

THE STORY CONTINUES...

140 Years of Corporate Inspiration



THE STORY CONTINUES...



The story continues...

Hayleys PLC
Annual Report 2017/18

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Hayleys PLC was founded in 1878 and has grown to be one of Sri Lanka's biggest multinational business conglomerates owning a remarkable portfolio of key industry sectors, including manufacturing, agriculture and services. The Group is internationally recognised as a leader in innovation, with manufacturing facilities in Indonesia and Thailand, marketing operations in Australia, India, Bangladesh, Italy, Japan, the Netherlands, UK and USA, offering transportation and logistics solutions in Maldives, Myanmar, India, Singapore, Indonesia and Malaysia. The Group accounts for approximately 3.29% of Sri Lanka's export income, and 3.6% of tea and 3.5% of rubber production.

In 2018, Hayleys PLC announced the purchase of 61.73% of shares of Singer (Sri Lanka) PLC for Rs. 10.9 bn, making it the single largest acquisition for a listed company in Sri Lanka in recent times. This strategic acquisition is anticipated to yield substantial opportunities for new business synergies within the Hayleys Group. Hayleys PLC and Singer (Sri Lanka) PLC collectively account for over 280 years of experience in the Sri Lankan market.

 $Hayleys\ PLC\ won\ 12\ awards\ including\ the\ Silver\ award\ for\ overall\ excellence\ in\ annual\ reporting\ at\ the\ CA\ Annual\ report\ 2017\ awards\ and\ the\ Group\ is\ ranked\ No.\ 1\ in\ the\ LMD\ 100\ list\ for\ 2017/18.$

THE STORY CONTINUES...

It was in 1878 that Charles Pickering Hayley founded Charles P. Hayley & Co. in Galle, on the south coast of Sri Lanka. Over the one hundred and forty years that followed, the Hayleys story continued to unfold, often against a backdrop of change, turmoil and challenging business environments. Yet through it all we steadily forged ahead, growing, evolving and establishing our name across the local world of trade and industry, and beyond.

Today we are pleased to have achieved several new milestones in our corporate narrative. The Group completed the single largest acquisition for a listed company in Sri Lanka in recent times with the purchase of a majority holding in Singer (Sri Lanka) PLC, in September 2017. Hayleys also executed on a strategy to expand its maritime sector when subsidiary company Hayleys Advantis acquired Sri Lanka Shipping Company Ltd, in August last year. Details of these and several other corporate achievements are given further down in this report.

At Hayleys, the principles and practices of business sustainability, social responsibility and stakeholder value creation are facts - not fiction, as the pages of this report will show. It's all part of the Hayleys legend, the continuing story of your company's success.

THE STORY CONTINUES...

CONTENTS

The Hayleys Legend

Welcome To Our Integrated Annual Report 8 • Performance Highlights 10 • Hayleys At A Glance 14 • A Snapshot of Our Businesses 16 • A Snapshot of The Group 20 • Year at a Glance 21 • Commitment to Good Corporate Reporting 22 • Awards and Accolades 23 • Our History 26 • Unlocking Value 28 • Growth Through Acquisitions 30

Telling Our Tale

A Message from the Chairman 32 • Board Of Directors 38 • Group Management Committee 44 • Corporate Governance 48

Facts, Not Fiction

Value Creation Model 68 • Stakeholder Engagement 70 • Understanding Our Capital Trade-Offs 72 • Material Matters 73 • Capital Allocation & Strategy 74 • Sustainability At Hayleys 77 • Our Commitment To The Sustainable Development Goals 78 • Risk Management 80

The Narrative of Our Achievements

Operating Environment 88 • Portfolio Review 91 • Eco Solutions 93 • Hand Protection 99 • Purification 105 •

Textiles 111 • Construction Materials 117 • Plantations 123 • Agriculture 129 • Consumer & Retail 135 • Leisure 141 •

Industry Inputs & Power and Energy 147 • Transportation & Logistics 153 • Others 159

The Story of Our Success

Capitals Report 166 • Consolidated Statement of Financial Performance 167 • Financial Capital 169 • Manufactured Capital 176 • Consolidated Statement of Social Performance 178 • Human Capital 179 • Social and Relationship Capital 188 • Intellectual capital 199 • Consolidated Statement of Environmental Performance 204 • Natural Capital 205 • Consolidated Statement of Economic Performance 215 • Way Forward 218 • Annual Report of the Board of Directors 220 • Chairman/Chief Executive's and Group Chief Financial

Officer's Responsibility Statement 228 • Directors' Statement on Internal Controls 229 • Nomination Committee Report 230 • Remuneration Committee Report 231 • Statement of Directors' Responsibilities 232

• Related Party Transactions Review Committee Report 233 • Audit Committee Report 234

A Report of Our Results

Independent Auditor's Report 238 • Statement of Profit or Loss 242 • Statement of Comprehensive Income 243 • Statement of Financial Position 244 • Statement of Changes in Equity 246 • Statement of Cash Flows 251 • Notes to the financial statements 254 • Ten Year Summary 355 • Indicative US Dollar Financial Statements 356 •

Quarterly Analysis 359 • Value of Real Estate 360 • Country Report 364 • Share Information 366 •

History of Dividends And Scrip Issues 369 • Group Companies 371 • Group Value Addition and Distribution 374 • Glossary of Financial Terms 375 • Independent Assurance Report 377 • GRI Content Index Tool 379 •

Detailed Material Matters 384 • Corporate Information 386 • Notes 387 • Notice of Meeting 388 • Form of Proxy 389 • Investor Feedback Form 391

Our Vision

To be Sri Lanka's corporate inspiration at all times

Our Mission

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

Our Values

H

Honesty and Integrity - ethical and transparent in all our dealings.

A

Accountability - holding ourselves responsible to deliver what we promise.

Y

Yes, WE can! (Team Work) - working with each other and with our partners across boundaries, to make things happen.

L

Love for humanity - treating everyone with respect and dignity, providing for the development of our people and rewarding them for good performance.

E

Enduring Customer Value - enhancing experiences for every customer, from the rural farmer to the global consumer.

Y

Yes, we WILL WIN! (a Will to win) - exhibiting the will to win that which is important to Hayleys and its shareholders.

S

Social Responsibility as a Good Corporate Citizen - caring for the communities in which we work, actively supporting their growth and being environmentally responsible in all we do.

&

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Innovation - transforming ideas into products and services to create economic, social and environmental value in the pioneering spirit of Hayleys.

THE STORY CONTINUES...

Chapter 1

THE HAYLEYS LEGEND

Welcome To Our Integrated Annual Report 8 • Performance Highlights 10 • Hayleys At A Glance 14 • A Snapshot of Our Businesses 16 • A Snapshot of The Group 20 • Year at a Glance 21 • Commitment to Good Corporate Reporting 22 • Awards and Accolades 23 • Our History 26 • Unlocking Value 28 • Growth Through Acquisitions 30

WELCOME TO OUR INTEGRATED ANNUAL REPORT

102-1 | 102-10 | 102-12 | 102-48 | 102-50 | 102-51 | 102-52 | 102-53 | 102-54 | 102-56 |

The Hayleys Group has long-since demonstrated its commitment to comprehensive, transparent and balanced reporting and this year we present our 6th Integrated Annual Report, prepared in accordance with the <IR> Framework published by the International Integrated Reporting Council. As our primary communication to stakeholders, this Report aims to showcase the integrated manner through which the Group manages its businesses and sustainability considerations, thereby balancing the competing needs of its stakeholders

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 254) for the period from 1st April 2017 to 31st March 2018. The Group adopts an annual reporting cycle and the most recent previous report for the financial year ending 31 March 2017 is available at www.hayleys.com. In determining the content to be included in this Report we have adopted the principle of materiality, and our process for selecting material content is given on page 73 of this Report. The financial information presented on pages 238 to 254 of this Report and discussed in the narrative reflects the Group's domestic and international operations. This year we have widened the scope of our non-financial reporting to our overseas operations and disclosures relating to social and environmental impacts comprise both local and international operations; instances where the discussion is limited to domestic operations are noted accordingly. Any material restatements of information given

STANDARDS, PRINCIPLES AND GUIDING CONCEPTS



Financial Information

Sri Lanka Financial Reporting
Standards
Companies Act No.7 of 2007
Listing Requirements of the Colombo
Stock Exchange



Integrated Reporting

Integrated Reporting Framework published by the International Integrated Reporting Council



Corporate Governance

Listing Requirements of the Colombo Stock Exchange Code of Best Practice on Corporate Governance issued by CA Sri Lanka



Sustainable Reporting

GRI Standards published by the Global Reporting Initiative United Nations Global Company Guidance on ESG Reporting by the Colombo Stock Exchange



This year we have widened the scope of our non-financial reporting to our overseas operations and disclosures relating to social and environmental impacts comprise both local and international operations

in the previous report and the reasons for such restatements are disclosed wherever relevant. Key changes to the Group's structure and size during the year stemmed from its acquisition of Singer (Sri Lanka) PLC (classified in the Consumer and Retail segment) and Sri Lanka Shipping Company Ltd (Transportation & Logistics sector) and the non-financial reporting scope of these two entities are given below;

Entity	HR	Social and	Natural Capital/
	information	Relationship Capital	Environmental impact-
		information	related information
Singer (Sri Lanka) PLC	\checkmark	$\sqrt{}$	$\sqrt{}$
Sri Lanka Shipping	$\sqrt{}$	-	-
Company Ltd		 	



Completeness

All information that is deemed to be material to the Group's ability to create value have been adequately discussed in this Report



We have presented both the positive and negative impacts of our economic, social and environmental performance.



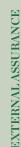
Connectivity

We have demonstrated connectivity between information through the use of navigation icons and signposting



Consistency

Information has been presented in a manner than enables comparison over time and with other organisations. Any changes to the basis or coverage of information is clearly highlighted where relevant.



Financial Statements: Messrs. Ernst and Young, Chartered Accountants

Sustainability Reporting: Messrs. Ernst and Young, Chartered Accountants

Improvements to the Report

Every year, we seek to improve the relevance, readability and meaningfulness of our Report while ensuring that we comply with the latest global developments in corporate reporting. This year's Report features several key improvements;

- Early adoption of the GRI Standards- we have reported In Accordance with the 'Core' criteria prescribed by GRI
- Adoption of the revised Code of Best Practices on Corporate Governance issued by SEC and CA Sri Lanka
- Improved disclosures regarding Director Remuneration

- In each sector review, we have demonstrated the creation of value across our supply chain, classified based on the $6\,$ capital inputs
- The Capitals Reports have been refined to emphasise the capital inputs which are most relevant to each sector
- Increased connectivity to the Sustainable Development Goals

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

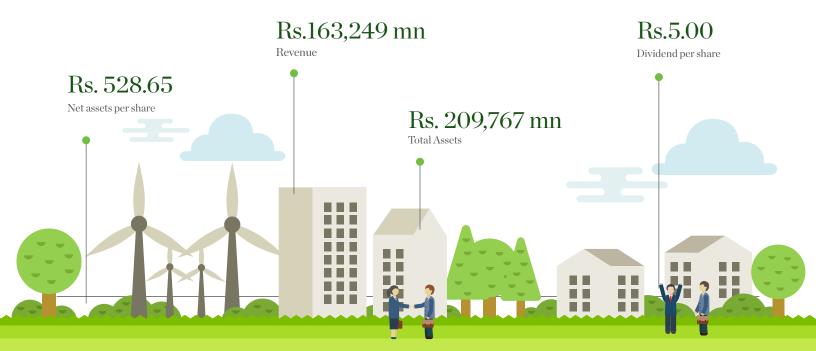
Corporate Affairs Unit - Hayleys PLC

PERFORMANCE HIGHLIGHTS

102-7

Consolidated Statement of Financial Performance

Financial Capital		2018	2017	Change %
Earnings Highlights and Ratios				
Revenue	Rs. mn	163,249	111,383	46.57
Results from operating activities	Rs. mn	11,403	9,675	17.87
Profit before tax	Rs. mn	5,763	7,025	(17.97)
Profit after tax	Rs. mn	3,272	5,048	(35.19)
Profit attributable to owners of the parent	Rs. mn	1,024	2,784	(63.22)
Dividends	Rs. mn	375	563	(33.33)
Gross profit Margin	%	21.96	23.27	(5.64)
Operating Profit Margin	%	6.99	8.69	(19.58)
Net Profit Margin	%	2.00	4.53	(55.78)
Earnings per share (basic)	Rs.	13.65	37.12	(63.23)
Return on Assets (ROA)	%	1.56	3.88	(59.83)
Return on Capital Employed (ROCE)	%	7.48	9.41	(20.53)
Interest cover	No. of times	1.77	3.05	(41.93)
Financial Position Highlights and Ratios			<u> </u>	
Total Assets	Rs. mn	209,767	130,002	61.36
Total Debt	Rs. mn	92,641	44,748	107.03
Equity attributable to equity holders of the parent	Rs. mn	39,649	40,866	(2.98)
Gearing	%	60.77	43.53	39.59
Debt/Equity	%	154.90	77.10	100.91
Equity Asset ratio	%	28.51	44.64	(36.14)
Net assets per share	Rs.	528.65	544.88	(2.98)
Current ratio	No. of times	0.97	1.20	(19.03)
Quick asset ratio	No. of times	0.64	0.79	(19.23)
No. of Shares in issue	No. mn	75	75	0.00



Financial Capital		2018	2017	Change %
Market / Shareholder Information				
Market value per share	Rs.	200.70	265.00	(24.26)
Dividend per share	Rs.	5.00	7.50	(33.33)
Company market capitalisation	Rs. mn	15,053	19,875	(24.26)
Group market capitalisation	Rs. mn	63,602	49,104	29.52
Price earnings ratio	No. of times	14.70	7.14	105.96
Dividend yield ratio	%	2.49	2.83	(11.97)
Dividend payout ratio	%	36.63	20,20	81.29
Dividend Cover	No. of times	2.73	4.95	(44.83)
Others				
Economic Value Generated	Rs. mn	38,497	28,541	34.88
Economic Value Distributed	Rs. mn	34,148	23,535	45.09
Government	Rs. mn	5,158	2,389	115.95
Employees	Rs. mn	20,434	15,207	34.37
Others	Rs. mn	8,556	5,939	44.06
Value Added per employee	Rs. mn	1,21	1.01	19.23
Group employment	Number	31,832	28,137	13.13
Average Revenue per employee	Rs. mn	5.13	3.96	29.55
Average operating income per employee	Rs. mn	0.36	0.34	4.18
Credit Ratings		AA- (lka)	AA- (lka)	-

Manufactured Capital				
Capital expenditure	Rs.mn	4,296	13,278	(67.65)
Property, plant and equipment	Rs.mn	84,010	66,407	26.51



Performance Highlights

102-7

Consolidated Statement of Social Performance

			2018	2017	Change %
	Employees				
	Employees on payroll	No.	31,832	28,137	13.13
	Female representation	%	39	41	(2)
24A45	New recruits	No.	4,748	4,091	16.06
TOTAL STATES	Investment in training	Rs.mn	95	72	32.08
Human	Training hours	Hours	250,623	126,602	97.96
Capital	Average training hours	Hours	7.9	4.5	75.56
	Retention rate	%	83	87	(4)
	Workplace Injuries	No.	383	450	(14.89)
	Lost working days	No.	1,252	2,544	(50.76)
	Customers				
	Customer reach	No.	7,614,914	85,000	>100
	Customers acquired	No.	419,105	10,935	>100
	Revenue generated	Rs.mn	163,249	111,838	45.97
	Suppliers and Business Partners				
Social &	Total number of suppliers (estimate)	No.	>60,000	19,400	>100
Relationship	SME suppliers (estimate)	No.	>30,000	13,586	>100
Capital	Payments to suppliers	Rs.mn	60,756	50,395	20.56
	Proportion of spending on local suppliers	%	60	55	5
	Community Engagement				
	Investment in CSR	Rs.mn	>350	111	>100
	Beneficiaries of CSR	No.	>250,000	38,985	>100
	No. of new products developed	No.	348	299	16.38
	No. of products in the pipeline	No.	119	304	(60.86)
Intellectual Capital	Investment in R&D	Rs.mn	103	51	>100



Consolidated Statement of Environmental Performance

Natural Capital		2018	2017	Change %
Energy consumption	mil GJ	2.54	2.16	17.40
Water usage	Mil m3	4.61	4.51	2.25
Water recycled	%	10.2	8.0	27.50
Solid waste	MTs	22,080	11,101	98.83
Effluents discharged	Mil m3	3.07	3.03	1.49
Carbon footprint	tCO2e	116,547	95,398	22.17
Emission intensity	Kgco2e/revenue	714	856	(16.58)

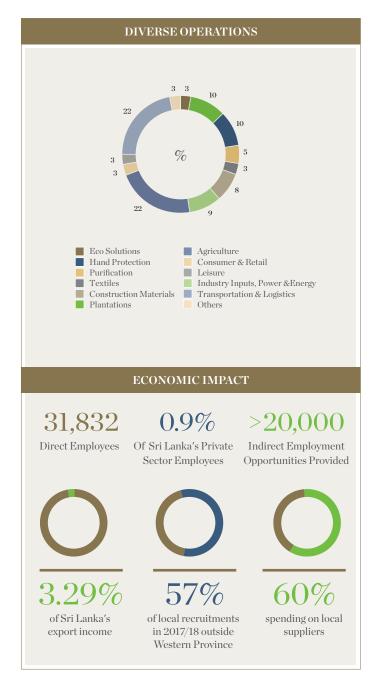
Consolidated Statement of Economic Performance

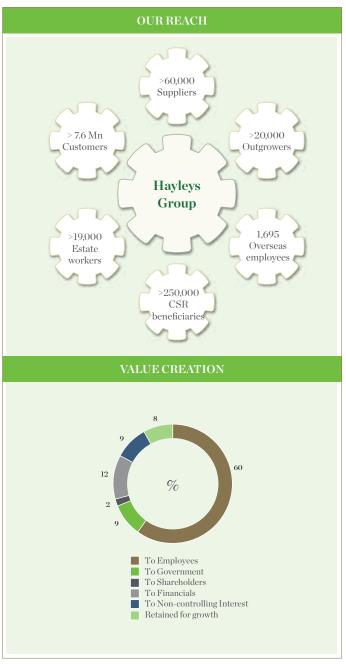
	i i	2018
		+
Indirect employment	No.	>20,000
Out-growers	No.	>20,000
No. of suppliers	No.	>60,000
Capacity Building		
Construction Materials	No	1,545
Plantations	No	3,882
Consumer & Retail	No.	2,700
Job creation outside the Western Province	No.	2,320
Tax paid	Rs.mn	5,158
Innovations	No.	>300
Export income generated	Rs.mn	75,832
Investment in supplier development	Rs.mn	90



HAYLEYS AT A GLANCE

Over an illustrious history spanning 140 years, Hayleys PLC has widened its reach across industry sectors, geographies and communities to emerge as Sri Lanka's most diversified conglomerate. Through its' presence in 12 industry sectors, the Group has nurtured relationships across the entire country, creating shared value and facilitating socio-economic empowerment. We have also been at the forefront of driving Sri Lankan industries





forward through innovation, knowledge sharing and sustainable practices. A frequent recipient of numerous local and international accolades, Hayleys PLC is one of Sri Lanka's most respected corporate entities.

SKILL DEVELOT MENT AND EMI OWERMENT

Outgrower programmes for fruits, gherkins and bee keeping by Hayleys Agriculture

Training on sustainable charcoaling methods by Purification

Moringa outgrower project in the Northern Province by Hayleys Agriculture

Seaweed project for impoverished families in the Northern Province by Hayleys Agriculture

Fabricator training by Alumex

BPO operations in North Western Province

INNOVATION

348

119

New products

Products in the pipeline

 $Strong \ R\&D \ capabilities \ and \ Intellectual \ Capital \ across$ several industry sectors have enabled us to be at the forefront of industry innovation.

SUSTAINABLE ORGANISATION











A SNAPSHOT OF OUR BUSINESSES

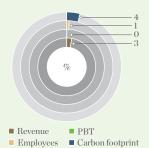
102-2



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

Main products

- Brushware
- Floor Coverings
- Industrial Fibre



For more on our Eco Solution sectors go to page 93 or visit http://www.hayleys.com/companies/sector/eco-solutions/

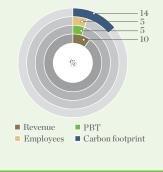
page 93



We serve 5% of Global demand for household and industrial gloves and have developed a competitive edge through deep industry insights and innovation

Main products

- · Industrial gloves
- Household gloves
- Medical gloves



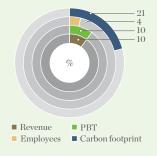
For more on our Hand Protection sectors go to page 99 or visit http://www.hayleys.com/companies/sector/hand-protection/



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

Main products

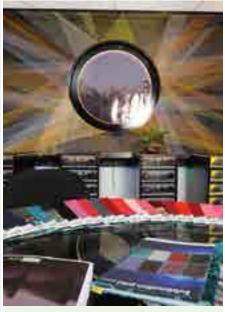
- Granular AC
- Powder AC
- · Extruded pellet AC
- · Environmental engineering solutions



For more on our Purification sectors go to page 105 or visit http://www.hayleys.com/companies/sector/nurification/

| page | 105

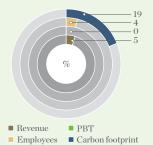
Textiles



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

Main products

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



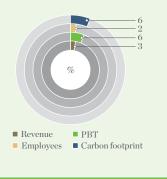
Construction Materials



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

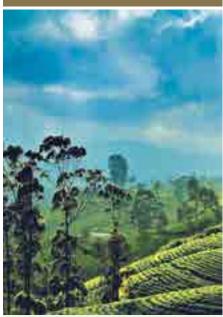
Main products

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



go to page 117 or visit http://www.hayleys.com companies/sector/construction-material/

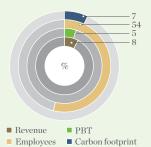
Plantations



One of Sri Lanka's largest plantation sector contributors, we generate 3.6% and 3.5%of the country's tea and rubber production respectively.

Main products

- Tea
- Rubber



page 123 or visit http://www.hayleys.com companies/sector/plantations/

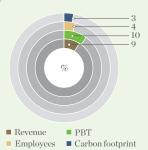
A snapshot of our businesses



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

Products/Activities

- · Processed fruits and vegetables
- Crop production
- Crop protection
- Animal Health
- · Dairy



For more on our Agriculture sector's go to page 129 or visit http://www.hayleys.com/companies/sector/agriculture/

| page | 129



We own and operate Sri Lanka's leading consumer durables player Singer (Sri Lanka) PLC, following our acquisition of the Company in September 2017. We represent globally renowned brands including Proctor and Gamble, Phillips Lighting and Fujifilm

Products/Activities

- Consumer durables
- · Lighting solutions
- · Pharmaceutical products



For more on our Consumer & Retail sector's go to page 135 or visit http://www.hayleys.com/companies/sector/consumer-products.

135

Leisure

We own and operate 8 resort properties through the Amaya Resorts chain and one five star city hotel, The Kingsbury.

Products/Activities

- Resort and city hotel operations
- Inbound tours



For more on our Leisure sector's go to page 141 or visit http://www.hayleys.com/companies/sector/leisure/

| page | 141

Industrial Inputs, Power & Energy



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

Products/Activities

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



For more on our Industrial Inputs, Power & Energy sector's go to page 147 or visit http://www.hayleys.com/companies/sectorindustrial-solutions-power-and-energy/

page 147

Transportation & Logistics



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

Products/Activities

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



For more on our Transportation and Logistics sector's go to page 153 or visit http://www.hayleys.com/companies/ sector/transportation-and-logistics/

153

Others



This includes our BPO operation, aviation and travels, Alufab, Fentons Group and the Group Services

Main products

- BPO / Group services
- Aviation services, travel and tour services
- Aluminium framed glazed architectural systems
- Interior design
- Group Services



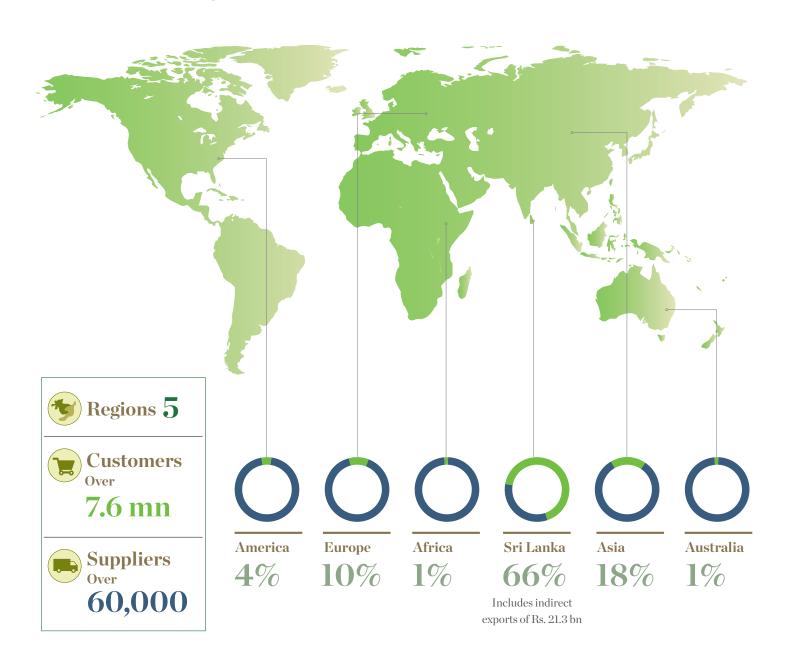
· more on our Other sector's go to nag

| page | 159

A SNAPSHOT OF THE GROUP

102-6

Several of the Group's key business lines, including Hand protection, Purification and Agriculture are export oriented and the Group's products are sold to over 7.6 mn customers in 5 regions across the world.



YEAR AT A GLANCE

MAY



Rs. 7.50 P.S
Approved the payment of and interim dividend for

JUNE



Launch of the online tea portal celebrating 150 years of Ceylon Tea

JULY



Mountain Hawk Express was recognised as a Great Place to Work by GPTW-Sri Lanka



Hayleys Advantis commenced construction of a Mega Distribution Centre

AUGUST



2016/17

Hayleys Advantis Ltd acquires majority stake in Sri Lanka Shipping Company Ltd. SEPTEMBER



OCTOBER



Hayleys swimming team emerged 2nd runners up at the Mercantile Swimming Championships

NOVEMBER



Hayleys Annual Get Together was held at SLECC DECEMBER



Ranked the No.1 Listed Company in Sri Lanka by LMD

The Group's corporate reporting practices recognised at the CA Sri Lanka Annual Report Awards, receiving 12 awards including 7 sector golds.

JANUARY



Puritas wins the Global Water Award for the Sath Diyawara project FEBRUARY



Hayleys Sports Award and Musical Night

4 Sectors launched SAP S4HANA system.

MARCH



US\$1bn
Hayleys becomes
the 1st listed Sri Lankan
Company to cross the US\$
1 bn revenue milestone in
the FY 2017/18

COMMITMENT TO GOOD CORPORATE REPORTING

In line with the expansion of the scope and breadth of the Group's operations, the Hayleys PLC Annual Report has also evolved to succinctly communicate the most material information required by its diverse stakeholders. This evolution has been aligned to global developments and best practices in corporate reporting.

2011/12	140 Companies	 (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 the Code of Best Practices on Corporate Governance published by the SEC and ICASL (4) Adoption of the UNGC Principles
2014/15	151 Companies	 (1) Comprehensive sector reviews covering economic, social and environmental performance (2) Report of the real estate value (3) Continued adoption of the GRI-G4 criteria
2015/16	167 Companies	(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 Companies	 (1) Comprehensive qualitative and quantitative information on all six capitals based on the <ir> Framework</ir> (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
2017/18	184 Companies	 (1) Early adoption of the GRI Standards for sustainability reporting (2) Dedicated chapter on the Group's economic contribution (3) Dedicated chapter on forward outlook and performance against budget 2018/19 (4) Adoption of the Code of Best Practices on Corporate Governance 2017 published by CA Sri Lanka (5) Adoption accounting policies applicable to Licensed Finance Companies

The Group's commitment to achieving excellence in corporate reporting was recognised at the CA Sri Lanka Annual Report Awards 2017, whereby the Group clinched a total of 12 awards, including Gold Awards in 7 sectors.

Overall Awards	Sector Gold Awards	Other Awards
Hayleys PLC: Silver Award for Overall Excellence in Reporting	Hayleys PLC: Diversified Holdings for groups above 10 subsidiaries Hayleys Advantis Ltd: Service Organisations Dipped Products PLC: Manufacturing companies with turnover above Rs.5.0 bn	Kelani Valley Plantations: Silver - Plantation PLC Sector Regnis (Lanka) PLC:
Hayleys PLC: Bronze Award for Best Disclosures on Business Model	Alumex PLC: Manufacturing companies with turnover of less than Rs.5.0 bn Singer (Sri Lanka) PLC: Trading companies Talawakelle Tea Estates PLC: Plantation Sector Singer Finance (Lanka) PLC: Finance Companies less than Rs 20Bn Assets	Silver - Manufacturing companies with turnover upto Rs.5.0 bn Hayleys Fabric PLC: Bronze - Manufacturing companies with turnover above Rs.5.0 bn Sector

AWARDS AND ACCOLADES

Sector	Name of Award & Awarding body
(m)	Hayleys PLC
({O}) Others	Number 1 Listed Company in Sri Lanka - LMD
	CA Sri Lanka annual report awards - 2017
	Overall excellence in annual financial reporting – Silver
	Diversified holdings (Above 10 subsidiaries) - Gold
	Integrated Reporting-Business Model - Bronze
	SAFA- Best presented annual reports awards
	Diversified holdings – 2nd runner up
	Fentons Ltd.
	Ministry of Power & Renewable Energy Awards
	Top Solar PV provider in the country for the Soorya Bala Sangramaya
	Rileys (Pvt) Ltd.
(Eco Solutions	National Chamber of Exporters awards - 2017
	Best innovative exporter of the year - Gold
	Agriculture value added large category - Gold
	Presidential export award- 16/17
	Winner highest value added exporter under gift and lifestyle product category
	Toyo Cushion Lanka (Pvt) Ltd.
	National Chamber of Exporters awards- 2017
	Agriculture value added large category - Bronze
	JASTECA Japan-Sri Lanka Technical and Cultural Association
Purification	Ian Dias Abeysinghe CSR- Sustainability award- Gold Award
	Energy Globe World Award 2017 - Winner in "Water" category
	CA Sri Lanka annual report awards - 2017
Construction	Manufacturing Companies with turnover up to Rs. 5 bn - Gold
Materials	National Business Excellence Awards - 2017 - National Chamber of Commerce
	Overall champions - Silver
	Large Business Category - Gold
	Manufacturing engineering sector - Gold
	ACCA Sri Lanka Sustainability Award 2017
	Runner-up Retail & Trading Category
	CA Sri Lanka annual report awards - 2017
Textiles	Manufacturing Companies with turnover above Rs. 5 bn - Bronze

 $Performance \ Highlights \ \bullet \ Hayleys \ at a \ Glance \ \bullet \ Leadership \ \& \ Governance \ \bullet \ Strategy \ \& \ Resource \ Allocation \ \bullet \ Portfolio \ Review \ \bullet \ Integrated \ Performance \ \bullet \ Financial \ Statements$

Awards and Accolades

Sector	Name of Award & Awarding body
	TTEL
Plantation	CA Sri Lanka annual report awards - 2017
	Plantation Companies - Gold
	SAFA- Best presented annual reports awards
	Agricultural Sector - 2nd Runner Up
	Institute of Certified Management Accountants of Sri Lanka
	CMA Excellence in Integrated Reporting 2017 - Ten Best Integrated Reports
	National Business Excellence Awards 2017 - National Chamber of Commerce
	Excellence in environmental sustainability – Winner
	Excellence in corporate governance - Runner-up
	South Asian Partnership Summit & Business Awards
	Best HR Practices for Organisational Development
	The golden globe awards - 2018
	Excellence in HR leadership
	KVPL
	CA Sri Lanka annual report awards - 2017
	Plantation Companies - Silver
	National Business Excellence Awards 2017 - National Chamber of Commerce
	Agriculture & Plantation Sector Category - Gold
	Excellence in Corporate Governance - Gold
	Excellence in Corporate Social Responsibility - Gold
	Excellence in Performance Management - Gold
	Excellence in Local Market Reach - Gold
	Extra Large Category - Silver
	Excellence in Capacity Building - Silver
	Excellence in Environmental Sustainability - Silver
	Asia Pacific HRM Congress Awards 2017
	Organisation with innovative HRM practices - Winner
	Mabroc Teas
	National Tea Awards Ceremony 2017 - Exporter Category
(M)22	International CSR Summit & Asia Responsible Entrepreneurship Awards (AREA) - 2017
Hand Protection	Manufacturing companies with turnover above Rs.5.0 bn - Gold

Sector	Name of Award & Awarding body		
Agriculture	Hayleys Agriculture Group		
	National Business Excellence Awards 2017 - National Chamber of Commerce		
	Medium Category - Overall Winner		
	Small Category - Overall Winner		
	Agriculture & plantation sector - Runner up		
	Presidential Export Awards 2016		
	Overall (Special) Award – Highest Contribution from the Regions to the Export Supply Chain		
	Singer (Sri Lanka) PLC		
Consumer & Retail	CA Sri Lanka annual report awards - 2017		
	Trading Companies - Gold		
	Singer Finance (Lanka) PLC		
	CA Sri Lanka annual report awards - 2017		
	Finance Companies less than Rs 20 bn assets - Gold		
	Regnis (Lanka) PLC		
	CA Sri Lanka annual report awards - 2017		
	Manufacturing companies with turnover upto Rs.5.0 bn - Silver		
	Best Corporate Citizens Award - Top Ten		
	SLIM Nielsen		
	People's awards - Brand of the Year		
Leisure	Amaya Group		
	SATA AWARDS		
	Leading Eco Hotel / Resort , Sri Lanka - AMUNA Ayurveda Retreat		
	Villa Resort of the Year - Travel and Hospitality Awards Amaya Kuda Rah		
	Leading Romantic Hotel / Resort, Sri Lanka - Amaya Hunas Falls		
	The Kingsbury PLC		
	SATA Awards 2017		
	Leading City Hotel , Sri Lanka		
	World Luxury Restaurant Awards		
	Luxury hotel restaurant, Sri Lanka – Harbour Court		
	Luxury seafood restaurant, South West Asia – The Ocean		
	Eclectic/International Cuisine, South West Asia – Harbour Court		
Transportation & Logistics	Hayleys Advantis Ltd		
	CA Sri Lanka annual report awards - 2017		
	Service Category - Gold		
	APL Lanka (Pvt) Ltd		
	Institute of Chartered Shipbrokers UK, Sri Lanka Branch (ICS) Awards		
	Colombo North America Best Customer Service for year 2017		

OUR HISTORY



1878

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

1909

Hayley & Kenny, a partnership formed between W.W. Kenny and Chas P. Hayley, opens in Colombo.

1911

Charles Pickering Hayley retires following the death of his wife and is succeeded by the next generation.

1913

Hayley & Kenny purchases Thurburn stores - 400, Dean's Road premises.

1936

Hayley & Kenny becomes a private limited liability company.

1944

Chas P. Hayley & Co. becomes a private limited liability company and a fully owned subsidiary of Hayley & Kenny Ltd.

1951

George G. Hayley, the grandson of the founder, buys Hayley & Kenny Ltd., which was held by heirs of the late W. W. Kenny and Chas P. Hayley.

1952

George G. Hayley and executive employees of the two former companies form Hayleys Ltd with a paid up capital of Rs. 200,000/-, taking over the assets and liabilities of Hayley & Kenny Ltd.

1954

Hayleys Ltd, becomes a public company.

1958

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

1968

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

1973

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

1976

Dipped Products Ltd., a joint venture with Richard Pieris & Co. Ltd., is incorporated to pioneer manufacture of rubber gloves.

1983

The first overseas venture, Sorbtech Inc. (now Haycarb USA.) is formed in the USA.

1985

Overseas marketing companies formed in Holland, UK, Japan and Australia.

1991

Hayleys ventures into Hoteliering through its subsidiary Carbotels Ltd.

 $Hayleys\ enters\ the\ business\ of\ plantations$

1994

Group's first overseas manufacturing facility Carbokarn Co Ltd, opens in Thailand.

2002

Inland marketing companies are realigned under 3 focused companies - Hayleys Agro Products Ltd., Hayleys Consumer Products Ltd., and Hayleys Industrial Solutions Ltd.

2010

Hayleys acquires its first city hotel – Ceylon Continental Hotel.(The Kingsbury)

2011

Hayleys enters in to the aluminium extrusion industry by acquiring the Alumex Group

2012

Hayleys acquires majority stake in Amaya Hotels & Spas

2017

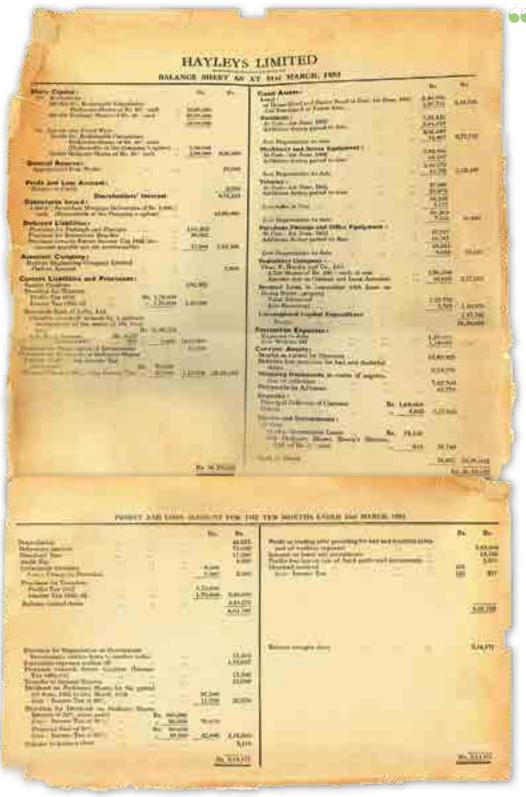
Hayleys acquires Kuda Rah Island Resort Maldives

2018

Hayleys Group acquired majority stake in Singer (Sri Lanka) PLC.

Hayleys Advantis Ltd acquired Sri Lanka Shipping Company Ltd.

Our first Financial Statements after being incorporated as Hayleys Ltd in 1952



From humble beginnings
140 years ago, the Hayleys
Group has continued to
flourish, forming deeprooted relationships with
Sri Lankan businesses and
communities. As we look
back, we are extremely
proud of the journey we
have travelled and the
numerous achievements we
have made.

UNLOCKING VALUE

Our Investment Case

Hayleys' share price is currently trading at a significant discount to its net asset value and presents significant upside potential over the medium to long-term. Our investment case is presented below;

Strong market positions

Several of the Group's sectors hold dominant market positions in their respective industries, having nurtured strong brand reputations and long-term customer relationships which have sharpened their competitive edge.

Market leader in the Transportation and Logistics sector

5% global market share in nonmedical rubber gloves

Leader in Sri Lanka's aluminium extrusions market

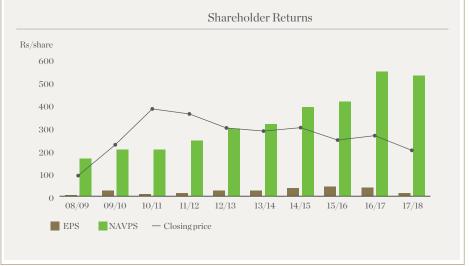
45% share in export of processed fruits and vegetables

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

Undisputed market leader in Sri Lanka's consumer durables market

Consistent earnings growth has resulted in the EPS increasing by a CAGR of 14% over the last 10 years, while Net Assets per share has also expanded by a CAGR of 14% over the same period. The share price declined by 24% during the year reflecting the broad market conditions and closed the year at Rs. 200.70, which is a 62% discount to its net asset value of Rs.528.66.

ATTRACTIVE SHAREHOLDER RETURNS





CONSISTENT ASSET GROWTH



EXTENSIVE LAND BANK

433 Acres of Land in 18 Districts in Sri Lanka

90 Acres in 3 overseas locations

PRESENCE IN ECONOMICALLY SIGNIFICANT SECTORS

Exports

Purification, Hand Protection, Tourism, Transportation & logistics, Agriculture, Eco Solutions and Tea exports Collective revenue of Rs. 74.9 bn

DISTRIBUTION NETWORK

Island-wide distribution network through Singer (Sri Lanka) PLC (432 customer contact points), Agriculture and Construction Materials Sector

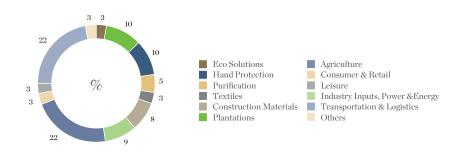
Hayleys' share price is currently trading at a significant discount to its net asset value and presents significant upside potential over the medium to long-term.

POSITIONING IN GROWTH INDUSTRIES

Several of the Group's key business sectors are positioned for strong growth, particularly given increasing globalisation, rising disposable incomes and increasing customer sophistication. Key factors supporting growth are;

- Purification: More stringent environmental regulations for water and air purification are expected to drive demand for our products.
- Transportation: Sri Lanka's strategic positioning on shipping routes and the anticipated transformation to a marine hub
- Construction Materials: Boom in the high-rise and apartment market together with increasing substitution of aluminium profiles in residences
- Consumer and Retail: Rising disposable incomes, electrification and consumer sophistication
- Agriculture: Increasing concerns on food security across the world and increasing preferences for healthy, organic, agriculture-based food

Revenue Contribution



GROWTH THROUGH ACQUISITIONS

Singer (Sri Lanka) PLC

The Group marked a historic milestone during the year following the acquisition of retail giant Singer (Sri Lanka) PLC, in the single largest acquisition of a listed company in Sri Lankan in recent years. The strategic union of Singer and Hayleys is expected to support the former's long-standing growth aspirations in the consumer and retail industry, presenting substantial synergistic opportunities. The acquisition is therefore aligned with the Group's long-term growth strategy, enabling us to combine the diversity of our product portfolio with Singer's unparalleled expertise and industry insights in the consumer and retail segment. Singer (Sri Lanka) PLC is the holding company of 7 subsidiaries; namely Singer Finance (Lanka) PLC, Regnis (Lanka) PLC, Singer Industries (Ceylon) PLC, Regnis Appliance (Pvt) Ltd, Singer Digital Media (Private Limited), Singer Business School (Private Limited) and Reality Lanka Limited.

The Singer/Hayleys transaction	
Initial Shareholding acquired	61.73%
No. of shares acquired	231,864,362
Transaction value per share	Rs.47
Initial purchase consideration	Rs.10.9 bn
Mandatory offer pricing per share	Rs.47
Mandatory offer acceptance	72,244,138 shares (19.23%)
Total shareholding by the Hayleys Group after mandatory offer	304,108,500 shares (80.96%)
Total purchase consideration	Rs.14.39 bn
Investment funded through;	
Debt	Rs. 13.38 bn
Internally generated funds	Rs. 1.01 bn

The Strength of Singer (Sri Lanka) PLC

- Undisputed market leader in Consumer Durables
- Estimated penetration of 80% in Sri Lankan households
- Largest network of consumer durables with 432 showrooms

Market position



- Revenue CAGR of 19.2% over the past 5
 vears
- Profit CAGR of 17.9% over the past 5 years
- Total assets : Rs. 50.6 bn
- Shareholders' funds: Rs. 6.8 bn
- · Gearing ratio: 0.79

Financial performance/Position



- Exclusive National Distributor for leading global brands including Huawei, Sharp, Hitachi, Sony, Beko, TCL and Skyworth
- SINGER is: SLIM Nielsen "People's Award", "Brand of the Year" in Sri Lanka
- Also owns the leading Sri Lankan
 Consumer Brands of Sisil and Unic

Brand strength

 Strong upside potential given relatively low penetration of consumer durables in Sri Lanka, increasing disposable incomes, connectivity and mobile penetration, widening electrification and social aspirations.

Outlook



The acquisition of retail giant
Singer (Sri Lanka) PLC marked
the single largest acquisition of a
listed company in Sri Lankan in
recent years.

Sri Lanka Shipping Company

In August 2017, Hayleys Advantis- the Group's transportation and logistics arm acquired Sri Lanka Shipping Company Ltd. The acquisition reflects Hayleys Advantis' well-timed expansion plans and is in line with its long-term strategy of widening its maritime operations. Sri Lanka Shipping Company Ltd. is one of Sri Lanka's leading shipping and maritime organisations offering the full gamut of services including the shipping agencies, clearing and forwarding, heavy lift haulage and warehousing among others.

The Hayleys Advantis Ltd/Sri Lanka Shipping Company Ltd transaction			
Shareholding acquired	94.81%		
Purchase consideration	Rs. 4.9 bn		
Investment funded through,			
Debt	Rs. 4.9 bn		

THE STORY CONTINUES...

Chapter 2

TELLING OUR TALE

A Message from the Chairman 32 • Board Of Directors 38 • Group • Management Committee 44 • Corporate Governance 48

THE LEGEND GOES ON

A Message from the Chairman



Hayleys PLC charted a new growth trajectory in 2017 with the acquisition of the retail giant Singer (Sri Lanka) PLC which also has a 141 year history in the corporate annals of the country. It is one of the largest acquisition deals in the history of the Colombo Stock Exchange,

1st listed company to surpass

US\$ 1 bn

Revenue

140 Years of operations

Accounts for

3.29%

of Sri Lanka's exports

Acquisition of

Singer (Sri Lanka) PLC

to expand Consumer & Retail sector

16 listed companies

within the Group

Dear Stakeholder,

It is my privilege to present the Annual Report of Hayleys PLC for the financial year ending 31st March 2018 as we celebrate 140 years from our beginnings as Chas P. Hayley & Co., founded in Galle in 1878, to export local products such as coir yarn, spices, and essential oils. Today Hayleys has grown from its humble beginnings to a conglomerate that spans 16 countries with a team of 31,832 people in the World of Hayleys. Although we have grown beyond our borders, the Hayleys Group remains an iconic Sri Lankan multinational, with 46% of our revenue derived from Sri Lankan exports which account for 3.29% of the country's total exports.

A New Growth Trajectory

Hayleys PLC charted a new growth trajectory in 2017 with the acquisition of the retail giant Singer (Sri Lanka) PLC which also has a 141 year history in the corporate annals of the country. It is one of the largest acquisition deals in the history of the Colombo Stock Exchange, with the Hayleys Group purchasing 61.73% of shares of Singer (Sri Lanka) PLC, for a consideration of Rs. 10.9 bn, making it the single largest acquisition for a listed company in Sri Lanka in recent times. In addition, the Hayleys Group acquired a further 19.23% in Singer (Sri Lanka) PLC in the consequent Mandatory Offer. Acquisition of this iconic brand paves the way for upscaling our domestic retail sector in line with our vision of offering enhanced lifestyles to Sri Lankans. This acquisition increased the number of public listed companies within the Group from 12 to 16.

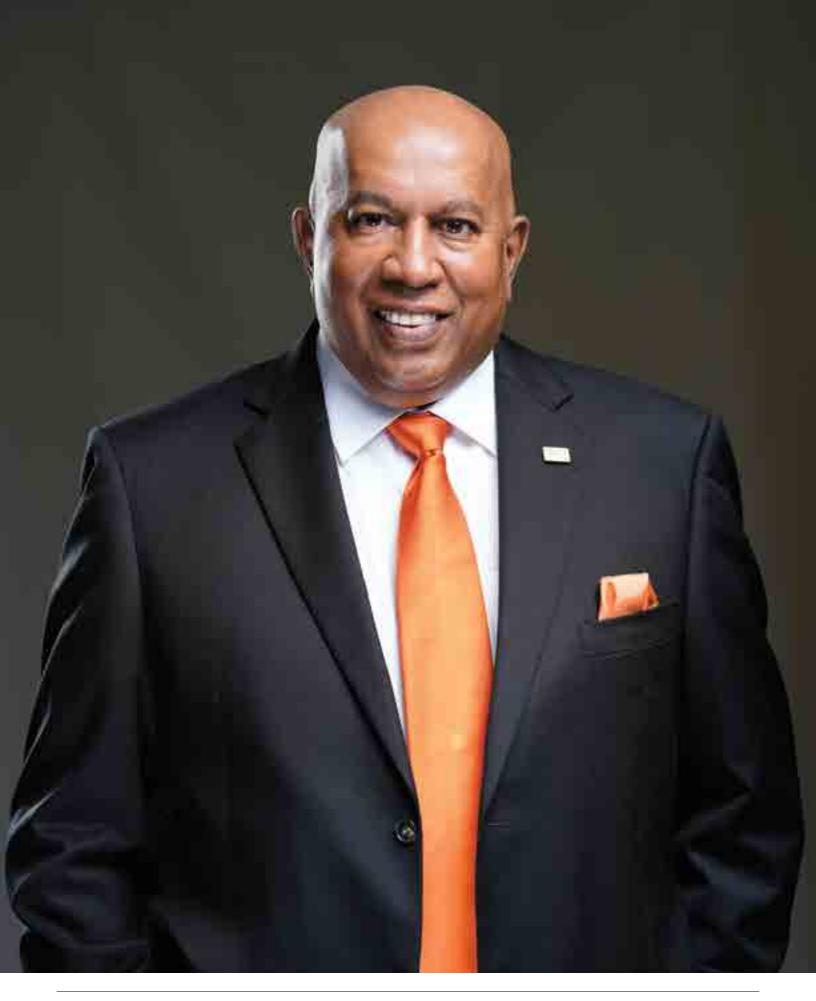
This year Hayleys Group became the first public listed company in Sri Lanka to surpass a turnover of US\$ 1 bn marking the first milestone on our new course as six months revenue from the new acquisitions supplemented the Group's organic growth. The Total Assets grew by 61% to Rs.210 bn during the year as acquisitions together with investments in capacity expansions across all sectors propelled the growth while reflecting our capacity for future growth.

Financial Performance

The Hayleys Group delivered a top line growth of 47% to record a total revenue of Rs.163 bn which is the highest revenue recorded todate in the Group's History. This reflects an organic growth of 18% while revenue from acquisitions accounted for 29%. The Gross profit followed a similar trend recording a growth of 38% over the previous year whilst gross margins declined marginally by 1 %. Operating profit increased by 18% to Rs.11.4 bn though most manufacturing sector companies faced increasing pressure on margins. Net Finance costs increased by 91% to Rs.5.9 bn mainly due to increased cost of funding acquisitions through debt and consolidation of finance costs of the acquired companies. Consequently, profit before tax (PBT) of Rs.5.7 bn and Profit after tax (PAT) of Rs.3.2 bn reflect declines of 18% and 35% respectively despite a healthy growth in revenue and operating profits.

Review of Key Business Lines

Climate change impacts, leading to supply disruptions and volatility of commodity markets, played a significant role in dampening the profitability of business



A Message from the Chairman

Sector ROCE				
	2018	2017		
Eco Solutions	-0.3%	17.8%		
Hand Protection	5.2%	10.6%		
Purification	10.2%	13.9%		
Textiles	3.6%	4.6%		
Construction Materials	14.6%	43.3%		
Plantations	9.5%	5.7%		
Agriculture	20.8%	26.2%		
Consumer & Retail	6.8%	10.1%		
Leisure	3.8%	8.6%		
Industry Inputs, Power & Energy	17.5%	15.2%		
Transportation & Logistics	16.1%	17.1%		
Others	5.5%	6.5%		
Group	7.5%	9.4%		
Group Performance Indicators (Rs.)				
Earnings Per Share	13.65	37.12		
Dividend Per Share	5.00	7.50		
Net Assets Per Share	528.65	544.88		
Share Price	200.70	265.00		

sectors during the year. We have strategised to chart a course to recovery in the year that has commenced, and the sectors have already commenced implementation of the same.

The Transportation & Logistics sector comprising the Advantis Group exceeded expectations delivering a profit before tax of Rs.2.3 bn, becoming the highest contributor to group profitability for the reporting year. It becomes the first sector in the history of Hayleys to surpass a PBT of Rs.2 bn and is

the result of well planned growth through acquisitions, diversification and geographical expansion. The sector has invested Rs.845 mn in capital expenditure supporting plans for growth.

Industry Inputs, Power & Energy sector also delivered solid performance recording a PBT of Rs.1.1 bn reflecting a 9% growth. Both wind and solar power had a good year cushioning the poor performance of hydro power which was affected by the prolonged drought and flash floods that followed causing damage to the intake channel of a project.

The Plantation sector delivered an excellent turnaround performance, with a significant profit growth compared to its dismal performance last year to record a PBT of Rs.477 mn from improved tea prices. The positive performance masks the underlying issues that increase the downside risks to the continued profitability of this vital sector. The glyphosate ban damaged the tea industry and resulted in the loss of a promising Japanese market whilst increasing the cost of production. The biennial wage negotiations, scheduled for 2018, is another area of concern with industrywide implication. Hayleys Global Beverages, the Group's tea extracts business, is taking time to realise its potential as obtaining regulatory approvals in prospective countries is a lengthy process. Entering into markets where existing suppliers have strong links has also been beset by delays. We will sharpen our focus on this project and expedite its development in the current year. On a positive note, Mabroc, our tea export business performed well and we expect it to maintain its momentum.

Purification Products sector, despite a strong turnover growth, experienced a difficult year due to severe supply issues in raw materials in its activated carbon business which impacted operations in Sri Lanka, Indonesia and Thailand. The sector's environmental engineering business, Puritas, further continued to expand its operations in Sri Lanka while consolidating its presence in the Maldives. Puritas is now a significant contributor to Haycarb, bearing testimony to the well-executed diversification strategy. On the activated carbon business, the Indonesian supply issues of coconut charcoal is now improving and we expect this sector to make a swift recovery in the coming year.

The Agriculture sector was impacted by climate change which curtailed top line growth to 2% while PBT reduced by 17% to Rs.910 mn. However, the business model remains sound and we continue to explore areas of diversification and new technology to support growth of this vital sector which impacts livelihoods of farmers, the country's food supply and exports.

Consumer & Retail sector performance was buoyed by the acquisition of the retail giant Singer (Sri Lanka) PLC as it includes six months revenue in the Group financial statements. Accordingly, the sector revenue was Rs.36 bn and PBT was Rs.698 mn reflecting the potential of this sector, which offer new avenues of growth for the Group by leveraging Singer's expertise and island-wide footprint.

The Construction Materials sector performance declined due to the closure of a

66

Our plans are focused on expansion of e-commerce and improved customer service.
With Singer Finance, our target is to be within the leading three players in the finance industry in Sri Lanka.



Rs. 209 bn

Total Assets

Rs. 5.7 bn

Profit Before Tax

Rs. 3.2 bn

Profit After Tax

plant upon the identification of a fault on the main extrusion line during its annual plant refurbishment programme at the beginning of the financial year. Consequently, PBT declined by 49% to Rs. 515 mn reflecting the reduction in turnover and profit margins. However, demand remains strong for this product and we perceive a vast potential for this business. Hence, we have invested in a new 1,000MT capacity state of the art aluminium extrusion and powder coating plant which will be commissioned in the second quarter of the new financial year.

Hand Protection had a challenging year due to its dependency on natural rubber and the volatility in rubber prices. Local rubber prices were higher than imported prices making the finished products less competitive in export markets. Orders for supported gloves were below target volumes exacerbating its woes. Supply side issues were mitigated to some extent by importing latex from Thailand. Consequently, sector profits declined by 54%

over the previous year to Rs. 430 mn. We are aware of the great potential in this sector and new strategies are being formulated to realise it.

Hayleys Fabric also experienced a difficult year due to a shift in strategy to move up the value chain. As a result, the order pipeline took time to materialise reducing capacity utilisation, which caused a marginal loss for the sector. We have continued to refine our strategy and expect to achieve favourable results in the current financial year.

Eco Solutions also had a challenging year in the brush manufacturing business due to production and storage issues while the shortage of fibre aggravated the situation. The floor covering and Eco Fibre divisions demonstrated promising growth.

The Leisure sector was beset with issues that impacted the entire industry ranging from health advisories for dengue, floods, airport

A Message from the Chairman

closure and withdrawal of direct flights from Europe, except the United Kingdom, by Sri Lankan Airlines. The hotel in the east coast Passikudah faces a struggle to attract tourists because of the long travel time to the destination due to lack of air connectivity. Amaya Kuda Rah Maldives completed its refurbishment which elevated it to a higher level and we expect it to perform well in the current year.

Businesses clustered in the Other sector experienced mixed fortunes. Aviation & Projects went past a PBT of Rs. 100 mn while Fentons and Alufab both faced increasing competition from regional competitors.

A Positive Outlook

We are excited about the acquisition of Singer, the #1 retailer in the country, as it will give us a launch pad for our consumer businesses, enabling us to add more products to their portfolio. Our plans are focused on the expansion of e-commerce and improved customer service. With Singer Finance, our target is to be within the leading three players in the finance industry in Sri Lanka.

We will drive synergies within the sectors of the Group such as those between Singer and the logistics sector to develop the Group's e-commerce proposition. We will also keep expanding core businesses by consolidating and realigning portfolios. Focus on the construction business will be increased to realise the potential of this sector. We remain cognizant of the higher finance costs arising from increased investments over the past year. Moving forward the group will move to rapidly reduce the gearing and re-align the capital structure with a view to bolstering the bottom line.



We engage with communities to empower them and Sath Diyawara is one such example. Having completed 16 projects benefitting nearly 34,000 people, we are now enhancing our support to these villages through development of schools, provision of libraries and other village upliftment activities.

Sustainable Business Models

Years of championing sustainability and refining our monitoring mechanisms have supported high levels of sustainability awareness and I am pleased to observe the concerted efforts made to reduce consumption and manage impacts throughout the Group. This year highlighted the congruence of sustainability objectives with business imperatives as impacts of climate change

were evident in a number of sectors and significant competitive advantage could be gained through appropriate sourcing strategies and responsible consumption. Investment decisions relating to capacity expansion will review potential efficiencies for material, energy and water consumption as a matter of course. Social aspects of sustainability practiced by the Group set out in this report stand testimony to our commitment in this regard. Projects such as *A Home for every plantation worker*, *Haritha Angara*, *First Light* and numerous others that uplift lives affirm our commitment.

As a Group we prize our social license to operate nurtured over 140 years, shaped by experience and adoption of best practice. Each business within the Group interacts with the communities within which they operate, often recruiting from the area. Additionally, We engage with communities

to empower them and *Sath Diyawara* is one such example. Having completed 16 projects benefitting nearly 34,000 people, we are now enhancing our support to these villages through development of schools, provision of libraries and other village upliftment activities. Moving forward, we will continue to embed sustainability in to our businesses in the conviction that it is the means to facilitate the long term sustainability of the Group.

Dividends

Given the results achieved this year while keeping a view on the future, the Board of Directors has proposed a first and final dividend of Rs. 5.00 per share for the year under review.

Directorate

We welcome on to the Board, the first female Director Mrs. Jayanthi Dharmasena who heads Hayleys Agriculture and has been with the Group for 27 years. It reinforces the commitment of the Group's leadership to ensuring there is diversity and inclusivity at all levels of the organisation and carves a pathway to inspire more women leaders, many of whom sit on the Boards of our subsidiaries and occupy senior management positions within the Group.

Mr. Rizvi Zaheed retired from the Board in March 2018 and I take this opportunity to convey my appreciation for his contribution to Hayleys over the last 37 years and wish him success in his future endeavors.

Acknowledgement

I welcome to our fold the team from Singer (Sri Lanka) and commend the perseverance and tenacity of our Hayleys team who has

worked together in a challenging year to deliver the results set out in this report. I also wish to extend my sincere appreciation of the leadership given to their teams by the Group Management Committee which has implemented our strategy for growth despite volatility in their operating environments. I wish to thank our Principals who have been part of our growth story and look to their continued engagement with us. I also place on record my appreciation of the strategic guidance and diligent oversight by the Board of Directors. I note in particular, the invaluable guidance of the Co-Chairman Mr. Dhammika Perera in driving performance of the Group. The Board joins me in thanking our shareholders for the confidence placed in us and trust you will continue to do so as we step in to a new era of growth.

a ~

Mohan Pandithage Chairman and Chief Executive

18th May, 2018

BOARD OF DIRECTORS

Telling the continuing story of your Company's success





Rajitha Kariyawasan



Sarath Ganegoda



Mohan Pandithage



Dhammika Perera



Aravinda Perera



Ruwan Waidyaratne



Lalin Samarawickrama 5 Dr. Harsha Cabral, PC

Jayanthi Dharmasena Dr. Mahesha Ranasoma Noel Joseph

9 Hisham Jamaldeen

BOARD OF DIRECTORS



1 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 Advisory Council of the Ceylon Association of Ships' Agents. He is the Chairman of Alufab PLC, Alumex PLC, Amaya Leisure PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Hunas Falls Hotels PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, Talawakelle Tea Estates PLC, The Kingsbury PLC and other Companies of the Hayleys Group which comprises 184 Companies. He is also the Chairman of Horana Plantations PLC, Unidil Packaging Ltd, Unidil Packaging Solutions Ltd and serves on the Board of Diesel & Motor Engineering Co PLC.



2 Dhammika Perera

Co- Chairman- Non Executive

Mr. Dhammika Perera is the quintessential strategist and business specialist with interests in a variety of key industries including Manufacturing, Banking and Finance, Hospitality and Hydropower generation. He has nearly thirty 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, Delmege Limited, and LB Microfinance Myanmar Company Limited. He is the Co-Chairman of Hayleys PLC, The Kingsbury PLC, Singer (Sri Lanka) PLC, Executive Deputy Chairman of LB 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, and Hayleys Global Beverages (Pvt) Limited.



3 Sarath Ganegoda

Executive Director

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 of Hayleys PLC and the Fentons Group. He serves on the Boards of Alufab PLC, Alumex PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Hunas Falls Hotels PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC and Horana Plantations PLC.



4 Rajitha Kariyawasan

Executive Director

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 overall responsibility for the Purification Products sector as the Managing Director of Haycarb PLC and Eco Solutions sector as the Managing Director of Hayleys Fibre PLC whilst functioning as a Director of Dipped Products PLC.



5 Dr. Harsha Cabral, PC

Independent Non-Executive Director

Dr. Cabral is a President's Counsel in Sri Lanka with thirty years experience in the field of Company Law, Intellectual Property Law, Commercial Law, International Trade Law & Commercial Arbitration. He has been a President's Counsel for twelve years and commands an extensive practice in the Commercial High Courts and the Supreme Courts of Sri Lanka. He holds a doctorate in Corporate Law from the University of Canberra, Australia. He is a sitting member of the International Chamber of Commerce (ICC) International Court of Arbitration in Paris. Dr. Cabral is a member of the Law Commission of Sri Lanka, a Council Member of the University of Colombo, University Grants Commission (UGC) Nominee on the Post Graduate Institute of Medicine (PGIM), member of the Board of Management of the NSBM Green University & a member of the UGC Committee on Higher Education, As a member of the Advisory Commission on Company Law in Sri Lanka he has contributed heavily to the corporate sector and the legal fraternity and has been one of the architects of the Companies Act No. 7 of 2007, the current Act. He is the Course Director for the Diploma in Commercial Arbitration at the Institute for the Development of Commercial Law & Practice (ICLP) in Sri Lanka. As a member of the Council of Legal Education in Sri Lanka, as a member the Ministerial Committee appointed to reform Commercial Arbitration in Sri Lanka, as a member of the Senate Aguinas University College, as a member of the Corporate Governance Committee of the

Institute of Chartered Accountants of Sri Lanka and as the current Vice President of BRIPASL (Business Recovery & Insolvency Practitioners Association of Sri Lanka) Dr. Cabral has contributed immensely to the legal academia. He serves as the Chairman of the Tokyo Cement Group, which commands the largest market share for cement in Sri Lanka. He was the immediate past Chairman of LOLC Finance PLC one of the largest Finance Companies in Sri Lanka. He serves as Independent Non-Executive Director of Diesel and Motor Engineering PLC, Hayleys PLC, Alumex PLC, Tokyo Cement Company (Lanka) PLC, Tokyo Super Cement Company Lanka (Private) Limited, Tokyo Cement Power Lanka (Private) Limited, Tokyo Eastern Cement Company (Private) Limited, Tokyo Super Aggregate (Private) Limited, Tokyo Supermix (Private) Limited & World Export Centre Limited, Darley Property Holdings (Pvt) Ltd, and serves on several Audit Committees, Nomination Committees. Remuneration Committees and Integrated Risk Management Committees, chairing most of them. Dr. Cabral is a visiting lecturer at several Universities and is a regular speaker at public seminars, author of several books and has presented several papers on Corporate Law, Intellectual Property Law, International Trade Law & Commercial Arbitration here and abroad. In addition to his active practice in courts and lecturing, he has been counsel for either the Claimant or the Respondent in many a Arbitration and has served as Sole-Arbitrator, Co-Arbitrator, Chairman in a large number of Arbitrations domestic and international here and abroad. Dr. Cabral has published several books on Corporate Law.

Board of Directors



6 Dr. Mahesha Ranasoma

Executive Director

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 a Director of Kelani Valley Plantations PLC, Talawakelle Tea Estates PLC, Mabroc Tea and Hayleys 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

Executive Director

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 many years of experience in the trade, having specialised in Hotel designs and development, he has been responsible for the careful planning and execution of Amaya Resorts & Spas refurbishment and rehabilitation programmes.

