

AL/RF

Private & Confidential
The Board of Directors
Hayleys PLC
400, Deans Road
Colombo 10

11 June 2018

Accountants' Report Hayleys PLC

Dear Sirs:

Introduction

This report has been prepared for the purpose of prospectus issued in connection with the issuance of 40,000,000 '[SL] AA- (Negative)' rated, senior, unsecured, listed debentures which are redeemable in five years with aggregating value of rupees four billion (Rs. 4,000,000,000/-).

We have examined the financial statements of Hayleys PLC (the "Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended 31 March 2014 to 31 March 2018, and report as follows.

1. Incorporation

Hayleys PLC (the 'Company'), is a Public Limited Liability Company incorporated on 31 May 1952 and domiciled in Sri Lanka. The Company had a primary listing on the Colombo Stock Exchange in 1954. It is a Diversified Holding Company, carrying out investments in and providing management services to Hayleys Group Companies.

2. Financial Statements

2.1 Five-Year Summary of Audited Financial Statements

A summary of statements of profit or loss, statements of comprehensive income and statements of financial position of the Company and a summary of consolidated statements of profit or loss, consolidated statements of comprehensive income and consolidated statements of financial position for the years ended 31 March 2014 to 31 March 2018, based on the audited financial statements are set out in annexure 01 to 06 of the Accountants' Report.

2.2 Audited Financial Statements for the Year Ended 31 March 2018

Our audit report on the financial statements of the Company and the consolidated financial statements of the Group for the year ended 31 March 2018 together with such financial statements comprising statements of profit or loss, statements of comprehensive income, statements of financial position, statements of changes in equity and statements cash flow along with the accounting policies and notes thereon is available on the website of Colombo Stock Exchange (CSE), www.cse.lk, where the management is responsible for the electronic

presentation of the audited financial statements and to ensure the electronic version of the audited financial statements and the auditor's report on the website is identical to the final signed hard copy version.

2.3 Audit Reports

We have audited the financial statements of the Company and the consolidated financial statements of the Group for the years ended 31 March 2014 to 31 March 2018. Unmodified audit opinions have been issued for the said financial years by our reports dated 19 May 2014, 20 May 2015, 20 May 2016, 19 May 2017 and 18 May 2018 respectively.

2.4 Accounting Policies

The financial statements of the Company and the Consolidated Financial Statements of the Group for the years ended 31 March 2014 to 31 March 2018 comply with Sri Lanka Accounting Standards.

The accounting policies of the Company and Group are stated in detail in the audited financial statements of Hayleys PLC for the year ended 31 March 2018.

2.5 Dividends

The Company has paid dividend in respect of ordinary voting shares for the years ended 31 March 2014 to 31 March 2018 as follows:

Year	Dividend Paid/ Payable (Rs.)	Dividend per Share (Rs.)
2013/14	375,000,000	5.00
2014/15	450,000,000	6.00
2015/16	487,500,000	6.50
2016/17	562,500,000	7.50
2017/18	375,000,000	5.00

2.6 Events after the Reporting Period

There were no significant events occurred after the last audit report date.

3. Restriction on Use

This report is made solely for the purpose of the Board of Directors of Hayleys PLC in usage in the application for the purpose of issuance of 40,000,000 '[SL] AA- (Negative)' rated, senior, unsecured, listed debentures which are redeemable in five years with aggregating value of rupees four billion (Rs. 4,000,000,000/-). To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the addressee, for our audit work, for this report we have formed. This report should not to be used, circulated, quoted or otherwise referred to for any other purpose.

