 12.09.2016)  
N L S Joseph - (appointed w.e.f 15.03.2017)  
M D S Goonatileke -(resigned w.e.f 12.05.2016)  
W D N H Perera - (resigned w.e.f 08.03.2017)

### 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 Goonetilleke  
M S Lakshminarasimhan  
Ms.D Talpahewa

### Audit Committee

M Y A Perera - Chairman (appointed w.e.f 12.09.2016)  
Dr H Cabral, PC  
M H Jamaldeen  
M D S Goonatileke – Chairman (resigned w.e.f 12.05.2016)  
W D N H Perera - (resigned w.e.f 08.03.2017)

### Remuneration Committee

Dr H Cabral, PC – Chairman  
K D D Perera  
M H Jamaldeen  
M Y A Perera - (appointed w.e.f 12.09.2016)  
M D S Goonatileke (resigned w.e.f 12.05.2016)  
W D N H Perera - (resigned w.e.f 08.03.2017)

### Nomination Committee

A M Pandithage – Chairman  
K D D Perera  
Dr H Cabral, PC  
W D N H Perera - (resigned w.e.f 08.03.2017)

### Related Party Transactions Review Committee

Dr H Cabral, PC - Chairman  
S C Ganegoda  
M Y A Perera - (appointed w.e.f 12.09.2016)  
M D S Goonatileke (resigned w.e.f 12.05.2016)

### Secretaries

Hayleys Group Services (Private) Limited  
400, Deans Road, Colombo 10, Sri Lanka  
Telephone: (94-11)2627650  
Facsimile: (94-11)2627655  
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)



## NOTICE OF MEETING

### HAYLEYS PLC Company Number PQ 22

NOTICE IS HEREBY GIVEN that the Sixty Sixth Annual General Meeting of Hayleys PLC will be held at Balmoral Ballroom, The Kingsbury Hotel , No.48, Janadhipathi Mawatha, Colombo 01 on Thursday, 29th June 2017 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 2017, with the Report of the Auditors thereon.
2. To elect Mr.M.Y.A.Perera, who has been appointed by the Board, since the last Annual General Meeting, a Director.
3. To elect Mr.N.L.S.Joseph, who has been appointed by the Board, since the last Annual General Meeting, a Director.
4. To re-elect Mr.M.H.Jamaldeen, who retires by rotation at the Annual General Meeting, a Director.
5. To re-elect Mr.K.D.D.Perera, who retires by rotation at the Annual General Meeting, a Director.
6. To re-elect Dr.K.I.M.Ranasoma, 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 2017/18.
8. To authorize the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been reappointed as Auditors, for the financial year 2017/18.
9. To consider any other business of which due notice has been given

### NOTE :

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 27th June 2017.

By Order of the Board  
HAYLEYS PLC  
HAYLEYS GROUP SERVICES (PRIVATE) LIMITED  
Secretaries

Colombo  
29th May 2017

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## FORM OF PROXY

HAYLEYS PLC  
Company Number PQ 22

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

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

of .....

being Shareholder/Shareholders\* of HAYLEYS PLC hereby appoint,

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

NIC No. of Proxyholder (\*\*) .....

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 Sixth Annual General Meeting of the Company to be held on Thursday, 29th June 2017 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 2017 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To elect Mr.M.Y.A.Perera , who has been appointed to the Board since the last Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To elect Mr.N.L.S.Joseph , who has been appointed to the Board since the last Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr.M.H.Jamaldeen, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr.K.D.D.Perera, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Dr.K.I.M.Ranasoma , 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 2017/18	<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 reappointed as Auditors, for the financial year 2017/18.	<input type="checkbox"/>	<input type="checkbox"/>

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

As witness my/our\* hands this ..... day of .....2017.

Witness: Signature : .....

Name : .....

Address : ..... Signature of Shareholder

NIC No. : .....

### NOTES:

- \* Please delete the inappropriate words.
- A shareholder entitled to attend and vote at the Annual General meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the company.  
\*\* Full name of shareholder/proxy holder and their NIC Nos and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed.
- A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
- Instructions are noted on the reverse hereof.
- This Form of Proxy is in terms of the Articles of Association of the Company.

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## FORM OF PROXY

### INSTRUCTIONS AS TO COMPLETION :

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No.400, Deans Road, Colombo 10, Sri Lanka not less than 48 hours before the start of the Meeting.
2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly sign and fill in the date of signing.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.
4. Please indicate with an X in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (\*\*\*) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
5. In the case of a Company /Corporation the proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association.  
  
In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
7. In the case of Marginal Trading Accounts (slash accounts), the form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.



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**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.

Telephone : ( 94 -11)262 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 :

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