He serves as the Managing Director of The Kingsbury PLC, Amaya Leisure PLC, Hunas Falls PLC, Sun Tan Beach Resorts Ltd., Luxury Resorts Maldives, Hayleys Tours (Pvt) Ltd. He is a Director of Royal Ceramics Lanka PLC, Kelani Valley Plantations PLC, Royal Porcelain (Private) Limited, Royal Ceramics Distributors (Pvt) Ltd., Rocell Bathware Limited, Culture Club Resorts (Pvt) Ltd, Kandyan Resorts (Pvt) Ltd and Deputy Chairman of The Fortress Resorts PLC.



8 Ruwan Waidyaratne

Executive Director

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 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 & Logistic Sector.



9 Hisham Jamaldeen

Independent Non-Executive Director

Appointed to the Board in February 2014. He is a finance professional with over 15 years of wide-ranging experience as a commercial property investor and advisor. He is a Fellow of the Association of Certified Chartered Accountants, UK and holds a Degree in Engineering and Business from the University of Warwick, UK. He is the Founder/Managing Director of Steradian Capital Investments (Pvt) Ltd, responsible for Financing, Corporate Structurers, Acquisitions and Development. He serves as a Director of Singer (Sri Lanka) PLC ,Regnis (Lanka) PLC, Singer Industries (Ceylon) PLC, Talawakelle Tea Estates PLC, Havcarb PLC and Peoples Bank .He is also Executive Director of numerous real estate companies focusing on commercial property investment and development.



10 Aravinda Perera

Independent Non-Executive Director

Appointed to the Board as Independent Non-Executive Director and as Chairman of the Audit Committee in September 2016. He counts over 30 years in the Banking sector and functioned as the Managing Director of Sampath Bank PLC from 1st January 2012. Presently, he is the Managing Director of Royal Ceramics Lanka PLC.

He is the Chairman (Non-Executive) of Singer Finance (Lanka) PLC and also a Director of Pan Asia Banking Corporation PLC, Hayleys Aventura (Pvt) Ltd, Hayleys Advantis Ltd and Fentons Ltd.

He is 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 also holds an MBA from the Postgraduate Institute of Management.

Mr. Perera was honoured with the "CEO Leadership Achievement Award 2016" by the Asian Banker magazine and was also the recipient of the prestigious "Platinum Honours - 2014" Award by the Postgraduate Institute of Management Alumni (PIMA) of Sri Jayawardenapura University. He was also honoured with the "Award for the Outstanding Contribution to the Banking Industry - 2015" by the Association of Professional Bankers.



11 Noel Joseph

Independent Non-Executive Director

Appointed to the Board on 15th March 2017. Possesses over 29 years of experience in various positions 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. He serves as a Director of Singer Industries (Cevlon) PLC and Regnis (Lanka) PLC.



12 Jayanthi Dharmasena

Executive Director

Joined Hayleys Group as a Management Accountant in 1991 and has been with Hayleys Agriculture Sector throughout her career at Hayleys. Appointed to the GMC and to the Board on 1st April 2018. She is a Fellow Member of the Chartered Institute of Management Accountants, UK. Has responsibility for the Hayleys Agriculture Sector, as the Managing Director.

GROUP MANAGEMENT COMMITTEE





Dr. Arul Sivagananathan



Rohan Goonetilleke



Asoka Pieris



Roshan Rajadurai



13 Darshi Talpahewa

8 Johann Wijesinghe

10 Dilhan De Silva

Group Management Committee

1 Mohan Pandithage

Please refer profile in Board of Directors

2 Sarath Ganegoda

Please refer profile in Board of Directors

3 Rajitha Kariyawasan

Please refer profile in Board of Directors

4 Dr. Mahesha Ranasoma

Please refer profile in Board of Directors

5 Lalin Samarawickrama

Please refer profile in Board of Directors

6 Ruwan Waidyaratne

Please refer profile in Board of Directors

7 Jayanthi Dharmasena

Please refer profile in Board of Directors

8 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 30 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

9 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 Past 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.

10 Dilhan De Silva

Joined Hayleys in November 2011 as the Group Chief Financial Officer. Appointed to the 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.

11 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. Fellow Member of National Institute of Plantation Management (NIPM), Institute of Management of Sri Lanka (IMSL) and Institute of Certified

Professional Managers (CPM). 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.

12 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.



13 Darshi Talpahewa

Joined Hayleys Group in January 2010 and appointed to the Group Management Committee in November 2015. Non-Executive Director Singer Finance PLC. Lawyer by profession, with an LL.B from the University of Colombo and attorneys-at-law with first class honours from Sri Lanka Law College. Holds a Master's Degree in Human Resource Management from the University of Northampton. Also Holds Master's Degrees in International Relations and in Law, from the University of Colombo. 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.

14 Asoka Pieris

Appointed to the Group Management Committee in October 2017. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants, UK and a Chartered Global Management Accountant. He served in Hong Kong as Chief Financial Officer of Singer Asia Ltd, and Controller of Retail Holdings N.V. Has responsibility for Singer Group in the Consumer & Retail Sector and serves as the Managing Director/ CEO of Singer (Sri Lanka) PLC, Regnis (Lanka) PLC, Singer Industries (Ceylon) PLC, Regnis Appliances (Pvt) Ltd, Reality (Lanka) Ltd, Singer Digital Media (Pvt) Ltd, Singer Business School (Pvt) Ltd, Domus Lanka (Pvt) Ltd and as a Director of Equity Investments Lanka Ltd.

CORPORATE GOVERNANCE

102-18

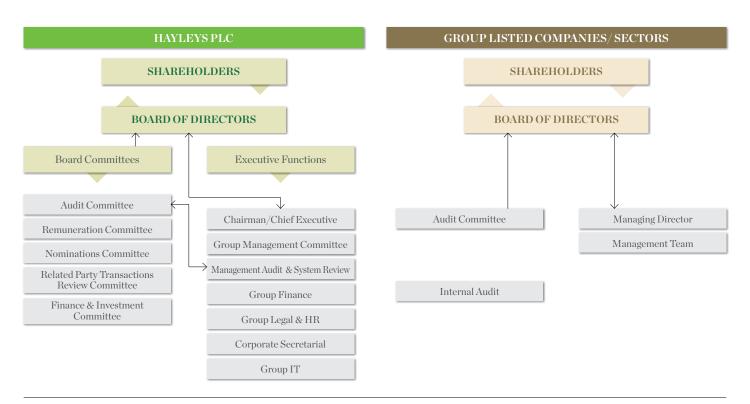
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Managing a diverse business portfolio requires sound corporate governance framework that facilitates effective, entrepreneurial and prudent management to deliver long term value to shareholders. Balancing stakeholder interests, accountability, transparency and regulatory compliance underpin corporate governance, facilitating effective discharge of the Board's responsibilities to shareholders. Hayleys' governance structures have evolved over time, keeping pace with regulatory requirements and voluntary codes that reflect current international best practices. The overall policy The Hayleys' Way is a key component of the Group's governance framework, serving as an ethical road map for companies and employees of the entire Hayleys Group articulating our values and how we do business.

The Board of Hayleys PLC 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 internal control systems. A diverse conglomerate, our operations encompass 184 companies 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. Hayleys PLC has 15 subsidiaries which are publicly listed companies with different shareholders and our structures facilitate accountability to them as well. The key elements of our governance framework comprise the governance structure and a compliance framework as set out below.

Board Highlights 2017/18

- Deliberating acquisition of Singer (Sri Lanka) PLC
- Acquisition of Sri Lanka Shipping Company Ltd
- Appointment of first female Director
- Review of Quarterly Financial Statements
- Review of KMP remuneration and Group remuneration policy



Compliance Framework

Exte	Internal	
Regulatory	Voluntary Standards & Codes	Policies & Codes
Companies Act No.7 of 2007,	Code of Best Practice on Corporate	The Hayleys Way
Sri Lanka Accounting and Auditing Standards Act No.15 of 1995	Governance issued by the Institute of Chartered Accountants 2017	Human Rights Policy
Continued Listing Requirements of the	Integrated Reporting Framework	Whistle Blower Policy
Colombo Stock Exchange	Global Reporting Initiative Standards	Health & Safety Policy
Inland Revenue Act No. 10 of 2006 and	Environmental & Social Certifications	Grievance Handling Policy
amendment	obtained by companies	Anti Sexual Harassment Policy
Inland Revenue Act No. 24 of 2017	Quality standard certifications obtained by companies	
Customs Ordinance No. 17 of 1869	Companies	
Exchange Control Act No. 22 of 2017		
Industrial Disputes Act No. 43 of 1950	 	1
The Shop and Office Employees Act No. 15		
of 1954		
Factories Ordinance No. 45 of 1942		

This report is structured on the principles of corporate governance set out in the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants in December 2017 and the listing rules of the Colombo Stock Exchange affirming compliance and identifying areas where we plan to improve the level of compliance. Like sustainability, corporate governance is also a journey and we keep evolving as we learn.

$Code\ of\ Corporate\ Governance\ 2017$

The Company	Shareholders
A. Directors	E. Institutional Investors
B. Directors' Remuneration	F. Other Investors
C. Relations with Shareholders	G. Internet of Things & Cybersecurity
D. Accountability & Audit	H. Environment, Society & Governance

Directors (Principle A.1 to A.11)

The Board comprises 12 whose composition is given alongside. Six Executive Directors head key sectors of the Group and bring significant insights and networks to strengthen deliberations. The Non -Executive Directors are eminent professionals and dynamic entrepreneurs who widen the perspectives of the Board with objective views and professional judgements, enriching deliberations. Profiles of the Directors are given on pages 40 to 43.

Mrs. J. Dharmasena was appointed to the Hayleys Board as the first female director marking a milestone in our 140 year history. Her appointment follows the retirement of Mr. R. Zaheed who served on the Board for 14 years.

Corporate Governance

Executive Directors	Mr. A.M. Pandithage – Chairman & Chief Executive	
	Mr. S.C. Ganegoda	
	Mr. H.S.R. Kariyawasan	
	Dr. K.I.M. Ranasoma	
	Mr. L.T. Samarawickrama	
	Mr. R. Waidyaratne	
	Mrs. J. Dharmasena (appointed w.e.f 01.04.18)	
	Mr. M.R. Zaheed – (retired w.e. f 31.03.18)	
Non-Executive, Non-Independent	Mr. K.D.D. Perera – Co Chairman	
Independent Non-Executive Directors	Dr. H.Cabral PC - Senior Independent Director	
	Mr. M.H. Jamaldeen	
	Mr. M.Y.A. Perera	
	Mr. N.L.S. Joseph	

 $Company \ secretarial \ services \ are \ provided \ by \ Hayleys \ Group \ Services \ (Pvt) \ Ltd., who \ are \ competent \ secretarial \ professionals \ registered \ as \ company \ secretaries \ with \ the \ Registrar \ of \ Companies.$

The Board has appointed $05\,\mathrm{board}$ committees to assist in the discharge of its duties as summarised below.

	Principles
A.1	The Board
A.2.	Chairman & Chief Executive Officer
A.3.	Chairman's Role in preserving good corporate governance
A.4	Availability of financial acumen
A.5	Board Balance
A.6	Supply of Information
A.7	Appointments & Re-election
A.8	Directors to offer themselves for re-election
A.10	Annual Report disclosures
A.11	Appraisal of the CEO

Board Committee	Areas of Oversight	Composition
Audit Committee	Financial Reporting	Independent Non-Executive Directors - 3
Report of the Audit Committee is	Internal Controls	 - -
given on pages 234 to 236	Internal Audit	
	External Audit	 - -
Nominations Committee	Appointment of Key Management Personnel	Chairman Executive - 1
Report of the Nominations	Succession Planning	Independent Non-Executive Directors –1
Committee is given on page 230.	Effectiveness of the Board and its Committees	Non-Executive Directors - 1
	Code of Ethics	
Remuneration Committee	Remuneration policy for Group with particular	Independent Non-Executive Directors - 3
Report of the Remuneration	reference to Key Management Personnel	
Committee is given on page 231.	Goals and targets for Key Management Personnel	Non-Executive Directors - 1
	Performance evaluation	
	HR Policy	
	Organisation structure	

Board Committee	Areas of Oversight	Composition
Related Party Transaction Review	Related party transaction policy	Non-Executive Directors - 2
Committee	Disclosure of related party transactions	Executive Director -1
Report of the RPTRC is given on page 233		
Finance & Investment Committee	Finance and investment functions	Non-Executive Directors - 1
	Integration Planning	Executive Directors - 4
	Investor relations	Group Chief Financial Controller

The Board held 14 meetings of which 12 were monthly meetings and 2 were devoted to strategy. Attendance at Board meetings and sub-committees are summarised below.

Directors	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee	* !	Finance & Investment
	i i i i	Committee	Committee	Committee	Review	Committee
					Committee	
Mr. A.M. Pandithage	14/14			2/2		2/2
Mr. K.D.D. Perera	9/14		2/2	2/2		2/2
Mr. M.R. Zaheed	10/14					
Mr. S.C. Ganegoda	13/14				1/4	2/2
Mr. H.S.R. Kariyawasan	13/14					2/2
Dr. H. Cabral PC	10/14	3/5	2/2	2/2	4/4	
Dr. K.I.M. Ranasoma	12/14					2/2
Mr. L.T. Samarawickrama	12/14					
Mr. M.H. Jamaldeen	12/14	4/5	2/2			
Mr. R. Waidyaratne	14/14					
Mr. M.Y.A. Perera	13/14	5/5	2/2		4/4	
Mr. N.L.S Joseph	12/14					
Total No. of Meetings	14	05	02	02	04	02

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. Each Board member spent a minimum of 72 hours on matters related to the Board whilst members of the Audit Committee spent a further 15 hours on matters delegated to the committee.

Corporate Governance

The Chairman ensures that Board members have opportunities to obtain clarifications on matters set before the Board which include access to Key Management Personnel (KMP) and presentations done by experts and other team members. Executive management provide updates to the Board on performance, compliance and regulatory changes among other matters to facilitate effective participation by Non-Executive Directors. Minutes which are circulated within the agreed time are confirmed by the Board at the following meeting on concurrence of Board members. They also receive minutes of the monthly Hayleys Group Management Committee meetings which provide information on issues discussed and views expressed at the same.

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 to report on progress and concerns to the Board.

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 considering the diversity and size of the Group. 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 where Hayleys operates and are supported by relevant academic and professional qualifications. There are five 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
- Mrs. J. Dharmasena

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. Four Non-Executive Directors are independent of management and free of any business or other relationship that could

Key Board Responsibilities (Principle A 1.2)

- Ensure formulation and implementation of business strategy
- Appointment of Chairman, Co-Chairman and Senior Independent Director
- Ensuring that Key Management Personnel have the required skills, experience and knowledge to implement strategy
- · Succession Planning
- Approval of budgets and major capital expenditure
- 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 and adoption of integrated reporting framework
- Ensuring adoption of appropriate accounting policies and fostering compliance with financial regulations
- Establishing a process for monitoring and evaluation of progress on implementation of strategy, budgets, plans and risks
- Ensuring optimal resource allocation for sustainable value creation

materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

Each Non Executive Director submits an annual declaration of independence/non independence in a prescribed format and the Board has determined the independence of Directors based on the same. The following Directors are also Directors of the following listed subsidiary Companies.

Dr. H. Cabral PC, is an Independent Non-Executive Director of Alumex PLC.

Mr. M.Y.A. Perera is a Non-Executive Chairman of Singer Finance (Lanka) PLC.

Mr. N.L.S. Joseph is an Independent Non-Executive Director of Regnis (Lanka) PLC and Singer Industries (Ceylon) PLC

Mr. M. H Jamaldeen is an Independent Non-Executive Director of Haycarb PLC, Talawakelle Tea Estates PLC, Singer (Sri Lanka) PLC, Regnis (Lanka) PLC and Singer Industries (Ceylon) PLC.

Ms. I. Jamaldeen, an Independent Non-Executive Director of The Kingsbury PLC, a subsidiary of Hayleys PLC is the spouse of Mr. M. H. Jamaldeen

The Board is of the opinion that the above Directors conduct themselves in an impartial manner on matters deliberated by the Board and that independence will not be affected by being Board members of the above subsidiaries and by Mr M.H. Jamaldeen's spouse 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.

The role of the Senior Independent Director is to be expanded to meet the requirements of the new Code to mandate two meetings per year with only Non-Executive Directors and at least one with Executive Directors to discuss governance matters and communicate same to Chairman. It will also require the Senior Independent Director to be present at all meetings with majority, significant and minority shareholders and be made aware of their concerns by the Company Secretary.

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

$Supply of Relevant \, Information \, (Principle \, A.6)$

The Chairman ensures that all Directors are properly briefed on issues arising at Board Meetings by requiring management to provide comprehensive information including both quantitative and qualitative information for

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 a 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
- Meet with NEDs at least twice a year and EDs at least once a year to facilitate discussion and communication of governance matters and communicate same to Chairman
- 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, significant and minority shareholders, assisting the Board to develop a balanced understanding of their issues

Corporate Governance

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. Minutes of meetings are circulated with the Board packs for the next monthly meeting within the agreed time but we are making arrangements to reduce this time to two weeks to comply with the new requirement.

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 Executive
- Mr. K.D.D. Perera Non-Executive
- Dr. H Cabral, PC Independent Non-Executive

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 230.

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;
- 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 are responsible for evaluating the performance of the Executive Directors and Committees through an annual self evaluation of its own performance. The responses are collated by the Board Secretary and submits to the Chairman for discussion 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 40 to 43.

- Membership of sub-committees and attendance at Board Meetings and Sub-Committee meetings on page 51.
- Remuneration paid to Directors on page 278.
- Related Party Transactions and other business interests on pages 341 to 345.
- Names of listed companies in Sri Lanka in which the Director serves as a Director on pages 40 to 43.

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.I)

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 231 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 Independent Non-Executive
- K.D.D. Perera Non-Executive
- M.H. Jamaldeen Independent Non-Executive

The Board as a whole determines the remuneration of the NED's 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. NonExecutive 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 231 which includes a statement on Remuneration Policy. Please refer page 278 for the total Directors' Remuneration.

Relations with Shareholders (Principle C.1)

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

Corporate Governance

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.

We are making arrangements to comply with the requirement to provide information on the following at the Annual General Meeting and also make it available on the Company Website:

- Number of shares in respect of which proxy appointments have been validly made
- Number of votes for and against the resolution
- Number of shares in respect of which the vote was directed to be withheld

In the event that a significant proportion of the votes cast against a resolution, the Board will take steps to understand the reasons behind the vote results and determine if any further actions are required.

Communication with Shareholders (Principle C.2.)

The shareholder engagement mechanisms are set out in the Stakeholder Engagement section of the report on pages 70 to 71 which includes the conduct of the Annual General Meeting, and having a dedicated page of the Hayleys website 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

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 70 to 71 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.

In the case of major issues, after referring to the Hayleys Board of Directors, the Company Secretary sends the response to the relevant shareholder and for other issues the Company Secretary responds directly to shareholders.

Material Transactions (Principle C.3)

Transactions, if any, which materially affect the net asset base of Hayleys PLC, will be disclosed in the Quarterly / Annual Financial Statements. During the year, there were no major transactions as defined by Section 185 of the Companies Act No 07 of 2007 which materially affect the net asset base of Hayleys PLC or consolidated Group net asset base.

Accountability & Audit (Principle D.1.)

The Board recognises its responsibility to present a balanced and understandable assessment of the Group's financial position, performance and prospects in accordance with the requirements of the Companies Act No 07 of 2007. The Financial Statements included in this Annual Report are prepared and presented in accordance with Sri Lanka Accounting Standards. The Annual Report also conforms to the G4 standard on Sustainability Reporting published by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council.

Hayleys PLC has complied with the reporting requirements prescribed by the Colombo Stock Exchange.

The following specialised information requirements are also included in this Annual Report:

- The Business model pages 68 to 69.
- Operating environment pages 88 to 90.
- Opportunities & Threats pages 80 to 86.
- Risk Management on pages 80 to 86.
- Stakeholder relationships on pages 70 to 71.
- The Capital Report on page 106.

- The Annual Report of the Board of Directors on the Affairs of the Company given on pages 220 to 227 cover all areas of this section.
- The "Statement of Directors' Responsibilities" is given on page 232.
- The Directors' Statement on Internal Controls is given on page 229.
- The "Independent Auditors' Report "on pages 238 to 241 For the Auditor's responsibility.
- The Financial Capital Review, the Value Creation Report on pages 169 to 175 and 168 to 169.

There has been no serious loss of capital to convene an EGM in terms of the Companies Act.

Risk Management & 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 D.3)

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 Independent Non-Executive
- Dr. H. Cabral. PC Independent Non-Executive
- Mr. M.H. Jamaldeen Independent Non-Executive

Hayleys Group Services (Pvt) Ltd, serves as its Secretary. The Chairman & Chief Executive, Group CFO and Head of MA & SRD 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 234 to 236.

Names of the members of the Audit Committee disclosed on page 234 under the Section on the "Audit Committee Report" and the disclosure of the independence of the Auditors is disclosed in page 235 under the section on the "External Audits" in the "Audit Committee Report" on pages 230 to 234 of this Report.

Related Party Transaction Review Committee (Principle D.4)

The Related Party Transactions Review
Committee of the parent company has
oversight responsibility for related party
transactions. The Committee composition
is given on page 233 and comprises of two
Non-Executive Directors and one Executive
Director. Additionally, the Chairman of the
Committee is an Independent Non-Executive
Director appointed by the Board. Its

Corporate Governance

102-16

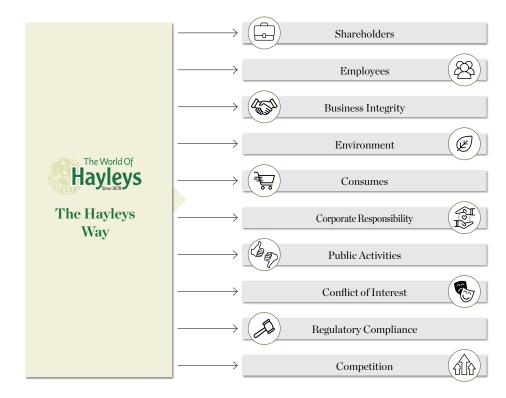
operations comply with the requirements of the CSE Listing Rules and LKAS 24.

The committee has a written Terms of Reference and procedures set in place which include:

- a. A procedure for documenting related parties
- Obtaining a statement of related party interest on a quarterly basis, in the event of change in status and prior to entering in to any transaction that comes within the definition of a related party transaction
- Provision of a list of related parties to Key Management Personnel related to their areas of responsibility
- d. Process for KPMs to capture and report any related party transaction
- e. A procedure to identify and Directors to report recurrent and non-recurrent related party transactions and obtain Board or shareholder approvals as required by CSE listing Rules
- f. Guideline and procedure to facilitate

 KMP dealing with recurrent related party

 transactions
- g. A procedure and definition of disclosures that are required to be made on an annual basis, those requiring immediate disclosure, those requiring shareholder approval and those requiring shareholder approval by special resolution at an extraordinary general meeting
- h. A process to identify related party transactions requiring immediate disclosure as per CSE listing Rules and to ensure that disclosures are in accordance with the same



The Company Secretaries maintain a permanent record of such statement, submissions, approvals and minutes. The Committee ensures that the Board is updated on the activities of the committee and also review and recommend the related party disclosures to be included in the Annual Report of the company.

Code of Business Conduct & Ethics (Principles D.5.)

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:

 The Hayleys Group is committed to conducting its business operations with honesty, integrity and with respect to the rights and interests of all stakeholders.

- All Hayleys companies and employees are required to comply with the laws and regulations of the countries in which they operate.
- 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.6)

The Corporate Governance Report set out on pages 48 to 66 (of which this paragraph is part of) describes the extent to which Hayleys PLCs' adheres to established principles and practices of good Corporate Governance.

Institutional Shareholders (Principles E 1 & 2)

There are regular meetings with shareholders (based on their requests) on matters which are relevant and of concern to the general membership. Voting of the shareholders is critical in carrying out a resolution at the AGM. The Chairman ensures the views of the shareholders are communicated to the Board as a whole.

Shareholders are provided with Quarterly Financial Statements and the Annual Report, which the Group considers as its principal communication with them and other stakeholders. These reports are also made available on the Group's website and are provided to the Colombo Stock Exchange. Any information that the Board considered as price sensitive is disseminated to the shareholders by way of announcements to the CSE and press releases.

Shareholders may bring up concerns they have, either with the Chairman & Chief Executive or the Company Secretaries 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 pages 70 to 71.

Internet of Things & Cybersecurity (Principle G)

The Board has identified the need for management of IT and cyber risk which is now the responsibility of an Executive Director of the Group. The Group Head of IT is tasked with implementing the Group IT policy and the Group Information Security Policy under the supervision of the Group Director while liaising with the Group companies to facilitate implementation at entity level. Coverage and scope of related Group policies and guidelines are given below. IT and Cybersecurity is an agenda its of the monthly Group Management Committee meetings with matters escalated to the Board where deemed necessary considering risk, impact and other prudential measures. IT and Cyber security formed part of the Group's annual statutory audit of financial statements.

Group IT Policy	Group Information Security Policy	Principles	Guidelines for Corporate Websites
Group Connectivity Access requirements/ Resource utilisation Individual Sector Networks/System Management Backup & Recovery/Software Modification IT Equipment & Software & Third Party Involvement IT Assets & Media disposal and procurement Responsibility for Adherence	 Protection of information from unauthorised access Confirmation of information Confidentiality, availability and integrity of information Regulatory requirements Business continuity plans Information security training Reporting breaches of information security IT policy embedded in to employee induction programme 	 Acceptable IT Use Password Protection Standards Email Usage Internet Usage Monitoring Enforcement 	Guidelines for web hosting Guidelines for secure web development Enforcement

Corporate Governance

Environment, Society and Governance (Principle H)

Hayleys PLC's Integrated Annual Report provides information on policies and procedures that enable investors and other stakeholders to assess how ESG risks and opportunities are identified, measured and reported. Information required by the Code is given in the following sections of the Annual Report:

- Strategy & Capital Allocation (pages 74 to 76)
- Portfolio Review (pages 93 to 164)
- Governance and Risk Management (pages 48 to 66)

Appendix I: Compliance with the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka

The table below summarises the status of compliance with the revised Code, providing details where it has not been explained in the Corporate Governance Report which has been summarised to maintain a high level view of the subject.

Code Ref.	Compliance and Implementation	Compliance
A. Directors		
$\begin{array}{ll} A.1 & An \ effective \ Board \ should \ direct, lead \\ and \ control \ the \ Company \end{array}$	Refer Principle A.1. in Corporate Governance Report and details given below from A.1.1 to A.1.8.	V
A.1.1 Regular meetings, structure and process of submitting information	The Board meets on a quarterly basis and attendance at meetings is given on page 51. Board packs are circulated one week prior to the Board meeting and typically include the following information:	
	Financial and operational information including progress on agreed Key Performance Indicators and information on the external operating environment;	
	Financial statements for the relevant quarter and year to date together with comparatives for the corresponding period of the previous financial year and budgets;	
	Forecast performance for the financial year	
	A description of key risks including an assessment of their impact and likelihood of occurrence, assessment of the previous quarter, how the risks are managed and those accountable for monitoring or managing risk;	
	Operational and financial compliance statements confirming regulatory compliance and other matters considered necessary in accordance with policies of the Group and Board.	
	These statements include information regarding breaches of internal controls or fraud detected during the period together with any action taken or confirm the absence thereof;	
	Report on number of calls to whistle blowing line or a confirmation that there were no calls recorded	
	Information on human resources and capital expenditure	
	Share trading of the Company and related party transactions by key management personnel	
	Documents to which the company seal has been affixed to	
	Resolutions on other matters referred to the Board	

Code Ref.	Compliance and Implementation	Compliance
A.1.2 Role & Responsibilities of the Board	The Role and Responsibilities of the Board are inset on page 51 and encompass those set out in the Code.	
A.1.3 Act in Accordance with laws	The Board has set in place a framework of policies set out on pages 49 to 54, procedures and a risk management framework to ensure compliance with relevant laws, and international best practices 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.	
A.1.4 Access to advise and services of Company Secretary	All Directors have access to the advice and services of the Company Secretarial function provided by Hayleys Group Service (Pvt) Ltd. Which is 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. Hayleys PLC has obtained insurance cover for the Board, Directors and key management personnel.	
A.1.5 Independent judgement	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. 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.	☑
A.1.6 Dedicate adequate time and effort to matters of the Board and the Company	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. It is estimated that Non-Executive Directors dedicate not less than 12 days per annum for the affairs of the Group and those Directors who are also on Audit Committee dedicate a further 4 days for the affairs of the Group	
A.1.7 Calls for resolutions	Any Director can call for a resolution to be presented to the Board if deemed necessary.	V
A.1.8 Board induction and Training	Directors recognise 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. Board members are also given insights in to regulatory changes that may impact the industry at Board meetings.	☑

 $Performance \ Highlights \ \bullet \ Hayleys \ at a \ Glance \ \bullet \ Leadership \ \& \ Governance \ \bullet \ Strategy \ \& \ Resource \ Allocation \ \bullet \ Portfolio \ Review \ \bullet \ Integrated \ Performance \ \bullet \ Financial \ Statements$

Corporate Governance

Code Ref.	Compliance and Implementation	Compliance
	Audit Committee members receive updates on regulatory changes relating to matters entrusted to the Committee on a semi-annual basis to ensure that they are updated on regulatory requirements impacting reporting and risk management processes. They are also given insights in to organisation wide initiatives to strengthen internal controls, risk management and financial	Ø
A D Chairman D Chiaffer anti- Off and	reporting processes at the same meetings.	
A.2 Chairman & Chief Executive Officer A.3. Chairman's role in preserving good Corporate Governance	Refer Principle A.2 in Corporate Governance Report Refer Principle A.3 above in Corporate Governance Report.	
A.3.1 Conduct of Board Meetings	 The Chairman ensure the following: a. Development of an appropriate agenda for Board meetings with the Company Secretaries taking in to consideration recommendations of the Directors, Best Practices in Corporate Governance, regulatory and other compliance requirements, and business needs of the company including performance review, resource allocation and risk management b. Sufficiency of information in Board packs and timely availability of the same c. Induction programmes for newly appointed Directors to acquaint them with their duties and responsibilities and Corporate Governance structure of the Group d. Effective participation of Executive and Non-Executive Directors, e. Directors are encouraged to seek additional information necessary to engage in discussion of agenda items and to request inclusion of matters of concern on the agenda f. Sufficient balance of power between Executive and Non-Executive Directors g. Views of directors are obtained and the minutes reflect the deliberations of the Board h. Board's control of the affairs of the company and its obligations to shareholders and stakeholders 	
A.4 Availability of financial acumen	Refer Principle A.4. in Corporate Governance Report.	
A.5 Board Balance A.5.1 Majority of Non-Executive Directors	There are only five Non-Executive Directors and hence, Executive Directors form the majority of the Board. The Board is reviewing this new requirement at present with a view to compliance with the same.	Under review as it is a new requirement
A.5.2 If only 3 NEDs, they should be independent	Of the 5 NEDs, 4 are independent of any material business relationships subject to the disclosure made on pages 52 to 53 .	

Code Ref.	Compliance and Implementation	Compliance
A.5.3 Independence of Directors	Independent Directors are independent of management and free of business dealings that may be perceived to materially interfere with the exercise of their unfettered and independent judgement. The Chairman holds a meeting at least once a year with only the NEDs without the presence of the Executive Directors. Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes.	Ø
A.5.4 Annual declaration by Directors A.5.5 Annual determination of independence	The Board determines the independence of Directors on an annual basis based on annual declarations submitted by the Directors and other information based on the requirements of the Code as set out in A.5.5.	Ø
A.5.6 Alternate Directors	There are no Alternate Directors	\square
A.5.7 & A.5.8 Senior Independent Directors	Dr.H.Cabral PC has been appointed as Senior Independent Director as disclosed in A.1. in the Corporate Governance Report. The role is being expanded to cover new requirement of 2 meetings a year with NEDs and 1 meeting with Executive Directors on governance matters and communicating matters discussed to the Chairman.	Partially complied with the appointment of SID. New requirements are to be implemented.
A.5.9 Annual In camera meeting with NED	The Chairman holds a meeting with only Non-Executive Directors at least once a year.	✓
A.5.10 Recording of dissent in minutes	Directors' concerns on matters which have not been resolved unanimously are recorded in the Board minutes and Directors have the opportunity to review minutes and correct the same at the next Board meeting.	V
A.6. Supply of Information	Refer Principle A.6. in Corporate Governance Report.	Partially compliant. Currently making arrangements to reduce time taken to circulate minutes from 3 weeks to 2.
A.7. Appointments to the Board & Re- election	Refer A.7. of Corporate Governance Report.	abla
A.8 Directors to submit themselves for re-election	Refer A.8. of Corporate Governance Report.	☑
A.9. Appraisal of Board & Committee Performance	Refer A.9.of the Corporate Governance Report.	Ø

 $Performance \ Highlights \ \bullet \ Hayleys \ at a \ Glance \ \bullet \ Leadership \ \& \ Governance \ \bullet \ Strategy \ \& \ Resource \ Allocation \ \bullet \ Portfolio \ Review \ \bullet \ Integrated \ Performance \ \bullet \ Financial \ Statements$

Corporate Governance

Code Ref.	Compliance and Implementation	Compliance		
A.10 Annual Report to disclose specified information regarding directors	Refer A.10 of the Corporate Governance Report.			
A.11 Appraisal of the CEO	Refer A.11 of the Corporate Governance Report			
B. Directors' Remuneration				
B.1. Establish process for developing policy Refer B 1 of the Corporate Governance Report on executive and Director remuneration.		✓		
B.2. Level & Make Up of Remuneration	Refer B.2 of the Corporate Governance Report	V		
B.3 Disclosure of Remuneration	Refer B.3 of the Corporate Governance Report	V		
C. Relations with Shareholders				
C.1. Constructive use of the AGM & other General Meetings	Please refer C.1 in Corporate Governance Report.	Ready to implement required changes at AGM.		
C.2. Communication with shareholders	Refer C.2 in Corporate Governance Report.			
C.3. Disclosure of major transactions	Please refer Principle C.3. in Corporate Governance Report.	\checkmark		
D. Accountability & Audit				
D.1 Accountability & audit	Refer D.1 on corporate Governance Report			
D.2. Risk Management & Internal Control	Refer D.2 on corporate Governance Report			
D.3. Audit Committee	Refer D.3 on the Corporate Governance Report and the Audit Committee Report on pages 234 to 236.			
D.4 Related Party Transactions Review Committee	Refer D.4 of the Corporate Governance Report and the Reporting of the Committee on page 231.			
D.5. Code of Ethics	Refer D5 of the Corporate Governance Reporting			
D.5 Corporate Governance Disclosures	This Corporate Governance Report from pages 48 to 66 complies with the requirement to disclose the extent of compliance with the Code of Best Practices on Corporate Governance as specified in Principle D5.	Ø		
E.1 & F Encourage voting at AGM	Shareholders are encouraged to participate at the AGM and vote on matters set before them.			
E.2 Evaluation of Governance Disclosures	Refer E.2 under Corporate Governance.			
G. Internet of Things & Cybersecurity				
G.1 Identify connectivity and related cyber risks	Refer Principle G under Corporate Governance	Ø		
G.2 Appoint a CISO and allocate budget to implement a cybersecurity policy	Refer Principle G under Corporate Governance	Ø		
G.3 Include cyber security in Board agenda	Refer Principle G under Corporate Governance	V		

Code Ref.	Compliance and Implementation	Compliance		
G.4 Obtain periodic assurance to review	Refer Principle G under Corporate Governance	Partially complied		
effectiveness of cybersecurity risk		but requires		
management		further attention		
G.5 Disclosures in Annual Report	Refer Principle G under Corporate Governance			
H. Environment, Society & Governance Reporting				
H.1 ESG Reporting	ESG principles are embedded in our business operations and considered in formulating our business strategy and reported in a holistic manner throughout this report. Information required by the Code is located as follows:	Ø		
H 1.2 Environmental factors	Refer Natural Capital Report on pages 205 to 214.			
H 1.3 Social factors	Refer Social & Relationship Capital Report on pages 188 to 198.			
H 1.4 Governance	Refer Corporate Governance on pages 48 to 66.			
H 1.5 Board's role on ESG factors	Refer Corporate Governance on pages 48 to 66.	\square		

Compliance With CSE Continuing Listing Rules

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys' Extent of Adoption
7.10.1(a)	Non-Executive Directors	Compliant	Five out of twelve Directors are NEDs
7.10.2(a)	Independent Directors	Compliant	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 on page 53
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 40 to 43 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.

 $Performance \ Highlights \ \bullet \ Hayleys \ at a \ Glance \ \bullet \ Leadership \ \& \ Governance \ \bullet \ Strategy \ \& \ Resource \ Allocation \ \bullet \ Portfolio \ Review \ \bullet \ Integrated \ Performance \ \bullet \ Financial \ Statements$

Corporate Governance

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Hayleys' Extent of Adoption	
7.10.5 (a)	Composition of Remuneration Committee	Compliant	Please refer the Remuneration Committee Report on page 231 and Principles B1 to B3 on page 55 of this Corporate Governance Report.	
7.10.5(b)	Functions of Remuneration Committee	Compliant	The remuneration paid to Directors is given in the note 9 to the financial statements on page 278	
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 234 to 236.	
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 in page 233.	
9.2.2	Composition	Complaint	Please refer the Report of the Related Party Transaction Review Committee in page 233.	
9.2.4	Related Party Transactions Review Committee Meetings	Complaint	Met 04 time during the Financial year $2017/18$.	
9.3.1	Immediate Disclosures	Complaint	Please refer Note 38 of the Notes to the Accounts on pages 341 to 345.	
9.3.2(a) & (b)	Disclosure of Non-Recurrent and Recurrent Related Party Transactions	Compliant	Please refer Note 38 of the Notes to the Accounts on pages 341 to 345.	
9.3.2(C)	The Report by the Related Party Transaction Review Committee	Compliant	Please refer the Report of the Related Party Transaction Review Committee on page 233.	
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 220 to 227.	

THE STORY CONTINUES...

Chapter 3



Value Creation Model 68 • Stakeholder Engagement 70 •
Understanding Our Capital Trade-Offs 72 • Material Matters 73 •
Capital Allocation & Strategy 74 • Sustainability At Hayleys 77 •
Our Commitment To The Sustainable Development Goals 78 • Risk Management 80

VALUE CREATION MODEL

<u>Financial</u> Capital

Pages 169 to 175

Shareholders' funds

Rs. 39.65 bn

Rs. 92.64 bn

Manufactured Capital

00

Buildings

Pages 176 to 177

Rs. 18.68 bn

Machinery and equipment

Rs. 18.69 bn

Others (Motor vehicles, furniture)

Rs. 8.99 bn

<u>Human</u> **Capital**

Pages 179 to 187

Employees

31,832

Unique organisational culture- the Hayleys Way Skills, values and industry experience

Intellectual Capital

Pages 199 to 203

Our brand

Organisational Capital

Systems and processes

Social & Relationship **Capital**

Pages 188 to 198

Customer relationships:

7.6 mn

Supplier relationships:

>60,000

Natural **Capital**

Pages 205 to 214 Land bank and biological assets

34.0 bn

Energy consumption:

2.51 mn GJ

Water use:

4.6 mn GJ

VISION: TO BE SRI LANKA'S CORPORATE

Eco Solutions Page 93

Hand Protection Page 99

> Purification Page 105

> > **Textiles** Page 111

Construction materials Page 117

> Plantations Page 123

Agriculture Page 129

Consumer & Retail Page 135

> Leisure Page 141

Industry inputs, Power & Energy Page 147

Transportation and logistics Page 153

> Others Page 159



GROWTH

STRATEGIC

- · Organic growth through innovation
- · Diversification through acquisition
- · Driving sustainability
- · Expand presence along value chain



DIGITISATION

- · Enhanced digital presence
- Online e-commerce platforms



OPTIMISING RETURNS

- · Maintain a diverse business portfolio
- · Optimising leverage
- · Realigning the real estate portfolio

Foundation for Sustainable Growth:

Corporate Governance - Pages 48 to 66

Risk Management - Pages 80 to 86

Stakeholder Engagement - Pages 70 to 71

INSPIRATION AT ALL TIMES

PRIORITIES



STRENGTHENING THE SUPPLY CHAIN

- · Enhance livelihoods
- Encourage entrepreneurship
- · Continued value creation



DRIVING VALUE ADDITION

- Develop our own brands
- Investment in R&D



INSPIRED & DEDICATED TEAM

- · Recruit industry best talent
- · Succession planning
- · Investment in training and development



Shareholders

Revenue

Rs. 163.25 bn

Profit after tax

Rs. 3.27 bn

Employees

Payments to employees

Rs. 20.43 bn

Training hours:

250,623

ROCE

7.48%

Dividends paid

Rs. 375 mn

Rs. 163.25 bn

Investment in training

Rs. 95.1 mn

Productivity

(Net Profit per Employee)

Rs. 0.1 mn



Customers

Total revenue:

Customer acquisition

416,059



Suppliers

Value created

Rs. 60.76 bn

Investment in supplier development

Rs. 89.84 mn



Business Partners

Indirect employment:

>20,000



Community

Investment in CSR

>Rs. 350 mn

Beneficiaries

>250,000



Environmental Impacts

Waste

22,080 MTs

Carbon footprint

116,546 tCO2e

Effluents

3.07 mil m3

STAKEHOLDER ENGAGEMENT

102-40 | 102-42 | 102-43 |

Given the breadth and depth of our operations it is vital that we maintain ongoing engagement with our stakeholders to identify and respond to their legitimate concerns. Engagement is facilitated through both formal and informal mechanisms and supported by extensive network of stakeholder contact points. When selecting stakeholders to engage with, we prioritise those who could potentially have the most significant impact on our ability to create value. Our stakeholder engagement process is illustrated below followed by a brief overview of our stakeholder engagement results during the year.

	Stakeholder	Shareholders	Customers
Identification of stakeholders to engage with	Group	6,190 shareholders	Our customer base comprises over 7.6mn individuals, SMEs and corporates
Prioritise stakeholders depending on their ability to impact our value creation process the impact of our decisions	Method and frequency of engagement	 Annual General Meeting Quarterly financial results released to the CSE Investor road shows when required Ongoing engagement with investment 	 Customer interaction at contact points (ongoing) Engagement with marketing teams (ongoing) Periodic customer satisfaction surveys in certain sectors
Conduct engagement (formal		analysts and stock brokers and mediaCorporate website (ongoing)Press releases through the CSE (ongoing)	Print and electronic media publications as and when required (ongoing)
or informal platform)	Topics and concerns raised in 2017/18	Sustainable returns commensurate with the risk undertaken Strategic agenda and outlook	Value for money Good customer service at all contact points
Prioritise feedback		 Corporate Conduct and governance Proactive risk management practices Macroeconomic environment and potential impacts on the Group 	 Product innovation Product knowledge and attitude of employees Responsible marketing
Formulate methods to address these issues	Our response	We maintain transparent and ongoing engagement with all our shareholders and ensure that our material information is communicated in a timely and accurate manner.	Product responsibility Our customer value proposition is centred on innovation, product responsibility, accessibility and customer service.
Strategy formulation	Page references for further information	174 to 175	189 to 190

Employees We are the one of the country's	Suppliers and Business Partners	Government We engage with a number of	Communities We have formed deep-rooted and
largest employers with a total talent pool of 31,832.	Our business sectors have deep linkages with an extensive network of suppliers and business partners	regulators through our diverse business sectors.	sustainable connections with the communities we operate in
 Performance appraisals (annual) Periodic satisfaction surveys Periodic staff meetings Year-round event calendar including work life balance initiatives, sports activities and cultural activities Annual award schemes CSR programmes (ongoing) 	 Supplier development initiatives (ongoing) Periodic supplier reviews and assessments Periodic meetings and written communication Community engagement initiatives (ongoing) 	Ongoing regulatory reporting in certain sectors Consultations and meetings when required Announcements to the CSE when required	Meetings with beneficiaries of CSR initiatives and capacity building programmes (ongoing) Press releases and other publications (ongoing)
 Attractive remuneration schemes Opportunities for talent and skill development Career progression opportunities Injury-free, safe working environment Freedom of association Work-life balance 	 Secure demand Fair and transparent pricing Ease of transacting Continuity of relationship Transfer of technical knowledge 	Compliance to all relevant regulations, directions and guidelines Maintain regular and transparent communications Contribute positively to the society and environment	Employment creation within communities CSR initiatives and capacity building programmes Environmental preservation
Our unique employee value proposition is focused on opportunities for career progression within the Group, substantial training exposure and attractive reward schemes.	The Group has been successful in nurturing sustainable relationships with its suppliers through offering a holistic value proposition that exceeds a mere financial transaction.	The Group maintains a close and transparent working relationship with its regulators, to ensure compliance and obtain clarification on issues if required.	In line with our long-term commitment towards sustainability we strive to create value for the communities we operate in through meaningful and proactive projects
179 to 187	190 to 192	48 to 66	192 to 198

UNDERSTANDING OUR CAPITAL TRADE-OFFS

The capital inputs used in our value creation process influence each other and at times require trade-offs. In allocating our capital and resources effectively to our strategic drivers and in creating long-term stakeholder value, we are compelled to make these tough trade-offs and below are the key trade-offs the Group made during the year in review.

Trade-off in 2017/18	Capital(s) affected		
Trade-off between profitability and customer retention	,		
Several of our key businesses (hand protection, purification, construction materials) were impacted by sharp increases in raw material prices during the year. In this backdrop, the sectors focused on retaining customers by absorbing a portion of the input cost increase; although margins came under pressure and adversely impacted performance (financial capital) this decision is expected to augur well over the long-term as the Group emphasised the nurturing of more sustainable customer relationships.	Financial Capital Social and Relationship Capital		
Trade-off between short-term and long-term profitability			
At Hayleys, the trade-off between short-term profitability (financial capital) and investing in long-term growth opportunities and capacity expansion (manufactured capital) is ongoing. The Group's recent debt-funded acquisitions of Singer (Sri Lanka) PLC, Sri Lanka Shipping Company Ltd and Fentons	Financial Capital		
Ltd will be key profit drivers in the future, although the higher interest cost pressured the Group's profitability this year.	Manufactured Capital		
Investments in Research and Development			
Driving innovation is a key priority for the Group and during the year we invested Rs. 103 mn in R&D capabilities; although this is likely to have a short-term impact on our cash flows and costs these	Financial Capital		
innovations are expected to drive market share, customer acquisition and position the sectors for long-term growth.	Intellectual Capital		
	Social and Relationship Capital		
Investments in Training and Development			
The challenging external environment during the year has compelled several sectors to optimise the workforce and upskilling employees through ongoing investment in training and development.	Financial Capital		
Although these investments have had a short-term impact on financial capital, by making better use of our employees we have grown our intellectual capital.	Intellectual Capital		
out employees no have grown out intercedual capital	Human Capital		
Investments in nurturing our Natural Capital			
During the year, the Group invested Rs.981.70 mn in numerous initiatives across sectors to drive better waste management, energy efficiency and emission control. With several sectors seeing more	Financial Capital		
pronounced impacts of climate change we are committed to ensuring the long-term sustainability of our natural resources, although it could adversely impact financial capital in the short-term.	Natural Capital		

MATERIAL MATTERS

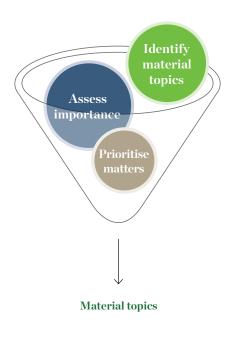
102-44 | 102-46 | 102-47 |

Materiality assessment is vital in integrating our commercial and sustainable objectives and ensuring long-term value creation to our shareholders and other 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. The changes in the scope and boundary of our material topics during the year are listed in the materiality table below. We have also added 2 new material topics reflecting the acquisition of Singer (Sri Lanka) PLC during the year. Our process for determining material content is presented alongside.

1, 2, 3, 4,5,6,7, 11 8,9,10,12,13

Significance of economic, social and environmental impacts

Determining our material topics



Material Topics	Corresponding principles
1 Earnings growth	
2 Managing talent	GRI 401: Employment
	GRI 402: Labour/management
	relations
	GRI 403: Occupational health and
	safety
	GRI 404: Training and education
	GRI 406: Non-discrimination
	GRI 407: Freedom of association and
	collective bargaining
	UNGC: Principles 1, 3, 4, 5
3 Sustainable Sourcing	GRI 204: Procurement practices
4 Product quality and	GRI 419: Socio economic compliance
responsibility	
5 Innovation	
6 Satisfied customers	

Material Topics	Corresponding principles
7 Environmental	GRI 301: Materials
commitment	GRI 302: Energy
	GRI 303: Water
	GRI 304: Bio-diversity
	GRI 305: Emissions
	GRI 306: Effluents and Waste
	UNGC: Principle 7,8, 9
8 Compliance	GRI 307: Environmental Compliance
	GRI 419: Socio economic compliance
9 Community relationships	GRI 314: Local communities
	GRI 201: Economic Performance
10 Product and process	
efficiencies	
11. Marketing communications	
12 Principal relationships	
13 Customer accessibility	

CAPITAL ALLOCATION & STRATEGY

While the Group's business sectors operate relatively independently of one another they are guided by the overarching strategic agenda of Hayleys PLC. Strategic priorities are determined by the Board of Directors and cascaded to the Sectors under the leadership of the Group Management Committee and with the guidance of the Strategic Business Development Unit (SBDU) at Hayleys PLC. The SBDU also plays a vital role in

MISSION: DELIVERING SUPERIOR SHAREHOLDER VALUE BY UNLEASHING THE FULL POTENTIAL Strategic Pillar Growth Digitization **Optimising Returns** To drive sustainable and Adapting to the dynamic digital To have a balanced investment portfolio in <u>Our</u> inclusive growth for all our stakeholders age through technology and terms of risk, returns and growth to ensure Commitment social media to create value sustainable profitability and liquidity and medium to long term stability and growth Strategic Enhance brand equity and Organic growth through innovation Maintain diversified portfolio **Drivers** in digital presence 2017/18 Diversify and grow through Search engine optimisation Realign real estate portfolio acquisitions Offshore expansion Create online e-commerce platforms Optimising leverage Driving sustainability as a good Combining digital and physical Divesting idle assets corporate citizen resources to create value Key ROCE (%) KPI 2018 Sector Rs. 111.65 mn Performance New products launched 348 Eco solutions -0.3**Indicators** Acquisitions 2 Hand protection 5 Increase in online customer sales New customers 416,059 Purification 10 Textiles 4 Rs. Mn (%) Value of transactions routed Construction materials 15 200.000 50 through Omentra:>Rs. 100 mn 9.5 Plantations 40 150.000 Agriculture 21 30 Consumer & Retail 7 100,000 20 4 Leisure 50,000 10 Industry inputs, Power and Energy 18 Transportation and logistics 16 13/14 14/15 15/16 16/17 17/18 Others 5 Group Revenue — Growth + Increasing per capita GDP +Closer engagement with the customer -Fluctuations in interest rates Risks/ + Rising economic power of the Asian region +Reduced dependence on traditional + Listing successful subsidiaries **Opportunities** marketing models +Sri Lanka's improved international relations +Optimising Return on Assets through +International reach Literate and IT savvy workforce realignment of the asset portfolio +Increasing regulatory stringency Impacts of climate change

Labour shortage due to migration High dependence on commodity and price

fluctuations

-Cyber security concerns

identifying avenues for group synergies and formulating initiatives to leverage on these synergies. The Group's key strategic priorities over the medium term are discussed below, along with the progress made during the year;

OF OUR PEOPLE AND ACHIEVING LEADERSHIP IN ALL OUR DOMESTIC AND GLOBAL BUSINESSES.



Strengthening Supply Chain



Driving Value Addition



Inspired and dedicated team

Creating a secure, sustainable and efficient supply chain

Enhancing value creation across the Group

Creating a dynamic team to steer the "World of Hayleys" to be Sri Lanka's corporate inspiration at all times

Expansion of supply chains across Sri Lanka

Enhance livelihoods through innovative solutions

Supplier development initiatives

Strengthen backward integration

Develop our own brands for export

Continuous investment in R&D

Expanding logistics capabilities

Develop innovative new products

Recruit the industry's top talent

Succession planning

Ongoing training and developmentlocal and international exposure

Effective performance appraisal

>60,000

Total supplier base

Rs. 60.76 bn

Value injection to suppliers

Rs. 89.84 mn

Investment in supplier development initiatives

348 New products developed

Rs. 103.13 mn

3.29% Group contribution to SL Exports



- +Securing a sustainable supply chain
- +Digitisation
- +Creating entrepreneurship among rural suppliers
- -Increasing competition
- -Bargaining power of certain suppliers
- +Leveraging on our manufacturing and logistics capabilities to grow regionally
- -High investment and long gestation period in developing brands
- +Align business and HR strategy
- +Build a young and agile team
- Labour shortage
- Different expectations of Generation X,Y and Z

Capital Allocation & strategy

The Group's capital allocation decisions are based on the dual objectives of managing the short-term liquidity position whilst investing for business growth over the medium-longterm horizon maintaining a balanced portfolio in terms of risks and rewards.

Accordingly, the Group's mature business sectors such as Transportation & Logistics, , Purification, Construction Materials and Hand Protection support short-term shareholder expectations through consistent earnings growth and driving medium to long term business value contributing to both turnover and profitability; while recent investments such as Singer (Sri Lanka) PLC, Sri Lanka Shipping Company Ltd, Amaya Kudarah, Alufab PLC and Fentons Ltd are expected to drive long-term business value.

SOURCES OF CAPITAL

SHAREHOLDERS' FUNDS

DEBT

CASHFLOW FROM OPERATIONS

Allocation of Capital	
Maintaining strong balance sheet and healthy liquidity	Long-term expansion: Organic and acquisition led growth
(1) Investments in short-term deposits: Rs.3.63 bn	(1) Acquisition of Singer (Sri Lanka) PLC
(2) Cash in hand and at bank: Rs.7.5 bn	(2) Acquisition of Sri Lanka Shipping Company Ltd
(3) Freehold & Investment property land: Rs 30.1 bn	(3) Acquisition of Fentons Ltd/ Alufab PLC
(4) Unutilized banking facilities	(4) Investment in Hayleys Global Beverages (Pvt) Ltd
	(5) Capacity expansions in - Construction materials
	- Eco solutions
	- Leisure (Amaya Kuda Rah) - Transportation and Logistics

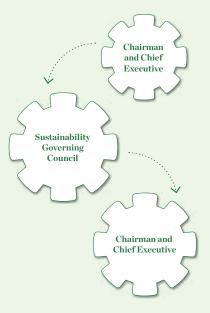
SUSTAINABILITY AT HAYLEYS



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...

A five-time winner of the Best Corporate Citizen of Sri Lanka Award, Hayleys PLC is deeply committed to embedding sustainability considerations into its overall business strategy. This commitment is outlined in the Group's Sustainability and Corporate Responsibility Framework which is designed to streamline and combine the effects of the Group's diverse business sectors to encourage strategic sustainable initiatives across Group companies. Our approach is based on three strategic focus areas which form the pillars of our Sustainability Strategy. These pillars are Environmental Preservation, Employee Development & Welfare and Local Community Engagement. 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.



Developments in 2017/18

- Adoption of a tailor-made
 Sustainability Reporting Information
 System which has enabled the
 collection and analysis of more
 accurate, real-time information from
 all sectors. The System also flags
 unusual data variances enabling the
 Group Sustainability Team to followup and take corrective action.
- Increased engagement between the sectors and Group Sustainability to drive efficiencies in water, energy and other resource consumption.
- Transition to the GRI Standards for Sustainability reporting
- Showcasing the Group's contribution to the Sustainable Development Goals where-ever relevant

OUR SUSTAINABILITY STRATEGY

Preserving the environment

Renewable energy

Water preservation and managing waste

Managing our carbon footprint Employee development and welfare Local community engagement

OUR COMMITMENT TO THE SUSTAINABLE DEVELOPMENT GOALS



The Group also appointed the 1st ever female director to its Board of Directors in 2017/18.

6 GLEAN WATER AND SANITATION

6 Clean water and Sanitation

Several of our manufacturing organisations engage in water recycling and during the year 10% (or 345 mn) of our water extraction was recycled.

Through Sath Diyawara our flagship CSR initiative, we provide access to clean drinking water to 33,590 people CKD affected areas

7 Affordable and Clean Energy

With a total installed capacity of 50MW the Group generates around 2% of the country's total renewable energy through wind, mini hydro and solar power plants.

50% of the Group's energy requirements were fulfilled through renewable energy sources.

8 DECENT WORK AND

8 Decent Work and **Economic Growth**



The Group provides employment to 31,832 individuals and is among the country's most preferred employers.

9 Industry Innovation and Infrastructure

We handle 18% of the throughput at the Colombo Port

Innovation is also harnessed in all our business sectors and during the year we launched a total of 348 new products.

10 REDUCED INFOUALITIES

10 Reduced Inequalities

The Group's total indirect employment amounts to >20,000 and we contribute towards rural employment generation and empowerment across our supply chain.

11 Sustainable Cities and Communities

We continued to reach suppliers through sustainable supplier development initiatives with a total investment in development amounting to Rs. 89.84 mn

12 Responsible Consumption and Production

The Group's total carbon intensity declined by 17% during the year. We have also obtained numerous certifications across our sectors to ensure that business is conducted without harming the natural environment.

16 Peace, Justice and **Strong Institutions**

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

13 CLIMATE

13 Climate Action

Through the Group's renewable generation, we offset 18% of the Group's carbon footprint.

Group-wide efforts are in place to reduce dependence on fossil fuels and during the year 50% of the Group's energy requirements were fulfilled through renewable energy sources.

14 Life Below Water

The Agriculture Sector's unique Aqua Agri seaweed project contributes towards marine conservation



15 Life on Land

Sectors which operate in areas of rich diversity (mainly plantations and leisure) have concerted efforts towards preserving the surrounding flora and fauna.

During the year, business sectors collectively planted 277,512 trees



17 PARTNERSHIPS FOR THE GOALS

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

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.

Hayleys is exposed to numerous risks stemming from the internal and external environments and the Group's size, geographical reach and sector diversity increases the complexities of managing these risks. Risk management is inextricably linked to the Group's strategy and is a crucial enabler in exploiting opportunities. 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. The Group has not formally adopted the precautionary principle, but considers social and environmental risk when evaluating investments.

Risk Governance

The apex responsibility for the management of risk rests with the Board of Directors who has set in place policies and processes to manage the same. 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.

The Board retains overall accountability for the governance of risk and effective risk management. Risk management duties are exercised by way of clearly defined governance frameworks and policy Hayleys frameworks Board Hayleys PLC 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 The GMC members are responsible and accountable for management of risks in their Group Management Committee respective sectors Risk identification is the responsibility of all employees who form the first line of defense. 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

Approach to Risk Management

We adopt the globally accepted three-lines-of-defense model in identifying and managing risks; this framework allows for the clear segregation of duties and empowerment in risk 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.



 $Performance \ Highlights \ \bullet \ Hayleys \ at a \ Glance \ \bullet \ Leadership \ \& \ Governance \ \bullet \ Strategy \ \& \ Resource \ Allocation \ \bullet \ Portfolio \ Review \ \bullet \ Integrated \ Performance \ \bullet \ Financial \ Statements$

Risk Management

Principals Risks in 2017/18

Risk Exposure	Potential Impact	Developments in 2017/18	Mitigating activities	Net Risk Assessment
and Impact	 	1 1 1		2017/18
Availability and pricing of raw material	Our key business sectors are engaged in manufacture and processing activities and a continuous supply of raw materials at a predictable price is vital in ensuring the smooth continuity of operations.	The Hand protection, Purification and Fibre sectors which rely on agricultural raw materials were affected by shortages and sharp increases in raw material prices, stemming from adverse weather conditions.	Broad base of suppliers for raw materials Supplier screening to ensure capability Quality control processes from receiving point to ensure a match with specifications Monitoring market trends for key inputs at sector level to ensure we receive competitive pricing	↑
Government Policy and macro- economic variables	Monetary and fiscal policy as well as government approach to foreign relationship have a direct impact on the Group impacting operating margins and profitability. Government policy determines the interest rate and exchange rate trends.	The rising interest rates during most part of the year inserted significant pressure on the Group through higher interest costs.	Rising inflation, interest rates and wages is monitored and strategies adjusted to minimize impact where possible. An example is the renegotiation of interest rates on loans based on improved financial performance which has reduced finance costs. Joint industry action to promote favourable terms of trade with other countries	↑
Labour shortages	As a Group with significant manufacturing interests, difficulties in attracting and retaining employees is a key risk which affects the continuity and profitability of our operations.	Several sectors experienced labour shortages and have thus focused on improving operational and process efficiencies.	Offering a strong value proposition to employees Cordial trade union relationships Maintain relationship with 3rd party labour suppliers	↔ 562
Implications of Climate Change	The impacts of climate change are being felt more pronouncedly with erratic weather patterns affected agricultural supply as well as the tourism sector.	Several of our sectors experienced raw material shortages which ultimately had to be imported at a higher cost, thereby impacting profitability. The Group's tourism sector was also affected by the moderation in tourist arrivals into the country.	Strengthening supplier relationships Group-wide efforts to reduce reliance on furnace oil through switching to renewable energy	↑ • • •

Risk Exposure	Potential Impact	Developments in 2017/18	Mitigating activities	Net Risk Assessment
and Impact	1	1 1 1		2017/18
Supply and affordability of Energy	Energy is required at every stage of our manufacturing operations and has a direct impact on our carbon footprint	The country's reliance on thermal energy increased during the year given the prolonged droughts. This underscores the importance of increasing NCRE generation. The Group has made concerted efforts to switch to renewable energy with several sectors installing bio-mass burners.	Review energy mix and decrease dependency on non-renewable sources Increased investments in renewable energy sources to supply power to main grid Investing in energy efficient machinery and equipment Continuous monitoring of energy intensity ratio to drive required action (Refer pages 205 to 214 of the Natural Capital segment for further information)	
Geopolitical Risk The risk of one country's foreign policy unduly influencing or upsetting domestic political and social stability in another country or region.	As 47% of the Group's turnover is derived from exports or indirect exports, with a fair amount of exposure to the Middle East, Russia and Ukraine arising from particularly the Plantations sector, geopolitical risk has become a key risk that will impact our top line.	Global economic conditions improved during the year, with advanced economies and the European region performing above expectations.	Diversified export markets Growth aspirations in new markets Increasing penetration in stable markets Monitoring developments in formulating strategy	
Availability of Water	Several of our Sector operations are water intensive, particularly fabrics, hand protection and plantations. The inability to source a continued supply of water is likely to impact continuity of operations and affect profitability.	The drought that prevailed during most part of the year had an impact on our agriculture and plantation sectors	Principal sources of water are assessed for sufficiency and quality Recycling water withdrawn from source for cooling and heating purposes Review operations to reduce water usage intensity Compliance with licensing requirements of the Central Environment Authority (Refer pages 205 to 2014 of the Natural Capital segment for further information)	↔ • • • • • • • • • • • • • • • • • • •

 $Performance \ Highlights \ \bullet \ Hayleys \ at a \ Glance \ \bullet \ Leadership \ \& \ Governance \ \bullet \ Strategy \ \& \ Resource \ Allocation \ \bullet \ Portfolio \ Review \ \bullet \ Integrated \ Performance \ \bullet \ Financial \ Statements$

Risk Management

Risk Exposure	Potential Impact	Developments in 2017/18	Mitigating activities	Net Risk Assessment
and Impact	1			2017/18
Employee Health & Safety	We value our employees and recognise 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.	Several sectors strengthened health and safety frameworks with improved hazard reporting and monitoring. The Group's total workplace injuries declined to 383 from 450 the year before.	Establishment of worker management health and safety committees to ensure their views are understood and addressed Establishing safety procedures for all operations that present risks to employees and ensuring implementation of the same Maintaining and monitoring employee health and safety statistics (Refer pages 179 187 of the Human Capital Report for further information)	→ [[]
Employee Relations	Employee relations are a key concern as many employees in manufacturing operations are from the vicinity and over 60% are members of politically allied trade unions as Hayleys Group recognises the right to freedom of association	We maintained cordial relationships with trade unions during the year and there were no instances of trade union action or disruptions to operations.	Open door policy for employees to discuss areas of concern Regular structured dialogue with union representatives to identify areas of concern Balanced HR policies applied in a consistent manner building trust with employees Communicating how personal goals are aligned with organisation goals through an organisation wide performance management system (Refer pages 179 to 187 of the Human Capital Report for further information)	→ { ² -2-3-3-3-3-3-3-3-3-3-3-3-3-3-3-3-3-3-3
Effluents & Waste	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.	Manufacturing sectors continuously monitor the quality of effluents discharged and during the year there were no instances of non- compliance to CEA guidelines on water quality parameters.	Investing in effluent treatment and solid waste management Monitoring quality of effluents on an hourly basis to ensure conformity with CEA requirements (Refer Natural Capital Report on pages 205 to 214)	↔ • • • • • • • • • • • • • • • • • • •

Risk Exposure	Potential Impact	Developments in 2017/18	Mitigating activities	Net Risk Assessment
and Impact Customer	Satisfied customers	During the year we	High levels of customer engagement	2017/18
Satisfaction	are critical to ensuring sustainable business growth	added 419,105 customers (including Singer (Sri Lanka) PLC) across our sectors. Excluding Singer customer acquisition was around 12,750 demonstrating our reputation for customer satisfaction.	to understand areas of concern Compliance with requirements and specifications Focus on innovation Monitoring customer rankings where possible (Refer Creating Value for Customers on pages 189 to 190)	\Leftrightarrow
Product Responsibility	Product responsibility is critical to our reputation, customer retention and growth	We maintained compliance with all related certifications, and during the year there were no instances of noncompliance to any product responsibility related regulations/codes.	Compliance with regulatory and certification requirements Monitoring of customer complaints Supplier screening for financial, social and environmental criteria Quality control processes Refer Creating Value for Customers on pages 189 to 190	\Leftrightarrow
Local Community Relations and 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.	The Group maintained meaningful and mutually beneficial community relationships during the year, with total investment in CSR amounting to over Rs. 350 mn.	High levels of engagement with employees and community Robust employee and community value propositions to maintain an appropriate balance Building pride in the organisation with employees and community Refer Human Capital Report and Creating Value for the Community on pages 179 to 187 and 192 to 198 respectively.	\leftrightarrow

 $Performance \ Highlights \ \bullet \ Hayleys \ at a \ Glance \ \bullet \ Leadership \ \& \ Governance \ \bullet \ Strategy \ \& \ Resource \ Allocation \ \bullet \ Portfolio \ Review \ \bullet \ Integrated \ Performance \ \bullet \ Financial \ Statements$

Risk Management

Risk Exposure	Potential Impact	Developments in 2017/18	Mitigating activities	Net Risk Assessment
and Impact				2017/18
Training & Development	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.	During the year we invested Rs. 95.1 mn in training and development and nurturing the next generation of leaders continues to be a key focus for the Group, particularly given increasing competition labour.	Structured training programmes in place for all employees Training needs identified through a robust performance management system Many entities are approved training centres for NAITA and the Institute of Chartered Accountants of Sri Lanka. Refer Human Capital Report on pages 179 to 187 for further information	
Innovation	Our ability to innovate is key to growth and profitability	We developed 348 new products in total, particularly in the textiles and hand protection sectors. Several of our sectors have nurtured a strong reputation for innovation and research capabilities.	Investment in our own Research & Development facilities with state of the art equipment Ability to attract and retain highly qualified and experienced talent to operate the R&D facilities Continuous monitoring of performance to inspire and motivate these highly skilled employees	

THE STORY CONTINUES...