Yours faithfully,



Hayleys Group

Five year Summary

Statements of Financial Position

Annexure 01

As at 31st March

SLFRS/LKAS

	2018	2017	2016	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets					
Non-current assets					
Property, plant & equipment	84,010,488	66,407,294	50,349,876	46,083,653	38,215,259
Investment Properties	1,948,609	1,764,423	1,935,137	1,815,092	1,453,444
Biological Assets	404,659	374,353	342,797	307,476	266,508
Intangible assets	14,114,642	6,434,205	6,297,430	5,715,803	5,541,287
Investments in equity accounted investees	845,898	721,633	671,797	489,096	354,260
Other non-current financial assets	290,657	197,858	223,038	241,478	233,613
Non-current trade and other receivables	9,333,864	-	-	-	-
Other non-current assets	2,431,175	1,657,145	595,977	1,022,155	350,423
Deferred tax assets	822,545	604,150	399,217	385,745	381,567
Total non-current assets	114,202,537	78,161,061	60,815,269	56,060,498	46,796,361
Current assets					
Inventories	32,745,630	17,678,103	15,033,125	12,625,359	12,085,017
Amounts due from equity accounted investees	121,106	68,375	30,162	49,854	11,582
Trade and other receivables	48,227,112	23,876,704	19,053,659	17,859,520	16,563,566
Other current assets	2,640,004	1,462,471	1,471,295	1,273,295	1,451,883
Other current financial assets	160,702	479,520	929,875	39,562	53,388
Income tax recoverable	539,919	344,815	193,581	219,469	170,754
Short term deposits	3,631,527	2,920,857	1,971,981	2,413,781	1,536,101
Cash and cash equivalents	7,495,343	5,007,087	3,694,342	3,111,428	2,633,413
Assets classified as held for sale	3,021	3,021	3,021	3,021	3,021
Total current assets	95,564,364	51,840,953	42,381,041	37,595,289	34,508,725
Total assets	209,766,901	130,002,014	103,196,310	93,655,787	81,305,086
Equity and Liabilities					
Stated capital	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000
Employee share trust Loan	-	-	-	(148,558)	(488,261)
Capital reserves	887,340	943,608	1,067,819	1,303,980	1,429,680
Other components of equity	20,978,486	19,013,131	11,576,897	11,573,045	8,969,910
Revenue reserves	16,208,311	19,333,998	16,875,824	14,957,837	12,236,713
Total equity attributable to equity holders of the company	39,649,137	40,865,737	31,095,540	29,261,304	23,723,042
Non-controlling interest	20,158,629	17,173,230	15,817,529	15,220,068	12,614,224
Total equity	59,807,766	58,038,967	46,913,069	44,481,372	36,337,266
Non-current liabilities					
Interest-bearing borrowings	34,621,339	20,634,704	12,235,849	12,069,274	9,163,624
Deferred income	772,147	743,387	739,677	713,495	742,077
Deferred tax liability	4,729,365	1,853,124	1,554,561	1,420,630	1,249,322
Security deposits	1,199,128	-	-	-	-
Other non-current Liabilities	2,717,541	-	-	-	-
Other non-current financial liabilities	403,056	-	-	-	-
Employee benefit obligations	7,337,659	5,608,640	5,678,535	4,958,643	4,630,864
Total non-current liabilities	51,780,235	28,839,855	20,208,622	19,162,042	15,785,887
Current liabilities					
Trade and other payables	28,764,332	16,781,524	13,153,400	11,968,888	11,696,739
Other current liabilities	4,023,979	1,405,240	1,312,459	497,790	365,073
Deferred revenue	246,289	-	-	-	-
Other current financial liabilities	6,517,031	1,374	553	15,942	58,653
Amounts due to equity accounted investees	-	-	-	20,888	25,950
Income tax payable	607,274	821,832	720,534	515,624	373,343
Current portion of long term interest-bearing borrowings	23,801,452	5,060,603	6,394,488	3,686,844	2,653,381
Short-term interest-bearing borrowings	34,218,211	19,052,287	14,492,853	13,306,065	14,008,462
Liabilities directly associated with assets classified as held for sale	332	332	332	332	332
Total current liabilities	98,178,900	43,123,192	36,074,619	30,012,373	29,181,933
Total liabilities	149,959,135	71,963,047	56,283,241	49,174,415	44,967,820
Total equity and liabilities	209,766,901	130,002,014	103,196,310	93,655,787	81,305,086



Hayleys Group

Five year Summary
Statements of Profit or Loss
Annexure 02
For the year ended 31st March