Chapter 4

THE NARRATIVE OF OUR ACHIEVEMENTS

Operating Environment 88 • Portfolio Review 91 • Eco Solutions 93 • Hand Protection 99 •

Purification 105 • Textiles 111 • Construction Materials 117 • Plantations 123 • Agriculture 129 •

Consumer & Retail 135 • Leisure 141 • Industry Inputs & Power and Energy 147 •

Transportation & Logistics 153 • Others 159

OPERATING ENVIRONMENT

Global Economic Environment

Global economic activity firmed up in 2017, with global output expanding by 3.8% during the year, the fastest since 2011. The year ended on a high-note with growth in the second half of the year reaching 4% and signalling stronger prospects for 2018. Advanced economies performed above expectations with the United States (+2.3%), Japan (+1.7%) and the Euro region (+2.3%) upheld by stronger investment spending and accommodative monetary policy financial conditions. The 4.8% expansion in emerging markets stemmed primarily from an acceleration in private consumption, particularly in China (+6.9%) and India (+6.7%). Meanwhile the upturn in commodity markets supported the growth in commodity exporting countries such as Brazil and Russia.

Commodity Prices

Global commodity prices were on an upward trend for most part of 2017, driven primarily by increasing oil and natural gas prices. Oil prices increased by around 23% in 2017 due to unplanned outages in several oil-producing nations and further extension of the OPEC production agreement. The price of metals increased during the year in line with stronger demand from all major economies; demand for base metals such as aluminium strengthened while supply was affected due to production capacity cuts in China. Unfavourable weather in many parts of the world resulted in a decline in harvests of many grains leading to an increase in agricultural prices.

Global economic growth % 6 5 3 2016 2017 2018F 2019F

Source: IMF. World Economic Outlook

Global Crude Oil prices





Domestic economic conditions weakened during the year, with Sri Lanka's GDP slowing to 3.1% in 2017 due to a subdued agricultural sector, tightening monetary and fiscal policy conditions and global headwinds

Global Trade

Meanwhile global trade also posted strong recovery to an estimated growth rate of 4.9% after two consecutive years of underperformance. The expansion in trade was correlated to the stronger investments and was more pronounced in emerging market and developing economies. Trade was upheld by a broad-based recovery in imports while growth in exports were driven by Japan, USA, the United Kingdom and Germany.

Outlook

The International Monetary Fund forecasts global growth to rise further to 3.9% in 2018. Growth in advanced economies will continue to accelerate supported by expansionary fiscal policy. Aggregate growth in emerging markets and developing economies is expected to strengthen further, resulting from improvements in commodity exporting markets over the next two years. On the downside, the prospects look more subdued over the longer term, particularly in emerging and developing economies that would require significant fiscal consolidation.

Sri Lankan Economy

Domestic economic conditions weakened during the year, with Sri Lanka's GDP growth slowing to 3.1% in 2017 due to a subdued agricultural sector, tightening monetary and fiscal policy conditions and global headwinds. Adverse weather conditions in several parts of the country resulted in the Agricultural sector contracting by 0.8% during the year. The Agricultural Production Index which measures the output of the Agriculture and Fisheries sector recorded a decline of 10.9% in 2017 (0.3% contraction in 2016) with sub-indices of paddy, coconut and other crops declining while tea and rubber sub-indices improved. The Industries Sector grew by 3.9% in 2017 (2016:5.8%) supported by the expansion in manufacturing activities, while construction, mining and quarrying slowed down in comparison to the previous year. Expansion in the services sector was also moderate at 3.2% supported by growth in financial services, telecommunication and wholesale and retail trade activities.

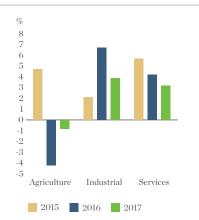
Interest Rates

The Central Bank maintained a relatively tight monetary policy during the year to address inflationary pressures and curtail. The policy rate was raised by 25 bps in March 2017, resulting in the Standing Deposit Facility Rate (SDFR) and the Standard Lending Facility Rate (SLFR) increasing to 7.25% and 8.75% respectively. As a result, market interest rates moved up during the first half of the year, with commercial banks' deposit and lending rates also increasing. The AWPR increased from 11.48% in January 2017 to 11.88% by mid-year before decelerating towards the latter part of the year with liquidity improvements in the domestic money market.

Inflation

Despite the tighter policy stance, inflationary pressures remained above expectations mainly due to prolonged adverse weather conditions which led to supply gaps as well as the base effect of a change in the tax structure. That said, core inflation decelerated towards the latter part of the year reverting to mid-single digits by early 2018.

Economic growth



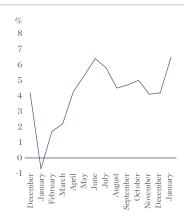
Source: Department of Census and Statistics

Exchange Rates

The Government sought to allow more flexibility in exchange rate determination

during the year, with emphasis on absorbing foreign exchange from the domestic interbank market to build up forex reserves. This enabled the smoothening of exchange rate behaviour limiting sharp fluctuations. Resultantly, the Sri Lankan Rupee remained relatively stable during the year depreciating only by 2% against the US dollar in 2017. The first quarter of 2018 has however seen continued downward pressure resulting from increased foreign outflows following instability in the political climate.

Inflation (Headline NCPI)



Source: Central Bank of Sri Lanka

Key medium-term priorities

- Agriculture policy to focus on empowering farmers to enhance commercial viability.
- · Addressing the challenges faced by the plantation industry.
- Align the objectives of infrastructure development with industrialisation
- Contribution of labour markets to economic growth
- · Cost reflective pricing for energy
- · Expansion of exports through diversification

Operating Environment

External Sector

Sri Lanka's export earnings grew by 10.2% to record high levels supported by broad based growth in advanced economies, reinstatement of the European Union's GSP+ facility and the strong policy impetus provided by the government. Earnings from industrial exports (led by textiles and garments) increased by 7.6% and was the major contributor to the country's export growth. However, the current account deficit widened to 2.6% of GDP (from 2.1% the year before) due to a faster increase in imports, lower remittances and a slowdown in earnings from tourism. Import expenditure increased by 9.4% driven by the stronger commodity prices and in particular fuel imports which increased by 38.2% during the vear. Workers' remittances declined during the year partly due to weaker economic conditions in the Middle Eastern region as well as the labour migration under all skilled categories.

The Financial Account improved significantly during the latter part of the year, supported by an increase in FDI during the year and the receipt of two tranches of the International Monetary Fund Extended Fund Facility. Resultantly, the BOP recorded a surplus of USD 2.1 billion in 2017, following two consecutive years of deficits.

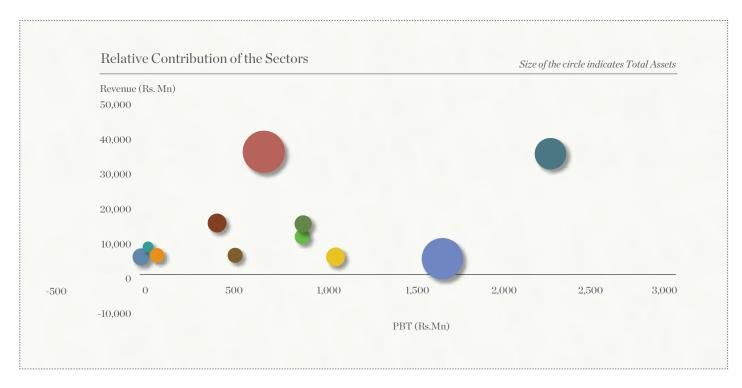
Outlook

The medium to long-term growth prospects remain positive, given the government's commitments towards strengthening international relations, achieving fiscal consolidation and encouraging higher private sector participation. The gradual recovery of export markets is expected to augur well for the external sector, particularly given the conducive policy front. That said, the key downside risks remain, including prolonged adverse weather in the agriculture sector, rising inflationary pressures following the recent fuel price hike, acute labour shortage in certain sectors and political instability given the unexpected outcome of the recently concluded local council elections.

Trend	Impact on the Group
Increase in commodity prices	The escalation in inputs costs of several sectors resulted in narrower profit margins, as rising costs could not immediately be passed on to customers.
Rising interest rates	Given the increased exposure to borrowings to fund the Group's acquisition led strategy, rising interest rates had a substantial impact on Group profitability through higher interest payments.
Exchange rates	+ The depreciation of the Sri Lankan Rupee particularly since April 2018 is expected to support the performance of the Group's export-oriented businesses.
Contraction in agriculture sector	Several of our sectors use agricultural inputs as their key raw material and the prolonged drought resulted in difficulties in sourcing raw materials.

PORTFOLIO REVIEW

The Integrated Performance of the Group's business sectors are set out in the following pages; in enhancing the relevance, readability and conciseness of this year's Report we have sought to structure the sector reviews in a manner that best reflects the relative importance of each of the capitals to the respective sectors. The chart presented below represents the revenue, profitability and asset base of each of the sectors. The grid presented alongside provides a holistic overview of which capitals are relevant to each sector review.





PORTFOLIO REVIEW

The relative importance of each capital to the Sectors are illustrated below; the narrative on the Sector Reviews are anchored by this matrix with emphasis placed only on the relevant capitals.

	Financial Capital	Manufactured Capital	Intellectual Capital	Human Capital	Social and Relationship Capital	Natural Capital
Eco Solutions	•	•	•	•	•	•
Hand Protection	•	•	•	•	•	•
Purification	•	•	•	•	•	•
(a) Textiles	•	•	•	•	•	•
Construction Materials	•	•	•	•	•	•
Plantations	•	•	•	•	•	•
Agriculture	•	•	•	•	•	•
Consumer & Retail	•	•	•	•	•	•
Leisure	•	•	•	•	•	•
Industry Inputs, Power & Energy	•	•	•	•	•	•
Transportation and Logistics	•	•	•	•	•	•
Others	•	•	•	•	•	•

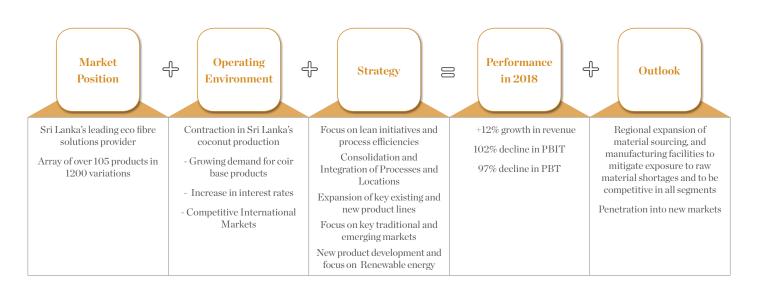
- High importance
- Medium importance
- Low importance





Overview

The Group's oldest business line, the Sector has expanded its' products and markets to emerge as one of Sri Lanka's leading manufacturers and exporters of value-added coconut fibre products, with a global reputation for quality, innovation and tailor-made solutions.



102-9

Sector Review

Eco Solutions



Operating Environment

+13%

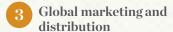
$Increase\ in\ the\ export\ of\ finished\ fibre\ products$

Sri Lanka is a leading exporter of coir fibre and core fibre based products to numerous industries such as agriculture, automobiles, household and industrial applications. The export of value added products such as horticulture, growing media and erosion control products have continued to grow accounting for 29% of total coconut based exports during the year









		Unit	2018	2017
•	Customer acquisition	No.	100	69
	New products developed	No.	26	18

End-consumers in diverse applications

	Unit	2018	2017
Revenue	Rs.mn	4,511	4,013
PBIT	Rs.mn	(16)	1,064
PBT	Rs.mn	29	984
PAT	Rs.mn	82	957
Assets	Rs.mn	7,565	7,433
Total debt	Rs.mn	1,667	1,620
ROCE	%	(0.28)	17.8
Tax paid	Rs.mn	39	17



Unit	2018	2017
No.	457	406
Hours	6,416	3,353
Hours	14	8.25
Rs.mn	0.18	2.36
No.	Nil	3
Rs.mn	2.2	5.4



Social and relationship capital



Intellectual capital



Natural capital

Of coconut-related exports are finished fibre products

Sri Lanka's total coconut production $\,$ declined by 19 % during the year compared to 2016 affected by adverse weather and prolonged impacts of climate change.

Global demand

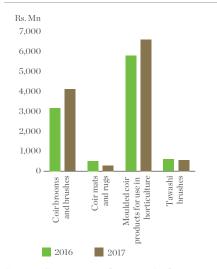
 $Positive\ outlook\ for\ key\ products, particularly\ in\ growing\ media$ given the increasing urbanisation, environmental regulations and decline in arable land.

Sector Review

Eco Solutions

Clusters in sector	Risks and Opportunities	Contribution to sector
Brushware	Internal impacts:	Revenue: 26%
	-One off inventory write-off	PBT (948%)
	+Innovation driven product portfolio	
	+Consolidation through integration	
Eco Fibre	External impacts:	Revenue: 49%
	Fluctuations in raw material prices	PBT: 986%
	Challenges in securing a stable supply chain	
Floor coverings	+Increasing propensity towards hydroponic growing	Revenue: 25%
	+Increasing stringency of environmental regulations	PBT: 62%
	+Depreciation of Sri Lanka Rupee	
	-Increasing interest rate scenario	
	+One belt-one road initiative	
	-political uncertainty and economic woes in key markets	
	-Intense competition from regional suppliers	

Value added fibre-based product exports



Source: Coconut Development Authority

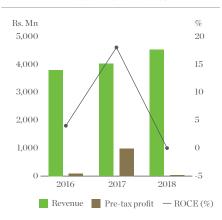
Strategy and Performance

The Eco Solutions sector achieved a revenue growth of 12% supported by deeper penetration in existing markets and the launch

of several new product mixes. Profitability however, was exceptionally affected by a one-off inventory write-off of Rs. 139 mm in the brushware segment. The eco fibre segment performed well recording better revenue and pre-tax profit growth during the year. Overall, the Sector's pre-tax profit declined to Rs. 29.24 mm, compared to a PBT of Rs. 201 mm the year before (excluding the impact of a one-off capital gain last year)

During the year, strategic focus was placed on expanding markets and product range, diversification of manufacturing locations, backward integration into coir extraction and generating operational efficiencies through lean initiatives. Our efforts were directed towards redesigning and optimising certain operations to ensure timely manufacturing at required quality standards. We also consolidated the operations of two manufacturing facilities to one location, enabling the centralisation of common activities and thereby optimising costs.

Financial Performance



Innovation is core to our product strategy and new products were launched including natural fibre eco-coconut brushes, hygiene brushes, a new mattress line, jute erosion control range and several doormat designs. We are also committed to maintaining the highest standards of quality and comply with several international certifications as listed below.

ISO 9001: QUALITY MANAGEMENT

ISO 14001: ENVIRONMENTAL MANAGEMENT

BUSINESS SOCIAL COMPLIANCE INITIATIVE

SEDEX/SMETA

BRITISH RETAIL CONSORTIUM CERTIFICATION-FLOOR COVERING



eco fibre products, to limit exposure to raw material constraints. We have also invested in a new rubber press for rubber mat production pursued purchasing and de-fibering husks, an initiative which has created close to 50 new jobs. The Sector is also re-evaluating its product mix with increased focus on the synthetic products with the objective of reducing exposure to raw material shortages.

The sector's human capital comprises of 457 employees and we place continued emphasis on strengthening the employee value proposition. Investments in training and development amounted to Rs. 1.4 mn during the year, translating to 4,035 training hours.

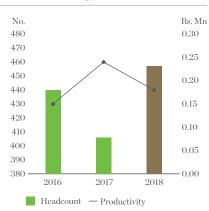
	New products launched	Products in the pipeline	
Eco fibre	New Coir Fibre Pith- Mixes	Grow-bag Cubes	
	Grow-bags	Seeds-pad	
	Mattresses	PU foam	
Brush ware	Plastic Brush- Blocks	New brush designs	
	Cross-filling Brush		
Floor coverings	Large Rubber-Mats	Combined mats	
	New Tawashi Brush Model	PAH-New formulation rubber	
		mats	
		Fire resistance mats	
		Jute rugs	
		Handloom coir mats	

The Sector's capital expenditure amounted to Rs. 71 mn during the year, comprising investments in a state-of-the-art manufacturing facility for mattresses and expansion of production capacity in plastic brushes. We also hope to pursue regional expansion by establishing a new production facility in India for the floor covering sector and an exclusivity agreement in Indonesia for

to cater the growing demand.

Securing a sustainable supply of raw materials is a key challenge facing the industry, given the consistent decline in the country's coconut production and resultant fluctuations in prices. In effectively addressing this challenge, the Sector sought to rectify bottle necks through backward integration. We have

Human capital indicators



Sector Review

Eco Solutions

Driving energy efficiency and reducing dependence on fossil fuels is a Group-wide focus and during the year the Sector installed a biomass boiler at its manufacturing facility at Katana. The boiler currently fulfills 100% of the energy requirement of Toyo Cushions and 40% of that of Rileys and has resulted in a 60% decline in the use of furnace oil. This enabled the sector to contain the increase in carbon footprint to 1.3% despite increased operational activity. 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

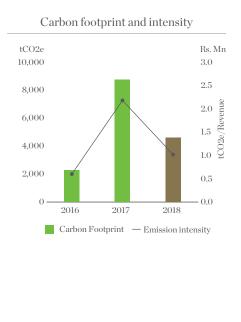
Products and Services

- Geo blankets (supporting plant growth and root development)
- Geo textiles (Erosion control and Sediment control)
- Geo logs (Riverbank greening, shoreline protection)

Energy and Co2

- LED lighting solutions
- Energy efficient capacitor banks and variable frequency monitors
- Construction of greenhouse for fibre drying

Our commitment to the SDGs Our eco solutions product 15 LIFE ON LAND range supports erosion control, shoreline protection and riverbank greening We have formed alliances with suppliers to ensure the responsible sourcing of raw materials Installation of a bio-mass burner at a manufacturing facility at Katana We support a supplier base of over 90 through whom we procure coconut husk fibre







Overview

The Sector is a leader in protective hand-wear, serving around 5% of global demand for natural and synthetic-latex based household and industrial gloves. With a track record of over four decades, we have built reputation for innovation, quality and sustainable manufacturing globally



102-9

Sector Review

Hand Protection

Value Chain Sourcing latex Unsupported manufacturing line Unit 2017 2018 Unit 2018 2017 PPE Latex purchases MT11,490 10,175 Rs.mn 4,093 4,317 No. of suppliers No. 2,409 1,808 Capital expenditure Rs.mn 339 479 Investment in supplier development Rs.mn 4.24 Energy usage GJ 1,385,690 1,290,381 1.4 Renewable energy Spending on local suppliers % 72 62 % 90 79 Water usage 1,453,448 M3 mn 1,748,700 Carbon footprint tCO2e 16,199 16,401 **Enabling Factors** Our Talent Pool Headcount • Training hours Avg. Training Hours Net profit/employee Revenue/employee Financial capital R&D Capabilities Investment in R&D Products in the pipeline Manufactured capital Investment in CSR Community Human capital relations Beneficiaries

Operating Environment

+46%

Increase in local latex prices

Latex prices in Sri Lanka escalated sharply in 2017 due to supply shortfalls coupled with stronger demand from the tyre industry. Erratic weather conditions, inadequate replanting and low productivity have resulted in a gradual decline in production volumes.

+13%

Global trade volumes

Global trade recovered driven by stronger investments in commodity exporting countries and investment expansion in advanced economies







Packing and sorting

		Unit	2018	2017
•	Customer acquisition	No	38	43
	Customer retention	%	89	96
•	New products launched	No	7	2

Viking - Seamless knitted glove in an industrial application

	Unit	2018	2017
Revenue	Rs.mn	15,852	14,281
PBIT	Rs.mn	471	978
PBT	Rs.mn	430	929
PAT	Rs.mn	113	802
Assets	Rs.mn	12,027	11,730
Total debt	Rs.mn	2,610	2,753
ROCE	%	5.2	10.6
Tax paid	Rs.mn	347	148

Unit	2018	2017
No.	1,715	1,863
Hours	18,011	9,985
Hours	10.5	7.7
Rs.mn	0.07	0.43
Rs.mn	9.24	7.67
Rs.mn	61	59
No.	8	4
Rs.mn	0.6	7.0
No.	4700	4200



Social and relationship capital



Intellectual capital



○ Natural capital

+8%

Global demand

 $Global\ demand\ for\ disposable\ gloves\ has\ grown\ consistently$ over the last few years. Sri Lanka is one of the largest exporters of rubber gloves in the world and export revenue from gloves $% \left\{ 1,2,...,n\right\}$ increased by 18% during the year.

-36%

Fall in SL rubber production since 2013

Competition from regional manufacturers has intensified, leading to price undercutting and $% \left(t\right) =\left(t\right) \left(t\right)$ $margin\, pressure$

Sector Review Hand Protection



Source: Central Bank of Sri Lanka

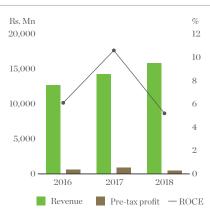
Strategy and Performance

The Sector continued to strengthen its fundamentals, with strategic focus on customer acquisition, entry into new markets and product development. Resultantly, revenue grew by 11% to reach a record high of Rs. 15,852 mn while sales volumes and new customer acquisitions also strengthen. Profitability however, was impacted by the sharp escalation in latex prices during the year which resulted in margin compression. Performance was also affected by the slower-than-expected turnaround of our supporting gloves unit. Accordingly, the sector's profit after tax declined by 86% to Rs. 113 mn.

DPL leverages on its regionally focused marketing model to drive deeper penetration in new and existing markets. In 2017/18, we acquired 38 new customers who generated significant revenue The European region continues be our largest market, followed by North and South America.

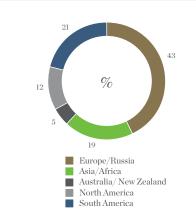


Financial Performance



The escalation in raw material costs compelled us to revisit our manufacturing processes to drive increased efficiencies, cost optimisation and minimise wastage during the year. This included broad-basing our supplier base, exploring new chemical formulations and process engineering to reduce energy, water and gas consumption. Resultantly, the Group's furnace and water consumption declined by 83% and 6% respectively during the year, despite an increase in volumes.

Regional sales breakdown



New products

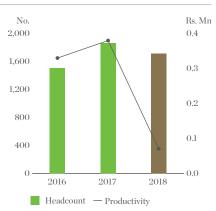
100 Variants of existing products customized

8 Products in the pipeline

We continue to leverage on our R&D capabilities, investing Rs $61\,\mathrm{mn}$ in product and process development efforts. DPL launched 7 new products during the year and manufactured over $100\,\mathrm{variants}$ of existing products to cater to specific customer requirements.

Attracting and retaining talent continues to be an industry-wide challenge; our HR strategy focused on optimising the cadre through upskilling and combining positions. We invested Rs.11.3 mn in training initiatives, translating to total training hours of 18,011. The Group is committed to ensuring an injury and hazard free work environment and successfully obtained the OHSAS certification for 02 locations during the year.

Human capital indicators



DPL sources raw materials from 2,409 suppliers, of whom 2,158 are smallholders. During the year, we broad-based our supplier base to regional markets such as Thailand and Cambodia, given the sharp escalation of Sri Lankan latex prices. We continued to invest in DPL Firstlight, our award-winning supplier development initiative which has empowered over 2000 latex farmers across the country

and contributed towards their socio-economic progress. In 2017/18, we distributed 51,800 kg of fertilizer to 1100 farmers at a total investment Rs. 3 mn.

2,409

Farmers supported

Rs. 6,373 Mn

Payments to suppliers

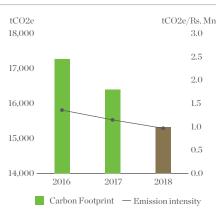
51,800 kg

Fertilizer distributed

As a manufacturing organisation, DPL consistently strives to minimise its environmental footprint. We have continued to drive the use of renewable energy with

the objective of reducing dependence on fossil fuels and carbon emissions. In 2017/18 we converted all furnace oil boilers in local operation to renewable energy. Renewable energy sources now fulfil nearly 90% of DPL's total energy requirements. We also engage in the responsible disposal of our waste and effluents, with water discharge quality parameters being monitored on an ongoing basis.

Carbon footprint and intensity





Sector Review

Hand Protection



Water

Recycle and re-use water

Energy

- Increased focus on renewable energy
- Energy efficient lighting and equipment

Waste and effluents

- · Hazardous waste sent to Geocycle
- Waste water treated at effluent treatment plant

Our commitment to the SDGs





Our products encourage increased health and hygiene in numerous industries including healthcare, food and beverage





The Sector's emphasis on switching to renewable energy has resulted in a sustained decline in its carbon footprint.





Renewable energy sources now fufill 90% of the Sector's energy requirements





Through Firstlight, we have empowered and supported rubber smallholder communities through providing a secure source of sustainable income





Overview

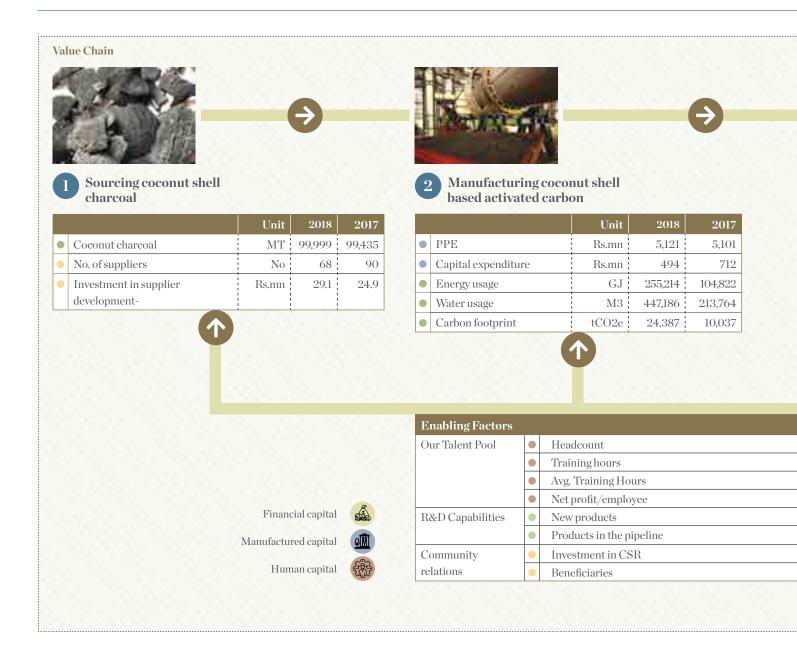
Haycarb PLC is the world's largest manufacturer of coconut-shell based activated carbons and has built a global reputation for quality and sustainable manufacturing methods. The Sector is also a leading provider of water and waste purification systems in Sri Lanka and Maldives.



102-9

Sector Review

Purification



Operating Environment

+51%

Increase in coconut shell prices

Supply shortages of coconut charcoal in Sri Lanka, Thailand and Indonesia resulted in the sharp escalation of prices during the year. 9%

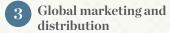
$Thai\ Baht/USD\ appreciation$

Appreciation of the Thai Baht impacted margins of our Thai operation due to difficulties in passing on cost increases to the export markets









		Unit	2018	2017
•	Customer acquisition	No	23	18
•	Total customers	No	213	190

End-consumers in diverse applications

	Unit	2018	2017
Revenue	Rs.mn	15,518	13,553
PBIT	Rs.mn	1,090	1,368
PBT	Rs.mn	912	1,181
PAT	Rs.mn	760	930
Assets	Rs.mn	14,487	13,504
Total debt	Rs.mn	3,164	3,048
ROCE	%	10.2	13.9
Tax paid	Rs.mn	216	196

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Unit	2018	2017
No.	1,411	748
Hours	5,981	5,835
Hours	7.0	7.8
Rs.mn	0.53	1.2
No.	3	4
No.	3	3
Rs.mn	4.5	2.2
No.	33,593	25,500



Social and relationship capital



Intellectual capital



Natural capital

+5%

Global demand prices

Improving gold prices have supported the recovery of the mining industry

CAGR (2017-2023) Activated Carbon

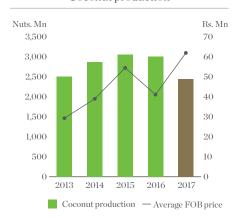
Strong growth potential in the AC market driven by commercial and $\,$ $residential\ waste\ water\ treatment\ demand,\ rapid\ industrialisation\ and$ increasing stringency of environmental regulations.

Sector Review

Purification

Clusters in sector	Risks and Opportunities	Contribution to sector	
Activated carbon	Internal impacts:	Revenue: 92%	
	+ Focus on productivity improvements in lean platform	PBT: 57%	
	+Enhancement of technology and quality systems of manufacturing plants		
	- Challenges to attract and retain employees for technical and skilled operator positions		
	+Initiatives to reduce carbon footprint		
	+ Initiatives for development of new products and processes.		
	External impacts:		
	- Raw material shortage in Sri Lanka and Thailand		
	- Appreciation of the Thai Baht		
	+ Recovery in gold industry		
	+ Emerging opportunities in new application segments and new markets		
	-Intense competition from manufacturers in India and Philippines		
Environmental engineering	Internal impacts:	Revenue: 8%	
	+ Focused strategy of growth	PBT: 43%	
	+ New capabilities and investment in human resources		
	+ Strategic collaborations		
	External impacts:		
	+ 450 medium and small -scale township water projects in Sri Lanka through WASSIP funded by the World Bank		
	+ Growth opportunities in regional markets especially in Myanmar and Maldives (WASSIP- Water supply and Sanitation improvement project)		



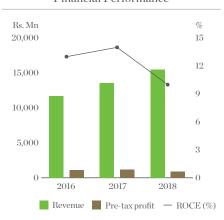


Source: Central Bank of Sri Lanka

Strategy and Performance

The Purification Sector experienced a challenging year, primarily due to a global shortage in coconut charcoal. Sri Lanka's coconut production also declined by 19% in 2017 reflecting persistently unfavourable weather conditions. While the Sector's revenue growth was commendable at 14% the sharp escalation in raw material prices, lagging effect in price revisions and the inability to fully pass on cost increases resulted in GP margins narrowing by almost 3%. Our operations in Thailand were also affected by

Financial Performance



the sharp appreciation of the Baht during the year. The sector's Environmental Engineering arm (Puritas) however, turned in another year of strong growth with revenue and profit increasing by 8% and 43% respectively. This enabled the Sector to offset the declining profitability in purification to a certain degree with profit after tax clocking in at Rs. 760 mn (compared to Rs.933 mn in 2017)

Haycarb continues to maintain its market position as one the world's leading coconut shell based activated carbon producers with a global market share of around 15%. Despite the challenging industry conditions, we continued to leverage on our strong brand position, while expanding the value added range into food, cosmetic and pharmaceutical applications. In order to support our entry into these segments we successfully obtained several accreditations during the year.

GOOD MANUFACTURING PRACTICES(GMP)

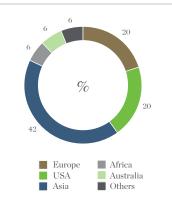
HACCP

ISO 22000 :2005

The Sector's revenue growth during the year was supported by deeper penetration in existing markets such as Russia and China while entering new markets such as South America and West Africa. Asia continues to be the Sector's largest market, followed by USA and Europe.



Sales by region

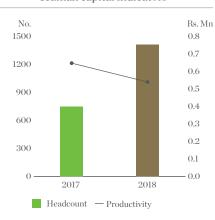


We continued to focus on driving efficiencies and lean manufacturing practices. Lean co-ordinators were appointed and avenues for optimising costs were identified through process analysis. These efforts have generated tangible results with cost savings of approximately Rs. 112 mn.

Meanwhile Puritas has successfully positioned itself as a leader in water and wastewater

treatment systems in Sri Lanka and the region. The cluster's exclusive partnership with Veolia Water has allowed it to capture opportunities in large water treatment projects in Sri Lanka.

Human capital indicators



We continued to invest in expanding the scope and coverage of Haritha Angara, our award-winning green charcoaling initiative. In 2018 we expanded the programme to new regions such as the North/East,

Sector Review

Purification



Anuradhapura and Polonnaruwa while strengthening our presence in the coconut triangle and southern region. During the year we added 45 new environmentally friendly charcoaling pits, thereby increasing Haritha Angara charcoaling pits to 120, with capacity to manufacture 2,000 MT of charcoal per month.

The Haritha Angara initiative has directly contributed towards reducing the carbon footprint of our supply chain. Within our manufacturing facilities, we continued to drive efficiencies in energy consumption with the objective of optimising costs and reducing dependence on fossil fuels. This year, in widening the scope of our sustainability reporting we have included our foreign manufacturing operations; accordingly, the Sector's carbon footprint amounted to 24,387 tCO2e. Ongoing initiatives are also in place for the efficient use of water and responsible disposal of waste.

The Sector is also the driving force behind

the Hayleys Group's flagship CSR initiative Puritas Sath Diyawara through which we have provided access to 160,000 litres of purified water per day to over 33,593 people in 19 villages affected by the Chronic Kidney Disease.

Our commitment to the SDGs Our products are used to remove pollutants from air, water and other products 120 Green charcoaling pits 13 CLIMATE ACTION across the island have reduced the carbon footprint of our supply chain 8 DECENT WORK AND ECONOMIC GROWTH Employees developed through 5,981 training hours We have provided access to clean water to over 33,593 individuals through Puritas Sath Divawara

Environmental initiatives

Water

- Optimising carbon washing regime
- Water discharge treated at an effluent treatment plant
- Spent carbon is regenerated in the Thailand factory

Energy

Channelling waste heat to the production process

Waste and effluents

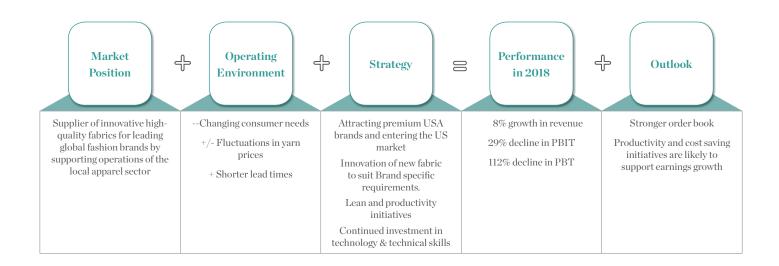
- World's first pollution free charcoaling plant- Recogen - Sri Lanka
- Haritha Angara Charcoaling pits-Sri Lanka
- Environment friendly vertical charcoaling kilns - Thailand





Overview

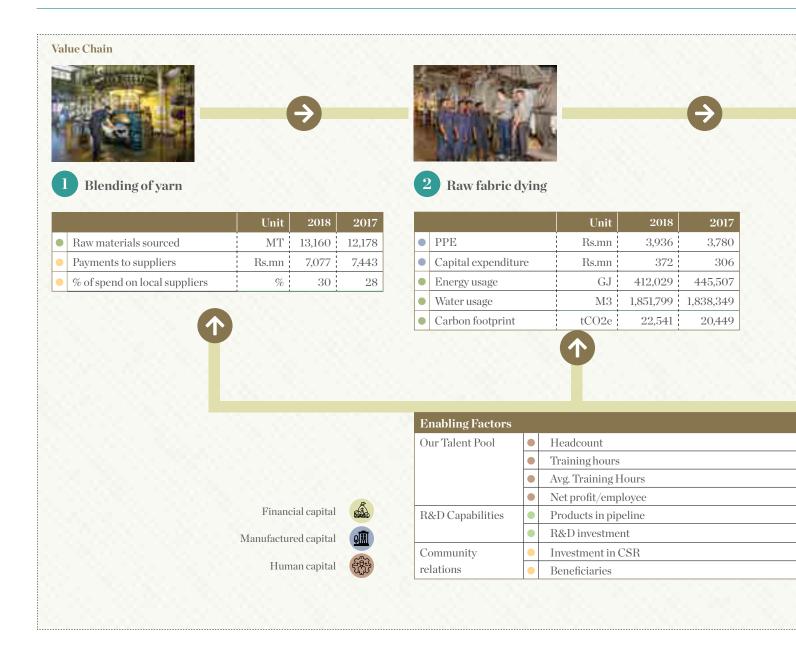
Hayley's Fabric PLC is Sri Lanka's pioneering fabric manufacturer providing high end fabric to global fashion brands. The Sector's competitive edge is underpinned on our innovation capability, lean workflows and strong supply chain relationships.



102-9

Sector Review

Textiles



Operating Environment

+3.5%

Growth in the global apparel industry

The apparel industry grew by 3.5% in 2017 supported by improving economic conditions in advanced economies and driven by fast fashion. For the first time in 5 years, global apparel prices also increased by 1% reflecting the slow shift towards value added apparels.

44%

Of the country's total exports

The Sri Lankan textile and apparel sector comprises 300 manufacturers and 4 large scale mills. The Sector is vital to the country's export sector with textiles and garments exports accounting for 44% of the country's total exports









		Unit	2018	2017
•	Customer acquisition	No.	7	15
•	New products developed	No.	Over 140	Over 100



Finished fabrics

	Unit	2018	2017
Revenue	Rs.mn	8,856	8,229
PBIT	Rs.mn	142	200
PBT	Rs.mn	-8	61
PAT	Rs.mn	-104	73
Assets	Rs.mn	5,818	5,755
Total debt	Rs.mn	2,600	2,992
ROCE	%	3.6	4.6
Tax paid	Rs.mn	Nil	16



Unit	2018	2017
No.	1,229	1,258
Hours	8,016	13,473
Hours	6.5	10.7
Rs.mn	-0.08	0.06
No.	35	Over 115
Rs.mn	2.3	4.2
Rs.mn	0.3	8.7
No.	Over 2000	Over 2000



Social and relationship capital



Intellectual capital



Natural capital

+3%

Sri Lanka's apparel sector growth

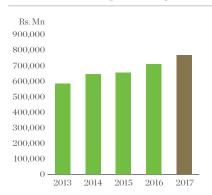
Sri Lanka's apparel sector grew by 3% to USD 4.8 bn in 2017. Sri Lanka's appeal as a sourcing destination is founded on the quality and capability of manufacturing facilities and our positioning as an ethical sourcing destination.

 $\mbox{GSP+}$ was reinstated in May 2017 and is expected to further support industry growth as products manufactured in Sri Lanka becomes more attractive to EU fashion brands

Sector Review

Textiles

Textiles and garment exports



Source: Central Bank of Sri Lanka

Strategy and Performance

Despite making significant progress with buyers' booking capacity, the Textiles Sector's performance was impacted by delays in the materialisation of orders, which led to lower capacity utilisation levels. Revenue grew by 8% during the year indicating positive customer interest in our range; however, the Sector incurred a pre-tax loss of Rs. 7.52 mn due to the lower capacity utilisation levels and an increase in yarn costs during the year.

Financial Performance



Over the past few years, the Sector had pursued a strategy of moving up the value spectrum, increasing the output of high value polyester blends. Although capacity was reserved based on forecasts made by highend customers during the year, these did not materialise due to changes in consumer behaviour. While in certain instances, these high-end brands provided compensation to the Company for the raw material costs these were insufficient to cover the overhead costs and losses from idle capacity. The year under review has underscored the importance of balancing short and long-term goals and the Sector will focus on refining its strategy to drive performance in the next financial year.

In responding to these challenges, the Sector has taken proactive efforts to shorten the turnaround time of core products, shorten supply chains and achieve leaner workflows. The Company also implemented Total Productive Maintenance Management (TPM) during the year, with a comprehensive study being carried out to identify avenues

for reducing cost and eliminating waste. These efforts are expected to bear fruit in the next financial year. The Sector's capital investments amounted to Rs.372 mn during the year, comprising technology upgrades, new machinery and enhanced printing technology which have strengthened manufacturing capabilities and flexibility. The Sector has also obtained 41 certifications/accreditations a five of which are listed alongside.

In an industry which frequently experiences labour shortages, we have nurtured a unique value proposition which has fostered a team spirit and a strong company culture. We are the largest employer in the vicinity with nearly 60% of our employees living within 15 km radius of the factory. A high level of engagement has also led to cordial relationships with trade unions who have fully extended their corporation to operational changes. The Company's retention rate of 95% is testament to the relationships it has nurtured with its employees.



Environmental Sustainability

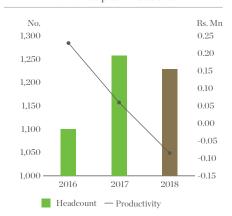
- ISO 14001:2015
- Carbon Conscious Certificate
- Water Conscious Certificate
- Organic content standard

Social Sustainability

- OHSAS 18001: 2007
- George/Walmart Responsible Sourcing Programme

Special Softener tabric coffection for better handle

Human capital indicators



The Sector's operations have significant environmental impacts, particularly in water consumption and carbon emissions. Water used in our operations is treated through an effluent treatment plant and discharged to the river; water quality parameters are monitored continuously to ensure compliance to environmental regulations. We are also currently on track to reach zero discharge of

hazardous chemicals by 2020 as part of a commitment to our Brand partners. During the year we substituted furnace oil with a bio-mass boiler for printing and brushing machines. Accordingly renewable energy accounted for 61% of the Sector's total energy consumption.

The Company is deeply committed to its community obligations and supports the livelihoods of local micro entrepreneurs through obtaining a range of services including transport, canteen services, sawdust, cleaning and gardening. During the year we also distributed 1,088 MT of fabric waste to people in adjacent communities to make wicks for oil lamps and rugs for household purposes.

Environmental Initiatives

Waste and Effluents

- Waste water is treated and discharged
- Fabric waste scrap sent to people in neighbouring communities

Energy

- Energy efficient machinery
- Energy efficient lighting and equipment
- Generation of electricity using saw dust
- Bio mass boiler

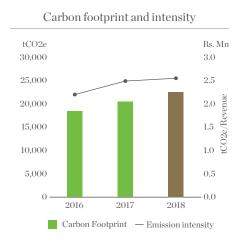
Water

 Recycle and re-use water

Sector Review

Textiles





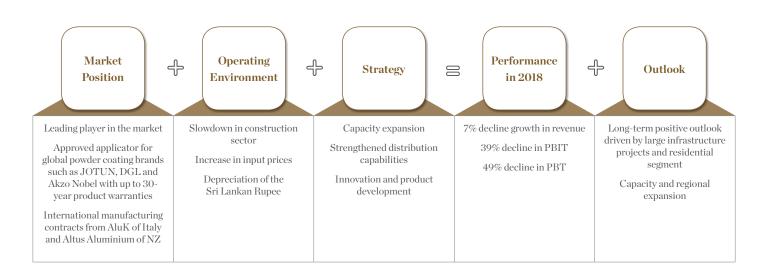
Our commi	Our commitment to the SDGs				
17 PARTNERSHIPS FOR THE GOALS	We have joined forces with our brand partners to drive towards our environmental goals.				
13 CLIMATE ACTION	Multiple initiatives to drive energy efficiency and reduce dependence on fossil fuels.				
8 DECENT WORK AND ECONOMIC GROWTH	Attractive remuneration and good working conditions to 1,229 employees				





Overview

We are Sri Lanka's leading manufacturer of aluminium extrusions, offering a range of products to the residential and industrial segments. The Sector's competitive edge has been sharpened by years of deep industry insights, an innovation-led product strategy and a reputation for quality.



102-9

Sector Review

Construction Materials

Value Chain **Importing aluminium** Manufacturing aluminium extrusions billets Unit 2018 2017 Unit 2018 2017 Aluminium billets used PPE Rs.mn MT7,083 3,335 1,958 6,625 Capital expenditure Rs.mn 341 169 No. of suppliers No 618 621 3,596 Energy usage GJ 69,221 74,835 Payments to suppliers Rs.mn 4,311 Water usage М3 120,477 126,623 Recycled input material 31 22 % Solid waste MT1,604 1,000 Carbon footprint tCO2e 6,969 7,120 **Enabling Factors** Headcount Our talent pool Training hours Avg. training hours Net profit/employee Investment in training Value chain Fabricator training programmes No. of fabricators trained relationships Financial capital Innovation Investment in R&D New products launched Manufactured capital capabilities Investment in CSR Community Human capital Beneficiaries relations

Operating Environment

+3.2%

Sri Lanka's construction industry growth

Growth in Sri Lanka's construction industry slowed in 2017, reflecting moderating economic conditions and a relatively tighter fiscal and monetary policy. Large scale infrastructure projects slowed considerably, although the personal housing construction sector continued to grow.

+16%

Global aluminium prices

Global aluminium prices increased in 2017 reflecting stronger growth in all major economies and production capacity cuts in China



Marketed through Dealers and Contractors

		Unit	2018	2017
•	No. of Dealers	No	82	73
•	No. of new Dealers	No	10	11



Products used by the commercial, residential and industrial segments

	Unit	2018	2017
Revenue	Rs.mn	4,400	4,706
PBIT	Rs.mn	646	1,050
PBT	Rs.mn	515	1,016
PAT	Rs.mn	364	753
Assets	Rs.mn	5,879	3,830
Total debt	Rs.mn	2,684	560
ROCE	%	14.6	43.3
Tax paid	Rs.mn	197	302



Unit	2018	2017
No.	571	526
Hours	8,822	1,673
Hours	15.5	3.2
Rs.mn	0.64	1.4
Rs.mn	6.2	1.8
No. of	48	78
No.	1,545	1,480
Rs.mn	0.4	1.0
No. of	22	53
Rs.mn	8	11
No.	7,645	5,485



Social and relationship capital



Intellectual capital



Natural capital

-2.4%

Depreciation of the Rupee in FY March 2018

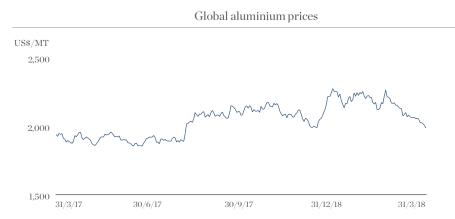
The Rupee has been under pressure in 2017 and particularly the first quarter of 2018.

Demand for aluminium profiles

Increasing popularity of aluminium profiles in residential properties has driven the demand for aluminium extrusions.

Sector Review

Construction Materials



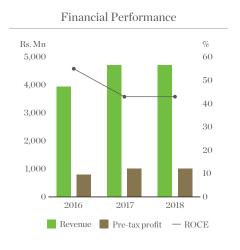
Source: Bloomberg

Strategy and Performance

The Sector experienced a challenging year against the backdrop of an unexpected machine stoppage due to a fault in the main extruder and rising input costs. Revenue declined by 7% as the stoppage prevented the production of certain extrusions, leading to a decline in market share although the Company retained its leadership position. Rising input costs and depreciation of the Sri Lankan Rupee inserted pressure on profitability margins. Meanwhile the rising interest rate scenario and increased borrowings to fund capacity expansions resulted in a 212% increase in finance costs. Resultantly, the sector's profit after tax declined by 52% to Rs. 364 mn during the year.

Despite these temporary challenges, we remain optimistic on the sector's growth potential and have continued to invest in enhancing our manufactured capital. Capex for the year, together with capital work-in-progress amounted to Rs. 1,486 mn representing investments in a state of the art extrusion and powder coating facility which is expected to increase capacity by around 112%. The first of its kind in South Asia, the factory will feature world-class equipment and technology and strengthen our capabilities to cater to the growing demand for larger, stronger and superior quality window and door systems required by high-rise buildings. Construction of this facility is expected to be completed by the end of 2018.

Alumex has nurtured a reputation for innovation and has launched several industry-firsts to the Sri Lankan market. In 2017/18 we launched several new products including a cabinet and furniture series.



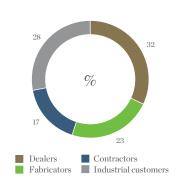


Track record in innovation

2016	Sliding door/window, double	
	glazed casement windows	
2017	Curtain wall, Alumex Tested	
	Systems, Lift and slide doors	
2018	Wardrobe and furniture series	

We further strengthened our distribution capabilities during the year, adding 10 dealers and 01 distribution hubs. Dealers play a vital role in our value chain, organising fabricator trainings, product promotional campaigns and providing technical support.

Sales by region



We are committed to generating shared value across our supply chain and continue to engage in numerous training initiatives to drive industry skill development.

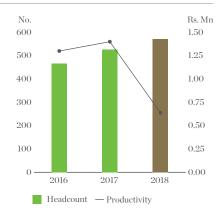
Alumex conducted 48 fabricator training programmes with a participant base of over 1,545 at our dedicated Training Centre and in outstations. We also provide training to a range of technocrats in the SL Navy, SL Army, Vocational Training Authority and NAITA. We were also selected as a training partner by the National Institute of Education to provide training to 1,000 school teachers who in turn



will teach the technical education curriculum to Ordinary and Advanced level students.

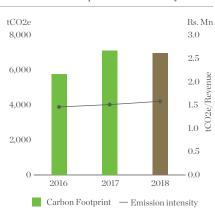
Alumex added 120 new employees to its team; enhancing productivity was a key focus during the year and we launched a Total Productive Maintenance (TPM) programme aimed at eliminating bottlenecks and generating process efficiencies. Total payments to employees amounted to Rs. 556 mn an increase of 1% compared to the previous year.

Human capital indicators



The Sector strives to minimise the adverse environmental impacts of its operations. The technology in the new factory features numerous energy and water efficient elements, enabling us to drive our sustainability agenda while pursuing business growth. During the year total energy consumption and emissions declined in view of the reduction in production volumes. The sector's waste and effluent management practices are in line with regulatory requirements and industry best practices.

Carbon footprint and intensity



Sector Review

Construction Materials



Environmental initiatives

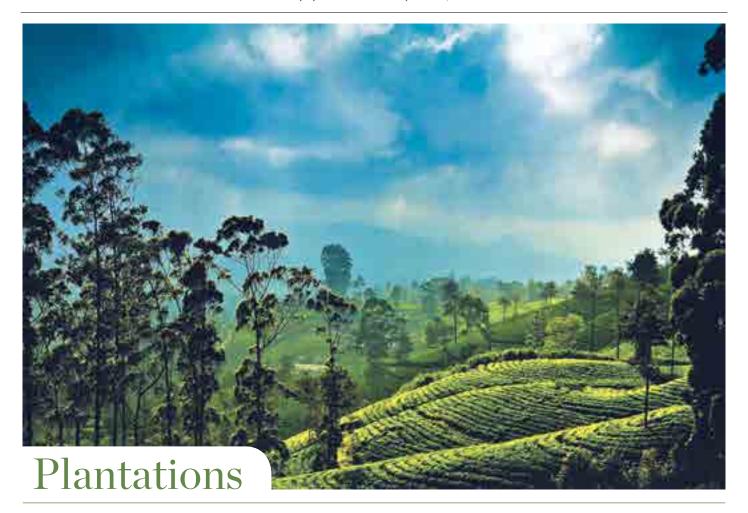
 Recycle and re-use water

Energy

- Increased focus on renewable energy
- Energy efficient lighting and equipment

Waste and effluents

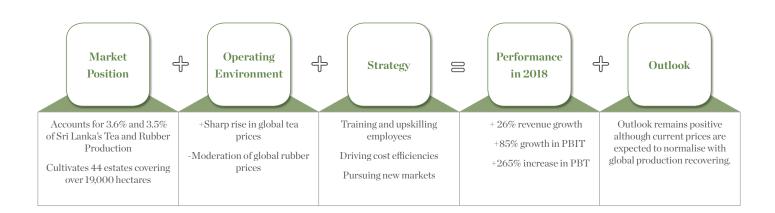
- Hazardous waste sent to Geocycle
- Waste water treated at effluent treatment plant





Overview

The Sector generates 3.6% and 3.5% of the country's tea and rubber production respectively through 2 regional plantation companies, which lead the industry in quality and sustainable business practices.



102-9

Sector Review

Plantations



Operating Environment

+31%

Increase in average tea prices

Global tea prices increased in 2017 mainly due to supply deficits in key producing regions such as Kenya. While unfavourable weather conditions affected Sri Lanka's production during the 1st quarter of 2017 production levels improved towards the latter part of the year.

Rs. 467 per/kg

Cost of production

The short-sighted ban on glysophate resulted in numerous unintended challenges such as higher cost of production and labour migration from the sector.









		Unit	2018	2017
•	New products	No.	1	18
•	Investment in R&D	Rs.mn	11.5	29

4 World- renowned quality produce

	Unit	2018	2017
Revenue	Rs.mn	12,609	9,899
PBIT	Rs.mn	887	479
PBT	Rs.mn	477	131
PAT	Rs.mn	358	84
Assets	Rs.mn	13,943	12,635
Total debt	Rs.mn	4,506	4,123
ROCE	%	9.5	5.7
Tax paid	Rs.mn	100.6	57.9

1

Unit	2018	2017
No.	17,104	17,192
Hours	77,496	55,751
Hours	4.5	3.2
Rs.mn	0.02	0.005
Rs.mn	364	391
%	70	68
Rs.mn	247	78



Social and relationship capital



Intellectual capital



Natural capital

-18%

Reduction in global rubber prices

Despite a temporary increase in local latex prices, global rubber prices declined in 2017.

12-fold

Increase in wage rate since 1990s

Sri Lanka's tea sector wages are amongst the highest in the world , accounting for nearly 70% of the total cost of production. The country's yields are relatively weak in comparison to regional counterparts.

Sector Review

Plantations

Clusters in sector	Operating context	Contribution to sector	
Kelani Valley Plantations	Internal impacts:	Kelani Valley Plantations	
and Talawakelle Tea Estates	- Labour migration from the estates	Revenue: 33%	
	External impacts:	PBT: 62%	
	- Ban on glyphosate during the year under review	Talawakelle Tea Estates	
	- Declining yields and low labour productivity	Revenue: 32%	
	- Erratic weather conditions	PBT: 129%	
	+ Increase in prices stemming from global supply shortfalls	⊣ ! !	
Tea exports	Internal impacts: -	Revenue: 36%	
(Mabroc Teas)	External impacts:	PBT:23%	
	+ Global shifts in consumer demand from carbonated drinks to healthy beverages	→	
	- Adverse weather conditions	⊣ !	
	+ Global buyers' increasing emphasis on sustainability considerations	→ 	
Tea exports	Internal impacts:	Revenue: 1%	
(Hayleys Global Beverages)	- Delays in securing large orders	PBT: (114%)	
	External impacts:		
	- Competition from more established players		

Tea production trends-Sri Lanka

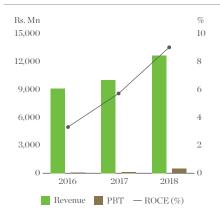


Strategy and Performance

The Hayleys' Plantations sector turned in a year of strong performance during the year,

supported by buoyant tea prices and growth in the tea exports business. The Sector's revenue increased by 26% to Rs. 12.61 bn during the year, while 31% increase in global tea prices also led to a widening of profit margins. The Group's value -added tea exporter-Mabroc, also achieved strong growth during the year, surpassing the Rs. 100 mn profit mark for the first time. Resultantly, the Sector achieved a near tripling of profit after tax to Rs. 358 mn during the year. The performance of Hayleys Global Beverages, the Group's tea extracts arm was below expectations as delays in product approvals and competition from more established players in new markets have delayed profitability. This venture requires a sharpening of focus and we remain optimistic regarding its growth potential over the medium to long-term. The sector was also recently appointed as the managing agent of Horana Plantations PLC.

Financial Performance

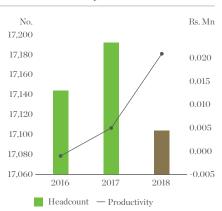


The glyphosate ban which was applicable during the year had numerous unintended consequences on the industry. Plantation companies were compelled to resort to manual weeding which pushed up the already

high cost of production. Meanwhile due to the residue of MCPA (an alternative weedicide) which was used as an alternative to Glyphosate Sri Lankan tea was rejected by Japan, one of Sri Lanka's major markets. We welcome the Government's recent move to lift the ban, as further imposition of the same may have resulted in irreparable damage to the industry. We also encourage the government to pursue evidence-based, inclusive regulation that delivers on desired social and environmental objectives while reflecting the complexities of our industry.

The rising cost of production continues to be a key challenge facing industry players. Sri Lanka's tea sector wages are amongst the highest in the world, accounting for nearly 70% of the total cost of production. Meanwhile the country's labour productivity continues to be significantly lower than other tea-producing countries. In addressing this challenge, we introduced a productivity incentive to our workers in 2016, providing an opportunity for workers to obtain a higher income while improving productivity. During the year we continued to invested Rs. 9.3 mn in employee development. We have also sought

Human capital indicators





to drive process efficiencies through the increased use of automation and during the year we widened the use of the electronic weighing system.

Maintaining superior product quality is a vital element of our ethos and we continue to invest in complying with numerous local and international quality standards including Rainforest Alliance and Forest Stewardship Council Certification among others. This approach has enabled us to consistently command premium pricing at both the tea and rubber auctions and during the year. We were also awarded a record of 6 National Business Excellence Gold Awards in addition to the Bronze award in overall excellence, marking the first time a plantation company received this prestigious award.

Rs/KG	National Average	KVPL	TTE
Sales average-Tea	618.14	640.83	657.49
Sales average-Rubber	336.72	334.20	289.86
Yield-Tea	N/A	1,247	1,407
Yield-Rubber (per hectare)	809	1,013	346

We continue to make substantial investments in uplifting the standard of living of nearly 110,000 estate workers living on our plantations. Our efforts are aimed at improving nutrition, supporting children's educational needs and improving health and sanitation among others. Through the sector's multi-dimensional "A Home for Every Plantation Worker" initiative, the following activities among others were carried out during the year. Initiatives are also in place to empower the elderly estate workers, and retiring employees are allocated plots for cultivating tea which is subsequently purchased by our factories.

Sector Review

Plantations



	KVPL	ТТЕ
Houses constructed	157	66
Medical campaigns	600	400
Community capacity building programmes	168	120

As a plantation company, we have a significant impact on natural resources such as biological assets and water. We are committed towards ensuring the sustainability of our estates and place continued emphasis on replanting and maintaining biological assets and engaging in good agricultural practices. Investments in replanting amounted to Rs. 364.6 mn during the year. Meanwhile, 70% of the sector's energy requirement is fulfilled through renewable energy while water resources are protected through chemical free buffer zones and fences.

Environmental Initiatives

Energy and CO2	Water	Waste and Effluents
 Renewable energy generated through 4 hydro power plants Use of fuel wood in hot water boiler system 	 Chemical free buffer zones and fence Rainwater harvesting and recycling 	 Water purification through bio- remediation Integrated Waste Management

Our commitment to the SDGs

1 NO POVERTY

Through a holistic value proposition we support and empower the livelihoods of over 110,000 estate workers and their families who are amongst the most deserving communities in the country.





Ongoing programmes are in place to provide sanitation facilities to our estate workers.





Approximately 58% of our estate workers comprise female employees



Given the vital importance of our biological assets we continue to invest in replanting and propagating sustainable agriculture methods.





Overview

We are an industry pioneer in agricultural innovation providing a wide range of agriculture related solutions to the retail and export markets and commanding strong market positions across several sub-sectors.



102-9

Sector Review

Agriculture



Operating Environment

-0.8%

Decline in the Agriculture Sector

Sri Lanka's Agriculture sector is a vital component of the country's economy, providing employment to 26.1% of the population. Adverse weather conditions have continued to impact the sector resulting in a further contraction of 0.8% in 2017 following a 3.8% contraction in 2016.

+19%

Increase in agricultural exports

We believe the industry presents significant potential for growth, which are yet to be harnessed in a cohesive and systematic manner. Policy instability and impulsive regulations have also impeded the Sector's overall growth.







Packed and ready to export

		Unit	2018	2017
•	Customer acquisition	No	126	94
•	New products developed	No	48	28

Served at restaurants

		Unit	2018	2017
	Revenue	Rs.mn	13,947	13,612
•	PBIT	Rs.mn	1,149	1,487
	PBT	Rs.mn	910	1,103
	PAT	Rs.mn	626	790
	Assets	Rs.mn	11,346	9,002
•	Total debt	Rs.mn	2,953	3,317
	ROCE	%	20.8	26.2
	Tax paid	Rs.mn	336	362

Unit	2018	2017
No.	1,253	1,252
Hours	7,520	12,532
Hours	6	10
Rs.mn	0.50	0.63
Rs.mn	13.6	24
No.	73	54
Rs.mn	4.9	3.6
No.	12,763	14,635



Social and relationship capital



Intellectual capital



Natural capital

-46%

Decline in paddy production

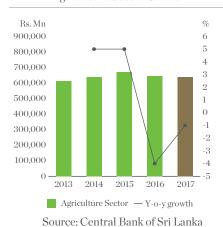
Adverse weather conditions continue to impact the paddy sector with both Yala and Maha $season\ paddy\ production\ being\ affected\ by\ drought\ followed\ by\ floods.\ As\ a\ result,\ the\ total$ gross extent sown for 2017 declined by 29% whereas the extent harvested declined by 45%resulting in the reduction of Paddy production by 46%.

Sector Review

Agriculture

	Clusters in sector	Operating context	Contribution to sector
	Products	Internal impacts:	Revenue: 64%
	Crop protection	+Ongoing training through farmer extension services	PBT: 59%
	Crop production	+Continued investments in R&D and new product development	
	Fertilizer	External impacts:	
	Agricultural equipment	-Continued adverse weather conditions	⊣ !
		-Policy instability	= !
		-Ad-hoc and misguided regulations on use of agrochemicals	_
		-Labour shortages	 -
	Animal health & others	Internal impacts:	Revenue: 6%
	Animal health	+Ongoing investments in R&D and product development	PBT: 9%
Exports	Pest management	External impacts:	_
dx		+Emphasis on the dairy sector	=
<u> </u>		-Price instability in the poultry sector	
	Exports	Internal impacts:	Revenue: 20%
	Food	+Continued investments in high tech agriculture, bio technology and research	PBT: 15%
	Non-food	+Intensifying relationships with local farmers and farmer organisations through our out-	
		grower networks and public private partnerships	
		External impacts:	
		-Non-conducive regulatory and legal frameworks	
		-Limited arable land and restrictions on private land ownership	
		+Emerging opportunities in regional markets	
		+Increasing focus on health and wellness and balanced nutrition	
	International	Internal impacts:	Revenue: 10%
gn	operations	+ Pursuing growth in existing and new markets	PBT: 17%
Foreign		External impacts:	
Fo		- Adverse climate change impact in the region	
		+Opportunities to pursue regional collaborations and mitigate risk	

Agriculture Sector Growth



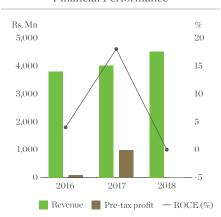
Strategy and Performance

The Agriculture Sector's performance was adversely impacted by the erratic weather conditions which affected the entire industry. The diversity of its operations and strong market positions enabled the Sector to demonstrate a degree of resilience to external challenges with revenue increasing by 2% to Rs. 13.95 bn during the year. Profitability however was impacted by rising costs and margin pressure resulting in the Sector's pre-tax profit declining by 17% to Rs.910.26 mn. The Fertilizer division performed

well achieving a profit growth of 31%, while the performance of the other segments were below expectations. Despite the challenging conditions, the Sector continued to focus on maintaining customer and supplier relationships, investing in product development and defending its market position.

The Sector invested over Rs. 13.6 mn in pursuing new product development. We introduced a zinc coated fertilizer in 2017/18 and launched Hexanal a natural, environmentally friendly





compound that would reduce post-harvest losses by delaying ripening of fruits and vegetables. We also intend to introduce a new variety of maize seed over the short term. The Sector continues to build on its partnerships with universities, research institutes and NGOs in nurturing intellectual capital. The sector currently has over 70 product developments in the medium term pipeline. We have also focused on leveraging our R&D capabilities in the exports segment adopting an innovation led product strategy.

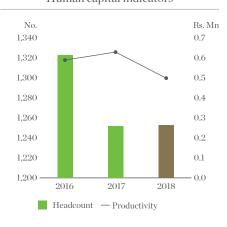
Product pipeline	No. of Products
Crop production	8
Crop protection	4
Food processing	10
Horticulture	18
Animal Health	15
Specialty Fertilizers	12
Agricultural equipment	4
Other Agri technology	2
Total	73

With the implications of climate change being felt more pronouncedly every year, we understand the importance of enhancing regional diversification.



We have nurtured deep-rooted relationships with agricultural communities across the island and continue to empower over 15,000 farmers and out-growers through our agricultural extension services. During the year we invested over Rs. 50 mn in training and awareness programmes on sustainable agricultural practices, provision of input materials and equipment among others. We strengthened our unique outgrower projects which have empowered Sri Lanka's most impoverished communities through buy-back guarantees, technical support and continuous training on production techniques. In recognition of our efforts, the Sector won the prestigious 7th Asia Best CSR Practice Award for best community development project.

Human capital indicators

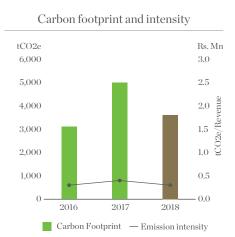


Program	No. supported
Moringa Outgrower Network	>20,000
Gherkins Project - Northern Province	>1,600
Bee Keeping Project	>250
Aqua culture-Sea Weed	>100
Pineapple cultivation	>200

Sector Review

Agriculture





Ongoing investments were made in strengthening our human capital. Focus was placed on succession planning and we engaged the services of a consultant to groom the 2nd tier of leaders within the Sector. We also maintained cordial relationships with trade unions and total value created to employees improved as we continue to strengthen our employee value proposition through training and exposure.

We continue to invest in preserving our natural resources and during the year installed a rainwater harvesting system for the flower seed operation, thereby reducing pressure on the community water supply. Other initiatives for minimising our adverse environmental impacts are listed below;

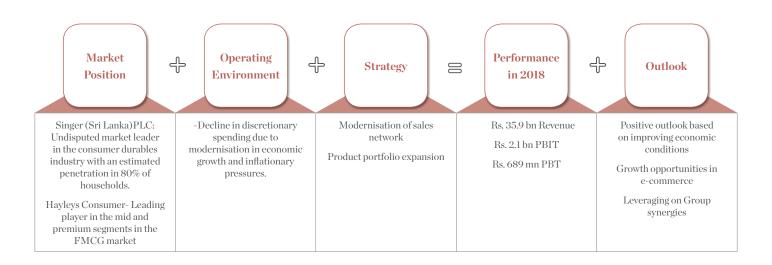
Energy	Use of fuel wood in hot water boiler system	
Water	Chemical free buffer zones and fence	
	Rainwater harvesting and recycling	
Bio diversity	Planted 100,000 gliricidia plants through 500 farmers	
	Installed the first weather station in Nuwara Eliya to capture agriculture-related meteorological information	
Waste and	Water purification through bio-remediation	
effluents	Integrated Waste Management	





Overview

Following the acquisition of Singer (Sri Lanka) PLC, the Group is now the leading player in Sri Lanka's consumer durables market, with an unmatched geographical penetration, extensive product portfolio and a brand that is frequently featured among the country's most loved brands.



102-9

Sector Review

Consumer & Retail



Operating Environment

+1.0%

$Spending \, on \, furniture \, and \, household \, equipment$

While overall consumer spending picked up pace during the year, the purchase of discretionary items slowed due to an overall moderation of economic growth and a weaker agriculture sector.



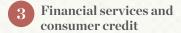
Increase in NCPI

The increase in global commodity prices together with weather related supply deficits in the country resulted in an upward trend in inflation for most part of the year.

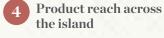








		Unit	2018	2017
•	Hire purchase accounts	No.	420,000	-
•	Customers acquired	No.	406,355	182



ROCE

Tax paid

	Unit	2018	2017
Revenue	Rs.mn	35,927	5,278
PBIT	Rs.mn	2,026	179
PBT	Rs.mn	698	9
PAT	Rs.mn	348	0.4
Assets	Rs.mn	47,193	3,183
Total debt	Rs.mn	27.666	1.585

Rs.mn

6.8

365

10.1

40

	2018	2017
No.	2,939	302
Hours	58,339	4,170
Hours	19.8	13.8
Rs.mn	0.12	0.001
No.	30	-
Rs.mn	>100	-



Social and relationship capital



Intellectual capital



Natural capital

Refrigerators 60%, Washers 25%Computers~30%, Air~conditioners~10%

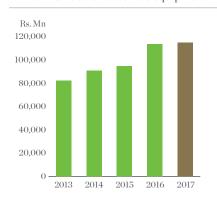
The relatively low penetration of consumer durables in households $\,$ presents significant opportunities for growth.

Sector Review

Consumer & Retail

Clusters in sector	Operating context	Contribution to sector
Singer (Sri Lanka) PLC	Internal impacts:	Revenue: 84%
	+ Opportunities presented by generating synergies with the Hayleys Group	PBT: 122%
	External impacts:	
	Increase in commodity prices	
	Increasing interest rate scenario and resultant high cost of funding at Singer Finance (Lanka)PLC	 1
	+ Increasing connectivity and mobile penetration	
	Adverse weather conditions affecting the agriculture sector	
	+ Opportunities in e-commerce	
	+ Low penetration of consumer durable products	
	+ The expansion in high rise buildings and apartments	
Hayleys Consumer	Internal impacts:	Revenue: 16%
	+ Sharpening focus on certain product lines through ongoing principal engagement	PBT: -22%
	+ Sales force automation	
	External impacts	
	Competition from Chinese products in the lighting segment	
	Increase in VAT from 11% to 15%	

Private consumption expenditurefurniture and household equipment

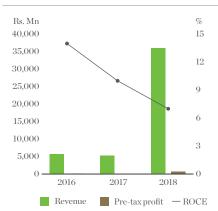


Source: Central Bank of Sri Lanka

Strategy and Performance

The Group's acquisition of retail giant Singer (Sri Lanka)PLC in September 2017 marked a major milestone for Hayleys. As the undisputed market leader in the consumer durables industry, the acquisition of Singer will enable the Group to achieve its long standing growth aspirations in this industry, further deepening its presence in Sri Lankan households. Following the consolidation of Singer's operations into the Sector (for a period of 6 months since the acquisition) the Consumer & Retail Sector has emerged as the 2nd largest contributor to Group revenue. Hayleys' Consumer cluster comprising of distributorships for several international FMCG principals experienced a challenging year, affected by moderating economic conditions, rising interest rates and realignment of principal relationships.

Financial Performance



The Hayleys' Consumer division achieved a top line growth of 8% during the year

supported by increased market coverage, a wider product range and distribution efficiencies. Profitability however, was impacted by increased competition, margin pressures and the rising interest rate scenario resulting in the division recording a loss before tax of Rs. 155 mn in the period. The improving macro-economic fundamentals present ample opportunities for growth and the division will seek to sharpen its focus on principal relationships and drive efficiencies through automation over the medium to long-term.

Singer's extensive product portfolio includes some of the world's best known brands. It is the exclusive national distributor for Huawei, Sharp, Hitachi, Sony and Beko among others and holds distributorships for Samsung, and Skyworth among others. Meanwhile the Singer brand is frequently featured among the country's top brands and recently won the coveted Brand of the Year award at the SLIM Nielsen People's Awards. With leading market positions in refrigerators, washing machines, televisions and sewing machines Singer is estimated to have a penetration level of nearly 80% in Sri Lankan households.

Product map

Singer Finance (Lanka) PLC is a registered finance leasing establishment regulated by the Central Bank. It engages in consumer finance, offering loan facilities through a network of 24 branches. With over 420,000 consumer durable accounts, it is the largest consumer financier in the NBFI sector and second only to the largest banks.

The Sector's Manufactured Capital is significant comprising of Singer's distribution

Product Portfolio

Home appliances	IT	Electronics	Others
RefrigeratorsWashing machines	 Tablets Smart phones	 Televisions Audio set up	Sewing machinesFurniture
• Air conditioners	• Computers	• DVD	Turinture
Deep freezersBottle/air coolers	Digital cameras	Home theatres	
Gas ovensFans			

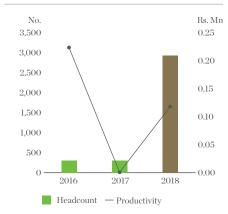
network. Singer's geographical reach of 432 showrooms is the largest network of consumer durables in the country. The showrooms are operated in 5 formats with penetration in all provinces and all districts of the country. Modernising our network through upgrading our physical infrastructure is a priority for Singer. Manufacturing facilities include Regnis Lanka (PLC) and Singer Industries (Ceylon) PLC which produces refrigerators and washing machines as well as the Sector's furniture and agro equipments.

The Sector provides employment to 2,615 individuals disbursed across the island. Singer has consistently been ranked among the country's top 25 Great Places to Work, attesting to our holistic employee value proposition.

Environmental initiatives

Singer is deeply committed to its social responsibility agenda; the Singer Business School empowers youth by providing opportunities for skill development through 67 fashion academies, 8 computer academies and 3 vocational academies. Since inception in 2015, the Business School has engaged over 6,670 students in over 25 programmes.

Human capital indicators



The Company engages in numerous CSR initiatives with total community investment amounting to Rs. >100 mm during the period.

As a manufacturer of consumer durables our products consume energy and discharge emissions. We are cognisant of the substantial impact we can have on reducing the overall carbon footprint of customers by enhancing the energy efficiency of our products. Singer was the 1st in Asia to introduce the energy saving R600a technology for refrigerators which has a zero impact on the ozone layer.

Sector Review

Consumer & Retail



Environment Initiatives

Energy and CO2

- Trade in offers for old electronics
- R600a gas refrigeration
- Promoting energy efficient inverter technology

Water

- Optimising carbon washing regime
- Water discharge treated at an effluent treatment plant

Waste

- Saw dust is recycled a fuel for boilers
- Biodegradable packing in our factories
- E-waste framework

Our commitment to the SDGs

13 CLIMATE ACTION



Our sustainability agenda is driven through our product range including the R600a refrigerator, panel televisions and the promotion of inverter technology





The Singer Business School empowers the country's youth by providing opportunities for skill development





We provide opportunities for career and skill development to our pool of 2,939 employees





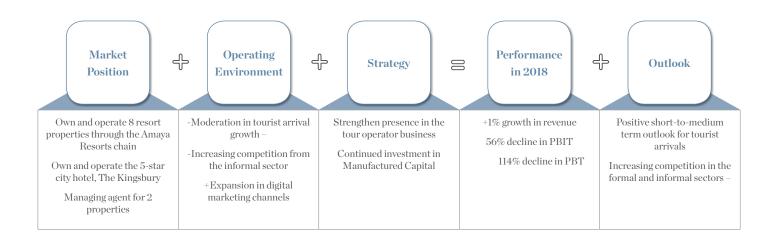
We support the indirect employment of over 2,914 individuals across our retail network





Overview

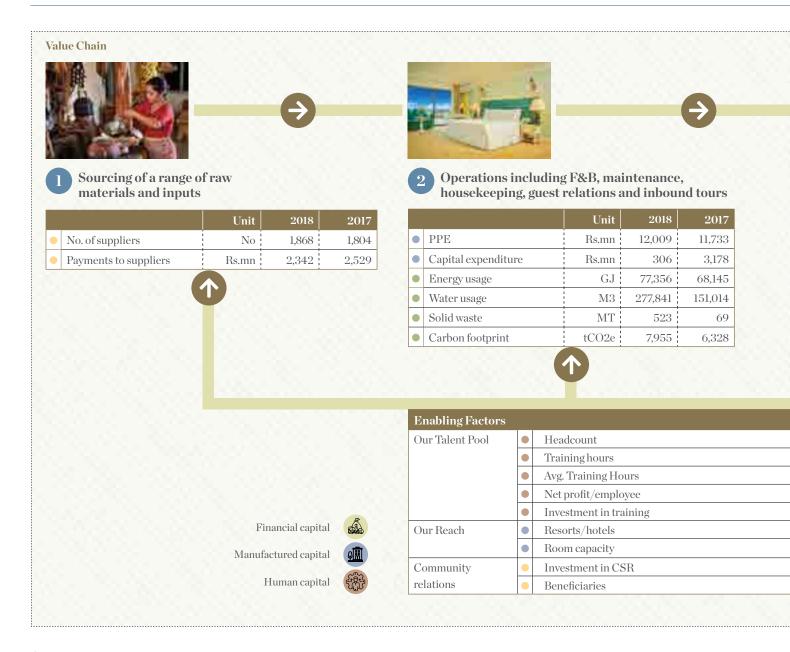
The Sector owns and operates 8 unique resort properties in Sri Lanka and Maldives through the Amaya Resorts chain and the five-star city hotel, The Kingsbury in Colombo. Our unique resort locations and excellent customer service has enabled us to retain our competitive edge despite intensifying competitive pressures.



102-9

Sector Review

Leisure



Operating Environment

+3.2%

Tourist arrivals into Sri Lanka

Growth in tourist arrivals into Sri Lanka moderated in 2017, due to the partial closure of the Bandaranaike International Airport, adverse weather conditions and the dengue epidemic.

+62%

$Supplementary\,Room\,inventory\,expansion\,since\,2013$

Competitive pressures in the tourism sector has intensified with the exponential growth in informal sector establishments as well as capacity expansions in the formal sector.



Sales and marketing through travel agencies, online operators and direct bookings.

		Unit	2018	2017
•	Business partners	No. of	3059	3095
•	Occupancy rate			
	Kingsbury	%	67	87
	Amaya	%	54	59



Servicing guests through F&B, accommodation, events and other propositions

	Unit	2018	2017
Revenue	Rs.mn	5,673	5,618
PBIT	Rs.mn	343	772
PBT	Rs.mn	(52)	376
PAT	Rs.mn	(161)	302
Assets	Rs.mn	11,043	10,821
Total debt	Rs.mn	5,756	5,561
ROCE	%	3.8	8.6
Tax paid	Rs.mn	44	76

Unit	2018	2017
No.	1,735	1,666
Hours	45,405	11,906
Hours	26.2	7.2
Rs.mn	(0.1)	0.1
Rs.mn	3.1	2.7
No.	6	6
No.	707	707
Rs.mn	1.6	1.1
No.	240	310



Social and relationship capital



Intellectual capital



Q♯ Natural capital

Tourist arrival to Maldives

Tourist arrivals to Maldives increased by 8% in 2017; however political tensions and declaration of a state of emergency in February 2018 resulted in a sharp decline in arrivals as several source markets issued travel warnings against the destination.

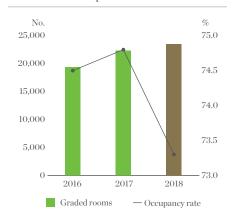
Changes in guest expectations and travel preferences have $challenged\ the\ established\ norms\ of\ traditional\ travel.\ Guests$ now pursue more authentic and personalised experiences

Sector Review

Leisure

Clusters in sector	Operating context	Contribution to sector
Resorts & City hotels	Internal impacts:	Resorts Maldives
	-Refurbishment of Amaya Kuda Rah	Revenue: 9 %
	External impacts:	PBT: (567%)
	-Partial closure of the Airport	Resorts Sri Lanka
	-Competition from the informal sector	Revenue: 28%
	-Adverse weather conditions	PBT: 78%
	+Increasing connectivity and growth of online channels	
	-Changing needs of travellers	City Hotels Revenue: 53%
	+Increasing focus on sustainable tourism	PBT: 366%
	-Increasing competition for labour	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Inbound tours	External impacts:	Revenue – 10%
	-Moderation in tourist arrival growth	PBT - 23

Graded rooms performance-Sri Lanka



Source: Central Bank of Sri Lanka

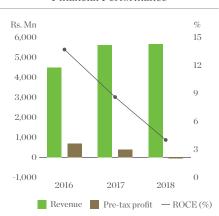
Strategy and Performance

The Group's leisure sector experienced a year of subdued performance, affected by challenges stemming from both the external and internal operating landscapes. Revenue growth moderated to 1% in 17/18, reflecting



intense price competition in the industry which led to a reduction on room rates and lower yields arising from a gradual shift in Sri Lanka's source markets. The Sector's profitability was also impacted by ongoing refurbishments in our Maldives property and continued losses from Amaya Beach Resorts in Pasikuddah.

Financial Performance



During the year, the Sector revived its focus on the inbound tour operator business by recruiting industry specialists and strengthening the digital market position. Resultantly the division's total customer base nearly doubled during the year, with healthy earnings growth.

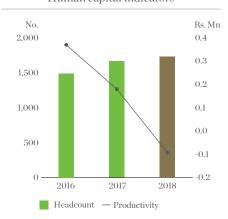
The Sector's acquisition-led growth strategy in recent years has strengthened its financial position. Given the strategic locations, land extents and the unique appeal of the properties the Sector is well-positioned to unlock value over the medium- to long-term.

In addition to the properties that it owns, the Sector acts as a managing agent for 2 other properties, for which it derives an annual management fee. We hope to expand our presence in this segment over the short-to-medium term, enabling us to leverage on the synergies presented by our presence in the inbound tour operator business.



Shortage of skilled labour is a key challenge facing the hospitality industry and attraction and retention of employees has become increasingly difficult. In responding to these dynamics, we have engaged employees in training programmes aimed at multi-skilling; during the year we invested Rs. 3.1 mn in training initiatives, which translated to total training hours exceeding 45,000.

Human capital indicators





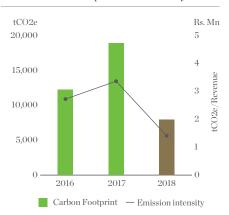


Sector Review

Leisure

We continue to track our usage of natural resources and consistently strive minimise the negative environmental impacts of our operations. We reuse nearly 10% of water and have implemented resort-wide mechanisms for the responsible disposal of solid waste and effluents. During the year, the Sector's carbon footprint increased by 25%.

Carbon footprint and intensity



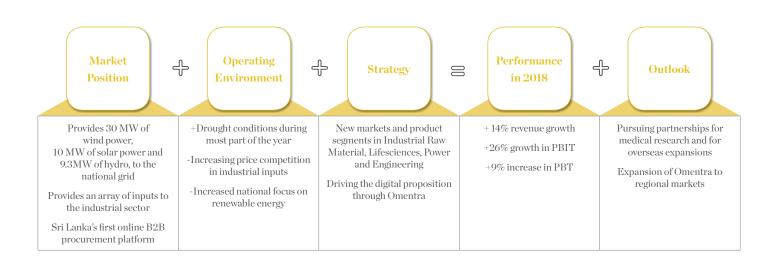






Overview

With an installed capacity of 50 MW the Sector supplies close to 2% of Sri Lanka's total renewable energy. We also import and distribute a range of industrial material and solutions.



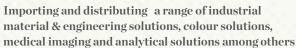
102-9

Sector Review

Industry Inputs, Power & Energy







		Unit	2018	2017
•	No. of principals	No.	551	508
•	Payments to suppliers	Rs.mn	2,361	3,207
•	New products	No.	71	33
•	Investment in R&D	Rs.mn	3.5	4.5
	New customers	No.	58	50



2 Generating renewable energy

		Unit	2018	2017
•	PPE	Rs.mn	5,335	5,523
•	Capital expenditure	Rs.mn	108	3,056
•	Renewable energy generation	MWh	148,210	118,471
•	Water use	m3	3,862	5,608
•	Carbon Footprint	tCO2e	155	274





Financial capital



Manufactured capital



Human capital



Enabling Factors				
Our Talent Pool Headcount				
		Training hours		
		Avg. Training Hours		
		Net profit/employee		
Community		Investment in CSR		
Relations		Beneficiaries		

Operating Environment

+5%

Increase in electricity sales.

Electricity sales continued to grow during the year driven by industry, general purpose and domestic sectors.

+13%

Increase in electricity generated through fuel

Total electricity generation increased by 3.7% in 2017. The country increased reliance on thermal power sources (fuel and coal power) during the year due to the droughts that prevailed for most part of the year.





B2B Sales of Industrial Inputs and power contribution to the national grid

		Unit	2018	2017
	Revenue	Rs.mn	5,325	4,660
	PBIT	Rs.mn	1,338	1,063
	PBT	Rs.mn	1,106	1,016
	PAT	Rs.mn	1,194	890
	Assets	Rs.mn	9,931	8,624
	Total debt	Rs.mn	4,058	3,657
	ROCE	%	17.5	15.2
	Tax paid	Rs.mn	140	115



Unit	2018	2017
No.	346	298
Hours	2,426	2,083
Hours	7.1	7.0
Rs.mn	3.5	3.0
Rs.mn	5.1	1.7
No.	3,632	569



Social and relationship capital



Intellectual capital



Natural capital

+26%

Electricity generation through NCRE

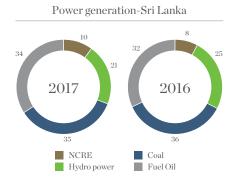
Rainfall towards the latter part of the year resulted in increased generation from NCRE sources which include mini hydro power plants, wind, solar and biomass plants.

 Sri Lanka's geo climatic conditions present a host of opportunities for the development of NCRE sources. This includes wind power potential in the Northern region of the country and numerous opportunities in solar energy.

Sector Review

Industry Inputs, Power & Energy

Clusters in sector	Operating context	Contribution to sector
Renewable energy	Internal impacts:	Revenue: 72%
	+ The Hayleys' Group's increasing focus on renewable energy	PBT:19%
	+Pursuing consultancy opportunities overseas	
	External impacts:	
	-Drought conditions for the most part of 2017	
	+Global drive towards renewable energy	
	-Slow processes in getting necessary approvals	
Industrial Inputs	Internal impacts:	Revenue: 28%
	+New product development	PBT: 81%
	+Forming relationships with new principals	
	External impacts:	
	- Increasing competitive intensity leading to price competition	
	+ A growing healthcare sector	
	+ Growth potential of the food and beverage sector	
	- Exchange rate impacts	
	- Extended credit terms for State sector	



Source: Central Bank of Sri Lanka

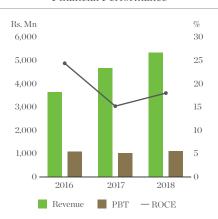
Strategy and Performance

The Sector's revenue increased by 14% to Rs. 5.32 bn led by strong growth in the power and energy sector (+47%) and moderate expansion in industrial inputs (+5%). Although industrial inputs account for a larger portion of the revenue, the Sector's profitability continues to be upheld by Renewable Energy. Supported by increased rainfall towards the latter part of



the year and the first full year of contributions from the solar power plant, the Sector's pre-tax profit increased by 9% to Rs. 1.11 bn, led by Renewable energy ($\pm 37\%$). Industrial inputs saw profits declining by $\pm 42\%$ due to competitive pressures and higher finance costs stemming from the increasing interest rates.

Financial Performance

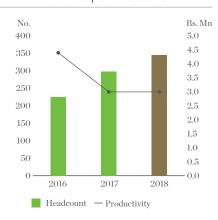


The Sector operates one of Sri Lanka's largest solar power plants in Welikande, a 10 MW plant which utilises an advanced solar tracking system. The sector also operates several mini hydro and wind power plants, which together with solar plant contributes nearly 2% of the country's total renewable energy. We are currently seeking opportunities for geographical expansion, particularly in providing consultancy and maintenance services for hydro power plants.

The Industrial Inputs sector continued to expand its product portfolio and principal relationships. The sector has faced increasing competition from cheaper alternatives and is currently evaluating its product proposition for price sensitive customers. A key achievement during the year was the launch of Omentra.com, Sri Lanka's first B2B digital procurement platform, featuring over 10,000 product categories. The response for this new venture has been very impressive. The sector hopes to further expand the coverage of Omentra by pursuing growth in regional markets. Meanwhile, the Lifesciences business unit performed well, extending its presence to new areas such as operating theatre set-up and oncology, ophthalmology and patient monitoring systems. We also entered new product segments such as lifts and escalators in the engineering business unit and hope to position ourselves as a provider of holistic solutions; in order to drive these ambitions, we also opened a new experience centre during the year. In 2017/18, the Hayleys' Group's Information & Imaging Business which was previously part of the Consumer sector was transferred to the Industrial Inputs sector. We see great potential in leveraging on the opportunities presented by the agency network and principal relationships of the imaging business.



Human capital indicators



We strengthened our talent pool during the year, adding 73 new recruits to our team. The Sector also sought to drive a more robust performance management framework through automating the appraisal system. Total investment in training amounted to Rs. 5.4 mn during the year, translating to 2,426 training hours.



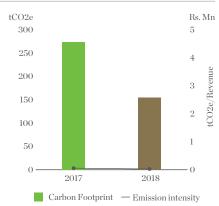
Sector Review

Industry Inputs, Power & Energy



The adverse environmental impacts of the Sector's operations are relatively low, with the total carbon footprint amounting to 155 tCO2e. The Sector is a significant contributor towards reducing the dependence on fossil fuels and we generated approximately 148 mn kWhs of energy through renewable sources which carry zero emissions, thereby offsetting nearly 18% of the Group's total carbon footprint (Scope 1 & 2).

Carbon footprint and intensity



Our commitment to the SDGs

7 AFFORDABLE AND CLEAN ENERGY

The Sector produces 2% of the country's renewable energy with an installed capacity of 50MW of hydro, solar and wind power plants

13 CLIMATE ACTION



Renewable energy has zero emissions and offset nearly 18% of the Group's total carbon footprint





Overview

The Advantis Group is Sri Lanka's leading player in the transportation and logistics industry, providing the entire gamut of transportation related services including freight management, integrated logistics, terminals and logistics services, marine services and international operations among others.



102-9

Sector Review

Transportation & Logistics



Operating Environment

+4.9%

Increase in global trade

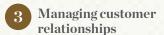
Global trade rebounded in 2017 supported by investment recovery in advanced economies, continued growth in Asia and improved investments in formerly stressed commodity export markets.

+10%

Increase in freight rates

The shipping industry saw increased consolidation with several larger players merging and forming alliances. The balancing of capacity thus led to global freight rates increasing during the year.









4 Leading market position in the transportation and logistics industry

	Unit	2018	2017
Revenue	Rs.mn	35,652	24,245
PBIT	Rs.mn	2,950	1,857
PBT	Rs.mn	2,343	1,788
PAT	Rs.mn	1,420	1,193
Assets	Rs.mn	28,172	16,491
Total debt	Rs.mn	13,106	6,242
ROCE	%	16.1	17.1
Tax paid	Rs.mn	666	519



Unit	2018	2017
No.	1,840	1,594
Hours	11,449	2,866
Hours	6.2	1.8
Rs.mn	0.77	0.75
Rs.mn	2.5	1.8
No.	5,275	4,926



Social and relationship capital



Intellectual capital



Natural capital

+8.5%

Cargo handled at the Colombo Port

Sri Lanka's port sector performed commendably with total containers handled increasing by 8.3% to 6.2 mn TEUs in 2017. Total cargo and transshipment handled also increased by a respective 8.5% and 8.8% during the year.

The outlook for the Sector remains favourable with the Government initiating major development projects to enhance the competitiveness and productivity of port & logistics activities.

Sector Review

Transportation & Logistics

Clusters in sector	Operating context	Contribution to sector
International freight management	External impacts:	Revenue: 26%
	+ Recovery of global freight rates	PBT: 64%
	+ Expansion in global trade volumes	
	+ Industry consolidation	
Integrated logistics	Internal impacts:	Revenue: 10%
	+Customer acquisition	PBT: 9%
	External impacts:	
	-Increase in interest rates	
Marine services	Internal impacts:	Revenue: 45%
	+Acquisition led growth	PBT: 37%
	External impacts:	
	+ Increased demand for bunkering at Sri Lankan ports due to increased taxes in India	
	-Increase in interest rates	
Terminals and engineering	Internal impacts:	Revenue: 5%
	+Capacity expansions	PBT: 10%
International operations	External impacts:	Revenue: 13%
-Managing cultural disparities		PBT: 6%
	-Increased cost and complexity of compliance in different markets	
Others		Revenue: 1%
		PBT: (-26%)

Transhipment and total container traffic



Source: Central Bank of Sri Lanka

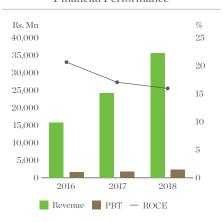
Strategy and Performance

The Transportation and Logistics Sector achieved a record performance with revenue and pre-tax profit widening by 47% and 31% respectively. The Sector also crossed the Rs. 2.0 bn pre-tax profit milestone and was the largest contributor to Hayleys' profitability during the year. The improvement in performance reflects healthy growth in all business lines as the Sector pursued capacity expansion, regional diversification and acquisitions. A key milestone during the year was the acquisition of Sri Lanka Shipping Company for a purchase consideration of Rs. 4.9 bn, following which the Sector emerged

as Sri Lanka's largest vessel owner with great growth potential. The acquisition was funded primarily through debt resulting in a near doubling of debt and a four-fold increase in finance costs.

The International Freight Management division continues to be a large contributor to the Sector's profits. Consolidation of several principals' operations resulted in significant benefits to the sector which saw increased volume growth. Mountain Hawk Express, the licensee for FEDEX in Sri Lanka was able to secure the TNT Express representation in Sri Lanka/Maldives after a process of competitive bidding.

Financial Performance



In Marine Services, the Sector strengthened its position following the acquisition of Sri Lanka Shipping. Following this acquisition, we are now the country's largest vessel operator, owning and operating 21 vessels. As a country, Sri Lanka has strengthened its position in the bunkering segment and Hayleys' performance exceeded expectations following an improvement in its operating model.

In Integrated Logistics, we continued to enhance capacity and invested in the construction of a mega distribution centre, with the objective of consolidating and expanding our foot-print in Third Party Logistics services. At an investment of Rs. 2 bn, the centre is expected to be completed in the second half of 2018. Meanwhile, capacity utilisation levels in the state of the art facility in the Free Zone in Katunayake, increased during the year although overall profitability was hampered by an increase in interest costs.

The Sector also expanded capacity by investing in a new container yard in the Terminals and Engineering cluster.



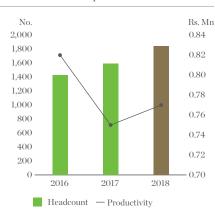
Investments were made in acquiring equipment to facilitate infrastructure projects in Sri Lanka and the Maldives.

Widening the regional presence is a key strategic priority of the Group and during the year we strengthened our presence in Indonesia and Myanmar. The Sector also entered Bangladesh, catering to a multinational organisation.

The Sector's talent pool increased following the acquisitions during the year, with the total headcount reaching 1,840 compared to 1,594 the year before. Strategic focus was placed on capacity building and succession planning with the launch of the Centurion programme which focused on identifying and grooming the next generation of talent. The Sector invested Rs. 24 mn in training and development initiatives directed at strengthening leadership and technical skills. We also conduct health

and safety training on an ongoing basis, with quarterly first-aid and fire safety training being conducted throughout the year.

Human capital indicators



The Sector's environmental impacts are largely felt through the energy intensity of its operations and concerted efforts are

Sector Review

Transportation & Logistics



Our commitment to the SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



We facilitate the efficient transportation of goods generating employment, wealth and driving economic development.





Concerted efforts to reduce energy consumption and carbon footprint through using battery operated machinery and ongoing monitoring of our distribution fleet.

being made to enhance energy efficiency. These initiatives include the optimisation of the distribution fleet and the use of battery operated machinery in our warehouses and facilities. Within the FedEx Air Express Transportation business, we have emulated the practices of their parent company by implementing the carbon neutral envelope shipping program, which tracks the CO2 emitted through the shipment. The Sector's carbon footprint increased by 22% during the year, reflecting the increase in operational activities.

We remain committed to our driving meaningful community relationships, CSR initiatives, during the year included a 'Go-Green' project in Giribewa, donations to the Gangodawila child development centre and supporting the educational infrastructure

in 2 schools in Vavuniya. We continued our road safety initiative Manudham Yaathra in partnership with the Sri Lanka Police and the $\rm DMV.$

Energy

- Use of battery operated machinery
- Energy efficient lighting in warehousing facilities

Carbon footprint

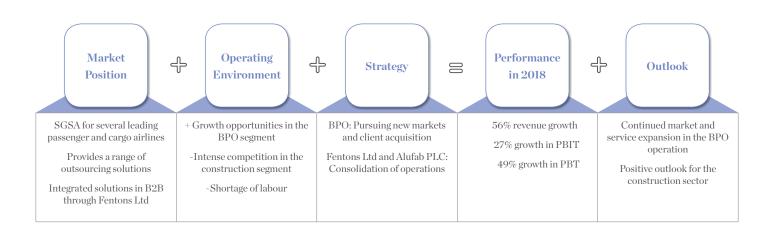
- · Carbon neutral envelope shipping
- · Rationalisation of vehicle usage





Overview

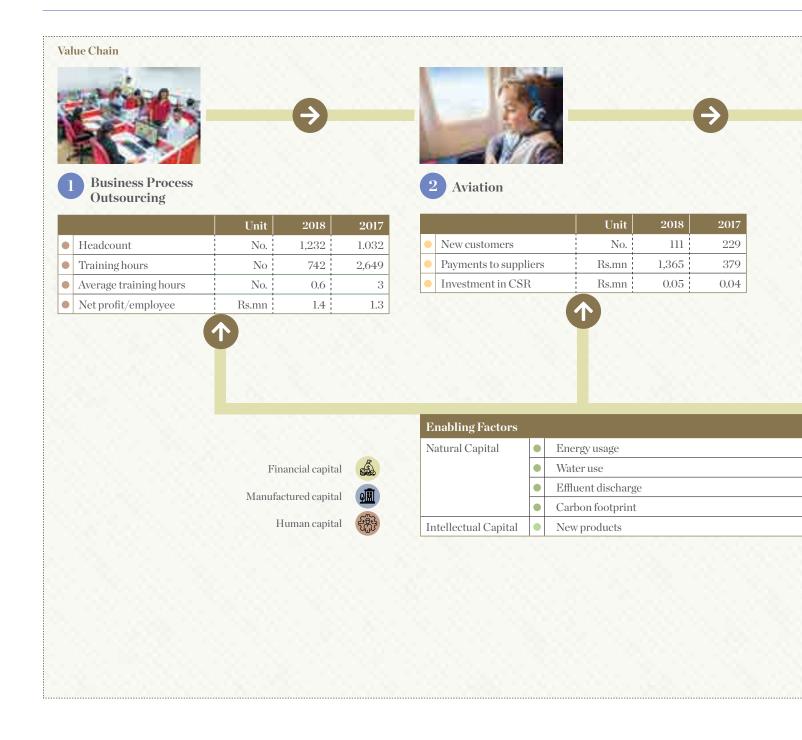
The Sector comprises the Group's BPO operations, Projects, Aviation and Travels, Construction sector investments (Alufab PLC and Fentons Group) and Group Services.

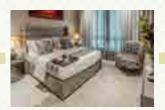


102-9

Sector Review

Others









Group Services

Others: Fentons, Alufab and S&R Interiors

		Unit	2018	2017
•	PPE	Rs.mn	16,300	13,118
•	Capital expenditure	Rs.mn	280	556



		Unit	2018	2017
	Revenue	Rs.mn	4,979	3,197
	PBIT	Rs.mn	2,365	1,855
	PBT	Rs.mn	1,721	1,154
	PAT	Rs.mn	1,709	1,176
	Assets	Rs.mn	47,493	31,036
•	Total debt	Rs.mn	21,872	9,289
	ROCE	%	5.5%	6.5



Rs.mn

41

19

Unit	2018	2017
GJ	11,896	1,351
М3	6,461	2,581
М3	6,765	1,897
tCO2e	1,964	1,269
No	15	12



Tax paid

Social and relationship capital



Intellectual capital



Natural capital

Sector Review

Others

Clusters in sector	Operating context	Contribution to sector	
Business Process	Internal impacts:	Revenue: 1%	
Outsourcing and	+ Entry into new markets	PBT: 1%	
Shared Services	+ Widened the services portfolio		
	-Transport infrastructure to support employee mobility		
	+Regional expansion of centres		
	External impacts:		
	+ Policy changes in the United States		
	+Advent of new technology in Artificial Intelligence and robotics		
	+ Increasing focus on simplifying businesses through outsourcing back-office functions		
	+Opportunities in new industry sectors		
Hayleys Investments	eys Investments External impacts:		
and Services	-Increasing interest rate scenario	PBT: 19%	
Aviation	External impacts:	Revenue: 11%	
	- Dependent on the strategy and business of the Principals	PBT:17%	
Alufab	Internal impacts:	Revenue: 9%	
	+Pursuing cost-effective technology and processes	PBT: 4%	
	External impacts:		
	-Exchange rate depreciation		
	-Increasing competitive pressures		
	_Delays in the commencement of several large infrastructure projects		
	-Shortage of skilled labour		
	+Good long-term prospects in the construction sector		
Fentons	Internal impacts:	Revenue: 64%	
	External impacts:	PBT: 59%	
	-Intensifying competitive pressures		

Strategy and Performance

The Sector's performance strengthened during the year supported by healthy growth in the BPO cluster as well as Projects and Aviation although the performance of Fentons Ltd and Alufab PLC were below expectations. Sector revenue grew by 56% to Rs.4.98 bn while pre-tax profit also increased by 49% to Rs.1.72 bn during the year. Debt at sector

level primarily represents the borrowings at Hayleys PLC, and this increased to Rs.21.88 bn (from Rs.9.29 bn the year before) reflective of the Group's debt-funded acquisitions during the year.

BPO operation

The Group's BPO operation specializes in providing a range of Business Process

Outsourcing (BPO) solutions to domestic and overseas corporates. The division turned in a year of strong performance with revenue and profit increasing by 69% and 111% respectively. Performance was driven by the entry into new markets, customer acquisitions, deeper relationships with existing customers and a widening of the service portfolio. The division successfully pursued growth in

the UK market commencing supply chain management services.

The division's talent pool currently comprises of 164 young professionals all of whom hold academic or professional qualifications. During the year, we piloted a satellite centre in Mahavilachchiya, Anuradhapura providing employment and skill development opportunities for rural youth. The outlook for the division is encouraging as global dynamics provide numerous opportunities for growth.

Projects and Aviation

In the Aviation industry, the Group acts as a GSA for several leading global passenger and cargo airlines while Hayleys Airport Services offers flight handling supervision, terminal services and cargo handling services for several international airlines. The division performed commendably during the year crossing the Rs. 100 mn pre-tax profit mark for the first time as key airline partners increased focus on Sri Lanka as a destination. Given the inherent volatility from this business and dependence on Principals' strategy the Group has placed strategic importance on diversifying its risk exposure through expanding its presence in the Aviation Supplies business which involves providing services and materials to airlines and airports. This unit recorded healthy top line growth during the year as we pursued new customer acquisition and reduced dependence on internal business. Profitability of the outbound travel (ticketing) segment also improved driven by client acquisition and volume growth.





S&T Interiors

 $S\&T\ Interiors\ was\ formed\ under\ an\ exclusive\ joint\ venture\ agreement\ with\ S\&T,\ a\ leading\ Oman\ based\ interior\ fit-out\ and\ contracting\ company\ and\ Hayleys\ PLC.\ The\ Unit\ achieved\ turnover$

Sector Review

Others



growth during the year although profitability was hampered by an escalation in costs. S&T has gained traction in the market with contracts exceeding Rs.1.0 bn already being awarded. Accordingly, the pipeline of projects remain strong for next year and the Unit is positioned for healthy earnings growth over the medium to long-term.

Alufab

Alufab is a leading manufacturer and supplier of high quality architectural aluminium joinery systems, glazing and façade products in Sri Lanka. The Company specializes in providing tailor-made solutions for the manufacture and installation of Aluminium Windows and Doors, Enclosures, Shop Fronts, Curtain Walls, Louvers and Awnings. Alufab's performance weakened during the year mainly due to delays in several large infrastructure projects and overheads arising from the resultant idle capacity. Other downside risks include increased competitive intensity from

cheaper imports and a shortage of manpower in the industry. Looking ahead, we will focus on consolidating our operations and driving cost efficiencies to capitalise on growth opportunities in the construction industry.

Fentons

Fentons Limited is one of Sri Lanka's leading integrated solution providers for Building Systems and ICT infrastructure, currently operating in multiple industry verticals including the banking and finance, hospitality, information technology, manufacturing and healthcare industries. Although Fentons benefits from a strong track record and brand reputation, increasing competition from cheaper alternatives have impacted the Company's competitive position. That said, we remain optimistic regarding the earnings potential of Fentons, particularly given Groupwide synergies and the expected boom in the construction sector.

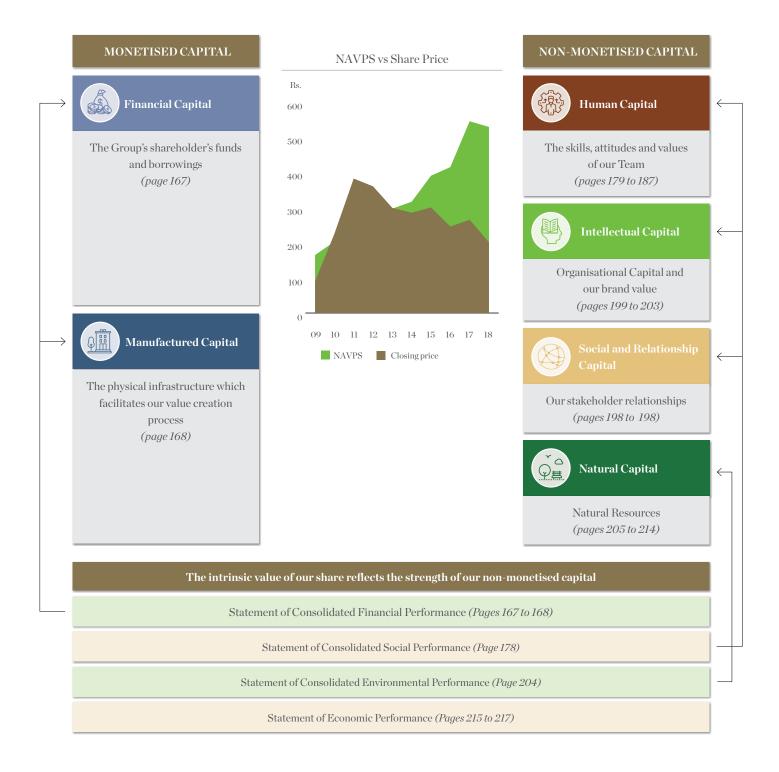
THE STORY CONTINUES...

Chapter 5

THE STORY OF OUR SUCCESS

Capitals Report 166 • Consolidated Statement of Financial Performance 167 • Financial Capital 169 • Manufactured Capital 176 • Consolidated Statement of Social Performance 178 • Human Capital 179 • Social and Relationship Capital 188 • Intellectual capital 199 • Consolidated Statement of Environmental Performance 204 • Natural Capital 205 • Consolidated Statement of Economic Performance 215 • Way Forward 218 • Annual Report of the Board of Directors 220 • Chairman/Chief Executive's and Group Chief Financial Officer's Responsibility Statement 228 • Directors' Statement on Internal Controls 229 • Nomination Committee Report 230 • Remuneration Committee Report 231 • Statement of Directors' Responsibilities 232 • Related Party Transactions Review Committee Report 233 • Audit Committee Report 234

CAPITALS REPORT



CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

Consolidated Statement of Financial Performance

Financial Capital		2018	2017	Change %
Earnings Highlights and Ratios				
Revenue	Rs. mn	163,249	111,383	46.57
Results from operating activities	Rs. mn	11,403	9,675	17.87
Profit before tax	Rs. mn	5,763	7,025	(17.97)
Profit after tax	Rs. mn	3,272	5,048	(35.19)
Profit attributable to owners of the parent	Rs. mn	1,024	2,784	(63.22)
Dividends	Rs. mn	375	563	(33.33)
Gross profit Margin	%	21.96	23.27	(5.64)
Operating Profit Margin	%	6.99	8.69	(19.58)
Net Profit Margin	%	2.00	4.53	(55.78)
Earnings per share (basic)	Rs.	13.65	37.12	(63.23)
Return on Assets (ROA)	%	1.56	3.88	(59.83)
Return on Capital Employed (ROCE)	%	7.48	9.41	(20.53)
Interest cover	No. of times	1.77	3.05	(41.93)
Financial Position Highlights and Ratios	·			
Total Assets	Rs. mn	209,767	130,002	61.36
Total Debt	Rs. mn	92,641	44,748	107.03
Equity attributable to equity holders of the parent	Rs. mn	39,649	40,866	(2.98)
Gearing	%	60.77	43.53	39.59
Debt/Equity	%	154.90	77.10	100.91
Equity Asset ratio	%	28.51	44.64	(36.14)
Net assets per share	Rs.	528.65	544.88	(2.98)
Current ratio	No. of times	0.97	1.20	(19.03)
Quick asset ratio	No. of times	0.64	0.79	(19.23)
No. of Shares in issue	No. mn	75	75	0.00
Market / Shareholder Information				
Market value per share	Rs.	200.70	265.00	(24.26)
Dividend per share	Rs.	5.00	7.50	(33.33)
Company market capitalisation	Rs. mn	15,053	19,875	(24.26)
Group market capitalisation	Rs. mn	63,602	49,104	29.52
Price earnings ratio	No. of times	14.70	7.14	105.96
Dividend yield ratio	%	2.49	2.83	(11.97)
Dividend payout ratio	%	36.63	20.20	81.29
Dividend Cover	No. of times	2.73	4.95	(44.83)

Consolidated Statement of Financial Performance

Financial Capital		2018	2017	Change %
Others				
Economic Value Generated	Rs. mn	38,497	28,541	34.88
Economic Value Distributed	Rs. mn	34,148	23,535	45.09
Government	Rs. mn	5,158	2,389	115.95
Employees	Rs. mn	20,434	15,207	34.37
Others	Rs. mn	8,556	5,939	44.06
Value Added per employee	Rs. mn	1.21	1.01	19.23
Group employment	Number	31,832	28,137	13.13
Average Revenue per employee	Rs. mn	5.13	3.96	29.55
Average operating income per employee	Rs. mn	0.36	0.34	4.18
Credit Ratings		AA- (lka)	AA- (lka)	-
Manufactured Capital	·			
Capital expenditure	Rs. mn	4,296	13,278	(67.65)
Property, plant and equipment	Rs. mn	84,010	66,407	26.51



Reporting principles	Scope of finan	cial reporting
Sri Lanka Financial Reporting Standards	177 subsidiaries	06 other entities
Sri Lanka Accounting and Auditing Standards Act No 15 of 1995		
Requirements of the Companies Act No. 7 of 2007	152 local operations	31 global locations

FINANCIAL CAPITAL

Our Funding





Effective management of the Group's Financial Capital is vital in conducting daily operations as well as driving strategic aspirations. The Group's Financial Capital comprises of its shareholders' funds, internally generated funds and borrowings and is nurtured through business expansion, prudent cost management and profit generation.

What we did in 2017/18

Business expansion

- Achieved a revenue growth of 47% supported by both organic and inorganic growth.
- Growth across all sectors other than Construction materials

Margin and cost management

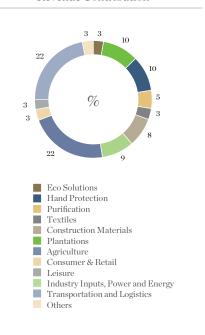
- Several sectors embarked on Total Productivity Management
- Cost optimisation through switching to renewable energy sources

Financial Position management

 Medium term target of reducing gearing through strengthening business performance and optimising underutilised assets

Financial Capital	Rs.mn
Shareholders' funds	59,808
Total borrowings	92,641
Cash generated from operations	7,451
Credit rating	AA-(lka) (negative outlook)
Earnings per share (Rs.)	13.65
Net Asset value per share (Rs.)	528.65
Share price - Closing (Rs.)	200.70
Company market capitalisation (Rs. mn)	15,053

Revenue Contribution



Financial Capital



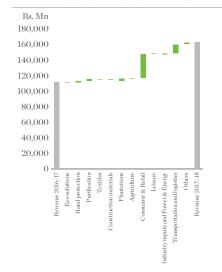
The Group achieved a major milestone, being the first listed company in the CSE to cross the US\$ 1 bn mark in revenue.

Financial Performance

Revenue

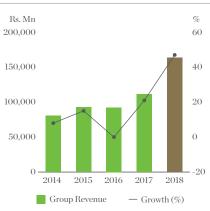
The Group continued to strengthen its top line, with revenue increasing by 47% to Rs. 163.2 bn during the year and achieving a major milestone as the first listed company in the CSE to cross the US\$1bn mark in revenue. Top line growth in the year reflects six months consolidation performance of Singer (Sri Lanka) PLC and Sri Lanka Shipping Company Ltd which were acquired during the year, as well as organic growth in the Group's key sectors of Transportation & Logistics (+40%), Purification (+14%), Plantations (+26%) and Industry Inputs and Power & Energy (+14%). Excluding the acquisitions, the Group's revenue is estimated to have expanded by 18% during the year. Following the two acquisitions, the Transportation & Logistics and Consumer & Retail sectors expanded its revenue by a respective 47% and 581% and contributed 22% each to Consolidated Revenue. It is noteworthy that all sectors except Construction Materials (which experienced an unexpected closure of a plant) recorded top line expansion, albeit to varying degrees, attesting to the strength of the Group's strategic agenda and business fundamentals. (Please refer to Portfolio review on pages 93 to 164 for further information).

Incremental Revenue 2018



Following the consolidation of Singer (Sri Lanka) PLC's operations, the Group's revenue profile tilted more towards the domestic market accounting for 54% of Consolidated Revenue compared to 46% the year before.

Consolidated Revenue growth trends



Gross Profit

The key deterrent to the Group's performance during the year was the sharp escalation in raw material prices stemming from the upward trend in global commodity prices as well as domestic supply constraints in the agriculture sector. Resultantly, key sectors such as Purification and Hand Protection saw margin contraction during the year, resulting in the Group's gross profit margin narrowing to 22% from 23.3% the year before. The diversity of the Group's operations, however enabled it to withstand further deterioration with the Consolidated Gross Profit increasing by 38% to Rs. 35.85 bn during the year.

Operating Costs

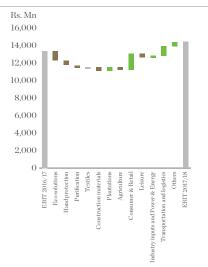
The Group's overhead costs increased by 47% to Rs. 25.3 bn, mainly reflecting the consolidation of the two new entities. Distribution expenses nearly doubled while administrative expenses increased by 32%; several sectors implemented productivity and lean initiatives during the year resulting in tangible cost savings. Sectors such as Hand Protection and Purification have also placed strategic emphasis on reducing energy costs through transitioning to renewable energy, driving the Group's commercial and sustainability objectives.

Earnings before Interest and Tax

Consolidated Earnings before Interest and Tax (EBIT) increased by 18% driven primarily by top line growth and upheld by the strong performance of Transportation (+59%), Consumer (10-fold increase), Plantations (+85%) and Industrial Inputs and Power & Energy (+26%). The remaining sectors saw EBIT declining due to escalating costs,

adverse weather and moderating economic growth (Please refer Portfolio Review from pages 93 to 164 for detailed information on sector performance). The decline in other income reflects normalisation from a one-off gain on a share buy back in the previous year. Meanwhile, the Group's EBIT margin narrowed to 7% from 8.7% the year before reflective of the challenging external landscape during the year.

Incremental EBIT 2018



Trends in Consolidated EBIT



Net Finance Cost

The Group's net finance cost escalated by 91% to Rs. 5.93 billion, against the backdrop of a near doubling of the Group's total borrowings (including the customer deposits at Singer Finance (Lanka) PLC and the prevalent high interest rate scenario. The Group increased its exposure to borrowings mainly to support its acquisition led growth strategy during the year and Hayleys PLC accounts for 28% of consolidated net finance cost. The Group's strong business positions and excellent payment track record enables it to borrow from Banks at relatively favourable rates while interest trends and outlook is monitored on on-going basis at Sector level as well as at Group level by a dedicated Treasury Unit. The Group's average weighted cost of debt increased to 9.4% from 8.1% the year before.

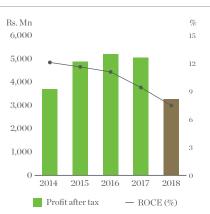
Profitability

The challenging operating conditions coupled with the escalation in finance costs resulted in the Group's pre-tax profit declining by 18% to Rs. 5.7 bn during the year. The Transportation sector retained its position as the key contributor to Group profitability with a share of 26%, followed by the Industry Inputs and Power & Energy (12%) and Agriculture (10%); as discussed previously, the performance of several other key sectors weakened during the year with profits declining in comparison to the previous year. Excluding the two new acquisitions during the year, the Group's pretax profit is estimated to have declined by 5% during the year.

The Group's total tax payment increased by 26% to Rs. 2.5 bn during the year while the effective tax rate recorded an increase to 45% compared to 29% the previous year. The higher tax obligation reflects the increased

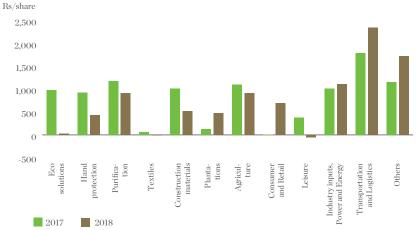
tax component of Singer (Sri Lanka) PLC and Sri Lanka Shipping Ltd, the deferred tax applicable on the fair value gains of our investment property and the provision of Rs. 154.1 mn of irrecoverable ESC. The increase in the effective tax rate also reflects the Group's subdued pre-tax profit levels. Resultantly, the Group's profit-after-tax declined by 35% to Rs. 3.27 bn during the year while Return on Capital Employed (ROCE) narrowed to 7.48% from 9.41% in 2017.

Profit after tax trends



Financial Capital





Other Comprehensive Income

The Group's OCI amounted to Rs. 1.7 bn during the year and comprised of revaluation gains on land net of tax and exchange rate translation gains. Resultantly the Group's total comprehensive income amounted to Rs. 5 bn, normalising from last year's Rs. 13.3 bn which was boosted by revaluation gains.

	ROCE (%)	
	2018	2017
Eco solutions	-0.3	18
Hand Protection	5	11
Purification	10	14
Textiles	4	5
Construction Materials	15	43
Plantations	9	6
Agriculture	21	26
Consumer & Retail	7	10
Leisure	4	9
Industry inputs, Power & Energy	18	15
Transportation and Logistics	16	17
Other	5	7

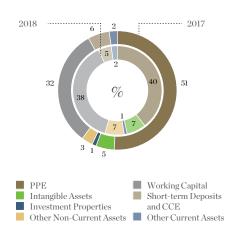


Financial Position

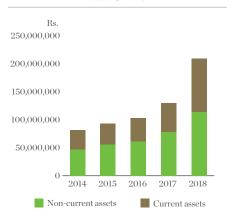
Assets

The Group continues to pursue asset expansion through acquisitions and organic growth. In 2018 total assets increased by 61% to Rs. 209.7 bn led by the two major acquisitions. Non-current assets and current assets increased by 46% and 84% respectively. The consolidation of Singer (Sri Lanka) PLC has resulted in a shift in the Group's asset composition with current assets accounting for an increased 46% of assets (from 40% last year) reflecting the consumer durable arm's investments in working capital. The Group's PPE also widened by 27% to Rs. 84 bn reflective of the Manufactured Capital of both Singer and Sri Lanka Shipping as well as ongoing capital investments in several sectors. Over the last few years, the Group has recorded robust growth in its balance sheet, led by acquisitions and capacity expansions in key business lines; accordingly, total assets have expanded at a CAGR of 22.7 over the past 10 years, demonstrating the Group's growing presence in industry sectors with high growth potential.

Asset Composition



Asset Growth



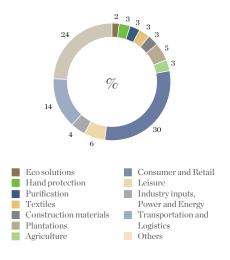
Capital Structure

In recent years, the Group's growth strategy has been centred on debt-funded acquisitions and this is reflected in the Group's capital structure. Assets are funded primarily by borrowings (44%), shareholders' funds (29%) and other liabilities (27%). During the year the Group's total debt increased to Rs. 92.6 bn, from Rs. 44.7 bn the previous year due to

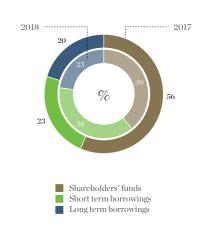
the consolidation of Singer (Sri Lanka) PLC's borrowings (which includes customer deposits of Singer Finance (Lanka) PLC) as well as new debt obtained to fund the two acquisitions. The debt at Hayleys PLC more than doubled to Rs. 19.8 bn mainly due to borrowings of Rs. 10.7 bn to fund the acquisition of Singer (Sri Lanka) PLC while the acquisition of Sri Lanka Shipping was funded at Advantis level. Resultantly, the Group's gearing ratio (debt/debt+equity) increased to 0.61 from 0.44 the year before.

The Group is cognisant of the potential risks stemming from increased exposure to borrowings and over the next few years will place strategic focus on consolidating its performance by leveraging on its strong market positions in high-growth industries. In the short-to-medium term, the Group intends to strengthen its balance sheet through accessing the market for funds and optimising under-utilised assets to strengthen the balance sheet.

Debt by sector



Funding composition



Cash Flow

The moderation in performance of several sectors was reflected in the Group's cash flow with net operating cash flow remaining relatively unchanged at Rs. 7.4 bn during the year. Investing cash outflow amounted to Rs. 18.3 bn during the year due to the Group's acquisitions and continued investments in Manufactured Capital. Meanwhile financing cash flows demonstrated a net outflow of Rs. 1.1 bn reflecting interest payments and repayment of borrowings.

Financial Capital

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.

Securities in issue

- Ordinary Shares
- Debentures
 - (1) Listed, rated, senior, unsecured, redeemable debentures redeemable in March 2019
 - (2) Listed, rated, senior, unsecured, redeemable debentures redeemable in March 2020
 - (3) Listed, rated, senior, unsecured, redeemable debentures redeemable in May 2019

This section of the Report provides information on Hayleys PLC's ordinary shares; please refer to page 386 for information on the debentures.

Ordinary Shares

Security type	Quoted ordinary share
Listed exchange	Colombo Stock Exchange
CSE stock symbol	HAYL.NOOOO
Number of shares in issue	75,000,000

Performance of our share

The Colombo Stock Exchange recorded some volatility in the year ending 31st March 2018, although overall the All Share Price Index

(ASPI) increased by 1.7% to close at 6,477 points. The moderating economic conditions that prevailed during the year, as well as the Government's tight monetary and fiscal policy stance affected overall performance. Market capitalisation, however increased by 4.6% year on year.

The Hayleys share price declined by 24% to close the year at Rs. 200.70, trading between a high of Rs. 302.80 and a low of Rs. 191.00. Market capitalisation also resultantly declined to Rs. 15.1 billion from Rs 19.9 billion the year

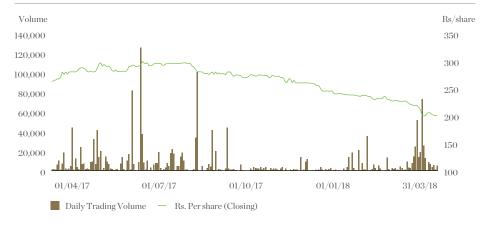
before. Despite the drop in price, the share traded actively during the year with 3,609 transactions to compared to 2,725 the year before.

	2018	2017
No. of	3,609	2,725
transactions		
No. of shares	3,867,355	1,461,614
traded		
Value of shares	1,158	404
traded (Rs. mn)		

Shareholder Returns



Daily price/volume movements



(Excludes a significant transaction in November 2017)

Shareholder Returns

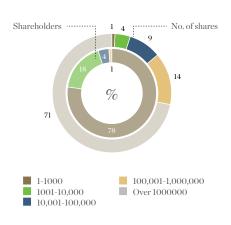
Returns to shareholder take the form of dividend payments and share price appreciation. The Group's dividend policy is formulated taking into consideration the Group's overall performance, growth plans as well as economic and market dynamics. Earnings per share declined to Rs.13.65 from Rs. 37.12 the year before reflecting the challenging economic environment and rising interest costs. Net asset value per share amounted to Rs. 528.66 compared to Rs.544.88 in the previous year. The share's NAVPS reflects an intrinsic value of Rs. 327.96 per share representing the strength of our non-monetised 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

The Company had a total of 6,190 shareholders as at end-March 2018 comprising of individuals (84% of shares) and institutions. The share held by the 20 largest shareholders increased to 80.78% from 77.03% the year before, although there were no major changes in the share composition. The total public shareholding remained unchanged at 37.62%.

Shareholding composition



Group Share Information

15 of Hayleys' subsidiaries are listed on the Colombo Stock Exchange as listed below; as at end-March 2018, the consolidated market capitalisation of these entities amounted to Rs.63.60 billion or 1.5% of the CSE's total market capitalisation.

Company Name	Market Cap	Sector Market Cap	Company
	(Rs. mn)	(Rs. mn)	contribution to the
	 		Sector as a %
Hayleys PLC	15,053	589,071	2.6%
Hayleys Fibre PLC	567	148,528	0.4%
Dipped Products PLC	5,118	148,528	3.4%
Haycarb PLC	3,565	16,949	21.0%
Hayleys Fabric PLC	2,597	11,713	22.2%
Alumex PLC	5,058	148,528	3.4%
Kelani Valley Plantations PLC	2,720	31,651	8.6%
Talawakele Tea Estates PLC	1,294	31,651	4.1%
Singer (Sri Lanka) PLC	15,100	23,441	64.4%
Singer Industries (Ceylon) PLC	562	148,528	0.4%
Singer Finance (Lanka) PLC	3,112	809,699	0.4%
Regnis (Lanka) PLC	1,129	148,528	0.8%
Hunas Falls Hotels PLC	366	634,995	0.1%
The Kingsbury PLC	4,356	634,995	0.7%
Amaya Leisure PLC	2,739	634,995	0.4%
Alufab PLC	265	148,528	0.2%
Total	63,602	4,310,326	1.5%

MANUFACTURED CAPITAL

Our Infrastructure





Manufacturing Capital is represented by the physical infrastructure which facilitates our value creation and as a Group with significant interests in the manufacturing sector, this is a crucial capital input. Our Manufactured Capital enables us produce and deliver high quality products efficiently and responsibly and we continue to invest in maintaining and upgrading these assets to ensure optimal performance.

What we did in 2017/18

Capital expenditure/Value Addition

 Capital expenditure for acquisition, maintenance and upkeep amounted to Rs. 4.3 bn.

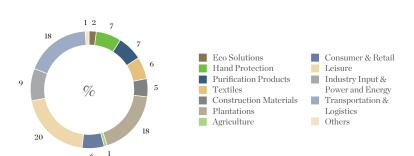
Acquisition

Acquisition of Singer (Sri Lanka)
 PLC and Sri Lanka Shipping
 Company Ltd have strengthened the
 Company's Manufactured capital
 through its extensive branch network
 and vessels respectively.

Our Infrastructure	Rs. mn	
Buildings	18,679	
Machines and stores equipment	18,691	
Motor vehicles	983	
Furniture, fittings and office equipment	2,065	
Vessels	5,945	
Capital Expenditure		
Eco solutions	71	
Hand protection	339	
Purification	494	

Capital Expenditure		
Textiles	372	
Construction Materials	342	
Plantations	696	
Agriculture	99	
Consumer & Retail	345	
Leisure	306	
Industry inputs, Power & Energy	108	
Transportation and Logistics	845	
Others	280	
Total	4,296	

Manufactured Capital by Sector



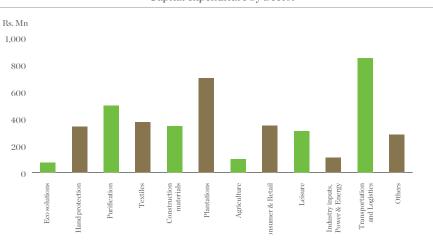
The Group currently operates over 35 manufacturing facilities, including 3 in Thailand and Indonesia. The total carrying value of the buildings and plant & machinery of these facilities amounted to Rs. 45.4 bn by end-March 2018. These are listed below; please refer to note 14 of the Financial Statements for the accounting policy pertaining to the measurement and recognition of these assets. Following the acquisition of Singer (Sri Lanka) PLC, the Group's Manufactured Capital strengthened further given Singer's island-wide branch network.