	2018	2017	SLFRS/LKAS 2016	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Continuing operations					
Gross Revenue	163,249,467	111,383,076	92,274,683	92,561,865	80,478,609
Turnover tax					
Net Revenue	163,249,467	111,383,076	92,274,683	92,561,865	80,478,609
Cost of sales	(126,831,893)	(85,461,619)	(69,642,934)	(71,268,719)	(61,713,381)
Direct interest cost	(569,558)	-	-	-	-
Gross profit	35,848,016	25,921,457	22,631,749	21,293,146	18,765,228
Other income	909,359	1,024,222	688,209	537,750	426,709
Distribution expenses	(7,268,250)	(3,419,040)	(3,171,259)	(2,589,099)	(2,445,692)
Administrative expenses	(17,928,472)	(13,578,638)	(11,460,388)	(10,585,170)	(9,389,015)
Other expenses	(157,476)	(273,354)	(178,314)	(146,081)	(161,574)
Results from operating activities	11,403,177	9,674,647	8,509,997	8,510,546	7,195,656
Finance income	1,107,936	718,637	843,766	452,332	757,373
Finance cost	(7,039,958)	(3,830,279)	(2,775,241)	(2,587,346)	(2,904,651)
Net finance costs	(5,932,022)	(3,111,642)	(1,931,475)	(2,135,014)	(2,147,278)
Change in fair value of investment properties	184,186	249,286	130,479	-	-
Share of profit of equity accounted investees (net of tax)	227,226	212,871	242,537	24,383	34,243
Value added tax on financial services	(119,069)	-	-	-	-
Profit before tax	5,763,498	7,025,162	6,951,538	6,399,915	5,082,621
Tax expense	(2,491,060)	(1,976,840)	(1,756,478)	(1,513,581)	(1,373,628)
Profit for the year from continuing operations	3,272,438	5,048,322	5,195,060	4,886,334	3,708,993
Discontinued operations					
Loss for the year from discontinued operations (net of tax)	-	-	-	-	-
Profit for the year	3,272,438	5,048,322	5,195,060	4,886,334	3,708,993
Attributable to:					
Equity holders of the Company	1,023,892	2,783,933	3,117,553	2,581,298	1,808,523
Non-controlling interest	2,248,546	2,264,389	2,077,507	2,305,036	1,900,470
Profit for the year	3,272,438	5,048,322	5,195,060	4,886,334	3,708,993
Earnings per share (Attributable to ordinary equity holders of parent)					
Basic earnings per share (Rs.)	13.65	37.12	41.57	34.42	24.11
Diluted earnings per share (Rs.)	13.65	37.12	41.57	34.42	24.11
Earnings per share from continuing operations					
Basic earnings per share (Rs.)	13.65	37.12	41.57	34.42	24.11
Diluted earnings per share (Rs.)	13.65	37.12	41.57	34.42	24.11
Dividend per share (Rs.)	5.00	7.50	6.50	6.00	5.00



Hayleys Group

Five year Summary
Statements of Comprehensive Income
Annexure 03

For the year ended 31st March

	2018 Rs.'000	2017 Rs.'000	Consolidated 2016 Rs.'000	2015 Rs.'000	2014 Rs.'000
Profit for the year	3,272,438	5,048,322	5,195,060	4,886,334	3,708,993
Other comprehensive income					
Item that will not be reclassified subsequently to Statement of Profit and Loss					
Revaluation of land	2,998,599	7,540,561	0	3,108,054	0
Share of other comprehensive income of equity accounted investees	-	-	0	119,796	-
Actuarial(Loss)/gain on employee benefit obligations	(383,844)	394,067	(378,352)	(7,228)	(81,953)
Income tax on other comprehensive income	(1,607,182)	(68,082)	50,304	5,392	579
Item that will be reclassified subsequently to Statement of Profit and Loss					
Net exchange differences on translation of foreign operations	741,847	449,755	367,727	(157,632)	(76,699)
Share of other comprehensive income of equity accounted investees	(223)	374	(469)	867	(485)
Net change in fair value of available-for-sale financial assets	(6,564)	12,065	(6,850)	20,555	(6,680)
Other comprehensive income for the period, net of tax	1,742,633	8,328,740	32,360	3,089,804	(165,238)
Total comprehensive income for the period, net of tax	5,015,071	13,377,062	5,227,420	7,976,138	3,543,755
Total Comprehensive Income for the period attributable to owners of the parent	2,702,806	10,343,403	3,086,212	5,319,922	1,682,328
Non- Controlling Interest	2,312,265	3,033,659	2,141,208	2,656,216	1,861,427
	5,015,071	13,377,062	5,227,420	7,976,138	3,543,755