Sector	Key functions	Net Book Value Rs. mn
Eco Solutions	Manufacturer of Fibre based products	905
Hand Protection	Manufacturer of a spectrum of household, industrial and medical gloves.	4,986
Purification Products	Coconut shell based activated carbon	3,627
Textiles	Fabric knitting, dyeing, printing and brushing - cotton and polyester	3,171
Construction Materials	Aluminium extrusions	1,091
Plantations	Tea, rubber and tea extracts	2,788
Agriculture	Agricultural products and equipment	699
Consumer & Retail	Manufacturing, financing and marketing consumer durables	3,255
Leisure	Hotels and resorts	10,316
Industry Input & Power and Energy	Industrial inputs and renewable energy generation	4,950
Transportation & Logistics	Warehousing and marine services	9,236
Others	Manufacturing facilities of aluminum fabricate and Head office	401
		45,381

Value Addition in 2017/18

In addition to acquisitions of PPE we also invest in the upkeep and enhancement of our Manufactured Capital, to ensure the smooth functioning of our facilities and continuity of production The Group's total capex amounted to Rs.4.30 billion during the year, reflecting significant investments in the Transportation and Logistics, Plantations and Purifications Sectors.

Capital expenditure by Sector



CONSOLIDATED STATEMENT OF SOCIAL PERFORMANCE

			2018	2017	Change %
	EMPLOYEES				
	Employees on payroll	No.	31,832	28,137	13.13
	Female representation	%	39	41	(2.00)
	New recruits	No.	4,748	4,091	16.06
£	Investment in training	Rs.mn	95	72	32.08
CHILLY STATE	Training hours	Hours	250,623	126,602	97.96
Human Capital	Average training hours	Hours	7.9	4.5	75.56
Capitai	Retention rate	%	83	87	(4.00)
	Workplace Injuries	No.	383	450	(14.89)
	Lost working days	No.	1,252	2,544	(50.76)
	CUSTOMERS			·	
	Customer reach	No.	7,614,914	85,000	>100
	Customers acquired	No.	419,105	10,935	>100
	Revenue generated	Rs.mn	163,249	111,838	45.97
	SUPPLIERS AND BUSINESS PARTNERS				
Social &	Total number of suppliers (estimate)	No.	>60,000	19,400	>100
Relationship	SME suppliers (estimate)	No.	>30,000	13,586	>100
Capital	Payments to suppliers	Rs.mn	60,756	50,395	20.56
	Proportion of spending on local suppliers	%	60	55	5.00
	COMMUNITY ENGAGEMENT				
	Investment in CSR	Rs.mn	>350	111	>100
	Beneficiaries of CSR	No.	>250,000	38,985	>100
Intellectual Capital	No. of new products developed	No.	348	299	16.38
	No. of products in the pipeline	No.	119	304	(60.86)
	Investment in R&D	Rs.mn	103	51	>100



Reporting principles	Scope of reporting		
<ir> Framework</ir>	12 business sectors		
GRI Standards	177 subsidiaries	4 other entities	
UN Global Compact	2501	31 global companies	
Sustainable Development Goals	150 local companies		

HUMAN CAPITAL

A Diverse Team





Hayleys Group has a truly diverse team of 31,832 employees who contribute to our growth through innovation and consistent delivery, ensuring creation of shared value. A reputation gained over a century of supporting employee development enables the Group to attract and retain the country's top talent as a preferred employer.

Building strong talent pipelines

What we did in 2017/18

Attracting new talent

• Recruited 4,748 new employees

Developing talent

- Invested Rs. 95.1 mn in providing 250,623 hours of training across the group
- 90% of employees received formal performance appraisals and training needs assessments
- Mentoring culture within the group nurtures talent
- Group Management Trainee Program continuing for the 6th consecutive year with 12 fresh graduates being developed as Management Trainees

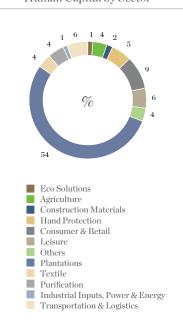
Rewards & Recognition

- 261 employees were promoted during the year
- Total remuneration of Rs. 20.49 bn equivalent to 54% of value created by the Group

Upholding employee rights

- 62% of our staff belong to 13 Trade Unions
- 21 Collective Bargaining Agreements in place
- Zero industrial disputes during the year

Human Capital by Sector



Human Capital

102-08

Our Talent Pool

Employment by Type of Contract and Gender			
Male		Female	
15,457	Permanent	10,432	
3,227	Contract	1,938	
713	Casual	65	
19,397	Total	12,435	
Employment by Category an	d Gender		
Male		Female	
3,495	Management/Executive	850	
4,344	Clerical/Supervisory	938	
11,558	Others	10,647	
19,397	Total	12,435	
Geographical Distribution			
Male		Female	
18,383	Sri Lanka	11,754	
1,014	Overseas	681	
19,397	Total	12,435	
Employment by Contract an	d Region		
Sri Lanka		Overseas	
24,617	Permanent	1,272	
4,857	Contract	308	
663	Casual	115	
30,137	Total	1,695	
Employment by Type and Gender			
Male		Female	
19,397	Full-time	12,435	
-	Part-time	-	
19,397	Total	12,435	



We are an equal opportunity employer and do not discriminate based on gender, age or ethnic representation. During the year, there were no incidents of discrimination reported.

How We Manage Talent

Many sectors within the Group are public listed companies and operate their own Human Resource departments which are supported by specialist services by the Group's centralised HR function which also play a co-ordinating role to ensure adherence to Group standards. The Group's policies and procedures have been structured to ensure compliance with legal frameworks and voluntary standards relating to HR activities including the UN Global Compact Principles 1 to 6 which apply to employees whether they are located in our offices, factories or fields.

With 54% of our human capital employed in the Plantations sector, its robust employment practices have a key impact on the human capital of the Group. Consumer & Retail, Transportation & Logistics, Hand Protection, and Leisure account for a further 9%, 6%, 5% and 5% respectively.

401-01 | 406-01 |

We are an equal opportunity employer committed to providing a work-place free from gender or racial discrimination

Remuneration ratio between the salaries of men and women at entry level is 1:1 Use of child labour and forced labor is prohibited and stringent policies are in place to ensure compliance

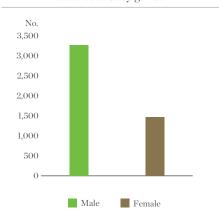
Employee Value Proposition



Attracting & Retaining Talent

Employees of Hayleys Group have access to opportunities for career progression across business sectors and geographic locations with competitive remuneration and structured training and development programs to support their aspirations. We are an equal opportunity employer and do not discriminate based on gender, age or ethnic representation. During the year, there were no incidents of discrimination reported. We retain our employees by investing in conducive work environments enriched by a strong mentoring culture and codes of conduct that ensure a culture where all people can work with dignity and mutual respect. Recruitment is mainly focused on attracting young professionals at Junior Executive level who take part in an extensive induction program. This is followed by on site mentoring and structured classroom and outdoor training and on the job training by senior team members. The Group also recruits Management Trainees through a structured selection process and selected candidates are provided the opportunity to sharpen their skills through a one year Management Trainee Program.

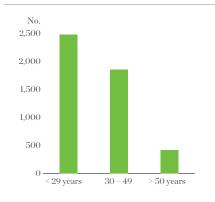
New recruits by gender



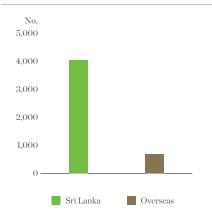
Data Compilation:

All numbers presented in the Human Capital Report have been prepared by Group HR with inputs from sector HR Departments using the Sustainability Information System which are then reviewed and checked for accuracy.

New recruits by age

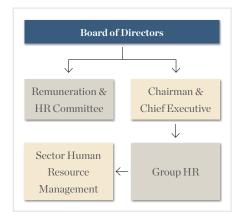


New recruits by region



Human Capital

HR Governance Structure

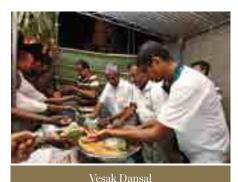


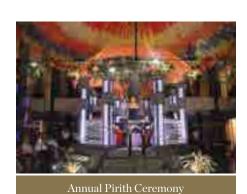
Employee engagement

Employee engagement and retention is a key area of focus at sector level and at Group level as loss of trained and experienced employees impact our operations and delay progress. An active Welfare Club has a busy schedule of events that bring together employees across the Group for sports and cultural festivities while the same is done at company and sector levels as well, providing ample opportunity to build a sense of fellowship across our diverse team. A photo collage provides evidence of some of the activities held during the year.











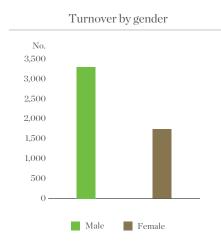


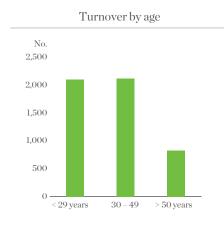


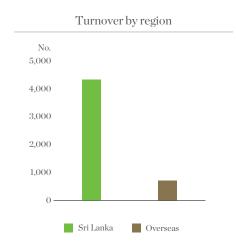
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Employee Turnover

Key causes of employee turnover included economic migration, particularly at executive and skilled employee levels.







Learning and Development

Hayleys Group continues to invest in training and developing at locations ranging from our offices to the fields in our plantations to ensure that employees at all levels have the knowledge required to perform their assigned duties and realise their potential. Our performance monitoring framework facilitates identification of training needs and

enables alignment of employee goals with corporate goals. Training includes on the jobtraining, 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 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.



Management Trainee Program

The Hayleys Group Management Trainee (MT) programme was established in 2012 with the objective of providing aspiring young professionals an opportunity to develop managerial competencies, attitudes and work ethics. Conducted as a 12-month program facilitated by Group HR and the Sector teams, the program includes a Hayleys Group Orientation, cross functional familiarisation, sector specialisation and core area specialisation. Selected candidates are also given the opportunity to enroll in soft skills and leadership development programs. Since the inception the Group has recruited and developed 51 young graduates, most of whom are now serving in management roles within the Group. In 2018, the Group recruited 12 MT's who are currently working in the Transportation & Logistics, Eco Solutions, Consumer & Retail, and Construction Materials sectors among others.

Human Capital

404-01 | 404-02 |

A sample of the training programs conducted during the year are given below.

Type & Scope of Training Programmes		
Program	Description	
Group Health and Safety Awareness Programme	Programme consisted of 02 batches of 30 participants each. Target audience was sectors H $\&$ S representatives	
Group Health and Safety Audit Team Training	Selected Participants from H&S Awareness Program	
Creating an Innovative Work Culture	Continuous drive for work culture creation and making Hayleys a great place to work	
Project Management	The workshop included aspects of Project initiation and planning, scope, cost and time management, along with Project Communication, HR, Risk and Quality	
Interview Techniques	The workshop looked at aspects of how to assess the candidate effectively: Eliciting wholesome, complete and accurate answers	
Outward Bound Training	Bring geographically separated team together to build a cohesive team	
Technical Skills Development Training Programme	An a industry first , where a full operational management team of a plantation company was trained by prestigious University of Peradeniya	

Sector	Total training hours	Average training hours per employee
Eco Solutions	6,416	14.04
Hand Protection	18,011	10.50
Purification	5,981	4.24
Textiles	8,016	6.52
Construction Materials	8,822	15.45
Plantations	77,496	4.53
Agriculture	7,520	6.00
Consumer & Retail	58,339	19.85
Leisure	45,405	26.17
Industry Inputs, Power & Energy	2,426	7.01
Transportation & Logistics	11,449	6.22
Others	742	0.60
Total	250,623	7.87

Data Compilation

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

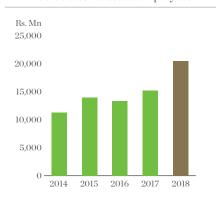
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Rewards and Remuneration

Hayleys Group offers a competitive remuneration package including benefits designed to retain and attract the most suited talent. Remuneration is determined based on qualifications, skills and from results of bi-annual/annual performance appraisals with reference to prevailing market rates which are assessed from time to time. Approximately 90% of our permanent employees undergo annual performance appraisals.

Apart from the statutory benefit plans, some sectors offer employees with over 20 years' service, retirement gratuity rates which are above the statutory rate of 1/2 month pay per year of service with a maximum of 1/2 month's pay per year of service for employees with over 35 years' service. Further information on defined benefit plan obligations are given on page 268 of this Annual Report.

Value distributed to employees



Data Compilation

Value of total remuneration and benefits to employees

Annual Bonuses, Incentives, Allowances,
Productivity Bonuses and Attendance
Bonuses

Medical Insurance and Health and Safety
Training

Professional Membership Subscriptions

Training and Development both locally and internationally.

Holiday Bungalows

Sports and Recreational activities

Group Discounts on Hayleys products and services

Employee Productivity

Measuring productivity enables the Group to effectively identify how well employees are contributing towards the Group's growth and profitability objectives. The Group's revenue per employee ratio improved to Rs. $5.13~\mathrm{mn}$ (from Rs. $3.96~\mathrm{mn}$) however net profit/ employee reflected a decline to Rs. $0.10~\mathrm{mn}$ during the year under review as overall profitability was affected by factors explained in the cluster reviews from pages $93~\mathrm{to}$ $164~\mathrm{of}$ this Report.

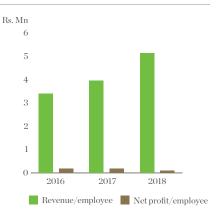


The Group offers a competitive remuneration package including benefits designed to retain and attract the most suited talent.

Data Compilation

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.

Employee productivity



Human Capital

102-41 | 402-01 | 403-02 |

Health and Safety

At Hayleys a structured Health and Safety policy is in place to establish and ensure high standard of health and safety and a hazard free environment to our employees and our surroundings. During the year a Health and Safety Audit Pool has been formed at the Head Office level represented by various sectors and companies within the Group. These representatives have undergone extensive training and are identified as champions

to monitor and manage their entities and surroundings.

Data Compilation

Sectors maintain records/registers within their facilities to record accidents and occupational diseases. All significant incidences are reported to Head Office and incident investigations are conducted.



Health and Safety Indicators	2018	2017
Work-related injuries	383	450
Occupational diseases	-	-
Lost working days	1,252	2,543
Work-related fatalities	-	-

Approach to Health and Safety

Awareness sessions and developing health and safety experts

Chemical training and handling

Training and Monitoring of personal protective equipment usage

Improving and upgrading safety guards.

Job Safety Analysis before each and every maintenance activity.

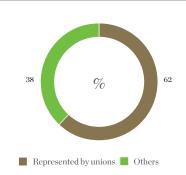
Demarcation of safety paths.

Standardising reporting channels.

Industrial Relations and Collective Bargaining

We recognise and respect our employees' right to freedom of association and collective bargaining. Many of our operations have active trade unions and we maintain proactive engagement with their 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. Minimum notice periods vary depending on the sector and circumstances, but the relevant policies ensure that a reasonable notice period is given; for example, in the Plantation Sector the Collective Agreements

mandate a minimum notice period of 1 month. There were no instances of industrial action in the Sectors due to harmonious relations maintained between workers and management.



Sector	Representation	
		in collective agreement
Plantation	Yes	99%
Purification	Yes	27%
Hand Protection	Yes	26%
Agriculture	Yes	4%
Eco Solutions	Yes	22%
Consumer & Retail	Yes	19%
Textiles	Yes	41%

Data Compilation

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.

Grievance Handling

We encourage transparency and openness within our organisation and maintain a high level of formal and informal mechanisms to ensure that employees have the opportunity to bring forward their grievances. Sectors also have structured grievance handling mechanisms which ensure confidentiality and equitable treatment. 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. No employee grievances have been escalated to the center during the year as such grievances have been resolved at the first instance at sector level.

We encourage employees to engage with various initiatives that are implemented throughout the Group which could vary from Women at Work initiatives with the plantation sector to simply ensuring that our workplaces are conducive to enable them to perform at optimal levels.

Looking ahead

As the Group pursues ambitious growth aspirations, our team will play a vital role in driving these objectives. Our policies and procedures give priority to our people and we will continue to strengthen our unique value proposition in keeping our people happy. Key areas of focus will be training and development, succession planning, career progression and productivity improvements.

Decent Workplace



- Employee remuneration Rs. 20.49 bn
- Investment on Employee Training Rs. 95.1 mn
- 62% of employees are members of trade unions
- 261 promotions

A Healthy Workforce



- Sports tournaments at inter company level
- Participation in Mercantile tournaments
- Active company, sector and Group welfare calendars

Women at Work



- 1st female Director of Hayleys PLC appointed
- 1st female Managing
 Director of a Subsidiary
 Company appointed
- 15 Females on Boards of the Group

Developing Talent



- Rs. 95.1 mn invested in training our employees
- Reimbursement of membership subscriptions for executive staff for their professional memberships.
- Management Trainee Programme
- Speech Crafters and Toast Masters

 $Performance \ Highlights \ \bullet \ Hayleys \ at a \ Glance \ \bullet \ Leadership \ \& \ Governance \ \bullet \ Strategy \ \& \ Resource \ Allocation \ \bullet \ Portfolio \ Review \ \bullet \ Integrated \ Performance \ \bullet \ Financial \ Statements \ Allocation \ \bullet \ Portfolio \ Review \ \bullet \ Integrated \ Performance \ \bullet \ Financial \ Statements \ Portfolio \$

SOCIAL AND RELATIONSHIP CAPITAL

Driving Meaningful Change

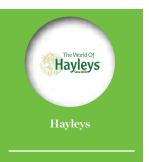




The depth and diversity of the Group's operations has enabled it to form meaningful relationships with an unparalleled base of customers, principals, suppliers, distributors and communities across the island. We share our journey with these stakeholders and their success underpins our commercial and social sustainability.

The Group's reach and deeprooted relationships with
communities around the
country enables it to drive
meaningful change among
the most underprivileged
strata of society.







Communities

Nurturing our Social & Relationship Capital

Developments in 2017/18

Acquiring and retaining customers

- Acquired over 400,000 customers during the year
- Launched 348 new products during the year

Creating value to our suppliers

- Total payments to suppliers of over Rs. 60 bn
- Rs. 89.84 mn investments in supplier development initiatives
- 60% procurement from local suppliers

Engaging with our communities

- Total investment in CSR amounted to over Rs. 350 mn
- Total beneficiary base of over 250.000
- Multi-faceted initiatives in the focus areas of education, health and sanitation and livelihood development

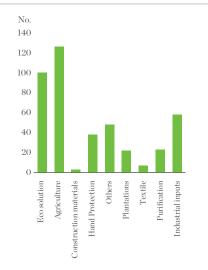
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The Group's total supplier base exceeded 60,000 by end-March 2018, of which more than 55% were SME suppliers. In creating value to local suppliers, efforts are made to procure raw materials locally whenever possible; in 2017/18 this amounted to 60% of total purchases.

Customers

The Group caters to a global network of customers through its export-driven businesses and has focused on widening its reach through geographical expansion. With the acquisition of Singer (Sri Lanka) PLC during the year Hayleys also fortified its position in the domestic consumer durables market, gaining a customer base of over 7.5 million; most other sectors also increased their customer networks during the year. The Group's total customer base is currently estimated to be over 7.6 million.





Our Relationships

Customer base of

>7.6 mn

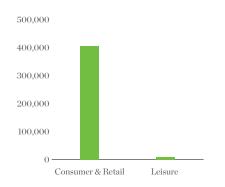
Suppliers

>60,000

Multi-faceted supplier development initiatives

Ongoing investments in community engagement

Customer acquisition by Sector



Social and Relationship Capital

204-01 | 407-01 | 417-03 | 419-01 |



Customer value proposition

Innovation

We drive innovation by leveraging on our world-class research and development capabilities (Refer to pages 199 to 203 for further information)

Customer Satisfaction

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.

Product Responsibility

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

Service Quality

Most sectors have structured mechanisms for identifying and responding to customer grievances; this information is collated and effectively applied in enhancing overall customer service

Customer Satisfaction

Accurately assessing customer satisfaction levels is critical to ensuring that our customer value proposition is in line with customer expectations. Sectors conducted over 1600 customer surveys (including satisfaction surveys at the hotels) during the year, which comprised feedback forms, one-to-one engagement and satisfaction surveys. Average results of selected sectors are given below;

Sector	Satisfaction results
Purification	88%
Fentons	95%
Hand Protection	80%
Amaya Beach	75%
Textiles	98%

Product Responsibility

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. A full list of our accreditations and certifications

are given on pages 93 to 164 of this Report. A Group-wide process is in place to ensure the integrity and accuracy of all marketing communications; in general, press releases, advertisements are reviewed and approved by the Hayleys Corporate Communications Unit prior to publication. There were no instances of non-compliance to any regulations and/or guidelines pertaining to marketing communications during the year.

Customer Service

Customer complaints/grievances received through formal channels as well as grievances resolved during the period are tracked and analysed by several key sectors. During the year, the Group received a total of 21,138 customer complaints of which 20,830 were resolved.

Customer complaints resolved during the year

90%

Suppliers and Business Partners

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. Hand protection, Purification, Agriculture Textiles and Eco solutions procure mostly from small scale suppliers, while Industrial inputs and Consumer source from large-scale suppliers. The Group's total supplier base exceeded 60,000 by end-March 2018, of which more than 55% were SME suppliers. In creating value to local suppliers, efforts are made to procure raw materials locally whenever possible; in 2017/18 this amounted to 60% of total purchases. There were no suppliers identified who were at risk for incidents of forced/compulsory labour.

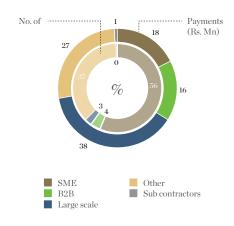
SME Suppliers

55%

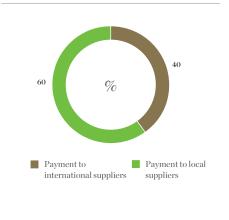
Suppliers

>60,000

Supplier profile (by No. and Value)



Spending local suppliers



In nurturing long-term relationships with our suppliers, we strive to provide a multi-faceted value proposition encompassing economic, social and environmental benefits as illustrated below:



Supplier Value Proposition

Engagement

We engage with our suppliers through annual conventions, site visits and supplier development programmes (Refer to pages 190 to 192 for further information). Our supply chains do not include workers' whose rights to freedom of association/collective bargaining have been violated.

Value Infusion

The Group infuses substantial value to the rural economy through procuring from out-growers and small-scale suppliers. During the year total payments to suppliers amounted to Rs. 60.76 bn.

Supplier Development & Sustainable Practices

Our ongoing supplier development programs are targeted at improving the quality of raw materials, propagating sustainable practices, preserving the environment and uplifting the socio-economic status of our supplier community. During the year investment in supplier development amounted to Rs. 89.84 mn.

Social and Relationship Capital

413-01

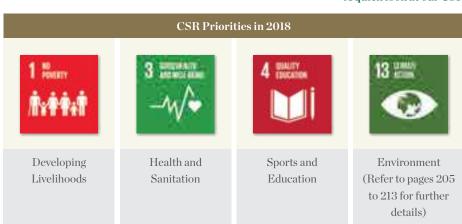
Supplier development activities are carried on as ongoing projects by several sectors as listed below;

Sector	Initiative	Initiative
Hand Protection	Firstlight	Beneficiaries: 2,400
	We ensure a fair price for rubber latex by guaranteeing rubber smallholders a price which is indexed to RSS1 (the highest grade of consumed rubber) for their field latex.	Payment to suppliers: 365 mn
	DPL also contributes US\$ 0.5 for every pair of gloves sold, which is utilised to fund a	Investment in supplier
	wide range of educational, health and infrastructure projects to improve the overall quality of life of smallholders and their families.	development : Rs. 4.2 mn
Purification	Haritha Angara	Beneficiaries: 45
	Charcoal makers are encouraged to engage in environmentally friendly charcoaling and the Company provides technical support and guidance on ecologically friendly charcoaling processes and buy back agreements.	Investment : Rs. 29 mn
Agriculture	Out-grower network Seaweed Project: 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.	Beneficiaries : 1,000
	Hayleys Jeevadhara: This project aims to uplift rural communities through nutrition and sustainable agriculture development; 1 mn moringa plants are to be distributed to over 100,000 outgrowers in Jaffna, Kilinochchi, Mullativu, Mannar and Vavuniya.	Investment: Rs. 2.3 mn Beneficiaries: 30,000

Community Engagement (CSR)

The Group's reach and deep-rooted relationships with communities around the country enables it to drive meaningful change among the most underprivileged strata of society. CSR initiatives are formulated and driven primarily at Sector level based on an identified community need, although certain significant projects are also driven by the Centre. During the year the Group's CSR initiatives focused on four key areas of social empowerment and the main projects carried out under each pillar is discussed below. Minor projects are listed in aggregate.

A quick look at our CSR



Investment in CSR

>Rs. 350 mn

Total beneficiaries

>250,000

The Sectors have strengthened community relationships through numerous CSR activities, donations and sponsorships throughout the year. In keeping with the principles of Materiality and Relevance, we have only focused on the most significant CSR investments during the year;

Developing Livelihoods

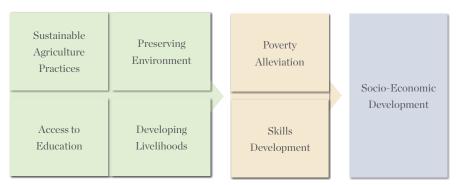
Hayleys Jeewadhara by Agriculture

Conceptualised and implemented by Hayleys Agriculture, this project aims to distribute over 1 mn Moringa plants to families in Jaffna and neighboring areas of the Northern Province via a network of 100,000 out-growers.

Initiated in Jaffna, Killinochchi, Mullaitivu, Mannar and Vavuniya this Project will also create a sustainable supply of pods and leaves for domestic consumption and value-added exports while enhancing farmer income.

Moringa is also considered to be highly potent in nutrients there by improving the nutrition leads of partnering communities. As of now, the Sector has distributed 300,000 plants with a total beneficiary base of over 30,000.

Our CSR Agenda



Nurseries of Moringa plants



Investment: Rs. 2.34 mn Total Beneficiaries: 30,000

Seaweed Project by Hayleys Agriculture

Initiated as a partnership with AquAgri India in collaboration with NAQDA and NARA the project aims to economically empower underprivileged women by providing them with a source of supplementary income through aqua-agriculture. The Project also contributes towards marine conservation as seaweeds have water purifying properties. The project has created many job opportunities in the rural Northern Province, with currently over 1,000 individuals engaged 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

4,000 direct employment opportunities. Approximately Rs.2 mn per month is circulated monthly in the villagers for wages and transport costs.

Seaweed Farm



Youth Skill Development-Singer

The Singer Business School is the education arm of Singer (Sri Lanka) PLC and aims to empower and upskill Sri Lankan youth through providing world-class education at affordable prices. The School reaches its students through 67 fashion academies and 8 computer academies which offer 25 sewing courses and skills proficiency in Basic IT. The initiative has directly contributed towards upskilling females and youth, improving their employability and contributing towards their long-term career development.

Social and Relationship Capital

Singer Business School



Student base: 6,670 50 students completed diplomas in 2018

Health and Sanitation

· Access Roads: 328 km

'Hope'- Children's Operating Theatre

Hayleys Advantis made a significant contribution towards the completion of the "Hope Children's Operating Theatre Project" at the Lady Ridgeway Hospital. The HOPE theatre is now in operation and as a result, the Lady Ridgeway hospital performs 2 to 3 additional surgeries a day, resulting in almost 500 additional life-saving procedures being completed each year.

Hope Children's Operating Theatre Project



Investment: Rs. 1.2 mn Beneficiaries: 300 children per year Volunteer hours: 320

Home for every Plantation Worker

Conducted as an ongoing project by our Plantation Sector, 'A Home for Every Plantation Worker' is a unique and multidimensional community initiative targeted at uplifting the living standards of employees and estate communities amounting to nearly 150,000 individuals. The project is structured around four focus areas aimed at uplifting the

The HOPE theatre is now in operation and as a result, the Lady Ridgeway hospital performs 2-3 additional surgeries a day, resulting in almost 500 additional life-saving procedures completed in a year.

Home for every Plantation Worker



socioeconomic status of estate families. The progress made is listed below.

Health & Nutrition **Community Capacity Building** Living Environment Youth Empowerment **KVPL** • New housing units: 157 • Dental clinics: 15 · Street dramas: 4 • Training for small businesses · Re-roofing: 125 • Eye clinics: 85 • Alcohol prevention programs Home gardening programmes · Houses electrified: 597 • AIDS Awareness programmes: · Household cash management · General rehabilitation: 11 programmes: 87 • English language classes: 529 · Pairs of Spectacles provided: 101 · New toilets: 165 · Computer classes: 388 · Cataract removal surgeries: 143 • Community Centres: 3 • Child Development Centres: 27

Living Environment	Health & Nutrition	Community Capacity Building	Youth Empowerment
	Т	TE	
Housing, water, sanitation, recreation and learning facilities, road development Investment of Rs. 100.6 mn with a total beneficiary base of 5,630	Immunisation, Auxiliary medical services, antenatal clinics, nutrition campaigns and post-natal care provided to 208,767 beneficiaries including 6,257 children	Housing loan schemes of Rs. 10.8 mn through EWHCS 14,694 beneficiaries	Vocational training, Awareness programmes on First aid and AIDs. Total participation of 11,320 in awareness programmes 2,855 participants of vocational training

Puritas Sath Diyawara

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). Conceptualised and launched by Puritas (Pvt.) Ltd., the initiative has expanded in partnership with other sectors within the Group. The 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 Organisation (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).



Beneficiaries: 30,093 Total Investment: Rs. 59.1 mn

In 2017/18, the Group commissioned 3 RO plants, in Pahalakedithokkuwa, Meegassegama and Dutuwewa in the Anuradhapura district funded by the Hayleys Agriculture Holdings (Pvt) Ltd, Alumex PLC and Mabroc Teas (Pvt) Ltd respectively.

Company	Village	District	Beneficiaries	Investment	Completion
Hayleys Agriculture Holdings (Pvt)Ltd.	Pahalakedithokkuwa	Anuradhapura	2,097	Rs. 4.7 mn	14th July 2017
Alumex PLC	Meegassegama	Anuradhapura	2,500	Rs. 5.3 mn	14th July 2017
Mabroc Teas (Pvt) Ltd.	Dutuwewa	Anuradhapura	3,500	Rs. 5.8 mn	25th August 2017
Total	1	 	8,097	Rs. 15.8 mn	

Social and Relationship Capital

Progress made since the commencement of Puritas Sath Diyawara is given below,

Total beneficiaries	33,590
Number of Families Benefited	7,990
Litres of purified water/Day	160,000
Number of Villages Catered	19
Number of CKD Patients	1,162
Benefited	
Number of Projects	16



RO Plant in Pahalakedithokkuwa

'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. During the year Hayleys Agriculture set up a community library with computer facilities for villages in the Pahalakedithokkuwa area with an estimated beneficiary base of over 400 families.

Donation of white canes by Alumex

Conducted as an ongoing project by Alumex, this initiative involves the annual distribution of 3,000 white canes across the country. It is carried out in collaboration with the Sri Lanka Welfare Society for the Blind and the Sri Lanka Catholic Council for the visually impaired.



Total beneficiaries: 3,000

The canes are manufactured by a group of visually impaired individuals in Kadawatha with the manufacturing cost being borne by Alumex.

Blood, eye and tissue donation campaign

Hayleys PLC organised a blood, eye and tissue donation campaign in August 2017, which was held at the Hayleys Conference Hall. The program drew keen interest from the Group's employees with 118 blood donors and 100 eyes and tissue donation forms being issued.

Sponsorship for Cataract Surgeries-The Kingsbury

Conducted as an ongoing project since April 2016, the Kingsbury Hotel in partnership with Help Age Eye Hospital sponsors cataract surgeries for underprivileged senior citizens. Since its commencement, we have restored eyesight of 640 such citizens contributing to



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.

their overall quality of life. The Kingsbury sponsors 20 surgeries per month at an annual investment of Rs. $2.04\,\mathrm{mn}$ a year.

Sports and Education

Fabricator training by Alumex

Alumex 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 center at its factory premises, outstation training is carried out by three training teams at training centres in collaboration with the Vocational Training Authority. During the year we conducted 48 such programmes with a beneficiary base of over 1,500.

Sponsorship of School Sports events

Singer has played an active role in developing school rugby for over a decade and has provided infrastructure ranging from score boards to the construction of rugby stadiums. The Singer Schools Rugby League is amongst the Group's most significant investments in sports with a spend of over Rs. 50 mn every year. We also sponsored the Bradby Shield for the 27th consecutive year.

Singer has also supported Sri Lanka cricket since 1996 and are committed to developing the sport at both school and club level. The Singer League is a long-standing cricket league held in partnership with the Sri Lanka Schools Cricket Association. In addition to financial assistance Singer also distributes equipment, particularly among rural schools. We also support the progression of school players to professional level players through our association with the Mercantile Cricket Association, supporting the MCA Premier League and MCA Knockout Tournament.



School Infrastructure Development

Several of our Group companies invested in strengthening education related infrastructure in underprivileged schools during the year. These investments can be classified as follows and a few examples are listed below. Total investment in such initiatives are estimated to be Rs. 20 mn.



Construction of class rooms, library spaces and other infrastructure

Stationary, school equipment donation

Improving staff facilities

Water supplies for schools

Initiative	Sector	Investment
Provision of school essentials to children living in the	Purification	Rs. 4.5 mn
villages affected by Chronic Kidney Disease (CKD).	Agriculture	
	Plantations	
	Construction Materials	
Installation of a racking system to store stationary	Transportation &	Rs. 0.17 mn
materials at Sudarshi Vidyalaya, Galle	Logistics	
Construction of a class room at Thanabaddegama Anagarika Dharmapala Vidyalaya	Consumer & Retail	Rs. 0.27 mn
School renovation at the Thiththawela Junior School	Consumer & Retail	Rs. 0.27 mn

Singer School Development Programme: Meanwhile, Singer also has an ongoing programme aimed at uplifting the educational infrastructure in the country by donating furniture, appliances, stationary and musical instruments among schools. We provided training to over 1,000 home science teachers and donated Singer appliances to the home science units of 150 schools spread across the country.

Social and Relationship Capital

CA Sri Lanka Sponsorship

Hayleys PLC is a CA Sri Lanka Platinum Sponsor, contributing nearly Rs. 3.0 million per annum for professional development of aspiring young accountants.

English Classes by Hayleys Global Beverages

Our employees have volunteered to develop the English skills of students in surrounding communities, particularly in the plantation sector. During the year, our employees contributed 200 volunteer hours for this service.

Developing Livelihoods

1 Mars My**ttit**

 Providing a sustainable source of income to over 20,000 out-growers and over 60,000 suppliers island-wide

Health and Sanitation



- Improve living and sanitary conditions for over 150,000 estate community individuals
- Numerous blood donation campaigns and medical clinics
- · Flood relief
- · Organic gardening projects
- Dengue Awareness Programmes

Supporting Education



- Support school infrastructure development
- Donation of school equipment and stationary
- Youth skill development and awareness building campaigns

Reducing inequalities



 Providing access to clean drinking water through Puritas Sath Diyawara

INTELLECTUAL CAPITAL

Unique Capabilities





The Group's long-standing presence in key sectors of the Sri Lankan economy have enabled it to nurture a unique base of intellectual capital. This unmatched tacit knowledge and organisational capital has driven the Group's pursuit of innovation, supporting the development of the country's key sectors.

In several sectors Hayleys has been at the forefront of industry innovation driving key economic sectors to new heights, Research and development capabilities are nurtured through a learning culture which stimulates innovation and knowledge sharing.

99

Our Unique Base of Intellectual Capital

Organisational
Capital/Tacit
knowledge

Capacity for innovation

Systems and Processes

Our Brand

What we did in 2017/18

Innovation

- Launched over 300 new products across several business sectors including textiles, hand protection and agriculture among others
- Invested Rs. 103.1 mn in R&D capabilities

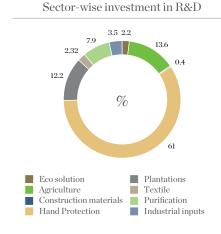
Brand

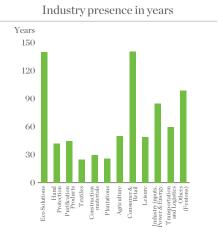
 Enhanced the Group's brand portfolio with the acquisition of Singer (Sri Lanka) PLC, the leading retail brand

Intellectual capital

Organisational Tacit Knowledge

The Group's established track record in most of its business sectors, together with the skills and industry insights of its employees across different professions and sectors have enabled it to nurture an invaluable base of organisational knowledge. These capabilities have facilitated a high level of adaptability to market conditions, enabling Sectors to retain their competitive edge despite intense competition.





Systems and Processes

The Group's commitment to operational excellence and continuous improvement is reflected in the host of domestic and international certifications it complies with. The requirements of the Group's global customer base have also encouraged sectors to comply with stringent quality certifications, which have contributed towards strengthening internal systems and processes thereby enhancing the Group's intellectual capital base. The certifications obtained by the Sectors are listed below;

Eco Solutions



- BSCI- Business Social compliance Initiative
- GOLS-Global Organic Latex Standard
- SMETA- Sedex Members Ethical Trade Audit
- · ISO 9001:2008
- ISO 14001:2004
- SA 8000

Hand Protection



- · ISO 9001:2008
- · ISO 13485:2003
- ISO 14001:2004
- ISO 17025:2005
- British Retail Consortium
 Certification
- OHSAS 18001

Textiles



- · ISO 14001:2015
- OSHAS 18001:2007
- OEKO Tex 100
- · Carbon Conscious certificate
- Global Organic Textile Standards Certification
- Organic Content Standard (OCS)

Purification



- · ISO 9001:2015
- ISO 14001:2015
- ISO 22000:2005
- HACCP
- Good Manufacturing Practices (GMC)
- Water Quality Association Sustainability Certification
- NSF 42
- NSF 61
- Prop 61 Compliance
- REACH Compliance
- Food Chemical Codex (FCC) Compliance
- Halal Certification
- Kosher Certification

Plantations



- ISO 14001:2015
- ISO 9001: 2015
- ISO 22000: 2005
- UTZ Sustainable Tea
- Rainforest Alliance-Sustainable Farm
- Ethical Tea Partnership
- HACCP
- GMP (Good Manufacturing Practices) Certification.
- FSC

Agriculture



- 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
- HALAL
- FDA
- Kosher
- 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 Certificate
- Pest control License
- Occupational Health and safety (OHSAS 18001)

Fransportation and Logistics



- ISO 9001:2008
- C TAPAT Compliant
- ISO 9001:2015
- Carbon Conscious Certificate
- OHSAS 18001:2007
- ISO 14001:2004
- SA 8000: 2008

Construction Materials



- ISO 9001:2015
- SLS 1410:2011
- SLS 1411:2011

Innovation Capabilities

In several sectors Hayleys has been at the forefront of industry innovation driving key economic sectors to new heights. Research and development capabilities are nurtured through a learning culture which stimulates innovation and knowledge sharing. Dedicated R&D facilities powered by expert teams have driven product and process innovation throughout the years. The Group also collaborates with leading research institutions and universities in developing and commercialising research that facilitates innovation.

	New products	Products in pipeline
Eco Solutions	26	-
Hand protection	7	8
Purification	3	3
Textiles	140	35
Construction materials	22	-
Plantations	1	-
Agriculture	48	73
Consumer & Retail	30	-
Industry Inputs, Power and Energy	71	-
Total	348	119

Intellectual capital

In 2018, the Group launched over 300 new products across Sectors as listed below. Key innovations during the year included,

Textiles

• +100 products of varying features and functionality

Agriculture



- Natural compound that reduces postharvest losses
- · Zinc coated fertilizer

Brand and network

The Group's track record in innovation, customer value creation and sustainable approach has enabled it to build a strong brand image both as a Group and at Sector level. With the acquisition of Singer Sri Lanka during the year, the Group has further strengthened its position with one of Sri Lanka's most loved household brands coming under the Group's umbrella.

Eco Solutions



- Mattresses
- Large rubber mats
- Coir fibre pith mixes
- New Tawashi brushes
- Plastic brush blocks

Hand Protection



- $\bullet \quad \text{Sulphur and accelerator free nitrile glove} \\$
- Nitrile glove with beaded cuff,
- High resistant electrician glove,
- · Ambidextrous glove

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Hayleys along with its subsidiaries are active contributors in several industry forums and association, contributing to the overall development and sustainability of industries through its expertise and insights.

Construction materials



Construction materials

• Wardrobe and Furniture Series

Consumer & Retail



- Expansion of Apple phone portfolio
- Introduced feature phones from Samsung and Zigo
- 4K smart television

102-13

Awards and accolades

Hayleys PLC: No. 1 Listed Company in Sri Lanka (LMD)

Hayleys PLC: Ranked as Sri Lanka's 5th most Respected entity by LMD

Singer: Ranked as Sri Lanka's 29th most respected entity by LMD

Singer: Sri Lanka's most valuable retail brand with an estimated brand value of Rs.13.7 billion by LMD

Singer: People's Brand of the Year at the SLIM Nielsen People's Awards 2018

Singer: Durable Brand of the Year, SLIM Nielsen People's Awards 2018



The Group does not carry out brand valuations; however, it is frequently featured among the country's top brands by independent parties

The Group continues to actively engage with industry stakeholders and contributes towards policy making with the objective of creating an enabling industry and regulatory environment. Hayleys along with its subsidiaries are active contributors in several industry forums and association, contributing to the overall development and sustainability of industries through its expertise and insights.

Membership in Industry Associations

- Ceylon Chamber of Commerce
- Ceylon Association of Ships' Agents
- Lanka Business Coalition for HIV-AIDS
- National Agribusiness Council
- Sri Lanka Association of Inbound Tour operators
- National Chamber of Exporters
- Sri Lanka Institute of Nanotechnology
- · Planters Association
- Sri Lanka Freight Forwarding Association
- SLASSCOM
- American Chamber of Commerce

CONSOLIDATED STATEMENT OF ENVIRONMENTAL PERFORMANCE

NATURAL CAPITAL	 	2018	2017	Change %
Energy consumption	mil GJ	2.54	2.16	17.40
Water usage	Mil m3	4.61	4.51	2.25
Water recycled	%	10.2	8	27.50
Solid waste	MTs	22,080	11,101	98.83
Effluents discharged	Mil m3	3.07	3.03	1.49
Carbon footprint	Tco2e	116,547	95,398	22.17
Emission intensity	Kgco2e/revenue	714	856	(16.58)



NATURAL CAPITAL

Our Commitment to the Planet





As a Group with significant business interests in Manufacturing and Plantations we are heavily dependent on natural resources, such as water, energy and biological assets. Several of our key businesses including plantations, hand protection, purification and leisure are also directly impacted by climate change through shortages and price fluctuations in agricultural raw materials, and erratic weather conditions.

Preserving our Natural Capital

Developments in 2017/18

Rejuvenating land

- 277,512 trees planted
- Replanting 181 hectares of rubber and 4 hectares of tea at an investment of Rs. 364 mn

Raw material efficiency

 Engaged with an island-wide network of suppliers in propagating good agricultural practices

Energy efficiency and renewable energy

- 50% of the Group's energy requirement are fulfilled through renewable sources
- Installation of energy efficient lighting, cooling and other equipment

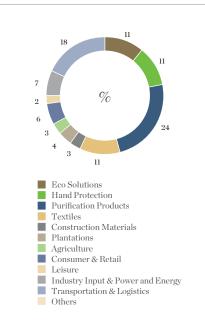
Water preservation

- Water consumption intensity declined by 30%
- 10% of total water withdrawn is recycled

Carbon footprint

• 17% reduction in the carbon footprint intensity

Freehold land distribution by sector (extent)



Natural capital

102-11 | 307-01

Environmental impacts
pertaining to raw materials,
energy, water, waste and
effluents and carbon footprint
are collated and tracked through
a tailor-made information
system administered by
the Hayleys Corporate
Sustainability Unit.

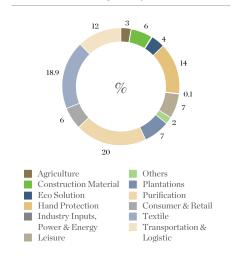
Managing our Environmental Impacts

The Hayleys Group Environmental Policy embodies the minimum standard that should be adopted across the Group for managing environmental impacts. Several Sectors have also gone beyond these requirements to implement sector-specific management approaches. Environmental impacts pertaining to raw materials, energy, water, waste and effluents and carbon footprint are collated and tracked through a tailormade information system administered by the Hayleys Corporate Sustainability Unit. Results are presented to the GMC on a quarterly basis. Sectors have also obtained a host of environmental certifications, which are listed in full on pages 200 to 201. Certain sectors work towards internal goals and commitments in reducing the adverse environmental impacts. The Group also adopts the Precautionary principle when engaging in investment appraisals, whereby the social and environmental impacts of potential investments are given due consideration.

Environmental Compliance

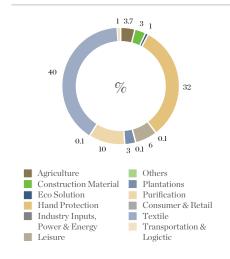
At entity and sector level, compliance is monitored through regular reporting to the relevant Risk Management Units. At Hayleys PLC level, the Group Internal Audit function performs regular checks on compliance and findings are reported to the Hayleys PLC Board of Directors through the Group Management Committee. Group sustainability maintains a record of all instances of environmental non-compliance as well as environmental grievances presented and addressed during the year. During the year, there were zero instances of non-compliance against environmental laws/regulations.

CO2 footprint by Sector



 $\label{the purification} The \textit{Purification Sector generated the most significant share} \\ of CO2 \textit{ during the year}$

Water consumption by Sector



The Group's largest consumer of water is Textiles, with a share of 40%

304-01 304-02 304-04

Land and Biological Assets

Sector	Land extent (Acres)	Use
Ecosolutions	55.16	Comprises 12 properties on which factories, warehouses and offices are located
Hand protection	58.73	4 properties including 1 in Thailand where our manufacturing facilities are located
Purification	123.53	8 properties including 4 in Indonesia and Thailand which house our manufacturing facilities, warehouses and offices
Textiles	55.11	1 property where our factory is located
Construction materials	15.32	4 properties where our manufacturing facility, warehouse and offices are located
Agriculture	21.76	6 properties including 1 in Bangladesh which mainly comprise of cultivated land
Consumer & Retail	18.05	44 properties, mainly including Singer's branch network, manufacturing facility and offices
Leisure	32.79	3 properties on which our hotels are located
Industry inputs, Power and Energy	9.62	2 properties in which mini-hydro plants are located
Transportation and Logistics	35.52	9 properties where warehouses and offices are located
Others	97.55	7 properties which include the corporate head office and several bare lands.
Total freehold land	523.13	

The Group's total free hold land amounted to 523 acres, the largest of which is the purification sector's and Others sector's land. On the leasehold land the Plantation sector dominates the profile with a total extent exceeding 19,000 hectares.

Mature/Immature Plantations

The Plantation Sector's mature/immature plantations were valued at Rs. 5.40 billion as at end-March 2018. These are managed with long-term sustainability mind, with significant investments in replanting. During the year, the



The Group's total free hold land amounted to 523 acres, the largest of which is the purification sector's and Others sector's land. On the leasehold land the Plantation sector dominates the profile with a total extent exceeding 19,000 hectares..

two plantation companies invested Rs. 364 mn in replanting 181 hectares of rubber and 4 hectares of tea.

Biodiversity and habitats

The Plantation Sector's estates in the hill country and low country wet-zones are rich in bio diversity, and the sector's bio diversity conservation agenda is guided by the Rainforest Alliance. In 2017/18, KVPL carried out a GPS mapping exercise allowing us to identify high value conservation areas such as those with endemic species, water shades and landslide prone locations. Both our plantations are also part of Bio Diversity Sri Lanka, a national platform established to promote strong engagement of the corporate sector in biodiversity and environmental conservation in Sri Lanka.

A bio-diversity survey carried out at Talawakelle Tea Estates revealed over 220 faunal species living in our estates, including 113 species categorised as endangered, threatened and vulnerable as per the IUCN Red Data List.

Natural capital

301-01



Conservation	Number of
Status	species
Globally threatened	-
Critically endangered	6
Endangered	44
Vulnerable	37
Near threatened	26
Total	113

Rejuvenation

In addition to ongoing replantation activities of the Plantation Sector, several other sectors within the Hayleys Group companies also engaged in tree planting as given below;

Sector	Total trees
	planted
Agriculture	45
Eco Solution	10
Leisure	65
Plantations	277,337*
Transportation &	55
Logistics	1
Total	277,512

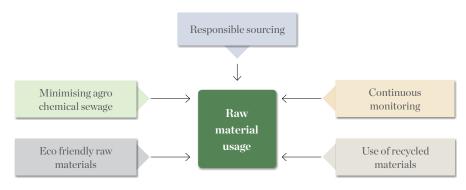
^{*60%} of this is for Commercial use

Raw Materials

As a Group with substantial interests in the manufacturing sector we utilise a variety of input materials which account for a significant portion of our costs. 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.

The Group consumes a wide variety of raw materials, a selected few of which are given below;



Sector	Unit	2018	2017
Renewable materials			
Purification	Coconut charcoal (MT)	109,062	87,661
Hand protection	Latex (MT)	7,001	10,175
Plantations	Green Leaf (MT)	31,805	29,395
	Latex (MT)	2,936	3,010
Eco Solutions	Coconut fibre (MT)	25,183	15,800
	Fibre pith (MT)	6,000	10,000
Non-Renewable materia	ls		
Construction materials	Aluminium billets (MT)	6,625	5,798
Plantations	Agro-chemicals (Litres)	22,902	20,609
	Agro-chemicals (KG)	5,767	7,601

302-01 302-04

Energy

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 and reliance on fossil fuels through Group-wide and sector-specific initiatives targeted towards generation and consumption of renewable energy. Hayleys also accounts for 2.5% of the country's total renewable energy generation, through an installed capacity of more than 50MW. A few of the Group's energy initiatives in 2017/18 are summarised below;

	Initiative	Sectors
Energy efficient lighting and cooling	 Replaced CFL with LED bulbs Buildings modification to use increased natural light 	Plantations, Eco solutions, Leisure, Others, Hand protection, Construction materials
Energy efficient equipment e	 Use of electronic ballasts for fluorescent lamp Installing energy efficient capacitor banks, Use of variable frequency motors Rationalisation of boilers Variable speed drivers for withering process in 8 factories Inverter technology for motors Conversion of a furnace oil drying system to LPG 	Plantations, Textiles, Eco solutions, Transportation & Logistics, Hand protection, Plantations Construction materials Purification
Renewable Energy 1	 Continued improvement to capacitor banks Bio-mass used as fuel in hot water systems Installation of bio mass boilers in 14 factors Pollutant gas and heat used to generate electricity Furnace oil heaters replaced with bio-mass: 90% of energy requirement fulfilled through renewable sources Saw dust to generate electricity Use of solar panels 	Textiles Plantations Plantations Purification Hand Protection Textiles Leisure, Construction materials, Plantations, Transportation & Logistics
Others	 Natural heat for fibre drying Channeling waste heat to the production process Carbon neutral envelope shipping Carbon footprint calculation and being carbon conscious 	Transportation & Logistics Eco Solutions

During the year the Group's energy consumption increased by 17% while energy consumption per Rs. million in revenue declined by 20%, with notable reductions in the use of, diesel and petrol across the Group. The Power & Energy Sector produces renewable energy, sequestering 65% of Group's carbon footprint. The Group's total energy consumption is given below;

In GJ	2018	2017	2016
Diesel	219,563	221,178	1,976,629
Petrol	14,541	31,590	2809
Furnace oil	360,315	310,517	2410
Firewood	1,024,549	1,084,480	-
LPG	161,033	19,023	11,306
Electricity	381,889	371,989	414,015
Direct energy	2,251,000	1,928,784	2,407,171
Indirect energy	287,414	233,333	414,015
Total Energy Consumption	2,538,414	2,162,116	2,821,186

Data Compilation

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 Sectorwise and Group-wide energy consumption using density rates and calorific values.

Natural capital

303-01 303-03

Water

Several of the Group's operations such as textiles, hand protection and purification are relatively water intensive. 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 being re-used in operations or discharged.

Key water related initiatives in place within the Group are listed below;

Integrated Water Management inclusive of chemical free buffer zones and live fences around water sources.	Plantations	
T T T T T T T T T T T T T T T T T T T	Leisure, Purification, Plantations	
	and Agriculture	
Replacing dye machines with water efficient machines	Textiles	

In 2017/18 the Group's total water consumption increased by 2.25% while water withdrawal per Rs. million revenue declined by 30% with notable reductions in surface and waste water withdrawals. Meanwhile, the Group recycled 10% of it water extraction during the year.

M3	2018	2017	2016
Surface water	2,334,792	2,552,964	1,430,880
Ground water	1,270,723	376,758	357,763
Rain water	17,948	10,887	22,583
Municipal lines	925,252	836,564	998,509
Waste water and other	587	235,903	1651.7

Waste and Effluents

All sectors engage in the segregation and responsible disposal of waste, in compliance with regulatory requirements and industry best practice. Effluents discharged from our operations comply with the requisite water quality standards of BOD, COD, TSS, pH and oil and grease levels which are checked on a regular basis by independent assessors to ensure compliance levels.

All sectors engage in the segregation and responsible disposal of waste, in compliance with regulatory requirements and industry best practice.

Data Compilation

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

Sector	% of water re-cycled
Eco solutions	1.32%
Hand protection	7.46%
Leisure	19.99%
Plantations	1.74%
Textiles	9.77%

306-01

Key waste management initiatives are listed below;

	Sector
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.	Hand protection (Reverse Osmosis plants), Construction materials, Textiles, Purification
Factory and domestic wastewater purification systems	Plantations
Waste water is recycled and used for gardening and organic farming.	Leisure, Plantations
Integrated Waste Management programs comprising,	Plantations
Bio-degradable waste used to produce compost	
Metal, glass, plastic, polythene, paper and E-waste are segregated, and sent for recycling	
Incineration is prohibited	
E-waste is collected from customers (including old CRT screens) and sent to approved 3rd	Consumer-Singer
party recyclers	
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,	
Recyclable solid waste (plastic and paper) is sent to approved third party recyclers.	Hand protection, Leisure & Resorts
Hazardous solid waste is sent to INSEE Ecocycle for incineration.	Agriculture, Textile Construction material

Water discharge by destination

M3	2018	2017	2016
Municipality sewerage, drainage lines	527,394	136,960	6,069
Recycled through ETPs	482,826	448,064	262,583
Rivers, lakes, wetlands	2,146,168	2,510,142	1,856,370
To ground through soakage pit	83,494	54,607	9,512
Total	3,239,882	3,149,772	2,134,536

Data Compilation

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 estimations based on a fixed input to sewerage fraction

Natural capital

306-02

Solid waste by type of disposal

	20	18	2017		
MT	Hazardous	Non-hazardous	Hazardous	Non-hazardous	
Reuse	2.6	1,347.3	3.4	923.2	
Recycling	4.9	237.7	16.9	1,453.1	
Composting		732.0	178.5	953.1	
Recovery		720.6		44.6	
Incineration	2486.0	505.9	2,362.4	85.7	
Landfill	1.4	1,394.3	0.7	1,014.9	
On-site storage	163.4	7,321.7	714.1	1,149.7	
Other	1.7	3,049.5		2,192.7	
Total	2,660.0	15,309.0	3,276.0	7,825.0	

Carbon footprint

Implications of Climate Change: 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. During the year, both Hand Protection and Purification sectors were affected by these dynamics.

Concerted efforts have been driven across the Group to reduce energy consumption, and the dependence on fossil fuels with the objective of improving our carbon footprint. During the year, the Group achieved a 17% reduction in the carbon footprint intensity demonstrating its commitment towards consistently reducing its environmental footprint. These initiatives have already been discussed on page 209 of this Report.

Leading the industry in sustainable innovations

The Group's recently acquired subsidiary Singer Sri Lanka PLC has also over the years demonstrated commitment to its sustainability agenda; it was among the first in Asia to introduce refrigerants using the R600a gas, which has no adverse impact on the ozone layer. With this introduction, Singer encouraged the entire Asian region to follow suite with this advanced and ecologically sustainable technology.

Carbon Footprint by Sector tCO₂/e 25,000 20,000 15,000 10,000 5,000 Others Hand protection Textiles Transportation Eco solutions Plantations Leisure Industry inputs, P&E Purification Construction materials Agriculture Consumer 2017 2018

During the year, the Group achieved a 15% reduction in the carbon footprint intensity demonstrating its commitment towards consistently reducing its environmental footprint.

Clean Energy

) O

- Renewable energy generation through the Power and Energy Sector 148,210 Mwh, which is an increase of 30% from the previous year
- 50% of the Group's energy requirement is fulfilled through renewable energy

Preserving our flora and fauna



- The Plantations Sector conducted a GPS mapping exercise to identify areas requiring conservation
- The Group planted 277,512 trees

Clean Water



- Water treated through effluent treatment plants in most locations
- 10% of the Group's water extraction is recycled

Climate Action



• 17% reduction in carbon footprint intensity

Natural capital

305-01 305-02 305-03 305-05

The Group's carbon footprint by sectors for the year under review is given below;

Sector	Scope 1	Scope 2	Scope 3	Sector Total	% Share by sector	Sector Total
				2018	2018	2017
Manufacturing						
Eco Solutions	1,279	2,982	330	4,590	3.9	8,734
Hand Protection	15,328	-	890.9	16,199	13.9	16,401
Purification	12,397	11,918.1	72	24,387	21.0	10,037
Textiles	13,173	8,935	433	22,541	19.3	20,449
Construction Materials	3,408	3,409	151.5	6,969	6.0	7,120
Agriculture and Plantations						
Agriculture	1,004	819	1,784	3,608	3.1	4,992
Plantations	1,708	5,734	200	7,990	6.9	8,223
Services						
Transportation and logistics	8,993	1290	3,372	13,654	11.7	11,177
Consumer & Retail	56	5,265	1,300	6,534	5.6	394
Leisure	3,252	4,570	133	7,955	6.8	6,328
Industry Inputs, Power & Energy	-	81	74	155	0.1	274
Others	26	1,634	305	1,964	1.7	1,269
Total by Scope	60,625	46,637	8,955	116,546	100.0	95,398

Data Compilation

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. The data presented is analysed at Sector level and not from an individual company perspective.

CONSOLIDATED STATEMENT OF ECONOMIC PERFORMANCE

3.29% of Sri Lanka's Export Revenue

57% of new recruitments outside the Western Province

Livelihoods of over 20,000 out-growers

19% CAGR in economic value created

>300 innovations

		2018
Indirect employment	No.	>20,000
Out-growers	No.	>20,000
No. of suppliers	No.	>60,000
Capacity Building		
Construction Materials	No.	1,545
Plantations	No.	3,882
Consumer & Retail	No.	2,700
Job creation outside the Western Province	No.	2,320
Tax paid	Rs.mn	5,158
Innovations	No.	>300
Export income generated	Rs.mn	75,832
Investment in supplier development	Rs.mn	90

Indirect Employment

In addition to its direct employees, the Group's operations create livelihoods for over 20,000 indirect employees, who support our value creation process as outsourced employees, sub-contractors, or trainees. The Group's unmatched reach has contributed towards regional employment and economic empowerment across the island.

Out-growers

Gherkins cultivation	10,000
Jalapeno and Spanish Pepper	320
Pineapple cultivation	450
Hayleys Bee Keeping project	300
Big Onion True Seed Production	130
Moringa Cultivation	100
Sea Weed cultivation	50

The Hayleys Agriculture Sector operates several outgrower programmes through which it generates a sustainable source of income to over 20,000 impoverished individuals. These out-growers benefit from guaranteed buy back agreements, transparent pricing, technical knowledge and training on sustainable agricultural practices.

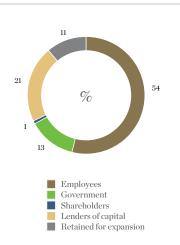
Economic Performance

The Group is committed towards generating shared value through its businesses and strives to balance the competing interests of its stakeholders. Social and environmental factors are also given due consideration in daily business activities as the Group strives to balance its commercial, social and environmental agenda. The Economic Value generated during the year amounted to Rs.38.49 bn which was distributed to the Government, employees, providers of funding and others. The Group's track record in value creation is given below;

Consolidated Statement of Economic Performance

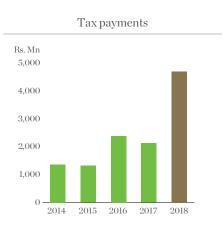
	2017/18	2016/17	2015/16	2014/15	2013/14
VALUE CREATED					
Revenue	163,249	111,383	92,275	92,562	80,479
Other income	909	1,024	689	538	427
VALUE DISTRIBUTED					
To employees as remuneration	20,486	15,207	13,396	14,018	11,298
To Government Revenue					
- Of Sri Lanka	4,692	2,126	2,385	1,317	1,364
- Overseas	466	263	272	298	273
To shareholders as dividend	375	563	488	450	375
To lenders of capital					
- Interest on borrowings	5,932	3,112	1,931	2,135	2,147
- Non-controlling interest	2,249	2,264	2,078	2,434	1,900
VALUE RETAINED FOR EXPANSION AND GROWTH					
Depreciation	3,927	2,998	2,514	2,440	2,003
Profit retained	422	2,008	2,388	2,107	1,399

Economic Value Distribution



Taxes

The Group's total tax payments for the year amounted to Rs.5.16 billion and more than doubled during the year following the consolidation of Singer Sri Lanka to the Group. Over the past 5 years, Hayleys' contribution to national development through taxes has increased by a Compound Annual Growth Rate of 33% driven by improving profitability and an acquisition-led growth strategy.



Capacity Building

Several of our sectors engage in ongoing programmes aimed towards supporting capacity building through skill development and youth empowerment. The progress made in 2017/18 is listed below;

Fabricator Training by Alumex

Alumex engages in providing practical insights into the application and usage of Aluminium profiles, components, new products and new technologies particularly to fabricators and technicians. The training is targeted towards a wide audience 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.

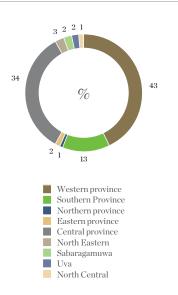
Singer Retail Academy

The Academy is a unique initiative aiming to develop employees who are engaged in field operations. Singer currently offers five diploma programmes for customer care assistants, auditors, credit officers, sales promotion officers and executive retail managers respectively. Conducted through a total of 164 modules, the Academy has benefitted over 2700 employees.

Regional job creation

During the year, the Group added 4,058 new recruits to its Sri Lankan cadre, of which 2,320 (or 57%) jobs were outside the Western Province. Through its island-wide reach, Hayleys continues to support regional employment generation, skill development and youth empowerment.

Regional job creation



Training programme	201	2017/18		
	No. of programmes	Participants		
VTA Training	13	225		
Government institutions	2	226		
Dealers and Fabricator training	26	784		
CPD programmes	3	246		
Technical College	4	64		
Total	48	1,545		

WAY FORWARD

	Industry outlook	Our strategy	Forecast
Eco solutions	Positive demand outlook for growing media products in line with increasing urbanisation, environmental regulations and decline in arable land. Downside risks stem from continued difficulties on sourcing raw materials given the increasing implications of climate change	 Expansion of product range and market reach Development of value added products for the USA, Russia, China, Korea and Japanese markets Expansion of the coir and spring mattress range Leveraging on the distribution network of Singer Backward integration and the use of technology to extract fiber New operation in India for door mats and a facility in Indonesia for eco-fiber 	Revenue growth: 46% PBT growth: 13-fold increase
Hand Protection	Demand conditions expected to remain robust given increasing stringency of health and safety regulations.	 Focus on developing business across regions Driving manufacturing excellence Capacity expansions in selected manufacturing lines 	Revenue growth: 14% PBT growth: +134%
Purification	The recovery in gold prices presents opportunities for growth in mining applications. Meanwhile demand for water related applications will be the forefront of demand growth.	 Geographical expansion Further development of the food-grade carbon range Backward integration to ensure raw material security 	Revenue growth: 13% PBT growth: +15%
Textiles	Demand expected to strengthen with the recovery of advanced economies. The recent renewal of GSP+ concessions from the EU is encouraging and will serve to increase the competitiveness of the fabric mills.	 Strong pipeline of high-end orders Productivity and TPM improvements expected to support bottom line Ongoing focus on innovation and value addition 	Revenue growth: 20% PBT growth: Return to profitability
Construction Materials	Demand is expected record strong growth supported by the port city project, megapolis related infrastructure projects and high-rise buildings as well as the increasing use of aluminium profiles in residences.	 Capacity expansion to support strong earnings growth Cost optimisation Regional expansion 	Revenue growth: 67% PBT growth: 115%
Plantations	The upcoming wage negotiations could insert significant pressure on profitability margins. Prices are also expected to normalise from the highs of 2017.	 Ongoing focus on enhancing employee productivity and efficiency Maintain proactive approach towards environmental and social sustainability 	Revenue growth: 13% PBT growth: -87%

	Industry outlook	Our strategy	Forecast
Agriculture	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.	 Plans to enter the timber treatment segment Capacity expansions in fertilizer Ongoing focus on product development and innovation 	Revenue growth: 37% Profit growth: +43%
Consumer & Retail	Positive outlook given improvements in the agriculture sector and overall macroeconomic stability despite inflationary pressures arising from the upward revision in fuel prices.	Widen product portfolio Leveraging on the synergies presented by Singer's distribution network Expansion of the personal care range Ongoing focus on development and innovation	Revenue growth: 97% (with full year consolidation of Singer) Profit growth: 4 fold increase in profits
Leisure	The long-term 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.	Focus on brand development and authentic experiences Increase interests in property management with a strategic partner	Revenue growth: 37% Profit growth: Return to profitability
Industrial inputs, Power & Energy	Increasing focus on expanding the country's renewable energy generation	 Industrial inputs-Pursuing growth opportunities in research and expansion of the product portfolio Regional expansion of power plant management services 	Revenue growth: 31% Profit growth: 1%
Transportation	Positive outlook given growth in global trade, improvement in freight rates and Sri Lanka's strengthening position as a shipping hub.	 Driving transformational change through technological disruption in logistics Consolidation of operations and optimising work force Facilitating the warehousing and distribution of e-commerce platforms 	Revenue growth: 35% Profit growth: 10% decline
Others	Good growth prospects in the BPO industry, with anticipated growth in the Australian, UK and US markets. Fentons and Alufab likely to see increased competitive pressures from cheaper alternatives.	 BPO- Deeper relationships with existing clients and widening of the product portfolio. The Group's flagship project, the Hayleys Twin Towers will commence preliminary work, given that the requisite concessions and approvals are obtained. 	Revenue growth: 98% Profit growth: 10%

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 2018. 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, Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and Finance Companies Corporate Governance Direction No 03 of 2008 issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011.

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 297 to 304.

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 & Retail, Power & Energy, Leisure & Others. The main activities of the sectors are described in the Portfolio review (pages 93 to 164) 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 32 to 37), Portfolio review (pages 93 to 164) of this Report. Those also provide an overall assessment of the state of affairs of the Group and the Company with details of important events that took place during the period . The investment activities during the year include the following;

- The Company, in September 2017, acquired the majority stake of Singer (Sri Lanka) PLC, which is engaged in retail and wholesale marketing, financing, assembling, manufacturing and financial services.
- Hayleys Advantis Ltd, a subsidiary of Hayleys PLC acquired the majority stake of Sri Lanka Shipping Company Ltd, which is a leading shipping and maritime organization globally in August 2017.

2.3 Financial Statements of the Company and the Group

The Financial Statements of the Company and the Group are given on pages 242 to 354 of this report.

2.4 Auditors' Report

The Auditor's Report on the Financial Statements of the Company and the Group is given on pages 238 to 241.

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 254 to 275. There were no changes to the Accounting Policies used by the Group and the Company during the year.

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 detailed below.

2.6.1 Directors' interest in transactions

The Directors of the Company and its Subsidiaries have made the general disclosures provided for in section 192(2) of the Companies Act No.7 of 2007. Note 39 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

2.6.2 Directors' interests in shares

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

Hayleys PLC

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

 2,182,584 shares were purchased by Mr.K.D.D.Perera

- 2,182,584 shares were disposed by Vallibel One PLC (Mr.K.D.D.Perera has the controlling interest in Vallibel One PLC.)
- 38,395 shares were held by Mr.R.Zaheed at the time of his retirement on 31st March 2018.

The Kingsbury PLC

- 3,216,146 shares were purchased by Mr. K.D.D. Perera
- 3,216,146 shares were disposed by Vallibel One PLC (Mr.K.D.D.Perera has the controlling interest in Vallibel One PLC)

Amaya Leisure PLC

- 11,993 shares were purchased during the year by Mr D E Silva
- 18,272 shares were purchased during the year by Mr L.T.Samarawickrama
- 15,650 shares were disposed during the vear by Mr.S Senaratne

Hunas Falls Hotels PLC

 4,492 shares were purchased during the year by Mr S.C.Ganegoda

Alumex PLC

- 3,268,532 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.)
- 200,000 shares were purchased by Akbar Brothers (Pvt) Ltd (Mr.A.A. Akbarally, a Director and Mr.T.Akbarally, an alternate Director of Alumex PLC are also Directors/Shareholders of Akbar Brother (Pvt) Ltd.)

Singer (Sri Lanka) PLC

• Mr. K.D.D. Perera purchased 6,935,913

shares at the mandatory offer made to all remaining shareholders during the year.

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 2018, which is given in note 10, 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 2018, which is given in note 10, 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.5.4 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 2017/18 is Rs. 409.1 mn (Rs. 319.5 mn) consisting of Rs. 401 mn for Executive Directors and Rs. 8.1 mn for Non Executive Directors.

Directors' remuneration in respect of the Company's Subsidiaries for the financial year 2017/18 is Rs. 936.4 mn (Rs. 743.8 mn.) consisting of Rs. 905.9 mn for Executive Directors and Rs. 30.5 mn for Non Executive Directors

2.8 Corporate Donations

Donations by the Company amounted to Rs. 994,079 (Rs. 755,867) which includes a sum of Rs. 119,000 (Rs. 119,000) made to Government approved charities.

Donations by the Subsidiaries amounted to Rs. 17.4 mn (Rs. 20.5 mn).

3. Future Developments

Future developments are discussed in the Chairman's message (pages 32 to 37), Portfolio review (pages 93 to 164) of this Report.

4. Group Revenue and International trade

The revenue of the Group was Rs. 163.2 bn (Rs. 111.4 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 40 to the Financial Statements.

The Group's exports from Sri Lanka, amounted to Rs. 57.1 bn (Rs.52.9 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. 75.9 bn (Rs. 60.1 bn) in the year under review.

Trade between Group Companies is conducted at fair market prices.

Annual Report of the Board of Directors

5. Dividends and Reserves

5.1 Dividends

The Group's profit before taxation amounted to Rs. 5.76bn (Rs.7.02 bn). After deducting Rs.2.5bn (Rs 1.9bn) for taxation the profit was Rs. 3.28bn (Rs.5.05bn). When an amount of Rs.2.25bn (Rs2.26bn.) for non-controlling interests was deducted , the Group profit attributable to owners of the Parent for the year was Rs. 1.02bn (Rs. 2.78bn.). A sum of Rs.375mn (Rs 562.5mn.) has been set aside for proposed dividends.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No.7 of 2007 for the first & final dividend proposed. A solvency certificate has been sought in respect of the first & final dividend of Rs. 5.00 per share (First & final Rs. 7.50) proposed to be paid to the holders of issued ordinary shares of the Company as at the close of business on 29th June 2018. The dividend represents a redistribution of dividends received by the Company and therefore will not be subject to the 14% tax deduction otherwise applicable.

5.2 Reserves

Total Group Reserves at 31st March 2018 amounts to Rs38.1bn (Rs.39.3bn) comprising Capital Reserves of Rs 0.9 bn(Rs 0.9bn), Other components of equity of Rs. 20.9bn (Rs. 19.0bn) and Revenue Reserves of Rs.16.2 bn (Rs 19.3bn). 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, Intangible assets by the Group and the Company amounted to Rs. 6.3 bn (Rs. 11.5 bn) and Rs. 55.5 mn (Rs. 72.8 mn) respectively.

Details relating to capital expenditure on Property, Plant & Equipment (including capital work –in-progress), Biological assets, Investment properties, Intangible assets, are given in Notes 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 360 to 363.

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 World Export Centre Ltd and Darley Property Holdings (Pvt) Ltd were carried out as at 31st March 2018 and rest of the lands 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 360 to 363 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 or debentures during the year ended 31st March 2018.

8.2 Stated Capital and Debentures

The stated capital of the Company ,consisting of 75,000,000 Ordinary shares, amounts to Rs.1,575 mn as at 31st March 2018. 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 (2015/19) and five year (2015/20) 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 pages 366 to 368.

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 366.

10.2 Public holding

There were 6,190 (6,018) registered shareholders as at 31st March 2018. The percentage of shares held by the public, as per the Colombo Stock Exchange rules, being 37.62% (37.62%) representing 6178 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 40 to 43.

Executive Directors

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

Mr. M.R. Zaheed (Retired w.e.f. 31/03/2018)

Mr. S.C. Ganegoda Mr. H.S.R. Kariyawasan

Dr. K.I.M. Ranasoma Mr. L.T. Samarawickrama

Mr. L.R.V. Waidyaratne
Ms. J. Dharmasena (Appointed w.e.f.

01/04/2018)

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

Mr. M.R. Zaheed who served as an Executive Director retired with effect from 31st March

2018.

Ms. J. Dharmasena, was appointed to the Board as an Executive Director with effect from 1st April 2018.

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

Messrs, S.C. Ganegoda, L.R.V. Waidyaratne and H.S.R. Kariyawasan retire by rotation and being eligible offer themselves for reelection.

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	H.S.R.Kariyawasan	S. C. Ganegoda	Dr. S.A.B.Ekanayake
K.S.Padiwita	T. G.Thoradeniya	L.Uralagamage	Ms.M.Hirai
Ms. A.M.C. Holder - Vermunt	A. Venugopal	A.R.K.Jayawardena	Ms. M. Shiraishi
M.I.L.Perera	J. A. M. V. D. Hout	T.Fukushima	S.Fukushima
Dr. P.C. Vermunt	Dr.T.K.D.A.P.Samarasinghe	L.A.K.I.Kodytuakku	Ms. I. Weiland
C.D. Weiland	M.A.Werker-Alternate	(N. Udage)	(D.T.Samarawickrama)
(H.C.S Mendis)	(F.R. Alles)	(Ms. K.Enkhtuvshin)	(B. D. A. Perera)
Hand Protection			
A.M.Pandithage	K.D.D. Perera	S.C.Ganegoda	Dr. K.I.M. Ranasoma
H.S.R.Kariyawasan	N. A. R. R. S. Nanayakkara	M. Bottino	S. Rajapakse
F. Mohideen	K.D.G.Gunaratne	Ms. R.N.Obeyesekere	S.P. Peris
T.G.Thoradeniya	A.Orlando	M. Orlando	B.A. Mahipala
R.H.P.Janadheera	K.S.Padiwita	K. M. D. I. Prasad	A. Muthukuda
B.K.C.R.Ratnasiri	K K D P Senanayake	Ms.Y.Bhaskaran(Alternate)	(S.A.N.Pushpakumara)
(S.M.Shaikh)			
Purification Products			
A.M.Pandithage	K.D.D. Perera	H.S.R. Kariyawasan	A. M. Senaratna
S.C.Ganegoda	Ms. M.J.A.S. Abeyratne	Dr. S.A.K. Abayawardana	M.S.P.Udaya kumara
Ms.S.S.Ragunathan	B.Balaratnarajah	M.H.Jamaldeen	S. Rajapakse
J. D. Naylor	B.R.P.Liyanage	K.Karnchanabatr	P.S. Suraweera
P.Karnchanabatr	B.Karnchanabatr	Ms. C. Karnchanabatr	T. Karnchanabatr
Y.P.A.S.Pathiratna	A.A.M.Caderbhoy	A. R. Oliyath	R.K.A.Karim
R.Bittel	M.Marques	J.Yaurai	E.Senduk
S.H.C.Winston	A.Parashar	Ms.Y.Bhaskaran (Alternate)	(Ms.M.Grignon)
Textiles			
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	H Somashantha
Ms. Y.Bhaskaran (Alternate)			

Annual Report of the Board of Directors

Construction Materials A.M.Pandithage	R.P.Peris	S.C. Ganegoda	D.W.P.N.Dediwela
	A.A.Akbarally	Dr. H. Cabral, PC	
R.P.Pathirana			S. Munaweera
R.P.P.K.Rajapaksha	A.J.Hirdaramani (Alternate)	T.Akbarally (Alternate)	
Plantations	WDDD.	wan na a	agg 1
A.M.Pandithage	K.D.D.Perera	W.G.R. Rajadurai	S.C.Ganegoda
D.S.Seneviratne	Dr. K I M Ranasoma	M.H.Jamaldeen	Merrill J Fernando
L.T.Samarawickrama	Dr. S.S.S.B.D.G. Jayawardena	Malik J Fernando	L.N.De S Wijeyeratne
Ms. M.D.A. Perera	N T Bogahalanda	S. Siriwardana	N.R.Ranatunge
S.Rajapakse	N A R R S Nanayakkara	F. Mohideen	M.F.M. Ismail
J.A.G. Anandarajah	Tomokatsu Ishida	Takashi Ishida	C.Perera
R.J.N. De Mel	C.V. Cabraal	S.L.Athukorala	R.M.Hanwella
G.A.R.D.Prasanna	L.G. Perera	R. S. Samarasinghe	T. M. L. J. Peris
D.C.Fernando (Alternate)	(M.R.Zaheed)	(RAB Ranatunga)	
Agriculture			
A.M.Pandithage	S.C. Ganegoda	Ms. J. Dharmasena	L.K.B. Godamunne
S.M.Gamage	D.Nilaweera	L.N.Abesekara	S. Rajapakse
M.Symons	A.C.Pathirage	G. Olbrechts	A.Patnaik
S.Kodama	Ms. D.G.Talpahewa	M.A.S.Mallawaarachchi	M.A.Rajap
S.I.H.M.Musfiqur	S.Yamada	A.N.K. Perera	P.Patnaik
(R Seevaratnam)	(M.R.Zaheed)		
Consumer & retail			
A.M.Pandithage	K.D.D.Perera	M.R.Zaheed	S.C. Ganegoda
H.A.Pieris	N.L.S.Joseph	M.H.Jamaldeen	A.R.Zubair
M.S.Lakshminarasimhan	J. A. Setukavalar	G.J.Walker	D. Sooriyaarachchi
V.G.K.Vidyaratne	K.K.L.P.Yatiwella	K.D.G.Gunaratne	K.D.Kospelawatta
D.H.Fernanado	M.H.Wijewardene	H. D. M. P. S. Karunatilleka	D.D.W.Siriwardene
Ms. D. G. Talpahewa	R. S. Wijeweera	S.L.Athukorala	J. M. J. Perera
L. S. S. Perera	M. P. A. Salgado	C. A. Samarasinghe (Alternate)	L.N.S.K.Samarasinghe (Alternate)
H.A.P.S.Perera (Alernate)	A.C.M.Irzan(Alternate)	T. A. Amarasuriya (Alternate)	S. Ramanathan (Alternate)
(S.Goodman)	(Dr. S. Kelegama)	(N. J. K. Dissanayake)	(J. Hyun)
(D.T.R.de Silva)	(J. Mendis)	(R Seevaratnam)	(N. I. R. de Mel)
(A. G. I. H. Perera (Alternate))			
Leisure			
A.M.Pandithage	K.D.D. Perera	L.T.Samarawickrama	S.C.Ganegoda
M H Jamaldeen	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
S.J.Wijesinghe	D.L.C.Fernando	(Ms) I. Jamaldeen	S Senaratne
P.N.R.Dias	S.L.Athukorala	L.D.E.A de Silva	T.W.De Silva
K.A.Y.P.Sumanapala	Ms.W.D. De Costa	Capt. J.L.C.Fernando	J P Van Twest
S H Amarasekera	K.T.M. De Soysa	R.S.Tissanayagam	Ms.A.A.K.Amarasinghe (Alternate
Z I I I I I I I I I I I I I I I I I I I	11.11.1. DC DOJ 50	(JASSAdihetti)	in

Industry Inputs and Power &	:	Habit	D. WINED
A.M.Pandithage	S.C.Ganegoda	H.S.R. Kariyawasan	Dr. K I M Ranasoma
M.Y.A.Perera	A.R.De Zilva	Dr. A Sivagananathan	C.S.B. Wijesundera
M.C.T.Ockersz	D. Hewageegana	L.J.C.De Silva	Malik J Fernando
M.Najmudeen	W.G.R.Rajadurai	D.S.Arangala	D.D.W. Siriwardene
K.B.M.I.Perera	H. A. Wijayananda	V.K.Hirdaramani	Merill J Fernando
M.B.C.M.Gunasekara	R.M.S.Fernando	A.A.Akbarally	B.Balaratnarajah
H. H. Abdulhusein (Alternate)	R.P.Pathirana (Alternate)	H.Akbarally (Alternate)	(M.R.Zaheed)
Transportation & Logistics	,	,	
A.M.Pandithage	L.R.V. Waidyaratne	S.C. Ganegoda	M.Y.A.Perera
A.B.Ratnayake	Ms. E.M.C.S. Gamage	A.M.Senaratna	M I S Sabar
T.U.K. Peiris	F.T. Salem	I A M Gahazali	L.B Culas
M.G. Gomez	K.L.C.Fernando	P.S Gunawardena	C.James
R.W.P.Polonowita	D.D.W. Siriwardene	P Jayanetti	C.I.J. Charles
F.S.Abeygoonnewardena	M.D.D.Pieris	R.Angkriwan	Capt. P.L Cumaratunga
N.P.Samarasinghe	HAH Rodrigo	J.R.Hill	M.R.S.M.S.R.C. Samaratunge
J C Anandappa	P H Rohani	T J G Decarpentrie	A.A.Djohan
S.I. Ramakrishnan	A.Saaid	R.Hassan	R S Ramakrishnan
M.S.M.Ibrahim	W.D.K.de Silva	S.N.Wickremesooriya	T.K.Wijemanne
M.A.J.Ranatunge	M.A. Muttalib	M.S.Lalachandra	C.K.de Zoysa
R.A.Perera	D.N.W.Y.Min	J.Mathew	W.Y.Fei
M. Haijiao	T.Hanajima	U.T.Z.Tun	S.Kodama
K.M.A.Fernando	M.Nabeel	S.Djohan	W.W.J.L.Fernando
W.Shanhe	L.D.E.A.de Silva	L.Senanayake	Ms.Z.Yinghui
H.Noguchi	D.M. Jayawardana	Mrs. I.Shaheen	S.E.J.Abeysundere
See Han E Hans	S.K.J. Wijayasinghe	M G I Ahamed	R. L. Karunartne
A V A Perera	Y.Uebo	H.Maniwa	Kapil Celly
C.N.J.Gunawardena	J.R.U. De Silva	Ms. S.S. Jayawardana	M.M.Hossain
K.S.R. de Abrew	R.E. Lisapaly	S.I.S.M.H. Sharaf	J.D.F.Peries
M.R.B.A. Tajuddin	M.P. Kurukulasuriya(Alternate)	K.S. Katipearachchi(Alternate)	W.M. Rodrigo (Alternate)
I.A.V.A. Perera (Alternate)	H.Ishizaki (Alternate)	(K. Wada)	(M. Masri)
(S. Mahadeva)	(S.R. Sadanandan)	(A.H.Kulasinghe)	(S. Mizukami)
(M. Reza)	(L.P. Weinman)	(Ms.S.Weinman)	(R. Seevaratnam)
(V.V.P. Daluwatte)	(I.I.Rushdhee)	(A F K Kulasinghe (Alternate))	
Others			
A.M.Pandithage	S.C.Ganegoda	M.H.Jamaldeen	Dr.H.Cabral, PC
L.T.Samarawickrama	M.Y.A.Perera	S.J.Wijesinghe	A.S.Jayatilleke
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.Abeyesekera	D.D.W.Siriwardene	Dr.A.Sivagananathan
Ms.D.G.Talpahewa	H.D.M.P.S.Karunatilaka	Ms.S.Abeytunge	Chandresa W. Abhayaratne
R.W.Abhayaratne	C.J.Wickramasinghe	Chandev W. Abhayaratne	J. A. W. M. Jayasekera
S.Munaweera	S.L.Athukorala	D.J.A.Wijesinghe	R.K.Sirinivasan
G.J.W. De Silva	B.R.Parthan	T.G.Thoradeniya	W.S.M.Al.Adawi
A.Govindan (Alternate)	(P.J.Claesson)	(D.V.Press)	(M.R.Zaheed)

Annual Report of the Board of Directors

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 367.

None of the Directors hold debentures in Hayleys PLC.

13. Employee share ownership plans

The Group does not operate any share option schemes.

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 Natural Capital on pages 205 to 214.

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 232.

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 339.

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 have adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the Financial Statements.

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. 2.0 mn (Rs.1.8mn), and Rs. 48.4 mn (Rs. 46.5mn) as audit fees by the Company and its Subsidiaries respectively. In addition, they were paid Rs. 0.69 mn (Rs. 0.28mn) and Rs. 27.8 mn (Rs. 21.8 mn.), by the Company and its Subsidiaries respectively, for non- audit related work, which consisted mainly of tax consultancy services.

In addition to the above, Group companies, both local and overseas, engage other audit firms. Audit fees and payments relating to non-audit work in respect of these firms amount to Rs. 17.5 mn (Rs. 15.1 mn.) and Rs. 9.1 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 pages 10 to 13 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 Social Performance section of the Sustainability Review.

The number of persons employed by the Group at year-end was 31,832 (28,137).

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 48 to 66 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, Sri Lanka, at 10.00 a.m. on Friday, 29th June 2018. The Notice of the Annual General Meeting appears on page 388.

For and on behalf of the Board

a ~

A. M. Pandithage
Chairman & Chief Executive

420

S. C. Ganegoda

Director

5. llyte

Hayleys Group Services (Pvt) Ltd Secretaries

18th May 2018

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 2018 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 2017 issued by the Institute of
 Chartered Accountants of Sri Lanka.
- Finance Companies Corporate Governance Direction No 03 of 2008 issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011.

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 pages 242 to 354 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.

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A.M. Pandithage Chairman & Chief Executive

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L.D.E.A. De Silva Group Chief Financial Officer

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 2017 issued by the Institute of Chartered Accountants 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 Board also has taken into consideration
 the requirements of the Sri Lanka
 Accounting Standard SLFRS 9 on
 "Financial Instruments" and SLFRS 15 on
 "Revenue from Contracts with Customers"
 that has been issued with effective date being
 January 1, 2018 and SLFRS 16 on "Leases"
 which will become effective on 1st January
 2019.
- The comments made by External Auditors in connection with the internal control system during the financial year 2016/17 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.

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A.M. Pandithage Chairman and Chief Executive

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Sarath Ganegoda Director

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Aravinda Perera Chairman, Audit Committee

NOMINATION COMMITTEE REPORT

Composition

- A.M. Pandithage (ED) Chairman
- K.D.D. Perera (NED)
- Dr. H. Cabral PC (IND/NED)

ED - Executive Director, NED - Non-Executive Director, IND/NED -Independent Non-Executive Director

(Refer to pages 40 to 43 for a brief profile of the Directors)

Attendance At Committee Meetings

Director	Attendance
A. M. Pandithage	2/2
K.D.D. Perera	2/2
Dr. H. Cabral PC	2/2

Duties of the Nomination Committee

- Consider 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 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.

Activities in 2017/18

- During the year, the Committee selected and recommended to the Board Ms. J.
 Dharmasena considering her skills and experience to be appointed as a Director.
- The Committee has also recommended based on the performance and the contribution made to achieve the objectives of the Board to re-elect Messrs Mr. S.C. Ganegoda, Mr. L.R.V. Waidyaratne, Mr. H.S.R. Kariyawasan to the Board at the Annual General Meeting to be held on 29th June 2018.



A.M. Pandithage
Chairman
Nomination Committee

REMUNERATION COMMITTEE REPORT

Composition

- Dr. H. Cabral, PC (IND/NED) -Chairman
- K.D.D. Perera (NED)
- M.Y.A Perera (IND/NED)
- M.H. Jamaldeen (IND/NED)

IND/NED - Independent Non-Executive Director, NED - Non-Executive Director

(Refer to pages 40 to 43 for a brief profile of the Directors)

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.

Attendance at Committee Meetings

Director	Attendance
Dr. H. Cabral, PC	2/2
K.D.D. Perera	2/2
M.Y.A. Perera	2/2
M.H. Jamaldeen	2/2

Duties of the Remuneration 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 contributions, bearing in mind the business' performance and shareholder returns.

Activities in 2017/18

- During the year the committee reviewed the performance of the Chairman & Chief Executive, Executive Directors and Group Management Committee based on the targets set in the previous year and determined the bonus payable and the annual increments.
- Recommended the bonus payable and annual increments to be paid to Executive and Non -Executive staff based on the ratings of the Performance Management System.

Dr. Harsha Cabral, PC. *Chairman*Remuneration Committee

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible under sections 150 (1), 151, 152 (1),) & 153 of the Companies Act No. 7 of 2007, to ensure compliance with the requirements set out therein to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit & loss of the Company and the Group for the financial year.

The Directors are also responsible, under section 148, for ensuring that proper accounting records are kept to enable, determination of financial position with reasonable accuracy, preparation of financial statements and audit of such statements to be carried out readily and properly.

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

They also confirm that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting standards (SLFRS/LKAS), Companies Act No 07 of 2007 and the listing rules of the Colombo Stock Exchange. Further, the financial statements provide the information

required by the Companies Act and the listing rules of the Colombo Stock Exchange.

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

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

As required by section 56 (2) of the Companies Act, the Board of Directors has authorized distribution of the dividend now proposed, being satisfied based on information available to it that the Company would satisfy the solvency test after such distribution in accordance with section 57 of the Companies Act, and have sought in respect of the dividend now proposed, a certificate of solvency from the Auditors.

The external Auditors, Messrs Ernst & Young who were deemed re- appointed in terms of Section 158 of the Companies Act No. 7 of

2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, shown on pages 238 to 241 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

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Secretaries

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

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.

Composition

- Dr. H. Cabral, PC (IND/NED) -Chairman
- Mr. M.Y.A. Perera (IND/NED)
- Mr. S.C. Ganegoda (ED)

ED - Executive Director, IND/NED - Independent Non-Executive Director

(Refer to pages 40 to 43 for a brief profile of the Directors)

Attendance at Committee Meetings

Director	Attendance
Dr. H. Cabral, PC	4/4
Mr. M.Y.A. Perera	4/4
Mr. S.C. Ganegoda	1/4

Duties of the Related Party Transactions 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.

Activities in 2017/18

- During the year the Committee reviewed the related party transactions and their compliances in Hayleys PLC and the its Group Companies and communicated the same to the Board and relevant Companies.
- The Committee in its review process recognized the adequacy of the content and quality of the information forwarded to its members by the management.

Dr. Harsha Cabral, PC. *Chairman*Related Party Transactions Review
Committee

AUDIT COMMITTEE REPORT

Composition

- Mr. M.Y.A. Perera (Chairman) : (IND/ NED)
- Dr. H. Cabral: (IND/NED)
- Mr. M.H. Jamaldeen : (IND/NED)

 $\label{eq:entropy} IND/NED\mbox{ - Independent Non-Executive} \\ Director$

(Refer to pages 40 to 43 for a brief profile of the Directors)

Attendees.

- Chairman & Chief Executive
- · Group Chief Financial Officer
- Head-Group Management Audit & System Review

The Authority of the Audit Committee

- Recommend appointment, dismissal, service period and audit fee of the external auditors.
- The Audit Committee shall establish and maintain a direct communication channel with the external auditors.
- Resolve any issues regarding financial reporting between the management and the external auditor.
- Pre-approve all auditing and non audit services performed by the external audit firm and internal audit service providers.
- Seek any information it requires from employees or external parties relating to investigations.

Charter of the Audit Committee

The Audit Committee Charter is periodically reviewed and revised with the concurrence of Board of Directors to make sure that new developments relating to the function of the Committee. The Charter of the Committee was last reviewed and approved by the Board in May 2017. 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 on corporate governance, 'Code of Best Practice on Corporate Governance' issued by Institute of Chartered Accountants of Sri Lanka 2017 and in the case of the subsidiary company, Singer Finance (Lanka) PLC 'Finance Leasing (Corporate Governance) Direction No 03 of 2008 issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011', further regulate the composition, roles and functions of the Board Audit Committee.

 Meet with the management, external auditors as necessary to carry out the assigned duties.

Attendance at Committee Meetings

Director	Attendance
Mr. M.Y.A. Perera	5/5
Dr. H. Cabral	3/5
Mr. M.H. Jamaldeen	4/5

Activities in 2017/18

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-incharge 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 procedures in Group companies
that are selected according to a group
annual audit plan. During year 2017/18,
122 audits were performed covering all 12
sectors of the group. Obtained significant
findings and recommendations together with
management's responses of the review of

the internal controls carried out by internal auditors and provide recommendations for improvement.

Internal Audits were outsourced in 2017/18 to leading audit firms in line with an agreed annual group audit plan. The Committee also invited representatives from the audit firms to make presentations on their observations and findings.

Follow up reviews were scheduled to ascertain that audit recommendations are being acted upon.

The Committee evaluated the Internal Audit Function covering key areas such as scope, quality of internal audits, independence and resources. The Committee appraised the independence of the Group MA&SRD and other internal auditors, in the conduct of their assignments.

Members of the Committee visited some of the group companies to get a better understanding of company operations.

Risk Management

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.

Review of the risk management, internal controls, business continuity planning and information security systems are carried out and appropriate remedial actions recommended to the board.

Subsidiary Company Audit Committees

14 listed subsidiaries and 6 unlisted subsidiaries have appointed their own Audit Committees comprising Independent Non-Executive Directors and have met minimum four times each during the year 2017/18. These Audit Committees function independent of the Audit Committee of Hayleys PLC but have similar terms of reference. The minutes of their meetings were 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 2019 after the evaluating the scope, delivery of audit resources and the quality of the assurance initiatives taken during the year 2017/18

Compliance

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. Obtained regular updates from Head of HR and Legal regarding compliance matters.

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.

Progress of implementation of SLFRS 9 & SLFRS 15:

The Committee continuously monitored the progress of implementation of SLFRS 9 and SLFRS 15 as per the requirements of Sri Lanka Accounting Standards that has been issued with effective date being January 1, 2018.

Audit Committee Report

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.

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.

Evaluation of the Committee:

An independent evaluation of the effectiveness of the Committee was carried out by the other Members of the Board during the year. Considering the overall conduct of the Committee and its contribution on the overall performance of the group, the Committee has been rated as highly effective.

M.Y.A. Perera
Chairman
Audit Committee.

THE STORY CONTINUES...

Chapter 6

AREPORT OF OUR RESULTS

Independent Auditor's Report 238 • Statement of Profit or Loss 242 • Statement of Comprehensive Income 243 •
Statement of Financial Position 244 • Statement of Changes in Equity 246 • Statement of Cash Flows 251 •
Notes to the financial statements 254 • Ten Year Summary 355 • Indicative US Dollar Financial Statements 356 • Quarterly Analysis 359 • Value of Real Estate 360 • Country Report 364 • Share Information 366 •
History of Dividends And Scrip Issues 369 • Group Companies 371 • Group Value Addition and Distribution 374 •
Glossary of Financial Terms 375 • Independent Assurance Report 377 • GRI Content Index Tool 379 •
Detailed Material Matters 384 • Corporate Information 386 • Notes 387 • Notice of Meeting 388 • Form of Proxy 389 •
Investor Feedback Form 391

FINANCIAL CALENDAR

01st Quarter Report	9th August 2017
02nd Quarter Report	7th November 2017
03rd Quarter Report	12th February 2018
04th Quarter Report	21st May 2018
Annual Report 2017/2018	1st June 2018
67th Annual General Meeting	29th June 2018
First and Final Dividend Payable	10th July 2018

INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF HAYLEYS PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hayleys PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018,

and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance

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

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

Key audit matter

Accounting for business combinations

During the financial year ended 31 March 2018, the Group completed two acquisitions that resulted in the Company acquiring controlling interests in Singer (Sri Lanka) PLC ("Singer Group") and Sri Lanka Shipping Company Limited ("Sri Lanka Shipping Group") for considerations of Rs. 10.9 bn and Rs. 5.1 bn respectively.

We considered the audit of accounting for these acquisitions to be a key audit matter as these represent significant transactions entered into by the Group during the year which require significant management judgement regarding the allocation of the purchase price to the identifiable assets acquired and liabilities assumed.

How our audit addressed the key audit matter

In evaluating the Company's purchase price allocation for business combinations, we tested management's identification and valuation of the assets acquired and liabilities assumed.

We involved the component auditor in obtaining reasonable assurance in identifying the appropriateness of the assets acquired and liabilities assumed by the Group.

For the acquired land, we evaluated the competency and objectivity of the external appraisers engaged by the Group and involved our internal valuation experts to assess the reasonableness of the valuation.

We also assess the adequacy of related discloses made in Note 37.

Key audit matter

How our audit addressed the key audit matter

Valuation of inventories

The valuation of inventories at cost includes different components, the identification of which includes judgment in relation to the allocation of labour and overheads which are incurred in bringing the inventory to its present location and condition. Judgement is also required in the identification of inventories that require to be reflected at net realizable value. The estimates and judgements applied by management are influenced by the amount of direct costs incurred historically by the entities in the Group in bringing inventories to its present location and condition, assumptions concerning the continuity of product lines, trends in relation to technological obsolescence and historically realized sales prices.

The significance of the balance coupled with the judgment involved has resulted in the valuation of inventories being identified as a key audit matter.

Valuation of land

The Group carries freehold land at fair value amounting Rs. 21.5 bn, representing 10% of the Group's total assets. The valuation is subjective to the estimates and assumptions applied by professional valuers which include the price range per perch in considering factors such as the location, condition and accessibility of the property.

Due to the size of these assets in relation to the financial statements of the Group and the significance of assumptions associated with the valuation of these assets, we have considered the valuation of freehold land as a key audit matter

To validate the valuation of inventories, we assessed historical costs recorded in the inventory valuation; testing on a sample basis with purchase invoices. We tested the reasonability of assumptions applied by the management in allocating direct labour and direct overhead costs to inventories. We reviewed the basis applied by the management for inventory provisions, the consistency of provisioning in line with policy and the rationale for recording of specific provisions. We also assessed management's determination of net realizable value by performing tests on the sales prices secured by the Company for similar or comparable items of inventories.

Our audit procedures focused on the valuation carried out by professional valuers, which included among others, the following procedures;

- We evaluated the competence, capabilities and objectivity of the external
 valuer appointed by the management. We inspected to the valuation report
 signed by the valuer to obtain an understanding of the work of the valuer and
 evaluated its appropriateness as audit evidence for the recorded valuation of
 freehold land in the financial statements.
- We engaged our internal specialized resources to assist us in evaluating the
 appropriateness of the valuation method adopted by management's valuers,
 assessing the reasonableness of the range of values per perch, in comparison
 to market data and recent transaction prices of comparable land.
- In addition, we assessed the adequacy of the related financial statement disclosures in Note 14.

Other Information included in the 2018 Annual Report

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

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

In connection with our audit of the financial statements, our responsibility is to read the other

information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information,

Independent Auditor's Report

we are required to report that fact. We have nothing to report in this regard

Responsibilities of the management and those charged with governance

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material
 misstatement of the financial statements,
 whether due to fraud or error, design and
 perform audit procedures responsive to
 those risks, and obtain audit evidence that is
 sufficient and appropriate to provide a basis
 for our opinion. The risk of not detecting a
 material misstatement resulting from fraud
 is higher than for one resulting from error,
 as fraud may involve collusion, forgery,
 intentional omissions, misrepresentations, or
 the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw

- attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those

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

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1420.

18th May 2018 Colombo

Sant 2 Jong

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. Y 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 Herath FCA D K Hulangamuwa FCA FCMA LIB (Lond) H M A Jayesinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

STATEMENT OF PROFIT OR LOSS

For the year ended 31st March		Consoli	dated	Company	
		2018	2017	2018	2017
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	6	163,249,467	111,383,076	379,173	338,222
Cost of sales		(126,831,893)	(85,461,619)	(218,789)	(186,551
Direct interest cost	-	(569,558)	-	-	-
Gross profit		35,848,016	25,921,457	160,384	151,671
Group dividend	•	-	-	1,872,100	1,586,916
Other income	7	909,359	1,024,222	1,130,083	71,470
Distribution expenses		(7,268,250)	(3,419,040)	-	_
Administrative expenses	•	(17,928,472)	(13,578,638)	(59,270)	(91,627
Other expenses	8	(157,476)	(273,354)	-	(23
Results from operating activities		11,403,177	9,674,647	3,103,297	1,718,407
Finance income	9	1,107,936	718,637	31,939	44,650
Finance cost	9	(7,039,958)	(3,830,279)	(1,684,705)	(815,075
Net finance cost		(5,932,022)	(3,111,642)	(1,652,766)	(770,425
Change in fair value of investment properties	15	184,186	249,286	10,250	_
Share of profit of equity accounted investees (net of tax)	18	227,226	212,871	-	-
Value added tax on financial services	•	(119,069)	-	-	-
Profit before tax	10	5,763,498	7,025,162	1,460,781	947,982
Tax expense	11	(2,491,060)	(1,976,840)	(1,329)	(9,600
Profit for the year		3,272,438	5,048,322	1,459,452	938,382
Profit for the period attributable to:					
Owners of the parent		1,023,892	2,783,933		
Non-controlling interest		2,248,546	2,264,389		
Profit for the year		3,272,438	5,048,322		
Earnings per share					
Basic - (Rs.)	12	13.65	37.12	19.46	12.51
Diluted - (Rs.)	12	13.65	37.12	19.46	12.51
Dividend per share (Rs.)	13			5.00	7.50

 $Notes from pages\ 254\ to\ 354\ form\ an integral\ part\ of\ these\ Financial\ Statements.\ Figures\ in\ brackets\ indicate\ deductions.$

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March		Consolidated		Company		
		2018	2017	2018	2017	
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Profit for the year		3,272,438	5,048,322	1,459,452	938,382	
Other comprehensive income						
Items that will not be reclassified subsequently to Statement of Pro	fit or					
Loss						
Revaluation of land		2,998,599	7,540,561	627,010	5,648,000	
Share of other comprehensive income of equity accounted investees		-	-	-	-	
Actuarial (loss)/gain on employee benefit obligations	28	(383,844)	394,067	(73,347)	(28,213)	
Income tax on other comprehensive income	11	(1,607,182)	(68,082)	-	-	
Items that will be reclassified subsequently to Statement of Profit or	Loss					
Net exchange differences on translation of foreign operations		741,847	449,755	-	=	
Share of other comprehensive income of equity accounted investees	•	(223)	374	-	_	
Net change in fair value of available-for-sale financial assets		(6,564)	12,065	-	-	
Total Other comprehensive income for the year, net of tax		1,742,633	8,328,740	553,663	5,619,787	
Total comprehensive income for the year, net of tax		5,015,071	13,377,062	2,013,115	6,558,169	
Total comprehensive income for the year attributable to:						
Owners of the parent		2,702,806	10,343,403			
Non- controlling interest		2,312,265	3,033,659			
		5,015,071	13,377,062			

STATEMENT OF FINANCIAL POSITION

As at 31st March		Consoli	idated	Сотр	any
		2018	2017	2018	2017
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets					
Non-current assets					
Property, plant & equipment	14	84,010,488	66,407,294	311,889	2,377,439
Investment properties	15	1,948,609	1,764,423	60,750	-
Biological assets	16	404,659	374,353	-	-
Intangible assets	17	14,114,642	6,434,205	-	-
Investments in subsidiaries	18	-	-	36,673,417	21,947,100
Investments in equity accounted investees	18	845,898	721,633	-	-
Other non- current financial assets	19	290,657	197,858	95,397	104,297
Non- current trade and other receivables	22	9,333,864	-	-	-
Other non-current assets	20	2,431,175	1,657,145	-	-
Deferred tax assets	27	822,545	604,150	-	-
Total non-current assets		114,202,537	78,161,061	37,141,453	24,428,836
Current assets					
Inventories	21	32,745,630	17,678,103	1,058	1,206
Amounts due from subsidiaries	38	-	-	1,800,558	1,176,681
Amounts due from equity accounted investees	38	121,106	68,375	8,850	13,655
Trade and other receivables	22	48,227,112	23,876,704	16,912	12,746
Other current assets	20	2,640,004	1,462,471	95,091	61,414
Income tax recoverable	30	539,919	344,815	12,670	5,411
Other current financial assets	19	160,702	479,520	8,800	17,196
Short term deposits	_	3,631,527	2,920,857	-	-
Cash in hand and at bank	•	7,495,343	5,007,087	328,619	64,955
Assets classified as held for sale	39	3,021	3,021	-	-
Total current assets	<u>-</u>	95,564,364	51,840,953	2,272,558	1,353,264
Total assets		209,766,901	130,002,014	39,414,011	25,782,100
Equity and liabilities					
Stated capital	23	1.575.000	1,575,000	1,575,000	1,575,000
Capital reserves		887,340	943,608	13,226	13,226
Other components of equity		20,978,486	19,013,131		1,991,460
Revenue reserves		16,208,311	19,333,998	16,890,382	13,490,522
Total equity attributable to equity holders of the company		39,649,137	40,865,737	18,478,608	17,070,208
Non-controlling interest		20,158,629	17,173,230	-	17,070,200
Total equity		59,807,766	58,038,967	18,478,608	17,070,208

Notes from pages 254 to 354 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

As at 31st March		Consoli	idated	Company		
		2018	2017	2018	2017	
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Non-current liabilities						
Interest-bearing borrowings	25	34,621,339	20,634,704	12,182,428	5,901,449	
Grants	26	772,147	743,387	-	-	
Deferred tax liabilities	27	4,729,365	1,853,124	-	-	
Security deposits	24	1,199,128	-	-	-	
Other non-current Liabilities	29	2,717,541	-	-	-	
Other non-current financial liabilities	19	403,056	-	-	-	
Employee benefit obligations	28	7,337,659	5,608,640	713,730	557,063	
Total non-current liabilities		51,780,235	28,839,855	12,896,158	6,458,512	
Current liabilities						
Trade and other payables	29	28,764,332	16,781,524	319,282	256,522	
Other current liabilities	29	4,023,979	1,405,240	45,691	30,507	
Deferred revenue	29	246,289	-	-	-	
Other current financial liabilities	19	6,517,031	1,374	10,654	1,281	
Amounts due to subsidiaries	38	-	-	40,350	34,777	
Amounts due to equity accounted investees	38	-	-	-	-	
Income tax payable	30	607,274	821,832	-	-	
Current portion of long term interest-bearing borrowings	25	23,801,452	5,060,603	3,747,898	1,211,273	
Short-term interest-bearing borrowings	31	34,218,211	19,052,287	3,875,370	719,020	
Liabilities directly associated with assets classified as held for sale	39	332	332	_	-	
Total current liabilities		98,178,900	43,123,192	8,039,245	2,253,380	
Total liabilities		149,959,135	71,963,047	20,935,403	8,711,892	
Total equity and liabilities		209,766,901	130,002,014	39,414,011	25,782,100	

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 these Financial Statements.

Signed for and on behalf of the Board.

Mohan Pandithage

Chairman & Chief Executive

Director

Sarath Ganegoda

18th May, 2018

 $Notes from pages\ 254\ to\ 354\ form\ an integral\ part\ of\ these\ Financial\ Statements.\ Figures\ in\ brackets\ indicate\ deductions.$

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2018					
		Capital F	Reserves		
Consolidated	Stated	Reserve	Other	r	
	capital	on scrip	capital		
		issue	reserve		
	Rs.'000	Rs.'000	Rs.'000		
Balance as at 1st April 2017	1,575,000	527,790	415,818	-	
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	_				
Transfers	-	45,440	25,291	•	
Total contributions by and distributions to owners	-	45,440	25,291		
Changes in aumenthin interacts in subsidiaries					
Changes in ownership interests in subsidiaries Acquisition of non-controlling interest with a change in control					
Acquisition of non-controlling interest with a change in control Acquisition of non-controlling interest without a change in control	_	(127,001)	2	•	
Recognition of non-controlling interest without a change in control		(127,001)			
Disposal of subsidiaries					
Total changes in ownership interests in subsidiaries	-	(127,001)	2		
~ *					
Total transactions with owners	-	(81,561)	25,293		
Balance as at 31st March 2018	1,575,000	446,229	441,111		

Revaluation reserve relates to the revaluation of land

Details of the capital reserves are given in Note 23.1 to the Financial Statements.

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

						f the Company	equity holders of	Attributable to ϵ	
				Reserves	Revenue		Equity	Components of F	Other C
Total equity	Non- controlling interest	Shareholders' funds	Retained earnings	Bearer Biological reserve	Timber reserve	General reserve	Foreign currency translation reserve	Available- for-sale reserve	Revaluation reserve
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
58,038,967	17,173,230	40,865,737	17,010,084	8,942	81,415	2,233,557	1,166,208	23,876	17,823,047
3,272,438	2,248,546	1,023,892	1,016,806	(1,808)	8,894	_	_		_
741,847	329,576	412,271		-	-	-	412,271	-	_
(223)	(22)	(201)	(201)	-	-	-	-	-	-
(6,564)	(2,532)	(4,032)		-	-	-	-	(4,032)	-
2,998,599	-	2,998,599	-	-	-	-	-	-	2,998,599
(383,844)	(70,177)	(313,667)	(313,667)	-	-	-	-	-	-
(1,607,182)	(193,126)	(1,414,056)	50,902	-	-	-	-	-	(1,464,958)
1,742,633	63,719	1,678,914	(262,966)	-	-	-	412,271	(4,032)	1,533,641
5,015,071	2,312,265	2,702,806	753,840	(1,808)	8,894	-	412,271	(4,032)	1,533,641
(2,091,900)	(1,529,400)	(562,500)	(562,500)	-	-	-	-	-	-
969	76	893	893	-	-	-	-	-	-
-	-	-	(70,731)	-	-	-	-	-	-
(2,090,931)	(1,529,324)	(561,607)	(632,338)	-	-	-	-	-	-
4,204,538	4,204,538	- (0.005505)	(0.113.000)	-	-	-	-	-	-
(3,688,646)	(1,481,061)	(2,207,585)	(2,111,839)	-	-	7,778	94	(1)	23,382
(1,671,456)	(521,242)	(1,150,214)	(1,150,214)	-	-	-	-	-	-
223	223	- (0.0===00)	- (0.040.0=0)	-	-	-	-	- (2)	-
(1,155,341)	2,202,458	(3,357,799)	(3,262,053)	-	=	7,778	94	(1)	23,382
(3,246,272)	673,134	(3,919,406)	(3,894,391)	-	-	7,778	94	(1)	23,382
59,807,766	20,158,629	39,649,137	13,869,533	7,134	90,309	2,241,335	1,578,573	19,843	19,380,070

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 254 to 354 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				
		Capital Re	serves	
Consolidated	Stated	Reserve	Other	
	capital	on scrip	capital	
		issue	reserve	
	Rs.'000	Rs.'000	Rs.'000	
Balance as at 1st April, 2016	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		-	-	
Realized gain on timber		-		
Transfers	=	_	(-0.000)	
114151615			(73,099)	
Impairment loss transferred to Statement of Profit or Loss	_	-	(73,099)	
	-	_ _ _	(73,099)	
Impairment loss transferred to Statement of Profit or Loss	-		-	
Impairment loss transferred to Statement of Profit or Loss Total contributions by and distributions to owners	-	-	-	
Impairment loss transferred to Statement of Profit or Loss Total contributions by and distributions to owners Changes in ownership interests in subsidiaries	- - -	- (49,537)	(73,099)	
Impairment loss transferred to Statement of Profit or Loss Total contributions by and distributions to owners Changes in ownership interests in subsidiaries Acquisition of non-controlling interest with a change in control	- - - - - -		(73,099)	
Impairment loss transferred to Statement of Profit or Loss Total contributions by and distributions to owners 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)	- (73,099) - (1,575)	
Impairment loss transferred to Statement of Profit or Loss Total contributions by and distributions to owners 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 Disposal of subsidiaries	_	(49,537)	- (73,099) - (1,575)	

						the Company	quity holders of	Attributable to e	
				Reserves	Revenue		Equity	Components of I	Other C
Total equity	Non- controlling interest	Shareholders' funds	Retained earnings	Bearer Biological reserve	Timber reserve	General reserve	Foreign currency translation reserve	Available- for-sale reserve	Revaluation reserve
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
46,913,069	15,817,529	31,095,540	14,567,260	2,346	72,860	2,233,358	939,050	1,819	10,636,028
5,048,322	2,264,389	2,783,933	2,768,606	6,596	8,731	-	-	-	-
449,755	220,832	228,923	=	=	=	=	228,923	=	
374	17	357	357	-	-	-	-	-	
12,065	3,715	8,350	-	-	_	_	_	8,350	-
7,540,561	257,577	7,282,984	_	-	_	_	_	_	7,282,984
394,067	340,441	53,626	53,626	-	-	-	-	-	-
(68,082)	(53,311)	(14,771)	(14,771)	-	-	-	-	-	-
8,328,740 13,377,062	769,271 3,033,660	7,559,469	39,212 2,807,818	6,596	8,731	-	228,923	8,350 8,350	7,282,984
(1,975,701)	(1,488,201)	(487,500)	(487,500)						-
2,071	-	-	176	_	(176)	-	-	-	
_	_		73,051	_	-	48	_	_	
21,576	7,800	13,776	-	-	-	-	-	13,776	_
(1,951,531)	(1,479,595)	(471,936)	(412,484)	-	(176)	48	-	13,776	-
		_		_	_		_	_	_
-		_		-	-	151	(1,765)	(69)	3,529
(242,878)	-	(101,270)	(52.004)	_				(~~)	~,~=/
(242,878) (56,755)	(141,608) (56,755)	(101,270)	(52,004) 99,494		=	-	=	=	(99,494)
(56,755)	(141,608)			- - -				(69)	(99,494) (95,965)
(242,878) (56,755) (299,633) (2,251,164)	(141,608) (56,755)	=	99,494	- - -	-	_	=		

Statement of Changes in Equity

For the year ended 31st March		Capital Reserve	Other Component of Equity	Revenue		
Company	Stated capital	Other capital reserve	Revaluation reserve	General reserve	Retained earnings	Total equity
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April, 2017	1,575,000	13,226	1,991,460	382,087	13,108,435	17,070,208
Profit for the year	-	-	-	-	1,459,452	1,459,452
Other comprehensive income						
Actuarial loss on employee benefit obligations	-	-	-	-	(73,347)	(73,347
Revaluation of land	-	-	627,010	-	-	627,010
Total other comprehensive income	_	_	627,010	_	(73,347)	553,663
Total Comprehensive income for the year	-	-	627,010	-	1,386,105	2,013,115
Transactions with owners, recorded directly in equity Recovery for the year	-	_		_		
Unclaimed dividend - write back	-	-	_	-	798	798
Transfers	-	-	(2,618,470)	-	2,575,457	(43,013
Dividends to equity holders	-	-	-	-	(562,500)	(562,500
Total contributions by and distributions to owners	-	-	(2,618,470)	-	2,013,755	(604,713
Total transactions with owners	-	-	(2,618,470)	-	2,013,755	(604,713
Balance as at 31st March 2018	1,575,000	13,226	-	382,087	16,508,295	18,478,608
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	938,38
Other comprehensive income						
Revaluation of land	_	_	5,648,000	_	-	5,648,000
Actuarial loss on employee benefit obligations	_	-	_	_	(28,213)	(28,21)
Total other comprehensive income	-	=	5,648,000	-	(28,213)	5,619,78
Total comprehensive income for the year	-	-	5,648,000	-	910,169	6,558,169
Transactions with owners, recorded directly in equity						
Dividends to equity holders	-	-	-	-	(487,500)	(487,500
Unclaimed dividend-write-back	-	-	_	-	325	32
Transfers	-	-	(9,970,563)	-	9,970,563	
Total contributions by and distributions to owners	=	=	(9,970,563)	=	9,483,388	(487,17
Total transactions with owners	-	-	(9,970,563)	-	9,483,388	(487,17
Balance as at 31st March 2017	1,575,000	13,226	1,991,460	382,087	13,108,435	17,070,20

STATEMENT OF CASH FLOWS

For the year ended 31st March		Consoli	Consolidated		any
		2018	2017	2018	2017
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash flows from operating activities					
Cash generated from operations	A	10,639,603	9,973,536	1,490,249	1,626,614
Employee benefit paid	28	(579,028)	(528,326)	(15,825)	(58,134)
Income tax paid	30	(2,609,574)	(2,003,508)	(8,589)	(12,724
Net cash inflow from operating activities		7,451,001	7,441,702	1,465,835	1,555,756
Cash flows from investing activities					
Purchase and construction of property, plant & equipment		(5,980,893)	(11,301,360)	(55,519)	(72,798)
Investments in other non- current assets		(239,785)	(1,107,767)	-	-
Investments in other current financial assets		(3,868,671)	(2,469,362)	-	(2,000,000
Development of biological assets	16	(6,078)	(5,357)	-	_
Grants received - capital	26	60,045	44,270	-	-
Proceeds from disposal of property, plant & equipment/		256,048	205,271	-	6,886
Investment property					
Proceeds from disposal of intangible assets		-	1,984	-	-
Proceeds from disposal of current financial assets		4,213,117	2,921,811	-	2,426,808
Proceeds from disposal of subsidiaries	37	-	330,112	-	-
On acquisition of right to generate hydro power/ ERP system		(353,391)	(216,480)	-	_
Proceeds from buy back of shares of non current financial assets		-	99,280	-	99,280
Long term investments in group companies and others		-	-	(10,931,570)	(2,048,720
Acquisition through business combinations	37	(12,976,909)	-	-	-
Interest received	9	537,095	272,791	7,317	6,270
Net movement in deferred revenue		(43,820)	-	-	-
Dividends received from equity accounted investees		102,739	163,409	-	-
Dividends received from non-group companies	9	9,185	9,909	739	282
Net cash used in investing activities		(18,291,318)	(11,051,489)	(10,979,033)	(1,581,992
Net cash inflow before financing		(10,840,317)	(3,609,787)	(9,513,198)	(26,236

Statement of Cash Flows

For the year ended 31st March		Consolie	dated	Compa	any
		2018	2017	2018	2017
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash flows from financing activities					
Capital payment on finance lease		(23,038)	(26,827)	-	=
Interest paid (including interest capitalized)	•	(6,427,583)	(3,152,556)	(1,553,036)	(678,744)
Dividend paid to non-controlling interest		(1,529,400)	(1,487,395)	-	-
Proceeds from interest-bearing borrowings	25	29,065,187	13,858,547	10,500,000	3,500,000
Repayment of interest-bearing borrowings	25	(18,094,054)	(7,130,810)	(1,749,375)	(2,998,485)
Forward contract liability payment	-	-	(867)	-	(867)
Long term loan facility fee	-	(14,577)	(5,981)	(14,577)	(5,981)
Net movement in financial liabilities	•	71,083	-	-	-
Net movement in security deposits	•	76,847	-	-	-
Acquisition of non-controlling interest		(3,688,646)	(242,878)	-	-
Debenture issue fee	-	-	(11,759)	-	(11,759)
Dividends paid to equity holders of parent	13	(562,500)	(487,500)	(562,500)	(487,500)
Net cash inflow / (outflow) from financing activities		(1,126,681)	1,311,974	6,620,512	(683,336)
Net increase / (decrease) in cash and cash equivalents		(11,966,998)	(2,297,813)	(2,892,686)	(709,572)
Cash and cash equivalents at beginning of the year	•	(11,123,228)	(8,825,415)	(654,065)	55,507
Cash and cash equivalents at end of the year	В	(23,090,226)	(11,123,228)	(3,546,751)	(654,065)

 $Notes from pages \ 254 \ to \ 354 \ form \ an integral \ part \ of these \ Financial \ Statements. \ Figures \ in \ brackets \ indicate \ deductions.$

For the year ended 31st March		Consoli	dated	Compa	ny
		2018	2017	2018	2017
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
A. Cash generated from operations					
Profit before tax		5,763,498	7,025,162	1,460,781	947,982
Adjustments for:	•			_	
Net finance cost	9	5,932,022	3,111,642	1,652,766	770,425
Share of profits from equity accounted investees	18	(227,226)	(212,871)	-	-
Depreciation on property, plant & equipment	14	3,927,258	2,997,780	89,201	34,305
Impairment of property, plant & equipment	14	-	75,332	-	-
Change in fair value of investment properties	15	(184,186)	(249,286)	(10,250)	-
Change in fair value of bearer biological assets	•	3,805	(18,805)	-	-
Change in fair value of biological assets	16	(24,228)	(24,455)	-	-
(Gain)/loss on the disposal of property, plant & equipment	7/8	(56,981)	(35,561)	(1,130,083)	(141
(Gain)/loss on the disposal of long term investment	7	-	(71,309)	-	(71,309
(Gain)/loss on the disposal of current financial assets	8	-	22	-	-
Scrip Dividend		-	-	-	(40,669
Gain on bargain purchase of subsidiaries	7	-	(86,311)	-	-
Amortisation of intangible assets	8	151,520	181,733	-	-
Net gains/(loss) on translation of foreign currency		595,423	216,994	-	-
Impairment of trade & other receivables	22	323,892	5,630	-	-
Provision for unrealised profit and write-down of inventories	21	971,063	(49,360)	-	-
Amortisation of other non -current assets	20	102,880	46,599	-	-
Gain on the disposal of equity accounted investees	7	(1,264)	(25,300)	-	-
Provision for post employee benefit obligations	28	1,129,386	838,638	99,145	65,972
Grants amortised	7	(31,285)	(40,560)	-	-
		18,375,577	13,685,714	2,161,560	1,706,565
(Increase)/decrease in trade and other receivables		(9,249,824)	(4,858,061)	(750,361)	(122,450
(Increase)/decrease in inventories	-	(5,792,000)	(2,576,812)	148	216
Increase/(decrease) in trade and other payables	•	7,305,850	3,722,695	78,902	42,283
		10,639,603	9,973,536	1,490,249	1,626,614
B. Analysis of cash and cash equivalents					
Cash in hand and at bank*		7,496,458	5,008,202	328,619	64,955
Short term deposits		3,631,527	2,920,857	_	-
-	•	11,127,985	7,929,059	328,619	64,955
Short term interest bearing borrowings	31	(34,218,211)	(19,052,287)	(3,875,370)	(719,020
Cash and cash equivalents		(23,090,226)	(11,123,228)	(3,546,751)	(654,065

 $[\]ensuremath{^*}$ 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 386. Corporate information is presented in the inner back cover of this Annual Report.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of Hayleys PLC, as at and for the year ended 31st March 2018 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 386 and on pages 371 to 373 to the Financial Statements.

Hayleys PLC does not have an identifiable parent of its own. Hayleys PLC is the Ultimate Parent of the Group.

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 2018 were authorised for issue by the Directors on 18th May 2018.

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.
- Retirement benefit obligations measured based on actuarial valuation.

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 also the Parent Company's functional currency. Subsidiaries whose functional currencies are different as they operate in different economic environments are reflected in Note 34 to the Financial Statements.

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

Comparative information including quantitative, narrative and descriptive information as relevant is disclosed in respect of previous period in the Financial Statements. The presentation and classification of the Financial Statement of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy or a retrospective restatement.

2.6 Rounding

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

2.7 Offsetting

Assets and liabilities or income an expenses, are not offset unless required or permitted by Sri Lanka accounting standards.

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 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 measures the non-controlling interests in the acquiree 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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the Statement of Profit or Loss in accordance with LKAS 39. Other contingent consideration that is not within the scope of LKAS 39 is measured at fair value at each reporting date with changes in fair value recognised in the Statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for noncontrolling 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 recognized in the Statement of 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

Notes to the financial statements

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 cashgenerating 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 cashgenerating 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 noncontrolling interests, even if this results in the non-controlling interests having a deficit balance.

3.1.2.1 Put Options over non - controlling interests

Where the group has an obligation to acquire the outstanding shares of non-controlling interests at a future date (Put Option), the group firstly considers whether the terms of the transaction gives it present access to the returns associated with the shares subject option. If so, the shares are accounted for as if they had been acquired by the entity. When the terms of the transaction do not provide a present ownership interest, management recognizes the non-controlling interest and the related financial liability in the following manner;

- The group continues to determine the amount that would have been recognised for the non-controlling interest, including an update to reflect its share of allocations of profit or loss, changes in other comprehensive income and dividend declared as required by SLFRS 10
- 2) As at the end of each reporting period, the entity derecognizes the non-controlling

- interest determined based on '1' as if it was acquired at that date
- The group recognizes a financial liability in relation to the option in accordance with LKAS 39, and
- The difference between '2' and '3' is recognized within the statement of changes in equity.

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 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 or loss of equity accounted investees' 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 Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in Statement of Profit or Loss. Non-monetary assets and liabilities which are measured in terms of historical cost in a foreign currency are translated using exchange rates at the dates of the initial transactions. 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 translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

3.1.5.2 Foreign operations

The results and financial position of all Group entities that have a functional currency other than the Sri Lankan Rupee are translated into Sri Lankan Rupees as follows:

- assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition are translated to Sri Lankan Rupees at the exchange rate prevailing at the reporting date;
- Income and expenses are translated at the average exchange rates for the period.

The exchange differences arising on translation for Consolidation are recognised in Other Comprehensive Income. On disposal of a foreign operation, 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 noncontrolling interest in that foreign operation. 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, and translated at the spot rate of exchange at the reporting date.

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

Notes to the financial statements

The Group classifies all other liabilities as noncurrent.

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

 $\label{eq:Level 3-Valuation} Level \, 3-Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable$

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

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.

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
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
Mature plantations - Tea	33 years
- Rubbe	r 20 years
Vessels	05 –25 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.

3.2.1.8.1 Leasehold rights of the Plantation sector

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	Period
Bare land	53
Improvements to land	30
Mature plantations	30
(Tea & rubber)	
Buildings	25
Machinery	20

Notes to the financial statements

3.2.1.9 Group as a lessor

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.

When the Group is the lessor under the finance leases the amounts due under the finance leases, after deduction of unearned charges, are included in 'lease rentals receivables', as appropriate. The finance income receivable is recognised in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

3.2.1.10 Permanent land development costs

Permanent land development costs which relate to the Group's Plantation Sector 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.

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 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 values of investment properties are included in the Statement of Profit or Loss in the year in which they arise, including the corresponding tax effect. Fair values are evaluated with sufficient frequency by an accredited external, independent valuer.

Investment properties are derecognised either when they have been disposed of , or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. The difference between the net disposal proceeds and the carrying amounts of the asset is recognized in Statement of Profit or Loss in the period of derecognition.

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 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, 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.

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 is 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 intangibles, excluding capitalised development costs, are not capitalised and the related

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 finite useful lives are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite 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 leases 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 and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

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

3.2.3.9 Trade mark

Trade marks purchased, 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.

3.2.3.10 Other Intangible assets.

Other intangible assets which are acquired by the Group, with finite useful lives, are measured on initial recognition at cost. Following initial recognition ERP systems are carried at cost less accumulated amortisation and accumulated impairment losses.

$3.2.3.11\ Subsequent\ expenditure$

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.

3.2.3.12 Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, trademark and brand name, from the date on which they are available for use. The estimated useful lives 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	59 years
Amaya Leisure PLC	28 years

3.3 Biological assets

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.

3.3.1 Bearer Biological Assets

Bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – Property Plant & Equipment.

Notes to the financial statements

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.

3.3.2 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.

3.3.3 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.
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 fulfill 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.

3.3.4 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.

3.4 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.

3.4.1 Financial assets

3.4.1.1 Initial recognition and measurement

Financial assets are classified, at initial recognition 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.

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.

3.4.1.2 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 presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the Statement of Profit or Loss.

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 though 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 either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturity that the group has the positive intention and ability to hold till maturity and which are not designated as fair value through profit or loss or available for sale. After initial measurement, held to maturity investments are subsequently measured at amortised cost using the effective interest rate (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in interest income in the Statement of Profit or Loss.

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 in other comprehensive income and credited to 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 assets 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, 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.

A sale or a reclassification of more than an insignificant amount of held to maturity investments will result in the reclassification of all held to maturity investments as available for sale, and would prevent the group from carrying investment securities as held to maturity for the current and following two years. However, sales and reclassification in any of the following circumstances would not trigger a reclassification:

 Sales or reclassifications that are so close to maturity that changes in the market rate of the interest would not have a significant effect on the financial asset's fair value.

Notes to the financial statements

- Sales or reclassifications after the group has collected substantially all the asset's original principle and
- Sales or reclassifications attributable to nonrecurring isolated events beyond the group's control that could not have been reasonably anticipated.

3.4.1.3 Derecognition

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

- The rights to receive cash flows from the asset have expired
- Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

3.4.1.4 Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists is one or more events that has 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.

3.4.1.4.1 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.

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 (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized 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 recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the Statement of Profit or Loss.

3.4.1.4.2 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 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.

In the event of debt instruments classifies as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount the recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, 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. If in a subsequent year, the fair value of a debt instrument increases, and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement in the profit or loss, the impairment loss is reversed through the statement of profit or loss.

3.4.2 Financial liabilities

3.4.2.1 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 and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, amounts due to equity accounted investees and derivative financial instruments.

3.4.2.2 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 recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

3.4.2.3 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.

3.4.3 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

Notes to the financial statements

3.4.4 Derivative financial instruments

3.4.4.1 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, unless such represents and option granted to non controlling interests on a business combination, the policy for which is reflected in Note 3.1.2.1 to the Financial Statements

3.4.5 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.

3.4.6 Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations Or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Disclosures are provided in Note 39. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

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.