Hayleys PLC

Five year Summary

Statements of Financial Position

Annexure 04

As at 31st March

	SLFRS/LKAS				
	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000	2014 Rs.'000
Assets					
Non-current assets					
Property, plant & equipment	311,889	2,377,439	6,674,109	6,654,666	5,171,645
Investment properties	60,750	-	-	-	-
Investments in subsidiaries	36,673,417	21,947,100	9,881,296	9,365,343	9,046,171
Other non-current financial assets	95,397	104,297	141,764	154,234	166,704
Total non-current assets	37,141,453	24,428,836	16,697,169	16,174,243	14,384,520
Current assets					
Inventories	1,058	1,206	1,421	1,854	1,046
Amounts due from subsidiaries	1,800,558	1,176,681	1,111,039	1,400,260	1,092,669
Amounts due from equity accounted investees	8,850	13,655	5,762	-	-
Trade and other receivables	16,912	12,746	13,983	15,302	9,991
Other current assets	95,091	61,414	11,134	10,036	8,134
Other current financial assets	8,800	17,196	445,180	11,170	21,906
Short term investments	-	-	-	-	-
Income tax recoverable	12,670	5,411	2,287	1,752	-
Short term deposits	-	-	-	546,292	-
Cash and cash equivalents	328,619	64,955	98,559	39,562	155,211
Total current assets	2,272,558	1,353,264	1,689,365	2,026,228	1,288,957
Total assets	39,414,011	25,782,100	18,386,534	18,200,471	15,673,477
Equity and Liabilities					
Stated capital	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000
Employee share trust loan	-	-	-	(148,558)	(488,261)
Capital reserves	13,226	13,226	13,226	13,226	13,226
Other component of equity	-	1,991,460	6,314,023	6,314,023	4,861,023
Revenue reserves	16,890,382	13,490,522	3,096,965	2,767,884	2,307,827
Total equity attributable to equity holders of the company	18,478,608	17,070,208	10,999,214	10,521,575	8,268,815
Non-controlling interest	-	-	-	-	-
Total equity	18,478,608	17,070,208	10,999,214	10,521,575	8,268,815
Non-current liabilities					
Interest-bearing borrowings	12,182,428	5,901,449	3,555,665	5,667,819	3,873,705
Deferred tax liability	-	-	-	-	-
Employee benefit obligations	713,730	557,063	521,012	415,617	450,560
Total non-current liabilities	12,896,158	6,458,512	4,076,677	6,083,436	4,324,265
Current liabilities					
Trade and other payables	319,282	256,522	241,627	293,963	336,705
Other current liabilities	45,691	30,507	10,823	11,650	10,011
Other current financial liabilities	10,654	1,281	-	15,942	58,653
Amounts due to subsidiaries	40,350	34,777	27,376	21,597	23,557
Income tax payable	-	-	-	-	1,688
Current portion of long term interest-bearing borrowings	3,747,898	1,211,273	2,987,765	1,214,729	1,096,096
Short-term interest-bearing borrowings	3,875,370	719,020	43,052	37,579	1,553,687
Total current liabilities	8,039,245	2,253,380	3,310,643	1,595,460	3,080,397
Total liabilities	20,935,403	8,711,892	7,387,320	7,678,896	7,404,662
Total equity and liabilities	39,414,011	25,782,100	18,386,534	18,200,471	15,673,477



Hayleys PLC

Five year Summary
Statements of Profit or Loss
Annexure 05

For the year ended 31st March

SLFRS/LKAS

	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000	2014 Rs.'000
Continuing operations					
Gross Revenue	379,173	338,222	330,083	284,949	228,494
Turnover tax	-	-	-	-	-
Net Revenue	379,173	338,222	330,083	284,949	228,494
Cost of sales	(218,789)	(186,551)	(169,221)	(164,457)	(168,537)
Gross profit	160,384	151,671	160,862	120,492	59,957
Group dividend	1,872,100	1,586,916	1,467,416	1,316,149	1,048,265
Other income	1,130,083	71,470	1,489	24,448	105,236
Administrative expenses	(59,270)	(91,627)	(139,434)	(62,453)	(90,831)
Other expenses	-	(23)	-	(75,578)	(81)
Results from operating activities	3,103,297	1,718,407	1,490,333	1,323,058	1,122,546
Finance income	31,939	44,650	71,407	104,455	345,680
Finance cost	(1,684,705)	(815,075)	(672,845)	(664,543)	(899,965)
Net finance costs	(1,652,766)	(770,425)	(601,438)	(560,088)	(554,285)
Change in fair value of investment properties	10,250	-	-	-	-
Profit before tax	1,460,781	947,982	888,895	762,970	568,261
Tax expense	(1,329)	(9,600)	(21,132)	(8,565)	(30,782)
Profit for the year from continuing operations	1,459,452	938,382	867,763	754,405	537,479
Discontinued operations					
Loss for the year from discontinued operations (net of tax)	-	-	-	-	-
Profit for the year	1,459,452	938,382	867,763	754,405	537,479



Hayleys PLC

Five Year Summary Statements of Comprehensive Income Annexure 06 For the year ended 31st March

	2018 Rs.'000	2017 Rs.'000	Company 2016 Rs.'000	2015 Rs.'000	2014 Rs.'000
Profit for the year	1,459,452	938,382	867,763	754,405	537,479
Other comprehensive income					
Revaluation of land	627,010	5,648,000	-	1,453,000	-
Actuarial(Loss)/gain on employee benefit obligations	(73,347)	(28,213)	(70,694)	80,652	(79,571)
Other comprehensive income for the period, net of tax	553,663	5,619,787	(70,694)	1,533,652	(79,571)
Total comprehensive income for the period, net of tax	2,013,115	6,558,169	797,069	2,288,057	457,908