3.4.7 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- All inventory items, except manufactured inventories and work-in-progress are measured at weighted average directly attributable cost.
- Manufactured inventories and workin-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.

3.4.7.1 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.

3.4.7.2 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.

3.4.8 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 recognized 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

In respect of formers, a 10% provision on the written down value is recognized as impairment in the Statement of Profit or Loss.

3.4.9 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 Consolidated 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.

3.5 Liabilities and Provisions

3.5.1 Employee benefits

3.5.1.1 Defined contribution plans

A defined contribution plan is a postemployment benefit plan under which an entity pays fixed contributions into a separate

Notes to the financial statements

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.

3.5.1.2 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

3.5.2 Recognition of actuarial gains or losses

Actuarial gains or losses are recognised in full in the Other Comprehensive Income.

3.5.3 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.5.4 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.

3.5.5 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).

3.5.6 Warranties

A provision for warranty is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of all possible outcomes against their associated probabilities. Provision is utilized to settle the actual claims made by the customers.

3.5.7 Contingent Liabilities recognized in a Business Combination.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognized in accordance with the requirements for revenue recognition.

3.5.8 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.

3.5.9 Regulatory Provisions

3.5.9.1 Deposit Insurance Scheme

In terms of the Finance Companies Direction No. 02 of 2010 – 'Insurance of Deposit Liabilities' issued on 27th September 2010 all Registered Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No. 01 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1st October 2010.

Deposits to be insured include demand, time and savings deposit liabilities and exclude the following:

- Deposit liabilities to member institutions
- Deposit liabilities to Government of Sri Lanka
- Deposit liabilities to Directors, Key
 Management Personnel and other related
 parties as defined in Finance Companies
 Act Direction No. 03 of 2008 on Corporate
 Governance of Registered Finance
 Companies
- Deposit liabilities held as collateral against any accommodation granted
- Deposit liabilities falling within the meaning of dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to the Central Bank of Sri Lanka
- Registered Finance Companies are required to pay a premium of 0.15% on eligible deposit liabilities as at end of the month to be payable within a period of 15 days from the end of the respective month

3.5.9.2 Investment Fund Account

As proposed in the Budget 2011, an investment fund has been established and operated in the manner described below. As and when taxes are paid after 1st January 2011, following fund are transfer to the investment fund account and build a permanent fund in the Singer Finance (Lanka) PLC.

- 8% of the profits calculated for the payment of Value Added Tax (VAT) on financial services on the dates as specified in the VAT Act for the payment of VAT.
- 5% of the profit before tax calculated for payment of income tax purposes on date specified in Section 113 of the Inland Revenue Act for the Self-Assessment Payment of tax.

Singer Finance (Lanka) PLC shall utilise the funds in the investment fund account as specified by the direction. The operation of this fund was ceased with the effect from 1st October 2014.

3.5.9.3 Reserve Fund

Singer Finance (Lanka) PLC, a subsidiary of the Group maintains a reserve fund in compliance with Direction No. 01 of 2003 – Central Bank (Capital Funds) issued to Finance Companies and it will be used for only the purpose specified in the said Direction above. The details of the reserve fund are disclosed in Note 23.1.2.1.

3.6 Statement of Profit or Loss

For the purpose of presentation of the Statement of Profit or Loss, the function of expenses method is adopted.

3.6.1 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 specific recognition criteria described below must also be met before revenue is recognized.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

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.

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.

Hire Purchase transactions

At the time of effecting hire sales, the cash sales value is recognised as sales.

The excess of aggregated contract receivables over the cost of the hired assets constitutes the total unearned income at the commencement of a contract. The unearned income is recognised as revenue as it is earned, using the effective interest rate method.

Service Fee Income on Hire Purchase

Service fee income is recognised over the length of hire purchase agreement using the effective interest rate method. In the event of early termination of the hire purchase contract or cash conversion remaining deferred, service income is recognised when such contract is recognised or converted.

Income on Suraksha and Extended Warranty Scheme

Income is recognised over the period of contract. Unrecognised income is accounted for as deferred revenue.

Notes to the financial statements

Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

The calculation of effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental cost that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income is presented in finance income in the Statement Profit or Loss.

Fees and Commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, are recognised as the related services are performed. Other fees and commission expense relate mainly to transactions and service fees, which are expensed as the services are received.

Net Gain/(Loss) from Trading

Net gain/(loss) from trading include all realized and unrealized fair value changes from financial assets held for trading and are reflected within other income.

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.

3.6.2 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.

3.6.2.1 Operating leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

3.6.2.2 Borrowing costs

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

3.6.2.3 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.

3.6.3 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.

3.6.3.1 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.

3.6.3.2 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 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.

3.6.3.3 Value added Tax on Financial Services

VAT on Financial Services is calculated in accordance with the amended VAT Act No. 07 of 2013. The base for the computation of Value Added Tax ion Financial Services is the accounting profit before income tax adjusted for the economic depreciation and emolument of employees computed on prescribed rate.

3.6.3.4 Crop Insurance Levy

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1st April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is Payable at 1% of the profit after tax.

Notes to the financial statements

3.6.3.5 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 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.

4.4 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.

4.5 Changes in Accounting Policies and Disclosures

There were no significant changes in accounting policies and the accounting policies adopted are consistent with those of the previous financial year. Amendments to existing accounting standards effective from 01st January 2017 are stated below:

LKAS 7 - Statement of Cash Flows

The amendment requires an entity to disclose information that enables users of financial statements to evaluate changes in liabilities arising from financing activities, including both

changes arising from cash flows and non-cash changes. Accordingly an entity shall disclose the following changes in liabilities arising from financing activities:

- · changes from financing cash flows
- changes arising from obtaining or losing control of subsidiaries or other businesses
- the effect of changes in foreign exchange rates
- · changes in fair values and
- · other changes

LKAS 12 - Income Taxes

When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, the entity shall consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference.

If tax law imposes no such restrictions, entity may assess the deductible temporary difference in combination with all of its other deductible temporary differences. However, if tax law restricts the utilisation of losses to deduction against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Further the amendment requires an entity to compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences, when evaluating whether the entity will have sufficient taxable profit in future periods. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences.

According to the amendment introduced, the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this. For example, when an asset is measured at fair value, the entity shall consider whether there is sufficient evidence to conclude that it is probable that the entity will recover the asset for more than its carrying amount.

The Group did not have a material impact from the above amendment during the year ended 31st March 2018.

4.6 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 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

The Group plans to adopt the new standard on the required effective date. During the year, the Group has performed a high-level impact assessment of all three aspects of SLFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future.

(a) Classification and measurement

The Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of SLFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI companies are intended to be held for the foreseeable future. The Group will apply the option to present fair value changes in OCI, and, therefore, the application of SLFRS 9 will not have a significant impact.

Trade receivables and amounts due from related parties are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under SLFRS 9. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under SLFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

SLFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

(c) Hedge accounting

The Company does not carry hedge relationships that are currently designated in effective hedging relationships. Accordingly, applying the Company does not expect a significant impact as a result of applying SLFRS 9.

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.

Revenue of the Group is generated through the sale of goods and the rendering of services as reflected in Note 06 to these financial statements. In preparation for SLFRS 15, the Group has reviewed its contracts with customers in several sectors and have identified the following;

- 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

Notes to the financial statements

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 relation to the Consumer Products
 Sector which includes the sale of consumer
 durable goods, the Group has identified
 performance obligations relating to
 warranties and loyalty arrangements,
 the potential impact relating to which is
 presently being evaluated by the Group.

SLFRS 16 Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('Lessee'] and the supplier ('Lessor']. SLFRS 16 will replace Sri Lanka Accounting Standard – LKAS 17 (Leases) and related interpretations.

SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

The new Standard requires a lessee to:

- recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value
- present depreciation of lease assets separately, from interest on lease liabilities in the income statement.

SLFRS – 16 substantially carries forward the lessor accounting requirement in LKAS – 17. Accordingly, a lessor continues to classify its leases as operating lease or finance lease, and to account for those two types of leases differently.

SLFRS -16 will become effective on 1st January 2019. The impact on the implementation of the above Standard has not been quantified yet.

The following amendments and improvements are not expected to have a significant impact on the Company's/Group's Financial Statements.

- Amendments to LKAS 28 Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures
- 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
- Amendments to SLFRS 9 Prepayment Features with Negative Compensation
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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 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 3.4.8. 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 Recognition of goodwill on "cash generating units" acquired during the year

In accounting for business combinations under acquisition method, the Group measures the identifiable assets acquired and the liabilities assumed at their acquisition date fair values.

The determination of the fair values of assets acquired and liabilities assumed requires significant judgment and assumptions which are provided in Note 17 to the Financial Statements.

5.4 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.

5.5 Measurement of the Employee Benefit Obligations

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined 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. 6 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.

5.7 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.

5.8 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.

5.9 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.

5.10 Consolidation of Entities in which 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.

5.11 Valuation of Inventories

The valuation of inventories at cost includes different components which including judgment in relation to the allocation of labour and overheads which are incurred in bringing the inventory to its present condition. Judgement is also required in the identification of inventories that require to be reflected at net realizable value. The estimates and judgements applied by management are influenced by the amount of direct costs incurred historically by the entities in the group in bringing inventories to its present location and condition, assumptions concerning the continuity of product lines, trends in relation to technological obsolesces and historically realized sales prices.

 $Performance \ Highlights \ *\ Hayleys\ at\ a\ Glance \ *\ Leadership\ \&\ Governance \ *\ Performance\ *\ Portfolio\ Review \ *\ Integrated\ Performance \ *\ Pinancial\ Statements$

Notes to the financial statements

6. Revenue

6.1 Industry Segment Revenue

For the year ended 31st March			Consol	idated	of services Rs.'000 Rs.'000	
	Sale of goods	Rendering	Total revenue	Sale of goods	Rendering	Total revenue
		of services	2018		of services	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Eco solutions	4,511,159	-	4,511,159	4,012,613	-	4,012,613
Hand protection	15,851,893	-	15,851,893	14,281,444	-	14,281,444
Purification products	15,518,079	-	15,518,079	13,553,575	-	13,553,575
Textiles	8,855,501	-	8,855,501	8,228,977	-	8,228,977
Construction materials	4,399,542	-	4,399,542	4,706,316	-	4,706,316
Agriculture	13,946,715	-	13,946,715	13,611,732	_	13,611,732
Plantations	12,609,342	-	12,609,342	9,989,254	-	9,989,254
Transportation & logistics	-	35,652,333	35,652,333	-	24,245,431	24,245,431
Leisure	-	5,672,930	5,672,930	-	5,618,505	5,618,505
Consumer & retail	32,596,368	3,331,461	35,927,829	5,277,527	-	5,277,527
Power & energy	1,513,363	-	1,513,363	1,026,860	-	1,026,860
Industry inputs	3,811,532	-	3,811,532	3,633,625	-	3,633,625
Others	3,658,766	1,320,483	4,979,249	2,009,612	1,187,605	3,197,217
	117,272,260	45,977,207	163,249,467	80,331,535	31,051,541	111,383,076

6.2 Geographical Segment Revenue

For the year ended 31st March	Consol	Consolidated	
	2018	201	
	Rs.'000	Rs.'000	
Asia (excluding Sri Lanka)	28,882,007	21,603,994	
Australia	1,536,099	1,555,296	
Europe	15,856,001	13,151,492	
America	6,919,659	7,056,615	
Africa	1,375,120	1,096,093	
Indirect exports	21,263,814	15,584,129	
Sri Lanka	87,416,767	51,335,457	
	163,249,467	111,383,076	

6.3 Gross Revenue

For the year ended 31st March	Com	pany
	2018	2017
	Rs.'000	Rs.'000
Rent and building related income	379,173	338,222
	379,173	338,222

7. Other Income

For the year ended 31st March	Consoli	Consolidated		ıy
	2018	2017	2018 Rs.'000	2017
	Rs.'000	Rs.'000		Rs.'000
Grants amortised*	31,285	40,560	-	-
Gain on disposal of property, plant & equipment	62,937	51,828	1,130,083	161
Change in fair value of biological assets	20,423	43,260	-	-
Gain on disposal of long-term investment	-	71,309		71,309
Gain on disposal of subsidiaries	1,264	25,300	-	-
Sundry Income/Scrap sales	365,313	348,012	-	-
Rent income	21,069	49,999	_	-
Gain on bargain purchases	-	86,311	-	-
Income from financial services	159,459	-	-	-
Indent commission	247,609	307,643	-	-
	909,359	1,024,222	1,130,083	71,470

 $^{* \,} Details \, of \, the \, grants \, are \, given \, in \, Note \, 26 \, to \, the \, Financial \, Statements.$

8. Other Expenses

For the year ended 31st March	Consol	lidated	Comp	any
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Loss on disposal of property, plant & equipment	5,956	16,267	-	20
Impairment of property, plant & equipment	-	75,332	-	-
Loss on disposal of current financial assets	-	22	-	3
Amortisation of intangible assets	151,520	181,733	-	-
	157,476	273,354	=	23

9. Net Finance Cost

9.1 Finance Income

For the year ended 31st March	Consolidated		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest income on loans and receivables	209,918	53,434	7,316	5,712
Interest income on bank deposits/ unit trust income	327,177	219,357	-	23,709
Guarantee income	-	-	53	139
Dividend income on available-for -sale financial assets	9,185	9,909	739	282
Change in fair value of financial assets at fair value through profit or loss	26,133	2,785	-	-
Foreign exchange gain	535,523	433,152	23,831	14,808
Total Finance income	1,107,936	718,637	31,939	44,650

 $Performance \ Highlights \ *\ Hayleys\ at\ a\ Glance \ *\ Leadership\ \&\ Governance \ *\ Performance\ *\ Portfolio\ Review \ *\ Integrated\ Performance \ *\ Pinancial\ Statements$

Notes to the Financial Statements

9.2 Finance Cost

For the year ended 31st March	Consolidated		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest on long term loans	(2,728,342)	(1,467,466)	(1,127,094)	(560,429)
Interest on short term loans	(3,620,149)	(1,621,829)	(365,288)	(126,897)
Finance charges payable under finance leases	(88,440)	(81,868)	-	-
Change in fair value of financial assets at fair value through profit or loss	(324)	(483)	(37)	(230)
Impairment of financial assets	(8,900)	(31,071)	(8,900)	(9,495)
Foreign exchange loss	(593,803)	(627,562)	(183,386)	(118,024)
Total finance cost	(7,039,958)	(3,830,279)	(1,684,705)	(815,075)
Net finance cost	(5,932,022)	(3,111,642)	(1,652,766)	(770,425)

10 Profit Before Tax

Profit before tax is stated after charging all expenses including the following.

For the year ended 31st March		Consolidated		Company	
		2018	2017	2018	2017
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Directors' emoluments		1,345,471	1,063,379	409,054	319,573
Auditors' fees (includes overseas subsidiaries)					
Audit services					
- Ernst & Young		50,394	48,345	2,014	1,822
- Other auditors		17,457	15,081	-	-
Non audit services			_		
- Ernst & Young	•	28,519	22,067	689	279
- Other auditors		9,036	5,590	-	-
Depreciation on property, plant & equipment	14	3,927,258	2,997,780	89,201	34,305
Donations		18,344	21,260	994	756
Impairment/ (reversal) for bad trade and other receivables	22	323,892	5,630	-	-
$Provision/(reversal) \ for \ unrealised \ profit \ and \ write-down \ of \ inventories$	21	971,063	(49,360)	-	-
Staff cost					
Defined contribution plan cost		1,710,551	1,350,636	84,927	73,456
Employee benefit plan cost	28	1,129,386	838,638	99,145	65,972
Other Staff cost (excluding defined contributions & defined		17,594,191	13,017,374	1,008,970	703,151
benefits)					
Staff training and development cost		107,864	70,310	3,522	3,561
Legal fees		73,355	69,845	-	-
Operating leases rentals		1,424,833	667,742	-	-
Research and development cost		97,526	50,537	-	-

11 Taxation

11.1 Tax Expense

For the year ended 31st March	Consolic	lated	
	2018	2017	
	Rs.'000	Rs.'000	
Consolidated Statement of Profit or Loss			
Current income tax			
Income tax on current year profits			
Parent	1,329	1,135	
Subsidiaries	1,830,037	1,570,129	
	1,831,366	1,571,264	
Under provision in respect of previous years	19,811	28,862	
Provision on ESC recoverable	154,190	-	
Irrecoverable ESC	46,839	1,849	
	2,052,205	1,601,975	
Deferred tax expense			
Origination of temporary differences			
Parent	-	-	
Subsidiaries	58,443	20,994	
	58,443	20,994	
Tax on dividend income	380,412	353,871	
Tax expense reported in the Statement of Profit or Loss	2,491,060	1,976,840	

11.2 Consolidated Statement of Other Comprehensive Income

For the year ended 31st March	Consolidated	
	2018	2017
	Rs.'000	Rs.'000
Deferred tax related to items charged or credited directly to other comprehensive income during the year:		
Actuarial (loss)/gain on defined benefit plans	(62,922)	68,082
Revaluation of land	1,670,174	-
	1,607,182	68,082

Notes to the Financial Statements

11.3 Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31st March	Consolie	Consolidated		Company	
	2018	2017	2018	2017	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Profit before tax	5,763,498	7,025,162	1,460,781	947,982	
Share of profit of equity accounted investees	(227,226)	(212,871)	-	-	
Intra-group adjustments	4,217,239	3,360,307	-	_	
	9,753,511	10,172,598	1,460,781	947,982	
Disallowable expenses	10,639,433	4,904,966	860,234	423,154	
Tax deductible expenses	(11,208,629)	(5,447,294)	(1,239,947)	(96,677)	
Tax exempt income	(3,384,922)	(4,169,042)	(1,872,463)	(1,688,063)	
Tax loss b/f	(4,344,971)	(6,447,485)	(1,181,234)	(1,215,490)	
Adjustment for tax loss b/f	133,210	1,197,795	(74,041)	451,913	
Tax loss c/f	11,165,393	4,344,971	2,051,417	1,181,234	
Taxable income	12,753,025	4,556,509	4,747	4,053	
Income tax @ 28%	1,090,578	867,084	1,329	1,135	
Income tax @ 15%	102,020	90,727	-	-	
Income tax @ 12%	199,786	205,852	-	-	
Income tax at other tax rates	438,982	407,601	-	-	
Income tax on current year profit	1,831,366	1,571,264	1,329	1,135	
Under provision in respect of previous years	19,811	28,862	-	8,465	
Provision on ESC recoverable	154,190	-	-	_	
Irrecoverable ESC	46,839	1,849	-	_	
	2,052,205	1,601,975	1,329	9,600	
Origination of temporary differences	58,443	20,994	_	-	
Tax on dividend income	380,412	353,871	_	-	
Tax expense	2,491,060	1,976,840	1,329	9,600	
Effective tax rate (%)	45%	29%	0%	1%	

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 2017/18 (Y/A 2016/17 - 28%)

11.4.1 From 1st April 2018 Corporate Income Taxes of companies resident in Sri Lanka will be subjected to the Inland Revenue Act, No. 24 of 2017.

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.
- Profits of Civaro International Ltd is exempted in terms of section 13(ddd) of the Inland Revenue Act No.10 of 2006.
- Profits from income earned in foreign currency of Sri Lanka Shipping Company Limited is exempted in terms of section 13 (ddd) of the Inland Revenue Act No.10 of 2006.
- Profits from income earned in foreign currency of Sharaf Shipping Agency (Pvt) 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;

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

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	Shizuka Co.Ltd.	8 year tax holiday commenced during Y/A 2011/12	
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Notes to the Financial Statements

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 of 12% for the year of assessment 2017/18.

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.
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
Advantis Projects and Engineering (Pvt) Ltd.	Profits from qualifying exports
Bonterra 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
Kelani Valley Resorts (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 Lanka (Pvt) Ltd.	Profits from transshipment and services to foreign ships
Star Lanka Shipping (Pvt) Ltd.	Profits from transshipment and services to foreign ships
Diamond Shipping Services (Pvt) Ltd.	Profits from transshipment and services to foreign ships
Sharaf Shipping Agency (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
Neluwa Cascade Hydro Power (Pvt) Ltd.	Profits from operating project for alternative energy
Bhagya Hydro (Pvt) Ltd.	Profits from operating project for alternative energy
Kalupahana Power Company (Pvt) Ltd.	Profits from operating project for alternative energy
Singer Business School (Pvt) Ltd.	Profits from educational services

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.	For 15 years up to Y/A 2026/27
Texnil (Pvt) Ltd.	For 10 years up to $Y/A 2022/23$
Hanwella Rubber Products Ltd.	For 10 years up to Y/A 2020/2021
Dipped Products PLC	For 10 years up to Y/A 2018/2019
TTEL Somerset Hydro Power (Pvt) Ltd.	For 2 years up to Y/A 2017/2018
TTEL Hydro Power Company (Pvt) Ltd.	For 2 years up to Y/A 2017/2018
Moceti International (Pvt) Ltd.	Indefinitely
Lanka Maritime Services Ltd.	Indefinitely
Lanka Bunkering Services (Pvt) Ltd.	Indefinitely
Regnis Appliances (Pvt) Ltd.	Indefinitely
Logiwiz Ltd.	Indefinitely

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.	20%
ICOGUANTI S.p.A.	27.5%
CK Regen Systems Co.Ltd.	20%
Haylex Ltd.	19%
Haylex BV	20%
Haylex Japan	31%
Charles Fibre (Pvt) Ltd.	25%
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%
Advantis Kusuhara Sedate Myanmar (Private) Ltd	25%
Advantis Sedate Myanmar (Private) Ltd.	25%
Advantis Singapore (Pte) Ltd.	17%
Advantis Sabang Raya Lines (Pte) Ltd.	17%
PT Advantis Akaza Indonesia	25%
Advantis Intasl Bangladesh (Pvt) Ltd.	35%
Super Logistics (Pvt) Ltd.	15%

Notes to the Financial Statements

12 Earnings Per Share

Basic Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to owners of the parent and the weighted average number of ordinary shares outstanding during the year.

Diluted Earnings per Share

The calculation of diluted earnings per share is based on the profit attributable to owners of the parent and the weighted average number of ordinary shares outstanding after adjustment for the effect of all 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.

For the year ended 31st March	Consol	lidated	Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit attributable to equity holders of the Parent (Rs. '000)	1,023,892	2,783,933	1,459,452	938,382
Weighted average number of ordinary shares of the parent	75,000,000	75,000,000	75,000,000	75,000,000
Basic/diluted earnings per share (Rs.)	13.65	37.12	19.46	12.51
Qualifying ordinary shares at beginning of the year	75,000,000	75,000,000	75,000,000	75,000,000
Qualifying ordinary shares at the end of the year	75,000,000	75,000,000	75,000,000	75,000,000

13 Dividends

For the year ended 31st March	Cor	Company	
	2018	2017	
Proposed 1st and final dividend (Rs.'000)	375,000	562,500	
Dividend per ordinary share (Rs.)	5.00	7.50	

- 13.1 The dividends represent re-distribution of dividends received by the Company and are therefore not subject to the 14% tax deduction.
- 13.2 The Directors have proposed the payment of a final dividend of Rs. 5.00 per share on 18th May 2018, for the year ended 31st March 2018, payable on 10th July 2018.

14 Property, Plant & Equipment

14.1 Consolidated

	immature plantations	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Vessels	Total 2018	Total 2017
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
22,853,906	6,932,567	20,430,329	30,512,467	1,538,880	4,256,569	51,382	86,576,100	65,726,057
2,998,599		-					2,998,599	7,542,793
2,788,835	_	2,048,179	2,672,783	352,039	824,808	5,994,957	14,681,601	_
190,684	369,680	323,103	2,460,358	240,606	456,362	255,108	4,295,901	13,278,444
-	_	-	-		-	-	-	401,000
-	-	(32,841)	(323,320)	(196,504)	(167,068)	-	(719,733)	(791,733)
-	-	-	-	(5,193)	(3,694)	-	(8,887)	(361,568)
-	-	-	-	-	-	-	-	(1,744)
46,147		218,445	691,404	9,743	31,018	11,490	1,008,247	782,851
28,878,171	7,302,247	22,987,215	36,013,692	1,939,571	5,397,995	6,312,937	108,831,828	86,576,100
242,147	1,726,143	3,412,797	13,683,464	712,950	2,528,904	6,196	22,312,601	19,534,361
-	-	506,276	1,257,675	182,350	516,322	89,805	2,552,428	-
31,410	176,302	716,523	2,132,039	203,849	401,777	265,358	3,927,258	2,997,780
-	_	-	-	(2,250)	(1,729)	-	(3,979)	_
-	-	(15,488)	(221,743)	(147,506)	(135,927)	-	(520,664)	(615,929)
		59,472	427,403	7,416	23,203	6,578	524,072	396,389
273,557	1,902,445	4,679,580	17,278,838	956,809	3,332,550	367,937	28,791,716	22,312,601
2 260	_	67082	43 417	_	_	_	112 750	61,165
			•				··•	1,356
	_	_	-	_		_	-	(25,094)
							_	75,332
2,260	-	67,082	43,474	_		-	112,816	112,759
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28,602,354	5,399,802	18,240,553	18,691,380	982,762	2,065,445	5,945,000		64,150,740
								2,256,554
	22,853,906 2,998,599 2,788,835 190,684 46,147 28,878,171 242,147 31,410 273,557 2,260	22,853,906 6,932,567 2,998,599 - 2,788,835 190,684 369,680 28,878,171 7,302,247 242,147 1,726,143 242,147 1,726,143	22,853,906 6,932,567 20,430,329 2,998,599 - - 190,684 369,680 323,103 - - -	22,853,906 6,932,567 20,430,329 30,512,467 2,998,599 - - - 2,788,835 - 2,048,179 2,672,783 190,684 369,680 323,103 2,460,358 - - - - - - - - - - - - - - - - 46,147 - - - 28,878,171 7,302,247 22,987,215 36,013,692 242,147 1,726,143 3,412,797 13,683,464 - - 506,276 1,257,675 31,410 176,302 716,523 2,132,039 - - - - 31,410 176,302 716,523 2,132,039 - - - - 2,260 - 67,982 427,403 2,260 - 67,082 43,417 - - - - 2,260 - 67,082 43,474 2,26	22,853,906 6,932,567 20,430,329 30,512,467 1,538,880 2,998,599 - - - - - 2,788,835 - 2,048,179 2,672,783 352,039 190,684 369,680 323,103 2,460,358 240,606 - - - - - - - - (32,841) (323,320) (196,504) - - - - (5,193) - - - - - (5,193) - - - - - - - - 46,147 - 218,445 691,404 9,743 -	R8:000 R8:000<	Rs.'000 Rs.'010 Rs.'010 Rs.'010 <t< td=""><td>Rs.'000 Rs.'000 St.'010 Rs.'000 Rs.'000 Rs.'000 Rs.'000 2.2985,599 2.2985,599 2.2985,599 2.288,599 2.288,599 2.288,599 2.288,500 2.</td></t<>	Rs.'000 St.'010 Rs.'000 Rs.'000 Rs.'000 Rs.'000 2.2985,599 2.2985,599 2.2985,599 2.288,599 2.288,599 2.288,599 2.288,500 2.

Notes to the Financial Statements

14.2 Company

As at 31st March	Freehold	Buildings	Machinery	Motor	Furniture,	Total	Total
	land		& stores	vehicles	fittings &	2018	2017
			equipment		office		
					equipment		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost or valuation:							
At the beginning of the year	1,992,630	283,064	45,792	105,841	297,854	2,725,181	6,989,979
Revaluation of land	627,010	-	-	-	-	627,010	5,648,000
Additions	-	-	134	63,000	13,880	77,014	86,493
Disposals	(2,619,640)	(56,654)		(29,560)	(221)	(2,706,075)	(9,999,291)
At the end of the year	-	226,410	45,926	139,281	311,513	723,130	2,725,181
Depreciation:							
At the beginning of the year	-	66,104	40,993	7,802	249,233	364,132	345,956
Depreciation for the year	-	58,741	1,150	11,423	17,887	89,201	34,305
Disposals	_	(15,499)	_	(9,976)	(221)	(25,696)	(16,129)
At the end of the year	-	109,346	42,143	9,249	266,899	427,637	364,132
Net book value as at 31st March	-	117,064	3,783	130,032	44,614	295,493	2,361,049
Capital work in progress	-	-	-	-	-	16,396	16,390
Carrying amount as at 31st March	-	_	-	_	-	311,889	2,377,439

14.3 Carrying Value

As at 31st March	Cons	olidated	Company		
	2018	2017	2018	2017	
	Rs.′000	Rs.'000	Rs.'000	Rs.'000	
At cost	51,874,520	38,206,657	311,889	384,809	
At valuation	21,502,562	18,503,963	_	1,992,630	
On finance leases	10,633,406	9,696,674	-	-	
	84,010,488	66,407,294	311,889	2,377,439	

14.4 Includes capitalised borrowing costs amounting to Rs. 42.8 mn and Rs. 11.8 mn of Alumex PLC and Hayleys Fabric PLC respectively, which are subsidiaries of Hayleys PLC (2017- Rs. 1.9 mn for Alumex PLC).

102-4

14.5 Group 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	Carrying	Carrying	
		depreciation/	value	value	
		amortisation	2018	2017	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Land	819,805	178,659	641,146	608,765	
Mature/Immature Plantations	4,947,979	1,283,470	3,664,509	3,463,055	
Buildings	7,972,042	1,668,795	6,303,247	5,533,439	
Machinery & Store Equipment	47,401	47,401	-	_	
Motor vehicles	77,634	56,381	21,253	30,858	
Furniture fittings and office equipment	9,972	6,721	3,251	60,557	
Total	13,874,833	3,241,427	10,633,406	9,696,674	

14.6 Unexpired Lease Periods of Land:

Company	Years
Kelani Valley Plantations PLC	29 Years
Kalupahana Power Company (Pvt) Ltd.	29 Years
HJS Condiments Ltd.	82 Years /75 Years /42 Years/ 17 Years
Talawakelle Tea Estates PLC	27 Years
The Kingsbury PLC	51 Years
Culture Club Resorts (Pvt) Ltd.	24 Years
Sun Tan Beach Resorts Ltd.	90 Years

14.7 Amounts by which values have been increased in respect of land revalued by independent qualified valuers are indicated below, together with the last date of revaluation:

As at 31st March		Revaluation	ı surplus
		2018	2017
Company	Location	Rs.'000	Rs.'000
Darley Property Holdings (Pvt) Ltd/ Hayleys PLC	Colombo (31.03.2018)	2,618,471	1,991,461
World Export Center Ltd.	Colombo (31.03.2018)	12,342,151	9,970,562
Volanka (Pvt) Ltd.	Katana (31.03.2017)	260,831	260,831
	Galle (31.03.2017)	148,277	148,277
Chas P. Hayley & Co. (Pvt) Ltd.	Galle (31.03.2017)	715,800	715,800
Dipped Products PLC	Kottawa (31.03.2017)	149,031	149,031
	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	48,586
	Makola (31.03.2017)	243,601	243,601

 $Performance \ Highlights \ \bullet \ Hayleys \ at \ a \ Glance \ \bullet \ Leadership \ \& \ Governance \ \bullet \ Strategy \ \& \ Resource \ Allocation \ \bullet \ Portfolio \ Review \ \bullet \ Integrated \ Performance \ \bullet \ Financial \ Statements$

102-4

Notes to the Financial Statements

As at 31st March		Revaluation	ı surplus
		2018	2017
Company	Location	Rs.'000	Rs.'000
Alco Industries (Pvt) Ltd.	Makola (31.03.2017)	1,525	1,525
Haycarb PLC	Badalgama & Madampe (31.03.2017)	172,046	172,046
	Wewalduwa (31.03.2017)	215,345	215,345
Recogen (Pvt) Ltd.	Badalgama (31.03.2017)	70,306	70,306
Carbokarn Co. Ltd.	Bangkok (31.03.2017)	60,615	60,615
Shizuka Co. Ltd.	Ratchaburi (31.03.2017)	25,207	25,207
PT Mapalus Makawanua	Bitung (31.03.2017)	63,518	63,518
PT Haycarb Palu Mitra	Palu City (31.03.2017)	7,640	7,640
Lignocell (Pvt) Ltd.	Kuliyapitiya (31.03.2017)	26,783	26,783
	Madampe (31.03.2017)	29,939	29,939
Hayleys Agriculture Holdings Ltd.	Dambulla (31.03.2017)	4,204	4,204
	Kottawa (31.03.2017)	103,207	103,207
Haychem Bangladesh Ltd.	Mymensingh (31.03.2017)	44,641	44,641
Hayleys Aventura (Pvt) Ltd.	Malabe (31.03.2015)	218,221	218,221
Haycolour (Pvt) Ltd.	Kalutara (31.03.2017)	40,736	40,736
Hayleys Fibre PLC	Kuliyapitiya (31.03.2017)	197,058	197,058
Hayleys Advantis Ltd.	Welisara (31.03.2017)	1,602,688	1,602,688
	Kotugoda (31.03.2017)	849,400	849,400
Ravi Industries (Pvt) Ltd.	Ekala (31.03.2017)	292,000	292,000
Volanka Exports (Pvt) Ltd.	Welipanna (31.03.2017)	26,643	26,643
Rileys Ltd.	Galle (31.03.2017)	348,046	348,046
Toyo Cushion Lanka (Pvt) Ltd.	Katana (31.03.2013)	48,174	48,174
Sunfrost (Pvt) Ltd.	Allawwa (31.03.2017)	40,972	40,972
Bhagya Hydro (Pvt) Ltd.	Gomala Oya (31.03.2017)	1,074	1,074
Neluwa Cascade Hydro Power (Pvt) Ltd.	Neluwa (31.03.2017)	679	679
Hayleys Fabric PLC	Neboda (31.03.2017)	58,491	58,491
Hunas Falls PLC	Elkaduwa (31.03.2017)	23,620	23,620
Alufab PLC	Kotugoda (31.03.2017)	6,437	6,437
Kandyan Resorts (Pvt) Ltd.	Kandy (31.03.2017)	273,819	273,819
Culture Club Resorts (Pvt) Ltd.	Dambulla (31.03.2017)	880	880
	(0-100-0-1)	21,502,562	18,503,963
Revaluation reserve attributable to Non-controlling	ginterest	(684,445)	(672,304)
Income tax on revaluation	,	(1,464,958)	-
		19,353,159	17,831,659
Acquisition of non controlling interest with out a c	hange in control	26,911	(8,612)
		19,380,070	17,823,047

- 14.8 Lands owned by Darley Property Holdings (Pvt) Ltd and World Export Centre Ltd were revalued as at 31st March 2018 by an independent Chartered Valuation Surveyor since there was a significant change in the fair value of the land in the area. The fair value of the lands were determined based on transactions observed in the market, appropriately adjusted for differences in the nature, location or condition of the specific property.
- 14.9 Lands owned by the Group other than those mentioned above have been stated at cost as the appreciation in value is insignificant. Further information is provided on pages 360 to 363 to the Financial Statements.
- 14.10 There has been no impairment of property, plant & equipment during the year (2017-Rs. 75.3 mn) as disclosed in Note 8 to the Financial Statements.
- 14.11 Property, plant & equipment with a carrying value of Rs. 16,143 mm (2017- Rs.12,145.4 mm) and Rs. Nil (2017 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 lands given above, had the said lands been included at cost, would amount to Rs.7,376 mn (2017 -Rs. 4,105 mn) for the Group and Rs. Nil (2017 Rs. 1 mn) to the Company.
- 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	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Mature Plantations	51,833	34,290	-	-
Buildings	301,984	127,477	-	-
Machinery and Equipment	4,048,178	3,538,835	32,643	38,896
Furniture, fittings and Office Equipment	2,216,580	1,310,758	208,676	175,614
Motor Vehicles	571,493	486,927	3	3
	7,190,068	5,498,287	241,322	214,513

14.14 Capital Expenditure Commitments

The approximate amounts of capital expenditure approved by the Directors as at 31st March, 2018 were: Capital expenditure contracted for which no provision is made in the Financial Statements for the Group - Rs. $445 \, \text{mn} \, (2017 - \text{Rs}.310 \, \text{mn})$ and for the Company Rs. Nil (2017- Nil). Capital expenditure approved by the Directors but not contracted for the Group Rs. $1,827 \, \text{mn} \, (2017 - \text{Rs}.1,972 \, \text{mn})$ and for the Company Rs. $1,85 \, \text{mn} \, (2017 - \text{Rs}.277 \, \text{mn})$.

 $Performance \ Highlights \ *\ Hayleys\ at\ a\ Glance \ *\ Leadership\ \&\ Governance \ *\ Performance\ *\ Portfolio\ Review \ *\ Integrated\ Performance \ *\ Pinancial\ Statements$

Notes to the Financial Statements

14.15 Unobservable Inputs used in Measuring Fair Value

The table below sets out information about significant unobservable inputs used in measuring fair vale of land.

Ampara				
Kegalle Matale Galle Kurunegala Puttalam Gampaha Kalutara Trincomalee Colombo Kandy Badulla Ratnapura Hambantota	Open market basis	Land -Rate per perch	13 to 8,000 25 to 5,000 30 to 4,500 35 to 5,000 60 to 4,500 125 to 20,000 200 to 6,000 300 to 3,000 500 to 4,500 750 to 4,000	Significant increases / (decreases) in estimated price per perch in isolation would result in a significantly higher / (lower) fair value.
	Galle Kurunegala Puttalam Gampaha Kalutara Trincomalee Colombo Kandy Badulla Ratnapura	Galle Kurunegala Puttalam Gampaha Kalutara Trincomalee Colombo Kandy Badulla Ratnapura Hambantota Matara	Galle Kurunegala Puttalam Gampaha Kalutara Trincomalee Colombo Kandy Badulla Ratnapura Hambantota Matara	Galle 13 to 8,000 Kurunegala 25 to 5,000 Puttalam 30 to 4,500 Gampaha 35 to 5,000 Kalutara 60 to 4,500 Trincomalee 125 to 4,500 Colombo 125 to 20,000 Kandy 200 to 6,000 Badulla 300 to 3,000 Ratnapura 500 to 4,500 Hambantota 750 to 4,000 Matara 1,000 to 6,000

15 Investment Properties

As at 31st March	Conso	Consolidated		COMPANY	
	2018	2017	2018	2017	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Carrying value:					
At the beginning of the year	1,764,423	1,935,137	-	-	
Additions	-	-	50,500	-	
Transfers to property plant and equipment	-	(420,000)	-	-	
Change in fair value during the year	184,186	249,286	10,250	-	
At the end of the year	1,948,609	1,764,423	60,750	=	

15.1 Rental Income

For the year ended 31st March	2018	2017
	Rs.'000	Rs.'000
Rental income derived from investment properties	64,868	77,358
Direct operating expenses generating rental income	(4,828)	(1,215)
Net profit arising from investment properties	60,040	76,143

15.2 Investment properties are stated at fair value. The fair values of investment properties as at 31st March, 2018 based on valuation performed by Mr. P.B. Kalugalgedara (Chartered Valuation Surveyor), an accredited independent, industry specialist are given below.

The valuations had been carried out based on transactions observed in the market.

The details of fair value of investment properties of the Group

Company	Location	Building area (Sq.Ft)	Land in acres	Value of building	Value Of land	Total 2018
				Rs.'000	Rs.'000	Rs.'000
Carbotels (Pvt) Ltd.	Weyagala Estate, Elkaduwa, Matale.	-	65.06	-	51,900	51,900
Eastern Hotels (Pvt) Ltd.	Nilakarai Estate, Nilaweli, Trincomalee	600	23.47	1,500	591,500	593,000
Hayleys Advantis Group	No. 49/4 -18A, Galle road, Kollupitiya	2,450	_	86,700	-	86,700
	No. 46/12, Sayuru Sevana, Nawam Mawatha, Colombo 2	45,980	0.24	264,500	416,000	680,500
Dipped Products PLC	Nadungamuwa, Weliweriya	-	7.85	-	156,900	156,900
Venigros (Pvt) Limited	Nadungamuwa, Weliweriya	55,581	7.09	66,298	124,862	191,160
Toyo Cushion Lanka (Pvt) Ltd	105, Thimbirigaskatuwa road, Katana	26,143	3.40	19,869	107,830	127,699
Hayleys PLC	Kaluwamodara, Bentota	-	0.28	-	60,750	60,750
				438,867	1,509,742	1,948,609

Category	District	Valuation Technique	Range of Estimate for Unobservable Input
			Rs. '000
Freehold land	Colombo	Open market basis	8,000 to 10,000
	Gampaha		80 to 225
	Matale		3 to 5
	Kalutara		1,250 to 2,000
	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	Consolida	ited
	2018	2017
	Rs.'000	Rs.'000
At the beginning of the year	374,353	342,797
Increase due to development	8,988	9,254
Change in fair value of biological assets	24,228	24,455
Decrease due to harvest	(2,910)	(3,897)
Transfer to immature plantations	-	1,744
At the end of the year	404,659	374,353

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 minor 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 matured managed trees were ascertained in accordance with SLFRS 13. The valuation was carried out by Messer's Sunil Fernando Associates, chartered valuation surveyors, 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 Information About Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Non Financial Asset	Valuation technique	Unobservable inputs	Range of unobservable inputs (Probability weighted average)		Relationship of Unobservable Inputs to Fair Value
			2018	2017	
Consumable	DCF	Discounting Rate	17.5%	17.5%	The higher the discount rate, the lesser the fair value
managed		Optimum rotation (Maturity)	25-35 Years	25-35 Years	Lower the rotation period, the higher the fair value
biological		Volume at rotation	25-85 cu.ft	25-85 cu.ft	The higher the volume, the higher the fair value
assets		Price per cu.ft.	Rs.450/- to	Rs.450/- to	The higher the price per cu. ft., the higher the fair value
			Rs.9,000/-	Rs.9,000/-	

Other key assumptions used in valuation

- 1. The harvesting is approved by the PMMD and the Forest Department based on the Forestry Development Plan.
- 2. The prices adopted are net of expenditure.
- 3. Though the replanting is a condition precedent for harvesting, yet the costs are not taken in to consideration.

The carrying amount of biological assets pledged as securities for liabilities as at the date of the statement of Financial Position is nil. (2017 - nil).

16.2 Sensitivity Analysis

16.2.1 Sensitivity variation sales price

Values as appearing in the Consolidated Statement of Financial Position are 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%
Managed timber	Rs.'000	Rs.'000
As at 31 March 2018	33,394	(33,394)
As at 31 March 2017	28,735	(32,065)

16.2.2 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
As at 31 March 2018	(8,262)	10,561
As at 31 March 2017	(11.869)	13.080

17 Intangible Assets

As at 31st March	Right to	Goodwill	ERP	Brand	Customer	Operating	Total	Total
	generate Hydro/		system	name/	list	lease	2018	2017
	solar power/			trade mark				
	development							
Consolidated	cost							
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost:								
At the beginning of the year	237,231	4,929,535	682,914	148,183	152,420	1,177,111	7,327,394	7,009,239
Acquisition through business	-	7,204,550	363,745	171,945	-	-	7,740,240	-
combinations								
Additions	-	-	348,848	-	-	_	348,848	218,475
Gain on bargain purchase	-	-	-	-	-	-	-	86,311
Disposals of Subsidiary	-	-	(188)	-	-	-	(188)	-
Disposals	-	-	(3,227)	-	-	-	(3,227)	(4,445)
$Effect\ of\ movements\ in\ exchange\ rates$	=	-	894	-	-	-	894	17,814
At the end of the year	237,231	12,134,085	1,392,986	320,128	152,420	1,177,111	15,413,961	7,327,394
Amortisation:								
At the beginning of the year	48,006	145,959	413,639	_	152,420	137,901	897,925	718,540
Amortisation for the year	12,552	-	119,413	-	-	19,555	151,520	181,733
Disposals	_	-	(3,227)	-	-	-	(3,227)	(2,461)
Disposals of Subsidiaries	-		(117)	-	-	-	(117)	-
Acquisition through business combinations	-	-	230,155	32,000	-	-	262,155	-
Effect of movements in exchange rates	_	_	342	-	_	-	342	113
At the end of the year	60,558	145,959	760,205	32,000	152,420	157,456	1,308,598	897,925
Net book value	176,673	11,988,126	632,781	288,128	-	1,019,655	14,105,363	6,429,469
Capital work in progress	-	-	9,279	-			9,279	4,736
Carrying amount							14,114,642	6,434,205

17.1 There has been no impairment of intangible assets.

Notes to the Financial Statements

17.2 Right to Generate Hydro/Solar Power and Development Costs

The details of remaining amortisation period of right to generate hydro power, solar power and development cost.

Company	Category	Remaining	Carrying
		amortisation	amount
		period	Rs.'000
Bhagya Hydro (Pvt) Ltd.	Hydro power	4 years	1,773
Neluwa Cascade Hydro Power (Pvt) Ltd.	Hydro power	5 years	1,109
TTEL Somerset Hydro Power (Pvt) Ltd.	Hydro power	5 years	4,839
TTEL Hydro Power Company (Pvt) Ltd.	Hydro power	5 years	5,322
Nirmalapura Wind Power (Pvt) Ltd.	Development cost	13 years	38,133
Solar One Ceylon (Pvt) Ltd.	Solar power	18 years	125,497
			176,673

17.3 Goodwill

The aggregate carrying amount of goodwill allocated to each unit is as follows

	Rs. mn
Dipped Products PLC	97
Dipped Products' Group Companies	33
Advantis Group Companies	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 Group Companies	1,553
Alufab PLC	20
Fentons Group Companies	532
Singer (Sri Lanka) PLC **	7,205
	11,988

^{**} The Goodwill of Rs. 7,205 mn recognised in relation to the acquisition of Singer (Sri Lanka) PLC comprises the value of expected synergies arising from the acquisition, customer lists and distribution network. None of the goodwill recognised is expected to be deductible for income tax purposes.

17.3.1 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 other goodwill was subjected to an impairment test based on value in use. The value in use was determined by discounting the future cash flows generated from 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%) / 2017 - (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%) / 2017 - (15% - 20%)

Margin - Based on current margin and business plan

17.4 Brand Name/Trade Mark

17.4.1 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.

17.4.2 Group has recognised an intangible asset in respect of brand name, trade mark, distribution rights through the acquisition of Singer (Sri Lanka) PLC.

SISIL trademark

Singer (Sri Lanka) PLC had acquired the "SISIL" trade mark in December 2000. The management is of the opinion that the aforementioned trademark has an indefinite useful life as their associated brand awareness and recognition has existed over 30 years and the company intends to utilise the said trademark for the foreseeable future. There are no legal, regulatory, contractual, competitive, economic or other factors that may limit its useful life and accordingly, the carrying amount of this trademark is determined after testing for impairment annually. Following assumptions were made to test for any impairment as at 31st March 2018:

Annual sales growth for next five years	21%
Gross margin	27%
Discount rate	11.5%
Indefinite growth rate after year 2020	2%

UNIC trademark

Singer (Sri Lanka) PLC had acquired the "UNIC" Trade mark in 2006. This trade mark is also considered to have an indefinite useful life due to the factors mentioned in the preceding paragraph and accordingly, the carrying amount of this trademark is determined after testing for impairment annually. Following assumptions were made to test for impairment as at 31st March 2018:

Annual sales growth for next five years	9%
Gross margin	22%
Discount rate	11.5%
Indefinite growth rate after year 2020	2%

Notes to the Financial Statements

SONY distribution rights

Singer (Sri Lanka) PLC had acquired the distribution rights of brand "SONY" in 2014. This assets are now carried at cost subject to annual impairment test. This distribution right is also considered to have an indefinite useful life due to the factors mentioned in the preceding paragraph and accordingly, the carrying amount of this trademark is determined after testing for impairment annually. Following assumptions were made to test for impairment as at 31st March 2018.

[
	Annual sales growth for next five years	33%
	Gross margin	17%
	Discount rate	11.5%
	Indefinite growth rate after year 2020	2%
1		

17.5 Customer List

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.

17.6 Operating Lease

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-51 years

Amaya Leisure PLC- 22 years

102-45

18 Investments

18.1 Company Investment in Subsidiaries

As at 31st March	% Hol	ding		No. of Shares			Value Rs.'000	
	2018	2017	2018	Movement	2017	2018	Movement	2017
Investee								
Quoted investments*								
Haycarb PLC(Rs. 2,415 mn)	68	68	20,125,103	-	20,125,103	47,204	-	47,204
Hayleys Fibre PLC (Rs. 369 mn)	65	65	5,200,000	_	5,200,000	3,575	-	3,575
Dipped Products PLC (Rs. 2,156 mn)	42	42	25,210,938	_	25,210,938	408,490	-	408,490
Hayleys Fabric PLC (Rs. 1,531 mn)	59	59	122,487,023	_	122,487,023	1,355,791	-	1,355,791
Amaya Leisure PLC (Rs. 1,104 mn)	40	40	20,915,531	_	20,915,531	2,202,220	-	2,202,220
Alumex PLC (Rs.2,660 mn)	53	52	157,413,032	3,268,532	154,144,500	1,381,879	75,718	1,306,16
Alufab PLC (Rs. 166 mn)	63	63	7,538,454	_	7,538,454	174,292	-	174,292
Singer (Sri Lanka) PLC (Rs. 9,073 mn)	60	-	225,704,154	225,704,154	-	10,693,097	10,693,097	
The Kingsbury PLC(Rs. 2,022 mn)	46	46	112,307,057	-	112,307,057	1,864,073	-	1,864,073
			696,901,293	228,972,686	467,928,607	18,130,621	10,768,815	7,361,806
Unquoted Investments								
Chas P. Hayley & Company (Pvt) Ltd.	100	100	999,920	-	999,920	698	-	698
Ravi Industries (Pvt) Ltd.	86	86	10,829,734	38,040	10,791,694	17,682	1,747	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	-	95,68
Dean Foster (Pvt) Ltd.	49	49	5,882,351	_	5,882,351	9,904	-	9,904
Hayleys Advantis Ltd.	94	94	34,183,942	43,573	34,140,369	371,727	4,580	367,147
Volanka Exports (Pvt) Ltd.	4	4	128,693	288	128,405	2,103	0	2,10
Sunfrost (Pvt) Ltd.	5	5	423,300		423,300	4,233	-	4,23
Rileys (Pvt) Ltd.	4	6	5,000,000	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	1,228,287	2,412	1,225,875	13,554	102	13,452
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	1,231,188	1,725	1,229,463	16,981	78	16,90
Hayleys Agriculture Holdings Ltd.	98	98	19,037,689	36,695	19,000,994	261,110	4,006	257,10-
Hayleys Consumer Products Ltd.	99	99	19,446,523	30,283	19,416,240	252,002	685	251,31
Hayleys Aventura (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 Aviation and Projects (Pvt) Ltd.	100	100	2,000,000	_	2,000,000	20,000	_	20,000
Nirmalapura Wind Power (Pvt) Ltd.	30	30	29,900,000	_	29,900,000	154,204	-	154,20
Hayleys Global Beverages (Pvt) Ltd.	60	60	44,100,000	_	44,100,000	441,000	-	441,000

Notes to the Financial Statements

As at 31st March	% Но	lding	No. of Shares			Value Rs.'000		
	2018	2017	2018	Movement	2017	2018	Movement	2017
Fentons Ltd.	75	75	3,347,329	-	3,347,329	250,000	-	250,000
Hayleys Tours (Pvt) Ltd.	100	100	500,000	-	500,000	5,000	-	5,000
Luxury Resort (Pvt) Ltd.	100	100	16,191,000	_	16,191,000	1,546,378	-	1,546,378
World Export Center Ltd.	100	100	1,039,141,701	_	1,039,141,701	10,391,417	-	10,391,417
Hayleys Fabric Solutions Ltd.	100	100	6	-	6	-	-	-
Haylex BV	100	100	1,000	-	1,000	25,733	-	25,733
Darley Property Holdings (Pvt) Ltd.	100	_	394,630,388	394,630,388	-	3,946,303	3,946,303	-
The Queensbury (Pvt) Ltd.**	-	100	-	(1)	1	-	-	-
Quality Seed Company (Pvt) Ltd.	74	74	1,878,000	-	1,878,000	3,707	-	3,707
			1,712,876,513	397,283,404	1,315,593,109	18,713,483	3,957,502	14,755,981
Company investment in subsidiaries (at cost)			2,409,777,806	626,256,090	1,783,521,716	36,844,104	14,726,317	22,117,787
Provision for fall in value of investment made by								
the company						(0= (0=)		(0= (0=)
Hayleys Electronics (Pvt) Ltd.	-		-	-	-	(95,687)	-	(95,687)
Hayleys Business Solutions International (Pvt) Ltd.						(75,000)	-	(75,000)
Company investment in subsidiaries						36,673,417	14,726,317	21,947,100

 $^{{\}it *Figures in brackets indicate market value of Quoted investments}.$

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

As at 31st March		% Ho	lding		No. of Shares	3		Value Rs.'000	
Investor	Investee	2018	2017	2018	Movement	2017	2018	Movement	2017
Unquoted Investments									
Hayleys Advantis Group	Yusen Logistics &	30	30	195,000	-	195,000	1,950	-	1,950
	Kusuhara (Pvt) Ltd **								
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 Aviation and	S & T Interiors (Pvt) Ltd **	30	30	780,000	-	780,000	7,800	-	7,800
Projects (Pvt) Ltd.									
Hayleys Aventura (Pvt) Ltd.	Joule Power (Pvt) Ltd**	25	25	26,250,000	-	26,250,000	262,500	-	262,500
Hayleys Aventura (Pvt) Ltd.	Beta Power (Pvt) Ltd**	25	25	26,250,000	-	26,250,000	262,500	-	262,500
Group investments in equi	ty accounted investees						567,284	-	567,284
(at cost)									

^{*} Joint venture **Associates

 $^{{\}it **} \ The \ Queens bury \ (Pvt) \ Ltd \ was \ amalgamated \ with \ Hayleys \ PLC.$

18.2.1 Net assets of equity accounted investees as follows

For the year ended 31st March		Consolidated										
	Investme	nt at Cost	Profit/	(Loss)	Oth	ers	Net Assets					
	2018	2017	2018	2017	2018	2017	2018	2017				
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000				
Yusen Logistics & Kusuhara (Pvt) Ltd.	1,950	1,950	1,552	(3,377)	(184)	373	5,532	4,164				
Bonterra Lanka Ltd.	8,034	8,034	32,867	29,544	(15,303)	(34,208)	67,130	49,566				
S & T Interiors (Pvt) Ltd.	7,800	7,800	989	434	(62)	(273)	12,337	11,410				
Lakdiyatha (Pvt) Ltd.	24,500	24,500	1,956	12,505	-	(1,352)	99,822	97,866				
Joule Power (Pvt) Ltd.	262,500	262,500	102,977	80,699	(47,513)	(63,788)	327,819	272,354				
Beta Power (Pvt) Ltd.	262,500	262,500	86,885	93,067	(39,900)	(63,788)	333,258	286,274				
Group Investments in equity accounted	567,284	567,284	227,226	212,871	(102,962)	(163,035)	845,898	721,633				
investees												

18.2.2 Summarised financial information of equity accounted investees which has not been adjusted for the Group's share,

	Conso	Consolidated		
As at 31st March	2018	2017		
	Rs.'000	Rs.'000		
Assets and liabilities				
Current Assets	1,312,901	737,047		
Non-current Assets	4,403,522	3,728,024		
Current Liabilities	1,157,539	2,751,728		
Non-current Liabilities	1,847,273	2,355,128		

For the year ended 31st March	2018	2017
	Rs.'000	Rs.'000
Revenue and profit		
Revenue	2,413,927	1,941,633
Profit after tax	826,968	769,414
Total comprehensive income	826,924	769,414
Cash flows		
Cash flows from operating activities	898,234	950,185
Cash flows from Investing activities	(732,288)	(791,735)
Cash flows from financing activities	(157,067)	(299,592)

18.2.3 The Company has neither contingent liabilities nor capital commitments in respect of it's equity accounted investees.

 $Performance \ Highlights \ *\ Hayleys\ at\ a\ Glance \ *\ Leadership\ \&\ Governance \ *\ Performance\ *\ Portfolio\ Review \ *\ Integrated\ Performance \ *\ Pinancial\ Statements$

102-4

Notes to the Financial Statements

18.3 Countries of Incorporation of Overseas Subsidiaries and Equity Accounted Investees

 $Countries\ of\ incorporation\ of\ companies\ incorporated\ outside\ Sri\ Lanka\ are\ stated\ below,$

Sector	Company	Countries of Incorporation
Eco solutions	Charles Fibre (Pvt) Ltd.	India
Hand protection	Dipped Products (Thailand) Ltd.	Thailand
	ICOGUANTI S.p.A	Italy
Purification products	PT Mapalus Makawanua Charcoal Industry	Indonesia
	Haycarb Holdings Bitung Ltd.	British Virgin Island
	Eurocarb Products Ltd.	UK
	Haycarb Holdings Australia (Pty) Ltd.	Australia
	Haycarb USA Inc.	USA
	Carbokarn Ltd.	Thailand
	Shizuka Co. Ltd.	Thailand
	CK Regen Systems Co.Ltd.	Thailand
	Haylex USA	USA
	PT Haycarb Palu Mitra	Indonesia
	Puricarb Pte Ltd.	Singapore
Agriculture	Haychem (Bangladesh) Ltd.	Bangladesh
Transportation & logistics	Logiwiz Logistics India (Pvt) Ltd.	India
	Civaro Freight India (Pvt) Ltd.	India
	Nautical Maldives (Pvt) Ltd.	Maldives
	One World Logistics Maldives (Pvt) Ltd.	Maldives
	Super Logistics (Pvt) Ltd.	Maldives
	Total Transport Solutions Maldives (Pvt) Ltd.	Maldives
	Advantis Singapore Pte Ltd.	Singapore
	Advantis Sabang Raya Lines Pte. Ltd.	Singapore
	Advantis Kusuhara Sedate (Pvt) Ltd.	Myanmar
	Advantis Sedate Myanmar (Pvt) Ltd.	Myanmar
	PT. Advantis Akaza Indonesia	Indonesia
	Advantis Intasl Bangladesh (Pvt) Ltd.	Bangladesh
Others	Haylex BV Group	Netherlands, Japan & UK
Leisure	Luxury Resort (Pvt) Ltd.	Maldives

18.4. Inter-Company Shareholdings

As at 31st March		% Но	lding	No. of S	Shares
Investor	Investee	2018	2017	2018	2017
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	11,072,484
Dipped Products PLC	Palma Ltd.	100	100	4,000,000	4,000,000
- Pr	Grossart (Pvt) Ltd.**	-	100	-	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	-	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	100	3,150,000	3,150,000
	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	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	100	100	150,000	150,000
	\$1 - each)				
	Carbotels (Pvt) Ltd.	25	25	9,290,341	9,290,34
	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
	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

^{**}Grossart~(Pvt)~Ltd~&~Neoprex~(Pvt)~Ltd~were~amalgamated~with~Dipped~Products~PLC~on~January~17,2018.

Notes to the Financial Statements

As at 31st March		% Но	lding	No. of S	Shares
Investor	Investee	2018	2017	2018	2017
	Quality Seed Company (Pvt) Ltd.	6	6	147,000	147,000
	PT Haycarb Palu Mitra	60	60	1,290,000	1,290,000
Carbocarn Co. Ltd.	CK Regen Systems Co.Ltd.	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 Makawauna Charcoal Industry (IDR 1,000,000)	98	98	36,935	36,935
Hayleys Agriculture Holdings Ltd.	Agro Technica Ltd.	100	100	2,499,994	2,499,994
	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
	Singer (Sri Lanka) PLC	3	-	9,468,085	-
	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.	12	19	15,500,000	7,750,000
Hayleys Aventura (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	46,767,241	46,767,241
	Joule Power (Pvt) Ltd.	25	25	26,250,000	26,250,000
	Beta Power (Pvt) Ltd.	25	25	26,250,000	26,250,000
	Singer (Sri Lanka) PLC	3	-	10,531,915	-
	Solar One Ceylon (Pvt) Ltd.	50	50	35,085,952	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
	Singer (Sri Lanka) PLC	10	-	37,127,660	-
	Hayleys Fabric PLC	2	2	5,036,850	5,036,850

As at 31st March		% Hold	ding	No. of Shares		
Investor	Investee	2018	2017	2018	2017	
Ravi Industries Ltd.	Rileys (Pvt) Ltd.	19	31	24,500,000	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	4,999,998	
Toyo Cushion Lanka (Pvt) Ltd.	Dean Foster (Pvt) Ltd.	2	2	235,294	235,294	
	Amaya Leisure PLC	2	2	881,712	881,712	
Volanka (Pvt) Ltd.	Dipped Products PLC	8	8	4,873,640	4,873,640	
	Toyo Cushion Lanka (Pvt) Ltd.	18	18	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	
	Singer (Sri Lanka) PLC	3	-	11,595,745	-	
	Rileys (Pvt) Ltd.	65	44	85,000,000	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	
	Singer (Sri Lanka) PLC	3	-	9,680,851	-	
	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	694,332	
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	29,400,000	
Hayleys Group Services (Pvt) Ltd.	Hayleys Fabric PLC	0	0	508,933	508,933	
Hayleys Aviation and Projects	Air Global (Pvt) Ltd.	100	100	999,995	999,995	
(Pvt) Ltd.	Millennium Transportation (Pvt) Ltd.	100	100	99,999	99,999	
	North South Lines (Pvt) Ltd.	100	100	134,999	134,999	
	Hayleys Travels (Pvt) Ltd.	100	100	1,779,999	1,779,999	
	S & T Interiors (Pvt) Ltd.	30	30	780,000	780,000	
Alumex PLC	Alco Industries (Pvt) Ltd.	100	100	3,000,002	3,000,002	
	Alumex Systems (Pvt) Ltd.	100	100	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	

Notes to the Financial Statements

As at 31st March		% Holdir	ng	No. of Shares		
Investor	Investee	2018	2017	2018	2017	
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	
	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 Convensions (Pvt) Ltd.	100	100	1,000,002	1,000,002	
Hayleys Power Ltd.	Bhagya Hydro (Pvt) Ltd.	100	100	3,499,999	3,499,999	
	Hayleys Hydro Energy (Pvt) Ltd.	51	51	6,120,001	6,120,001	
	TTEL Hydro Power (Pvt) Ltd.	49	49	3,366,300	3,366,300	
	Kiridiweldola Hydro Power (Pvt) Ltd.	100	100	321,860	321,860	
	TTEL Summerset Hydro Power (Pvt) Ltd.	49	49	2,940,000	2,940,000	
	Anningkanda Hydro Power (Pvt) Ltd .	100	100	319,080	319,080	
	Hayleys Neluwa Hydro Power (Pvt) Ltd.	100	100	29,700,000	29,700,000	
	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	
Singer (Sri Lanka) PLC	Singer Finance (Lanka) PLC	81	-	164,267,209	-	
	Singer Industries (Ceylon) PLC	88	-	3,373,967	-	
	Regnis (Lanka) PLC	58	-	6,568,577	-	
	Singer Digital Media (Pvt) Ltd	100	-	500,000	-	
	Singer Business School (Pvt) Ltd	100	-	500,000	-	
	Reality Lanka Limited	40	-	4,800,004	-	
Singer Industries (Ceylon) PLC	Reality Lanka Limited	45	-	5,400,000	-	
Regnis (Lanka) PLC	Reality Lanka Limited	15	-	1,800,000	-	
	Regnis Appliances (Pvt) Ltd	100	-	15,000,000	-	

19 Other Financial Assets and Financial Liabilities

19.1 Other Non-Current Financial Assets

As at 31st March		Consolidated					Company								
		e for sale ments	Held to Maturity	Total	Total	Available for sale investments	Total	Total							
		1 ~	1	Quoted equity shares	· I	•	2018	2018	2018	2018 2		· I	Unquoted shares	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000							
At the beginning of the year	120,306	77,552	-	197,858	223,038	104,297	104,297	141,764							
Additions	-	-	1,097	1,097	-	-	-	-							
Disposals	-	-	-	_	(27,972)	-	-	(27,972)							
Acquisition through business Combination	17,061	-	89,934	106,995	-	-	-	-							
Impairment for the year	(8,900)	_	-	(8,900)	(9,495)	(8,900)	(8,900)	(9,495)							
Change in fair value	1,023	(7,416)	-	(6,393)	12,287	-	-	-							
At the end of the year	129,490	70,136	91,031	290,657	197,858	95,397	95,397	104,297							

19.1.1 Investment Details

As at 31st March		Number of shares		Value	
		2018	2017	2018	2017
Investor	Investee	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Unquoted equity shares - Availab	ole for sale investments				
Hayleys PLC	Sojitz Kelanitissa (Pvt) Ltd.	17,798,968	17,798,968	53,397	62,296
	Sri Lanka Institute of Nanotechnology (Pvt) Ltd.	3,810,182	3,810,182	42,000	42,000
Hayleys Aventura (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	184	180
Hayleys Advantis Group	SLAFFA Cargo Services Ltd.	40,901	38,571	13,349	12,330
Singer (Sri Lanka) PLC	Equity Investment Lanka Limited.	1,665,000	-	17,020	_
	Credit Information Bureau of Sri Lanka	100	-	41	-
Total				129,490	120,306

Notes to the Financial Statements

As at 31st March		Number o	of shares	Value	
		2018	2017	2018	2017
Investor	Investee	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Quoted equity shares - Availab	ole for sale investments				
Dipped Product PLC	Royal Ceramic Lanka PLC	220	220	23	26
Hayleys Advantis Group	Ceybank Unit Trust	200,000	200,000	4,538	4,724
	Pyramid Unit Trust	200,000	200,000	6,710	6,650
	Comtrust Equity Fund	200,000	200,000	3,888	4,081
Amaya Leisure PLC	Royal Ceramic Lanka PLC	521,600	521,600	54,977	62,070
				70,136	77,552
Held to Maturity -					
Singer (Sri Lanka) PLC	Treasury Bills			91,031	-

19.2 Other Current Financial Assets

As at 31st March			Conso	lidated		
	Available for sale investments		ncial instrumer iir value throug profit or loss		Total 2018	Total 2017
	Quoted equity shares	Foreign exchange forward contract	Quoted equity shares	Unit trust		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	1,450	8,359	22,627	447,084	479,520	929,875
Additions	-	705	25	3,867,941	3,868,671	2,469,362
Disposals	-	(8,778)	-	(4,204,339)	(4,213,117)	(2,921,811)
Change in fair value	(180)	-	11,048	14,760	25,628	2,094
At the end of the year	1,270	286	33,700	125,446	160,702	479,520

As at 31st March	Company				
	Available for s	ale investments			
	Foreign exchange forward contract	Quoted equity shares	2018	2017	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
At the beginning of the year	8,359	8,837	17,196	445,180	
Additions	-	-	-	2,008,359	
Disposals	(8,359)	-	(8,359)	(2,403,660	
Change in fair value		(37)	(37)	(32,683	
At the end of the year	-	8,800	8,800	17,196	

19.2.1 Investment Details

As at 31st March		Number	of shares	Va	lue
		2018	2017	2018	2017
Investor	Investee			Rs.'000	Rs.'000
Quoted equity shares -Available fo	or sale investments				
Advantis Group	Union Bank PLC	100,000	100,000	1,270	1,450
				1,270	1,450
Foreign evaluates forward contra	ct - Fair value through profit or loss				
Hayleys PLC	ct-rail value through profit of loss			-	8,359
Rileys (Pvt) Ltd.			*	286	-
				286	8,359
Quoted equity shares - Fair value	through profit or loss				
Hayleys PLC	Central Industries PLC	15,914	15,914	625	700
	Kelani Tyres PLC	17,200	17,200	846	946
	Lanka Orix Leasing Company PLC	1,404	1,404	166	86
	National Development Bank PLC	22,217	21,469	2,957	2,997
	Three Acre Farms PLC	1,840	1,840	206	236
	Hatton National Bank PLC - Non Voting	21,259	20,930	4,000	3,872
Dean Foster (Pvt) Ltd.	ACL Cables PLC	8,240	8,240	338	449
	Blue Diamonds Jewellery Worldwide PLC	13	13	0	0
	Lanka Orix Leasing Company PLC	3,280	3,280	387	200
	-	0.000	2,000	224	257
	Three Acre Farms PLC	2,000	2,000	227	207
	Three Acre Farms PLC Vanik Incorporation PLC - Voting	7,500	7,500	6	6

Notes to the Financial Statements

As at 31st March		Number of shares		Val	
		2018	2017	2018	2017
Investor	Investee			Rs.'000	Rs.′000
Advantis Group	DFCC Bank PLC	7,600	7,600	888	866
	Hatton National Bank PLC	8,109	8,109	1,987	1,802
	National Development Bank PLC	2,534	2,534	337	341
	Beruwala Resort PLC	344,474	344,474	276	344
	Union Bank PLC	400	400	7	7
Amaya Leisure PLC	The Fortress Resorts PLC	90,075	90,075	946	1,045
	LB Finance PLC	20	20	5	Ę
	Free Lanka Capital Holdings PLC	5,320,000	5,320,000	19,152	7,980
Fentons Ltd.	Hotel Sigiriya PLC	5,500	5,500	345	485
				33,702	22,627
Unit trust - Fair value through profit or los	s				
Carbotels (Pvt) Ltd.	NDB Wealth Management Limited.	517,587	34,270,559	8,351	447,084
	NDB Wealth Money Fund	-			
Hayleys Aviation and Projects (Pvt) Ltd.	NDB Wealth Management Limited.	2,333,304	-	41,146	
	NDB Money Plus Fund				
Hayleys Tours (Pvt) Ltd.	NDB Wealth Management Limited.	4,306,867	-	75,949	
	NDB Money Plus Fund	-			
				125,446	447,084

19.3 Other Financial Liabilities

As at 31st March			Consolidated			Compa	ıny	
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Recognition of non- controlling interest to be acquired	Total	Total	Financial liabilities at fair value through profit or loss	Total	Total
	Foreign exchange forward contract	Deposit		2018	2017	Foreign exchange forward contract	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At beginning of the year	1,374	-	-	1,374	553	1,281	1,281	-
Incurred	10,654	2,661,019	-	2,671,673	1,281	10,654	10,654	1,281
Acquisition through business combinations	59,088	5,117,086	1,671,456	6,847,630	-	-	-	_
Settlements	(52,124)	(2,757,095)		(2,809,219)	(460)	(1,281)	(1,281)	-
Charge/capitalization of interest	-	208,629		208,629	-	-	-	-
At end of the year	18,992	5,229,639	1,671,456	6,920,087	1,374	10,654	10,654	1,281
Other Current Financial Lia	bilities			6,517,031	1,374		10,654	1,281
Other Non Current Financia	al Liabilities			403,056	_		-	_

19.3.1 Deposit Classification

As at 31st March	Consolidated
	2018
	Rs.'000
Fixed deposit at amortized cost	5,161,466
Savings	68,173
	5,229,639

19.3.2 Recognition of NCI to be acquired

The sales and purchase agreement with Retail Holdings (Sri Lanka) B.V. in relation to the acquisition of Singer (Sri Lanka) PLC provides an option to the seller to dispose of remaining 9.47% stake in Singer (Sri Lanka) PLC at Rs. 47 to Hayleys PLC between twelve months and fifteen months from 13th September 2017. The liability reflects the fair value of the outflow of resources on the option being exercised.

Notes to the Financial Statements

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 2018, 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			Level 1	Level 2	Level 3
as at dist match		2018			
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Available-for-sale financial assets:					
Quoted equity shares	19.1/19.2	71,406	71,406	_	_
Financial assets at fair value through profit or loss:					
Foreign exchange forward contract	19.2	286	-	286	-
Quoted equity shares	19.2	33,700	33,700	-	-
Unit trust	19.2	125,446	125,446	-	=
Held to Maturity					
Treasury Bonds	19.1	91,031	-	91,031	=

Liabilities Measured at Fair Value

		2018	Level 1	Level 2	Level 3
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial liabilities at fair value through profit or loss					
Foreign exchange forward contracts	19.3	18,992	-	18,992	-
Financial liabilities at amortized cost					
Deposit	19.3	5,229,639	=	5,229,639	=

During the reporting period ended 31st March 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

19.5 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	Consol	idated	Comp	any
	Carrying value	Fair value	Carrying value	Fair value
	20:	2018		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets				
Other non- current financial assets		-		-
Available for sale financial assets	199,626	199,626	95,397	95,397
Held to Maturity	91,031	91,031	-	-
Non- current trade and other receivables	9,333,864	9,333,864	-	-
Other current financial assets	•		•	
Available for sale financial assets	1,270	1,270	_	-
Financial instruments at fair value through profit or loss	159,432	159,432	8,800	8,800
Trade and other receivables	48,227,112	48,227,112	16,912	16,912
Amounts due from subsidiaries	-	-	1,800,558	1,800,558
Amounts due from equity accounted investees	121,106	121,106	8,850	8,850
Short term deposits	3,631,527	3,631,527	-	-
Cash and cash equivalents	7,495,343	7,495,343	328,619	328,619
	69,260,311	69,260,311	2,259,136	2,259,136
Financial Liabilities				
Interest-bearing borrowings*	58,422,791	58,477,411	15,930,326	15,940,785
Security deposit	1,199,128	1,199,128	-	-
Other financial liabilities	•			
Financial liabilities at fair value through profit or loss	18,992	18,992	10,654	10,654
Financial liabilities at amortized cost	5,229,639	5,229,639	-	-
Recognition of non-controlling interest to be acquired	1,671,456	1,671,456	-	-
Trade and other payables	28,764,332	28,764,332	319,282	319,282
Amounts due to subsidiaries	-	-	40,350	40,350
Short-term interest-bearing borrowings	34,218,211	34,218,211	3,875,370	3,875,370
	129,524,549	129,579,169	20,175,982	20,186,441

^{*} 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:

- · The carrying value of available for sale financial assets and financial instruments at fair value through profit or loss at fair value
- Cash and cash equivalents, short term deposits, trade and other receivables, amounts due to/from subsidiaries, amounts due from equity accounted investees and trade and other payables approximate their carrying values largely due to the short term maturities of these instruments.
- The fair value of held to maturity investments and financial liabilities at amortized cost is not significantly different from the value based on amortized cost methodology.

Notes to the Financial Statements

20 Other Non Current Assets

As at 31st March	Consolid	lated	Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Prepayments	3,007,486	1,413,176	95,091	61,414
Lease rental paid in advance	1,194,306	1,003,101	-	-
Formers	608,083	560,600	-	-
Pre Paid Staff Benefit	90,822	48,457	-	-
VAT Receivable	433,072	211,690	-	-
Other Tax Receivables	161,407	203,709	-	_
Amortization	(423,997)	(321,117)	-	-
	5,071,179	3,119,616	95,091	61,414
Other current assets	2,640,004	1,462,471	95,091	61,414
Other non current assets	2,431,175	1,657,145	-	-

20.1 The Details of Lease Rental Paid in Advance

Property	Date of lease agreement	Lease period	Lessor	Land extent	Total prepaid lease rental	Amortization for the period	Net balance as at 31.03.2018
					Rs.'000	Rs.'000	Rs.'000
Hayleys Free Zone Limited Katunayaka Export Processing Zone	· 22-May-14	35 years	BOI	6A 3R 29.5P	46,466	5,089	41,377
Hayleys Free Zone Limited	•				•		-
Katunayaka Export Processing Zone	22-May-14	50 years	BOI	8A	53,606	4,110	49,496
D P L Premier Gloves Ltd.	24-Feb-14	eb-14 50 years	BOI	BOI 5A 1R 1.6P	36,284	789	35,495
Export Processing Zone-Biyagama - Block B						707	55,175
D P L Universal Gloves Ltd.	11-Sep-14	50 years	BOI	3A OR 16P	21,955	473	21,482
Export Processing Zone-Biyagama - Block ${\bf A}$	11 Sep 14	50 years	DOI)1 3AUN 10F	21,933	473	21,702
Regnis Appliances (Pvt) Ltd Horana	1-Nov-17	50 years	BOI	10A	65,063	543	64,520
Luxury Resort (Pvt) Ltd.			Ministry of	-	-		
Amaya Kuda Rah Maldives	17-Jul-16	22 years	Tourism, Republic of	9A 0R 28P	970,932	23,560	947,372
			Maldives				
					1,194,306	34,564	1,159,742

21 Inventories

As at 31st March	Consolidated		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Raw materials & consumables	10,822,510	5,606,791	1,058	1,206
Produce stocks	817,105	1,129,622	-	-
Produce on Bearer Biological Assets	21,490	25,296	-	-
Nurseries	42,284	12,536	-	-
Work-in-progress	2,547,697	1,966,072	-	-
Finished goods	17,558,756	9,200,254	-	-
Goods-in-transit	2,636,566	467,247	-	-
	34,446,408	18,407,818	1,058	1,206
Provision for write-down of inventories	(1,437,160)	(599,675)	-	-
Provision for unrealised profit and write- down of inventories	(263,618)	(130,040)	-	-
	32,745,630	17,678,103	1,058	1,206

- $\textbf{21.1} \qquad \text{Carrying amount of inventories pledged as security for bank facilities obtained amounted to Rs.1,421\,\text{mn}\,(2017\text{ Rs. 1,045}\,\text{mn}).}$
- $\textbf{21.2} \qquad \text{Inventory carried at net realisable value as at 31st March 2018 Rs. 12 mn (2017 Rs. 15 mn)}.$

22 Trade and Other Receivables

As at 31st March	Consoli	idated	Compan	ıy
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade Receivables	27,412,070	18,802,792	-	-
Bills Receivables	4,493,573	3,190,418	-	_
Hire Debtors	7,599,681	-	-	-
Lease Rental Receivable	11,509,536	-	-	_
Loan Debtors	3,068,468	-	-	-
	54,083,328	21,993,210	-	-
Payment in advance, deposits	5,355,124	2,577,855	48,492	44,139
Duty rebate receivable	16,514	4,680	-	-
Employee loans	443,925	108,209	602	789
Provision for impairment	(2,337,915)	(807,250)	(32,182)	(32,182)
	57,560,976	23,876,704	16,912	12,746
Current trade and other receivables	48,227,112	23,876,704	16,912	12,746
Non- current trade and other receivables	9,333,864	-	-	-

Notes to the Financial Statements

22.1 Movement in the Provision for Impairment

As at 31st March	Consol	idated	Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	(807,250)	(801,620)	(32,182)	(32,182)
Acquisition through business combinations	(1,206,773)	-	-	-
Charge for the year	(323,892)	(5,630)	-	-
At the end of the year	(2,337,915)	(807,250)	(32,182)	(32,182)

22.1.1 The Aging Analysis of Trade and Bills Receivable is as follows,

		:						
	Total	Neither	0-60	61-120	121-180	181-365	>365	1-5
		past due	days	days	days	days	days	years
		nor impaired						
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31st March 2018	54,083,328	14,259,556	13,661,412	5,186,578	2,309,508	3,950,125	6,527,744	8,188,405
Balance as at 31st March 2017	21,993,210	12,704,630	6,537,969	1,413,844	319,218	400,207	617,342	-

22.1.2 Currency-wise Analysis of Trade and Other Receivables

As at 31st March	Consoli	idated	Compai	ıy
	2018	2017	2018	2017
	Rs.′000	Rs.'000	Rs.'000	Rs.'000
Sri Lankan Rupees	43,438,639	11,761,409	16,912	12,746
Australian Dollars	202,641	170,986	-	-
Pounds Sterling	183,536	167,637	-	-
United States Dollars	8,773,934	7,852,037	-	-
Euro	2,710,714	2,183,102	-	-
Thai Baht	157,659	199,859	-	_
Indian Rupees	235,186	49,222	-	-
Maldivian Rufiyaa	636,127	307,661	-	-
Bangladesh Taka	648,521	566,031		
Others	574,019	618,760	-	-
	57,560,976	23,876,704	16,912	12,746

23 Stated Capital

As at 31st March		Compa	any
		2018	2017
		Rs.'000	Rs.'000
Issued & fully paid - ordinary sha	ares		
At the beginning of the year	-75,000,000 (1st April 2017 - 75,000,000)	1,575,000	1,575,000
At the end of the year	-75,000,000 (31st March 2018 - 75,000,000)	1,575,000	1,575,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

23.1 Other Capital Reserves & Retained Earnings

23.1.1 Other Capital Reserves

As at 31st March				Consol	idated			
	Capital profit on redemption of debentures	Fixed asset replacement reserve	Capital reserve on sale of property, plant & equipment	Capital redemption reserve fund	Statutory reserve fund	Debenture redemption reserve fund	Reserve on amalgamation	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April 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
Acquisition of non-controlling interest without a change in control	-	-	2	-	-	-		2
Transfers	-	-	7,512	-	17,779	-	-	25,291
Balance as at 31st March 2018	109	11,750	23,824	69,002	17,779	1,047	317,600	441,111

Notes to the Financial Statements

As at 31st March	Company						
	Capital profit on redemption of debentures	Fixed asset replacement reserve	Capital reserve on sale of property, plant & equipment	Debenture redemption reserve fund	Tot		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'00		
Balance as at 31st March 2017	109	11,750	320	1,047	13,22		
Balance as at 31st March 2018	109	11,750	320	1,047	13,22		

23.1.2 Statutory Reserves

As at 31st March		Consolidated
		2018
	Notes	Rs.'000
Reserve Fund	23.1.2.1	17,779

23.1.2.1 Reserve Fund

As at 31st March	Consolidated
	2018
	Rs.'000
Balance as at the beginning of the year	-
	22,157
Transfer made during the year	44,107
Statutory reserve attributable to non-controlling interest	(4,378)

The balance in the reserve fund will be used only for the purposes specified in the Central Bank Direction No.1 of 2003.

 $The \ Reserve \ Fund is \ maintained \ in \ compliance \ with \ direction \ No \ 1 \ of \ 2003 \ Central \ Bank \ of \ Sri \ Lanka \ (Capital \ Funds) \ is sued \ to \ Finance \ Companies.$

As per the said Direction, every Licensed Finance Company shall maintain a Reserve Fund and transfer to such reserve fund out of the net profits of the each year after due provisions has been made for taxation and bad and doubtful debts on following basis.

Capital Funds to Deposit Liabilities	Transfer to
	Reserve Fund
Not less than 25%	5%
Less than 25% and not less than 10%	20%
Less than 10%	50%

Accordingly, Singer Finance (Lanka) PLC has transferred 5% of its net profit after taxation to the Reserve Fund as Company's Capital Funds to Deposit Liabilities, belongs to not less than 25%.

23.1.3 Retained Earnings

As at 31st March	Consoli	dated	Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at the beginning of the year	17,010,084	14,567,260	13,108,435	2,714,878
Profit for the year	1,016,806	2,768,606	1,459,452	938,382
Total other comprehensive income	(262,966)	39,212	(73,347)	(28,213)
Dividends to equity holders	(562,500)	(487,500)	(562,500)	(487,500)
Unclaimed dividend-write back	893	1,788	798	325
Realized gain on timber	-	176	-	_
Transfers	(70,731)	73,051	2,575,457	9,970,563
Acquisition of non-controlling interest without a change in control	(2,111,839)	(52,004)	-	-
Disposal of subsidiary	-	99,494	-	-
Partial recognition of non controlling interest to be acquired	(1,150,214)	-	-	-
Balance as at the end of the year	13,869,533	17,010,084	16,508,295	13,108,435

24 Security Deposits

As at 31st March	Consolidated
	2018
	Rs.'000
At the beginning of the year	
Acquisition through business combinations	1,122,281
Contribution during the year	47,006
Interest charges	68,618
Shortages recovered	(25,766)
ESD releases	(13,011)
At the end of the year	1,199,128

Notes to the Financial Statements

25 Interest Bearing Borrowings

25.1 Total Non-Current Portion of Interest Bearing Borrowings

As at 31st March		Consolidated		Company	
		2018	2017	2018	2017
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Finance lease obligations	25.5	656,838	660,752	-	-
Debentures	25.6	5,069,664	3,985,037	3,494,215	3,985,037
Long-term loans	25.9	28,894,837	15,988,915	8,688,213	1,916,412
Total non- current interest-bearing borrowings		34,621,339	20,634,704	12,182,428	5,901,449

25.2 Current Portion of Interest Bearing Borrowings

As at 31st March		Consol	olidated Com		pany	
		2018	2017	2018	2017	
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Finance lease obligations	25.5	20,997	21,999	-	-	
Debentures	25.6	6,005,544	-	497,208	-	
Long-term loans	25.9	17,774,911	5,038,604	3,250,690	1,211,273	
Total current interest-bearing borrowings		23,801,452	5,060,603	3,747,898	1,211,273	

25.3 Finance Lease Obligations

As at 31st March	Consolid	lated
	2018	2017
	Rs.'000	Rs.'000
At the beginning of the year	2,516,734	2,591,963
New leases obtained	22,620	26,836
	2,539,354	2,618,799
Effect of movement in exchange rates	(335)	6,631
Repayments	(111,479)	(108,696)
At the end of the year	2,427,540	2,516,734
Finance charge unamortised	(1,749,705)	(1,833,983)
Net lease obligation	677,835	682,751

25.4 Currency wise Analysis of Finance Lease Obligations

As at 31st March	Consolidated	
	2018	2017
	Rs.'000 Rs	s.′000
Sri Lankan Rupees	656,529 66	2,347
Bangladesh Taka	21,306 2	0,404
	677,835 68	32,751

25.5 Analysis of Finance Lease Obligations by Year of Repayment

As at 31st March	Consolid	onsolidated	
	2018	2017	
	Rs.'000	Rs.'000	
Finance lease obligations repayable within 1 year from year-end			
Gross liability	107,961	109,501	
Finance charges unamortised	(86,964)	(87,502)	
Net lease obligations repayable within 1 year from year-end	20,997	21,999	
Finance lease obligations repayable between 1 and 5 years from year-end			
Gross liability	375,356	378,478	
Finance charges unamortised	(329,651)	(333,359)	
Net lease obligations	45,705	45,119	
Finance lease obligations repayable after 5 years from year-end			
Gross liability	1,944,224	2,028,755	
Finance charges unamortised	(1,333,091)	(1,413,122)	
Net lease obligations	611,133	615,633	
Net lease liability repayable later than 1 year from year-end	656,838	660,752	

Talawakelle Tea Estates PLC

The Statement of Recommended Practice (SoRP) for Right-to-use of Land on Lease was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19th December 2012. Subsequently, the amendments to the SoRP along with the modification to the title as Statement of Alternative Treatment (SoAT) were approved by the Council on 21st August 2013. The Company has reassessed the liability up to Financial Year 2013 and not reassessed after that as this was not mandatory requirement. However, if the liability is reassessed according to the alternative treatment (SoAT) on the assumption that the lease rent is increased constantly by GDP Deflator of 4% and discounted at a rate of 13%, liability would be as follows.

According to the reassessment, the base rental payable per year has increased from Rs. 7.23 mn to Rs. 29.4 mn.

	Rs.'000
Gross liability	1,557,258
Finance charge	(1,038,754)
Net liability	518,504

Notes to the Financial Statements

Kelani Valley Plantations PLC

The Statement of Recommended Practice (SoRP) for Right-to-use Land on Lease was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19 December 2012. Subsequently, the amendments to the SoRP along with the modification to the title as Statement of Alternative Treatment (SoAT) were approved by the Council on 21 August 2013. The Company has reassessed the liability upto financial year 2013 and not reassessed after that as this was not mandatory requirement. However, if the liability is reassessed according to the alternative treatment (SoAT) on the assumption that the lease rent is increased constantly by GDP deflator of 4% and discounted at a rate of 13%, liability would be as follows.

According to the reassessment, the base rental payable per year has increased from Rs. 19.6 mn to Rs. 59.4 mn .

	Rs.'000
Gross liability	3,637,429
Finance charge	(2,405,028)
Net liability	1,232,401

25.6 Debentures

As at 31st March	Consoli	Consolidated		Company	
	2018	2017	2018	2017	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
At the beginning of the year	3,985,037	3,989,241	3,985,037	3,989,241	
Issued during the year	-	2,000,000	-	2,000,000	
Acquisition of Subsidiary	8,654,768	-	-	_	
Repayments during the year	(1,570,983)	(2,000,000)	-	(2,000,000)	
At the end of the year	11,068,822	3,989,241	3,985,037	3,989,241	
Amortisation of debenture issue expense	6,386	(4,204)	6,386	(4,204)	
Net Debenture	11,075,208	3,985,037	3,991,423	3,985,037	
Repayable within one year	6,005,544	-	497,208	-	
Repayable after one year	5,069,664	3,985,037	3,494,215	3,985,037	

25.6.1 Details of the debentures

As at 31st March	Consolid	lated	Compa	any
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Listed, rated, senior, unsecured, redeemable Debentures at 7.60% p.a. payable semi annually and redeemable on 6th March, 2019	497,208	496,486	497,208	496,486
Listed ,rated, senior, unsecured, redeemable Debentures at 7.85% p.a. payable semi annually and redeemable on 6th March, 2020	1,498,788	1,497,044	1,498,788	1,497,044
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	1,995,427	1,991,507	1,995,427	1,991,507
Unlisted, rated, senior,unsecured, redeemable, debentures at 8.60% p.a payable semi annually and redeemable on 7th June, 2018	2,929,980	-	-	_
Unlisted, rated, senior, unsecured, redeemable, debentures at Net TB +1.25% (Floor 7% Cap 9.5%) p.a payable semi annually and redeemable on 7th June, 2018	70,020	=	=	=
Unlisted, rated, senior, unsecured, redeemable, debentures at 14.5% p.a payable semi annually and redeemable on 10th September, 2018	416,668	-	-	_
Listed, rated ,senior, unsecured, redeemable, debentures at 10.5% p.a payable semi annually and redeemable on 15th March, 2019	460,560	-	-	_
Listed, rated, senior, unsecured, redeemable, debentures at floating rate 6 Months Gross TB + 1.50% (Floor 9.50% Cap 12.50%) payable semi annually and redeemable on 15th March, 2019	1,539,440	-	-	-
Unlisted, rated, senior, unsecured, redeemable, debentures at 9.95% p.a payable semi annually and redeemable on 16th June, 2020	1,500,000	-	-	-
36 Months 11.50% Secured Debentures redeemable on 06th April, 2019	409,300	-	-	-
48 Months 12% Secured Debentures redeemable on 06th April, 2020	590,700	-	-	-
Less : Investment in debenture in subsidiary	(832,883)	-	-	-
	11,075,208	3,985,037	3,991,423	3,985,037

 $^{^*\,}Details\,regarding\,the\,listed\,debentures\,are\,given\,in\,page\,368\,to\,the\,Financial\,Statements.$

25.7 Currency wise Analysis of Debentures

As at 31st March	Conso	olidated Company		oany
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sri Lankan Rupees	11,075,208	3,985,037	3,991,423	3,985,037
	11,075,208	3,985,037	3,991,423	3,985,037

25.8 Analysis of Debentures by Year of Repayment

As at 31st March	Conso	Consolidated		oany
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Long term loans repayable between 2 and 5 years from year-end	5,069,664	3,985,037	3,494,215	3,985,037
	5,069,664	3,985,037	3,494,215	3,985,037

25.9 Long term Borrowings

As at 31st March	Consolidated		Company	
	2018	2017	2018 Rs.'000	2017 Rs.'000
	Rs.'000	Rs.'000		
At the beginning of the year	21,027,519	13,952,443	3,127,685	2,554,189
Acquisitions through business combinations	12,725,287	-	-	-
Effect of movements in exchange rates	386,441	352,294	72,208	76,936
Adjustment for loan facility fee	(11,615)	(4,955)	(11,615)	(4,955)
New loans obtained*	29,065,187	11,858,547	10,500,000	1,500,000
	63,192,819	26,158,329	13,688,278	4,126,170
Repayments	(16,523,071)	(5,130,810)	(1,749,375)	(998,485)
At the end of the year	46,669,748	21,027,519	11,938,903	3,127,685
Transfer to current liabilities (repayable within one year)	(17,774,911)	(5,038,604)	(3,250,690)	(1,211,273)
Repayable after one year	28,894,837	15,988,915	8,688,213	1,916,412

 $^{^*}$ Consist of loans obtained by Hayleys PLC, Singer (Sri Lanka) PLC, Hayleys Advantis Ltd, Alumex PLC, Fentons (Pvt) Ltd, Luxury Resort (Pvt) Ltd, during the year amounting to Rs. 10,500 mn, Rs. 12,201 mn, Rs. 3,431 mn, Rs. 1,008 mn, Rs. 600 mn, Rs. 458 mn respectively.

25.10 Currency wise Analysis of Long Term Borrowings

As at 31st March	Consoli	Consolidated		ny
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sri Lankan Rupees	35,518,813	9,050,866	10,386,391	600,000
Australian Dollars	5,362	179,049	-	_
United States Dollars	11,031,533	11,679,100	1,552,512	2,527,685
Euro	99,327	94,713	-	-
Bangladesh Taka	11,780	19,530	-	-
Others	2,933	4,261	-	-
	46,669,748	21,027,519	11,938,903	3,127,685

$25.11 \qquad \text{Analysis of Long Term Borrowings by Year of Repayment} \\$

As at 31st March	Consol	Consolidated		Company	
	2018	2017	2018	2017	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Long term loans repayable between 1 and 2 years from year-end	8,473,439	5,390,789	1,696,356	1,211,276	
Long term loans repayable between 2 and 5 years from year-end	15,828,897	7,215,156	4,494,530	705,136	
Long term loans repayable later than 5 years from year-end	4,592,501	3,382,970	2,497,327	-	
	28,894,837	15,988,915	8,688,213	1,916,412	

$25.12 \quad Long \, Term \, Borrowings \, Repayable \, After \, One \, Year$

Company	Lender/rate of interest (p.a.)	2018	2017	Repayment	Security
		Rs.'000	Rs.'000		
Hayleys PLC.	Standard Chartered Bank PLC USD (LIBOR+3.25%)	-	1,009,778	To be paid annually in equal installments of USD 0.833 mn	None
	HSBC (USD) (3.35%)	-	506,633	To be paid bi annually in equal installments of USD 1.67 mn	None
	Peoples Bank PLC (AWPLR +2%)	3,244,106	-	To be paid bi annually in equal installments of Rs. 250 mn	None
	National Savings Bank PLC (AWPLR +2%)	3,244,106	-	To be paid bi annually in equal installments of Rs. 250 mn	None
	Sampath Bank PLC (AWPLR+1%)	1,200,000	-	To be paid quarterly in equal installments of Rs. 75 mn	None
	DFCC Bank PLC (AWPLR +1 %)	800,000	-	To be paid quarterly in equal installments of Rs. 50 mn	None
	Commercial Bank of Ceylon PLC (7.85%)	200,000	400,000	To be paid bi annually in equal installments of Rs.100 mn	None
ICOGUANTI S.p.A	Alessandria Financing 1.95% (Euro 1,000,000)	86,583	84,124	Repayment over 2 years as per agreed schedule.	None
Dipped Products (Thailand) Ltd.	HSBC (LIBOR + 2%)	71,340	195,788	Monthly installments ending December, 2019	Corporate guarantee from Dipped Products PLC
DPL Universal Gloves Ltd.	HSBC (LIBOR + 2%)	26,582	265,974	Monthly installments ending May, 2019	Corporate guarantee from Dipped Products PLC
DPL Premier Gloves Ltd.	HSBC (LIBOR + 2%)	191,015	427,661	Monthly installments ending April, 2020	Mortgage over Company land and buildings
Mabroc Teas (Pvt) Ltd.	HSBC (LIBOR + 3%)	24,287	35,585	Monthly installments ending August 2021.	None
Kelani Valley Plantations PLC	DFCC Bank PLC (AWPLR-0.5%) 1st 2 years (AWPLR+1.5%) After	54,959	82,440	Monthly installments ending 2021.	Primary mortgage over the leasehold rights of four estates.

Notes to the Financial Statements

Company	Lender/rate of interest (p.a.)	2018	2017	Repayment	Security
		Rs.'000	Rs.'000		
	Sri Lanka Tea Board (AWPLR+1%)	44,557	38,889	Monthly installments ending August 2022.	Tea Sales Proceeds
	NDB Bank PLC (AWPLR-0.5%) 1st 2 years (AWPLR+1.5%) After	45,189	35,065	Monthly installments commenced in 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%)	21,030	28,270	Monthly installments ending 2021.	None
	Amana Bank PLC (SLIBOR with a cap of 14% and floor of 7.25%)	46,729	67,002	Monthly installments ending 2023.	None
	Amana Bank PLC (SLIBOR with a cap of 14% and floor of 7.25%)	28,691	38,631	Monthly installments ending 2023.	None
	Amana Bank PLC (SLIBOR +3.25%)	33,690	46,667	Monthly installments ending 2022.	None
Haycarb PLC	HSBC (LIBOR + 3.15%)	-	3,192	60 equal monthly installments commenced in May, 2013.	None
	HSBC (LIBOR + 3.15%)	-	3,395	60 equal monthly installments commenced in May, 2013.	None
HSBC (HSBC (LIBOR + 2.75)	20,376	41,616	60 equal monthly installments commenced in March 2016	None
	HSBC (LIBOR + 2.75)	19,162	41,616	60 equal monthly installments commenced in April 2016	None
	HSBC (LIBOR + 2.75)	84,283	113,992	60 equal monthly installments commenced in June 2016	None
	Standard Chartered Bank PLC (LIBOR + 2.5%)	-	2,366	48 equal monthly installments commenced in July, 2014.	Mortgage over the share certificate of Haycarb Value Added Products (Pvt) Ltd amounting to Rs.400 mn.
PT Haycarb Palu Mitra	HSBC (5.83%)	-	19,038	Payable in 16 quarterly installments commenced in September 2014	Mortgage over Company land and buildings
PT Mapalus Makawanua Charcoal Industry.	HSBC (6.07%)	-	18,576	Quarterly installments over three years commenced in June -2015	Corporate guarantee for US\$ 4,200,000/- from Haycarb PLC
Haycarb Holding Australia (Pty) Ltd.	HSBC (12.5%)	3,995	4,049	Payable in 36 monthly installments commenced in August 2016	None
Haycarb USA Inc.	Hatton National Bank PLC (LIBOR + 3.75%)	57,034	113,761	Payable in 60 monthly installments commenced in September 2015	Corporate guarantee for US\$ 1,750,000/- from Haycarb PLC
	Hatton National Bank PLC (LIBOR + 3.75%)	34,637	75,977	Payable in 35 monthly installments commenced in September 2016	Corporate guarantee for US\$ 1,500,000/- from Haycarb PLC

Company	Lender/rate of interest (p.a.)	2018	2017	Repayment	Security
		Rs.'000	Rs.'000		
Hayleys Advantis Ltd.	$\label{eq:HSBC} \begin{array}{l} {\rm HSBC~(1~Month~HSBC~Bank~cost~of} \\ {\rm funds} + 2.25\%) \end{array}$	930,000	-	Payable in 60 quarterly installments commenced in June 2018	None
Logiventures (Pvt) Ltd.	Hatton National Bank PLC (LIBOR + 3.5%)	43,637	85,317	Payable in 56 monthly installments of Rs. 3mn and 1st installment of Rs 1 mn.	Mortgage of land at Sedawatte
Logiwiz (Pvt) Ltd.	HSBC (SLIBOR+1%)	22,222	50,000	36 monthly installments	None
	HSBC (SLIBOR+1%)	47,059	100,000	$commenced\ after\ 12\ months\ grace$	
	HSBC (SLIBOR+1%)	11,765	25,000	period	
	NDB Bank PLC (6.15%)	11,607	-	47 monthly installments and 1st installment of Rs. 0.4 mn	None
	NDB Bank PLC (6.15%)	2,533	-	47 monthly installments and 1st installment of Rs. 0.1 mn	None
	NDB Bank PLC (15.75%)	6,060	-	Payable in 48 monthly installments	None
	Peoples Bank PLC (AWPLR)	200,000	-	96 monthly installments	Mortgage over project
-	Peoples Bank PLC (AWPLR)	900,000	_	$commencing \ after \ 24 \ months \ grace$	assets including Land
	Peoples Bank PLC (AWPLR)	251,478	-	period	and Building held at Kotugoda Ja Ela.
Hayleys Free Zone Limited	HSBC (LIBOR + 2.75%)	1,148,231	1,223,520	39 monthly installments commencing after 18 months grace period	Corporate guarantee from Advantis Ltd.
Logistic International Ltd.	HSBC (LIBOR + 2%)	126,130	197,904	Monthly installments ending 2022.	Corporate guarantee from Advantis Ltd.
Logiwiz Logistics India (Pvt) Ltd.	HDFC Bank Ltd15.75%	1,266	2,483	36 monthly installments commenced in December, 2016	None
Sri Lanka Shipping Company Limited	DFCC Bank PLC (3 months LIBOR + 4.25%) (Max - 5%)	252,072	-	60 monthly installments ending 2021.	Vessel
	DFCC Bank PLC (3 months LIBOR + 4.25%)	98,025	-	60 monthly installments ending 2021.	Vessel
	DFCC Bank PLC (3 months LIBOR + 4.25%)	1,057,543	-	60 monthly installments ending 2025.	Joint mortgage over vessel
	Bank of Ceylon PLC (LIBOR +4.25%)	1,043,985	-	60 monthly installments ending 2025.	
Total transport Solutions Maldives (Pvt) Ltd.	Sampath Bank PLC (6.5%)	100,311	-	60 monthly installments ending 2022.	Two landing crafts
Moceti International Ltd.	Standard Chartered Bank PLC (LIBOR + 1.9%)	-	113,993	Quarterly installments ending 2020.	None

Notes to the Financial Statements

Company	Lender/rate of interest (p.a.)	2018	2017	Repayment	Security
		Rs.'000	Rs.'000		
TTEL Hydro Power Company (Pvt) Ltd.	Sampath Bank PLC (8.75%)	-	16,124	12 Monthly installments commenced in January, 2010 repayable within 8 years.	Primary mortgage bond over lease hold rights for Rs. 132.3 mn project assets.
Hayleys Aventura (Pvt) Ltd.	Sampath Bank PLC (AWPLR+0.25%)	-	37,483	60 Monthly installments commenced in January, 2014.	Loan agreement 250 mn Mortgage bond over 30
	Sampath Bank PLC (AWPLR+0.25%)	245,000	275,000	48 Monthly installments commenced in February 2017	mn shares of Hayleys Power Ltd for 250 mn original share certificate of Hayleys Power Ltd, total in to 30 mn shares.
	Peoples Bank PLC (AWPLR+0.5%)	124,960	187,480	48 monthly installments commenced in April 2017	Primary mortgage over property situated at Malabe
Hayleys Fabric PLC	Standard Chartered Bank PLC (LIBOR + 3.5%)	511,319	944,459	36 monthly instalments of US\$ 239,591	Mortgage over machinery
Talawakelle Tea Estates PLC	NDB Bank PLC (AWPLR +1.5%)	57,500	87,500	60 Installment ending 2021.	Primary mortgage over lease hold rights of Somerset, Great Western, Holyrood, and Dessford Estates.
	NDB Bank PLC (6.6%)	20,662	-	72 monthly installments commenced in March 2019	None
	Sampath Bank PLC (8%)	-	8,692	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 (5 %)	18,470	_	36 monthly installments commenced in May 2017	Tea Sales Proceeds
	Sri Lanka Tea Board (11.96%)	-	27,222	60 monthly installments commenced in March 2015	Tea Sales Proceeds
	Hatton National Bank PLC USD (3 months LIBOR + 4 %)	40,394	60,977	60 monthly installments commenced in January 2016	Primary Mortgage over specific Machinery.
Volanka (Pvt) Ltd.	DFCC Bank PLC (AWPLR+ 0.075%)	-	7,143	One year grace period loan repayment commenced in January 2012.	Mortgage on Land and Building at Katana.
Chas P. Hayley & Co. (Pvt) Ltd.	Hatton National Bank PLC- (AWPLR+1%)	55,000	85,000	60 Installment ending 2021.	None
Rileys (Pvt) Ltd.	Hatton National Bank PLC- (AWPLR+1%)	52,500	82,500	60 Installment ending 2021.	Corporate guarantee for Rs.250 mn from Volanka Ltd.

Company	Lender/rate of interest (p.a.)	2018	2017	Repayment	Security
		Rs.'000	Rs.'000		
Alumex PLC	Standard Chartered Bank PLC (AWPLR + 0.25%)	1,027,500	512,000	48 monthly installments commmencing April, 2018	None
	Peoples Bank PLC (AWPLR +1%)	106,250	-	48 monthly installments commenced in February, 2018	None
The Kingsbury PLC	Bank of Ceylon PLC (AWPLR)	-	192,929	6 year including $1\&1/2$ yea grace period	Mortgage on leasehold land, building and fixtures (building and building integrals)
	DEG Deutsche Investitions (6m LIBOR +4.25%)	518,681	759,925	Semi annual repayment on each 15th of June and December respectively commenced in 15th June 2015. for 12 installements	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.	Commercial Bank of Ceylon PLC (15%)	4,340	11,970	60 monthly equal installment.	None
Sun Tan Beach Resorts Ltd.	DFCC Bank PLC (PLR +1%)	200,000	296,970	60 Monthly installments commenced in December, 2016	Leasehold Right of the land and Hotel building belongs to Sun Tan Beach Resorts Ltd
	Hatton National Bank PLC (PLR + 7.5%)	665,474	644,338	Monthly installments commenced in January, 2017	Leasehold property
Amaya Leisure PLC	Seylan Bank PLC (3 M - AWPLR + 1%)	7,350	107,550	Monthly installments commenced in May, 2014	None
Hayleys Global Beverages (Pvt) Ltd.	Hatton National Bank PLC (AWPLR+0.75%)	1,447,577	1,625,423	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%)	162,498	197,498	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%)	378,450	430,556	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%)	7,335	29,379	60 Monthly installments commenced in July, 2015	Primary mortgage for Rs. 100 mn over the project land & assets

Notes to the Financial Statements

Company	Lender/rate of interest (p.a.)	2018	2017	Repayment	Security
		Rs.'000	Rs.'000		
Fentons Ltd.	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	60 monthly installments	None
	Sampath Bank PLC (AWPLR+1.5 %)	390,000	-	60 monthly installments	Corporate guarantee from Hayleys PLC
Energynet (Pvt) Ltd.	Sampath Bank PLC (15%)	1,500	4,500	Monthly installments	Mortgage over stock & debtors
Solar One Ceylon (Pvt) Ltd.	Sampath Bank PLC (AWPLR +0.75%)	1,245,600	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%)	3,025,751	2,496,660	60 equal monthly installments commencing March 2019	Leasehold right of the land and hotel building belongs to Luxury Resort (Pvt) Ltd
Singer (Sri Lanka) PLC	Standard Chartered Bank PLC (12.95%)	657,150	-	Quarterly installments over three years commenced in June -2017	None
	Commercial Bank of Ceylon PLC (AWPLR + 1%)	1,875,000	-	Quarterly installments over three years commenced in December 2017	None
Singer Finance (Lanka) PLC	Sampath Bank PLC (AWPLR +1.5%)	192,900	-	60 monthly installments commenced in March 2016	Mortgage over lease and hire purchase debtors
	Seylan Bank PLC (AWPLR + 2%)	19,400	-	Monthly installments commenced in August 2015	
		28,894,837	15,988,915		

26. Grants

As at 31st March	Consol	idated
	2018	2017
	Rs.'000	Rs.'000
At the beginning of the year	743,387	739,677
Grants received during the year	60,045	44,270
Amortised during the year	(31,285)	(40,560)
At the end of the year	772,147	743,387

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 funding from the Plantation Housing and Social Welfare Trust, Plantation Human development Trust, Plantation Development Project, Sri Lanka Tea Board, Save The Children Foundation for the development of workers facilities such as re-roofing of line rooms, water supply, sanitation and 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.

26.2 There are no unfulfilled conditions or contingencies attached to these grants.

27. Deferred Taxation

As at 31st March	Cons	olidated
	2018	2017
	Rs.'000	Rs.'000
Deferred tax assets	822,545	604,150
Deferred tax liabilities	4,729,365	1,853,124
Net Deferred Tax Liabilities	3,906,820	1,248,974

Notes to the Financial Statements

27.1 Net Deferred Tax liabilities

As at 31st March	Consolid	Consolidated	
	2018	2017	
	Rs.'000	Rs.'000	
At the beginning of the year	1,248,974	1,155,344	
Amount originating during the year - Income Statement	58,443	20,994	
Amount originating during the year - Other Comprehensive Income	(62,992)	68,082	
Acquisition through business combinations	997,234	-	
Disposal of subsidiaries	(488)	-	
On revaluation of land	1,670,174	-	
Effect of movements in exchange rates	(4,525)	4,554	
At the end of the year	3,906,820	1,248,974	

The Inland Revenue Act, No. 24 of 2017 (Act) came into effect from 1st April 2018. The group has applied the tax rates specified in the Act as relevant to each entity in accounting for deferred tax as at 31st March 2018.

27.2 Net Deferred Tax Liabilities are attributable to the following as at the year end.

As at 31st March	Consolid	dated
	2018	2017
	Rs.'000	Rs.'000
Tax effect of employee benefit obligations	(1,312,908)	(743,310)
Tax effect of tax loss carried forward	(1,082,138)	(734,355)
ax effect of provisions	(398,466)	(126,854)
	(2,793,512)	(1,604,519)
Deferred tax liabilities		
Tax effect of property, plant & equipment	6,489,841	2,766,602
Tax effect of investment properties	210,491	86,891
	6,700,332	2,853,493
Net deferred tax liabilities	3,906,820	1,248,974

28. Employee Benefit Obligations

As at 31st March	Consolic	lated	Compa	ıy
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Present value of unfunded gratuity	7,337,659	5,608,640	713,730	557,063
At the beginning of the year	5,608,640	5,678,535	557,063	521,012
Acquisition through business combinations	769,581	-	-	-
Effect of movements in exchange rates	25,236	13,860	-	-
Benefits paid by the during the year	(579,028)	(528,326)	(15,825)	(58,134)
Current service costs	396,580	324,501	32,565	11,099
Interest cost	732,806	514,137	66,580	54,873
Actuarial (gain)/ loss	383,844	(394,067)	73,347	28,213
At the end of the year	7,337,659	5,608,640	713,730	557,063

For the year ended	Consol	idated	Compa	ny
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
The expense is recognised in the following line items in the Statement of Profit or Loss				
Cost of sales	192,502	153,265	2,145	2,323
Administrative expenses	893,178	685,373	97,000	63,649
Distribution expenses	43,706	-	-	-
	1,129,386	838,638	99,145	65,972

An actuarial valuation of the retirement gratuity payable was carried out as at March 31, 2018 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries. The valuation method used by the actuaries to value the liability is the "Projected Unit Credit Method (PUC)", the method recommended by the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits".

Notes to the Financial Statements

28.1 Actuarial Assumptions

The following key assumptions were made in arriving at the above figure.

As at 31st March	О	hers	Plant	ations
	2018	2017	2018	2017
Rate of discount	11%	12%	11%	12%
Salary increase	7% - 10%	11%	10% - 20%	10% - 11%

 $Assumptions\ regarding\ future\ mortality\ are\ based\ on\ the\ A1967/70\ for\ Staff/Executive\ and\ A1949/52\ for\ Worker,\ issued\ by\ the\ Institute\ of\ Actuaries,\ London\ for\ Staff/Executive\ and\ A1949/52\ for\ Worker,\ issued\ by\ the\ Institute\ of\ Actuaries,\ London\ for\ Staff/Executive\ and\ A1949/52\ for\ Worker,\ issued\ by\ the\ Institute\ of\ Actuaries,\ London\ for\ Staff/Executive\ and\ A1949/52\ for\ Worker,\ issued\ by\ the\ Institute\ of\ Actuaries,\ London\ for\ A1949/52\ for\ Worker,\ issued\ by\ the\ Institute\ of\ Actuaries,\ London\ for\ A1949/52\ for\ Worker,\ issued\ by\ the\ Institute\ of\ Actuaries,\ London\ for\ A1949/52\ for\ Worker,\ issued\ by\ the\ Institute\ of\ A1949/52\ for\ Worker,\ issued\ by\ the\ Institute\ for\ A1949/52\ for\ Worker,\ issued\ by\ the\ Institute\ of\ A1949/52\ for\ Worker,\ issued\ by\ the\ Institute\ for\ A1949/52\ for\ Worker,\ institute\ for\ A2949/52\ for\ Mortality for\ A2949/52\ for\ Mortality\ for\ A2949/52\ for\ A29$

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

28.2 The Group's and Company employee benefit obligation would have been Rs.6,756mn (2017- Rs.5,290mn) and Rs. 696 mn (2017- Rs.599 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 page 286 to the Financial Statements.

28.3 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

	Conso	lidated	Com	pany
	+1%	-1%	+1%	-1%
The present value of defined benefit obligation (Rs.'000)	7,767,528	6,964,410	746,832	682,603

A one percentage point change in the discount rate

	Consol	Consolidated		pany
	+1%	-1%	+1%	-1%
The present value of defined benefit obligation (Rs.'000)	6,953,425	7,789,343	687,495	742,098

$28.4 \quad {\it Distribution of Employee Benefit Obligation over Future Working Lifetime}$

As at 31st March	Consol	idated	Compa	any
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Less than or equal 1 year	927,929	405,176	112,215	35,021
Over 1 year and less than or equal 5 years	3,247,624	1,662,388	450,424	382,446
Over 5 year and less than or equal 10 years	2,054,250	1,543,807	112,805	94,567
Over 10 years	1,107,856	1,997,269	38,286	45,029
Total	7,337,659	5,608,640	713,730	557,063

29 Trade and Other Payables

As at 31st March	Consol	idated	Company	
de payables ls payable ner payables including accrued expenses	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade payables	13,971,335	7,430,282	-	=
Bills payable	2,972,498	1,573,465	-	-
Other payables including accrued expenses	10,661,020	7,471,873	256,707	200,951
Unclaimed dividends	990,707	290,554	62,575	55,571
Provisions	168,772	15,350	-	-
	28,764,332	16,781,524	319,282	256,522

29.1 Provisions

As at 31st March		Consolida	ited	
	Maintenance warranties **	Other	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	12,141	3,209	15,350	22,662
Arising during the year	45,499	17,378	62,877	20,972
Acquisition through business combinations	129,355	15,798	145,153	_
Utilized	(37,275)	(17,333)	(54,608)	(28,284)
At the end of the year	149,720	19,052	168,772	15,350

^{**} Maintenance warranties

A provision for maintenance warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of possible outcomes against their associated probabilities.

Notes to the Financial Statements

Hayleys Agriculture Holdings Ltd. - Sells heavy machineries such as combine harvesters, combine threshers and four wheel tractors and have a warranty provision in the Financial Statements for warranty claims which may arise on machines sold.

 ${\bf Alumex\,PLC\,-\,Provision\,is\,recognized\,for\,expected\,warranty\,claims\,on\,wood\,finished\,product\,sold.}$

Singer Group - Warranty provision covers both manufacturing defects & defects on imported products.

29.2 Currency wise Analysis of Trade and Other Payables

As at 31st March	Consoli	idated	Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sri Lankan Rupees	18,752,332	8,556,862	319,282	256,522
Pounds Sterling	262,714	83,000	-	-
United States Dollars	6,986,678	4,714,643	-	_
Euro	306,484	1,664,870	-	-
Thai Baht	1,231,755	1,297,097	-	-
Bangladesh Taka	152,852	164,542	-	-
Maldivian Rufiyaa	286,215	95,076	-	-
Others	785,302	205,434	-	-
	28,764,332	16,781,524	319,282	256,522

29.3 Other Liabilities

As at 31st March	Consolie	dated	Company	
ner tax payable ner payable	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Other tax payable	2,319,694	176,742	45,691	30,507
Other payable	2,813,826	-	-	-
Payments received in advance	1,608,000	1,228,498	-	-
	6,741,520	1,405,240	45,691	30,507
Other current Liabilities	4,023,979	1,405,240	45,691	30,507
Other non-current Liabilities	2,717,541	-	-	_

29.4 Deferred Revenue

As at 31st March	Consoli	dated
	2018	2017
	Rs.'000	Rs.'000
At the beginning of the year	-	-
Acquisition through business combinations	290,109	-
Amounts recognised during the year	(61,817)	-
Amounts transferred during the Year	17,997	-
At the end of the year	246,289	-

Deferred Revenue includes deferred service fee on air conditioners, Sanasuma Insurance Scheme and amount deferred on motor bike services income as at 31st March 2018.

30. Income Tax

30.1 Income Tax Recoverable

As at 31st March		Consoli	dated	Comp	pany
		2018	2017	2018	2017
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the end of the year	30.2	539,919	344,815	12,670	5,411

30.2 Income Tax Payable

As at 31st March	Consoli	dated	Compar	ny
bsidiaries'/ parents' taxation on current year's profit ecoverable economic service charge ider provision in respect of previous years x on dividend	2018	2017	2018 2017	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	477,017	526,953	(5,411)	(2,287)
Subsidiaries'/ parents' taxation on current year's profit	1,831,366	1,571,264	1,329	1,135
Irrecoverable economic service charge	46,839	1,849	-	_
Under provision in respect of previous years	19,811	28,862	-	8,465
Tax on dividend	380,412	353,871	-	-
Acquisition through business combinations	(71,343)	-	-	-
Disposal of subsidiaries	1,240	-	-	_
Tax credits received	2,941	-	-	-
Effect of movements in exchange rates	(11,354)	(2,274)	-	-
Payments made during the year	(2,609,574)	(2,003,508)	(8,589)	(12,724)
Net Income Tax payable/(recoverable)	67,355	477,017	(12,670)	(5,411)
Income tax recoverable	539,919	344,815	12,670	5,411
At the end of the year	607,274	821,832	=	-

Notes to the Financial Statements

31. Short-Term Interest Bearing Borrowings

As at 31st March	Consol	Consolidated		Company	
	2018	2017	2018	2017	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Sri Lankan Rupees	25,583,620	11,659,124	3,875,370	719,020	
Pounds Sterling	53,890	23,217	-	-	
United States Dollars	6,497,701	6,271,385	-	_	
Euro	595,196	305,982	-	_	
Thai Baht	79,858	146,186	-	_	
Indonesian Rupiah	711,878	264,481	-	-	
Bangladesh Taka	479,698	338,060	-	_	
Others	216,370	43,852			
	34,218,211	19,052,287	3,875,370	719,020	

32. Contingent Liabilities and Commitments

32.1 Contingent Liabilities

Company

The contingent liability as at 31st March, 2018 on guarantees given by Hayleys PLC., to third parties amounted to Rs. 957 mn (2017 - 357 mn). Total of this sum relates to facilities obtained by subsidiaries. Details are given in Note 25 to the Financial Statements.

Group

- Contingent liability as at 31st March, 2018 on bills discounted amounted to USD 32,420 (2017 USD 556,140) in respect of Hayleys Fabric PLC.
- The contingent liability as at 31st March 2018, on guarantees given by Haycarb PLC to third parties amounted to Rs. 2,625.2 mn (2017 Rs. 2,602.1 mn). Of this sum, Rs. 2,241.2 mn (2016 Rs. 2,278.5 mn) relate to facilities obtained by subsidiaries.
- The contingent liabilities as at 31st March, 2018 on guarantees given by Dipped Products PLC to third parties amounted to Rs 7.09 mn (2016 Rs. 105.82 mn) Total of this sum relates to facilities obtained by subsidiaries.
- Guarantees given to banks and other lending institutions by Singer (Sri Lanka) PLC on behalf of Regnis (Lanka) PLC, Singer Industries (Ceylon) PLC and Singer Digital Media (Pvt) Ltd., amounts to Rs 455.5 mn ,75.0 mn and 50 mn respectively. Singer Finance (Lanka) PLC provided letters of guarantees to banks totaling to Rs. 550,000/- against Fixed Deposits of Rs. 744,378/-.
- Singer Finance (Lanka) PLC has provided guarantees to its Fixed Deposit Holders amounting to Rs.1,050,000/- holding deposit holders fixed deposits amounting to Rs 1,195,835/- as security.

- During the Year, the Commissioner General of Inland Revenue has issued an assessment notice for the Year of Assessment 2012/13 on Singer Finance (Lanka) PLC pertaining to an additional tax liability on account of disallowing administration fees, advertising and promotional expenses, royalty fees, and provision for bad and doubtful lease receivables. The assessment is for a value Rs.48.6 mn and a penalty of Rs.24.2 mn totalling to Rs.72.8 mn. The Group after carefully reviewing the advice of tax consultants, is of the opinion that there is no basis for the Group to be made liable. Hence, no provision has been made in the Financial Statements. The Group has appealed against the assessment, requesting the entire tax and penalty be held over pending settlement of the appeal under section 173(6) of the Inland Revenue Act.10 of 2006.
- Under the finance companies (single borrowers limit) direction No. 4 of 2006/1, the value of unsecured accommodations granted to and outstanding at any point of time from all borrowers should not exceed 5% of the capital funds as shown in the last audited statement of Financial Position. However as at 31st March 2018, the balance has been exceeded in the credit card product by Rs.386.8 mn.

32.2 Commitments

Group

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	2018	2017
	Rs.'000	Rs.'000
Repayable within one year	225,259	8,867
Repayable after one year less than 5 year	786,323	38,522
Repayable after 5 year	1,475,133	733,133
	2,486,715	780,522

33. Foreign currency translation

The principal exchange rates used for translation purposes were:

	Average		As at 31st March	
	2018	2017	2018	2017
United States Dollar	153.51	148.17	155.60	151.99
Australian Dollar	118.94	111.45	119.07	116.24
Pound Sterling	205.28	193.09	219.07	189.96
Thai Baht	4.67	4.21	4.99	4.40
Bangladesh Taka	1.87	1.87	1.86	1.89
Euro	180.74	161.97	191.74	162.36
Indian Rupee	2.38	2.20	2.39	2.34
Indonesian Rupiah	0.01	0.01	0.01	0.01
Maldivian Rufiyaa	9.91	9.61	10.09	9.82

Notes to the Financial Statements

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 Currenc
Hayleys Fabric PLC	USI
Haychem (Bangladesh) Ltd.	Tak
PT Mapalus Makawanua Charcoal Industry	Rupial
Haycarb Holdings Bitung Ltd.	USI
Eurocarb Products Ltd.	Pounds Sterlin
Haycarb Holdings Australia (Pty) Ltd.	Australian Dollar
Haymark Inc.	USI
Carbokarn Company Ltd.	Thai Bah
Haylex BV Group	Euro, Yen & USI
Dipped Products (Thailand) Ltd.	Thai Bah
CK Regen Systems Co. Ltd.	Thai Bah
ICOGUANTI S.p.A	Eur
PT Tulus Lanka Coir Industries	Rupia
Civaro Freight India (Pvt) Ltd.	Indian Rupee
Hayleylines Limited	USI
Logiwiz Logistics India (Pvt) Ltd.	Indian Rupee
Shizuka Co. Ltd.	Thai Bah
Charles Fibre (Pvt) Ltd.	Indian Rupee
PT Haycarb Palu Mitra (Indonesia)	Rupia
Haylex USA	USI
Nautical Maldives (Pvt) Ltd.	Maldivian Rufiya
One World Logistics Maldives (Pvt) Ltd.	Maldivian Rufiya
Super Logistics (Pvt) Ltd.	Maldivian Rufiya
Total Transport Solutions Maldives (Pvt) Ltd.	Maldivian Rufiya
Premium Global Logistics Sdn Bhd	Ringg
Advantis Singapore (Pte) Ltd.	Singapore Dollar
Advantis Kusuhara Sedate (Pvt) Ltd.	Куа
Luxury Resorts (Pvt) Ltd.	USI
Advantis Sedate Myanmar (Pvt) Ltd.	Куа

35. Events Occurring After the Reporting Date

Other than what is 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 dividend of Rs. 5.00 per share on 18th May 2018, for the year ended 31st March 2018, payable on 10th July 2018. 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.

37. Acquisition and Disposal of Subsidiaries / Equity Accounted Investees

37.1 On 15th September 2017, Hayleys Group acquired 61.73% in Singer (Sri Lanka) PLC and on 23rd August 2017 Hayleys Advantis Ltd, a subsidiary of Hayleys PLC acquired 94.84% in Sri Lanka Shipping Company Ltd. With the subsequent acquisition of further shares, the Group shareholdings as at 31st March 2018 increased to 80.96% and 98.4% of the investees respectively.

As at 31st March	Singer	Sri Lanka	2018
	(Sri Lanka) PLC	Shipping Ltd	
	Rs.'000	Rs.'000	Rs.'000
Property, plant and equipment	6,273,046	5,979,314	12,252,360
Intangible assets	271,357	2,177	273,534
Other non current assets	121,704	-	121,704
Inventories	10,200,308	50,087	10,250,395
Trade and other receivables	25,953,748	711,540	26,665,288
Non current financial assets	106,995	-	106,995
Long term loans	(10,167,110)	(2,558,177)	(12,725,287)
Debentures	(8,654,768)	-	(8,654,768)
Security deposits	(1,122,281)	-	(1,122,281)
Employee benefit obligations	(731,567)	(38,014)	(769,581)
Deferred revenue	(290,109)	-	(290,109)
Deferred tax liability	(638,404)	(358,830)	(997,234)
Trade and other payables	(7,074,703)	(284,708)	(7,359,411)
Financial Liabilities	(5,176,174)	-	(5,176,174)
Income tax recoverable / (payable)	72,142	(799)	71,343
Net identifiable assets and liabilities	9,144,184	3,502,590	12,646,774
Non-controlling' interests	(3,645,349)	(559,189)	(4,204,538)
Goodwill acquired	7,204,550	-	7,204,550
	12,703,385	2,943,401	15,646,786

Notes to the Financial Statements

37.2 Satisfied by

As at 31st March	Singer	Sri Lanka	2018
	(Sri Lanka) PLC	Shipping Ltd	
	Rs.'000	Rs.'000	Rs.'000
Cash Consideration	12,703,385	2,943,401	15,646,786
Analysis of cash and cash equivalents on acquisition of subsidiary			
Analysis of cash and cash equivalents on acquisition of subsidiary Cash consideration	(10,858,235)	(2,460,704)	(13,318,939)
Cash consideration	(10,858,235)	(2,460,704) (2,673,812)	(13,318,939) (2,673,812)
	(10,858,235) - (3,957,534)	````````````````	
Cash consideration Payable within one year	-	(2,673,812)	(2,673,812)

37.3 Contingent Liabilities at Fair value

Contingent liabilities at Fair value of Rs. 1,761 mn were recognised at the acquisition date relating to the following,

- Commissioner General of Inland Revenue has issued assessment notices on Singer (Sri Lanka) PLC pertaining to an additional VAT Liability/Payment on account of Deemed VAT for seven quarters for the period from 1st January 2014 to 30th September 2015.
- Singer (Sri Lanka) PLC has provided bank guarantees amounting to Rs. 262.2 mn to Director General of Customs to clear imports during the years 2008 to March 2018. The bank guarantee relate to alleged additional duty payable on imports as claimed by the customs and the liability is being contested by the company in courts.

37.4 Revenue and profits of acquirees

From the date of acquisition, Singer (Sri Lanka) PLC and Sri Lanka Shipping Company Ltd contributed revenues of Rs. 30 bn and Rs. 1.7 bn and profits before tax (PBT) of Rs. 853 mn and Rs. 441 mn respectively to the consolidated results of the Group;

37.5 During the year, Advantis Ltd a subsidiary of Hayleys PLC disposed it's investment in Premium Global Logistics Sdn Bhd.

As at 31st March	Total
	Rs.'000
Property plant and equipment	4,908
Intangible assets	71
Debtors	8,910
Income tax recoverable	1,240
Cash	3,935
Trade and other payables	(20,062)
Deferred tax liability	(489)
Net identifiable assets and liabilities	(1,487)
Non-controlling' interests	223
Profit on disposal of subsidiaries	1,264
Cash consideration	-

37.6 Principal subsidiaries with material non-controlling interests

 $Summarised \ financial \ information \ in \ respect \ of \ Hayleys \ PLC's \ subsidiaries \ that \ have \ material \ non-controlling \ interest, \ reflecting \ amounts \ before \ intercompany \ eliminations, \ is set out \ below.$

As at 31st March	Dipped Products	Haycarb	Hayleys Advantis	Singer (Sri Lanka)
	PLC	PLC	Ltd	PLC
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non-controlling interest in %	44	32	4	20
Non-current assets	13,854,860	6,391,401	17,279,377	16,117,407
Current assets	10,775,220	8,891,056	11,062,908	35,111,652
Total assets	24,630,080	15,282,457	28,342,285	51,229,059
Non-current liabilities	5,201,554	903,110	9,615,993	9,120,709
Current liabilities	7,122,950	6,041,736	13,339,640	35,188,042
Total liabilities	12,324,504	6,944,846	22,955,633	44,308,751
Equity attributable to the owners of the company	9,739,315	7,427,840	4,257,114	5,505,550
Non-controlling interests	2,566,261	909,771	1,129,538	1,414,758
Revenue	28,484,874	15,518,079	35,652,333	30,205,144
Profit after tax	800,850	773,624	1,420,345	469,652
Profit attributable to the owners of the company	495,468	672,364	800,241	401,635
Profit attributable to the non-controlling interests	305,382	101,260	620,104	68,017
Total comprehensive income	1,066,839	950,819	727,159	(187,150)
Dividend paid to non controlling interests	45,989	46,659	567,714	88,484
Net cash inflow from operating activities	1,885,257	93,303	1,571,523	(1,958,142)
Net cash (outflow) from investing activities	(701,461)	(344,228)	(4,097,677)	(232,958)
Net cash (outflow)/inflow from financing activities	(894,242)	(661,297)	2,077,181	(597,356)
Total net cash (outflow)/inflow	289,554	(912,222)	(448,973)	(2,788,456)

38. Related Party Transactions

38.1 Parent and Ultimate Controlling Party

Company does not have an identifiable parent of its own.

$38.2 \hspace{0.5cm} \textbf{Transactions with Key Management Personnel} \\$

38.2.1 Loans to Directors

No loans have been given to the Directors of the Company.

Notes to the Financial Statements

38.2.2 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	Consolid	dated	Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Short term employee benefit	1,337,336	1,055,631	400,919	311,825
Post employee benefit	-	-	-	_
Other long term benefit	-	-	-	-
Termination benefits	-	-	-	-
Share based payment	-	-	-	-
	1,337,336	1,055,631	400,919	311,825

38.2.3 Other Transactions With Key Management Personnel

38.2.3.1 The names of Directors of Hayleys PLC, who are also directors of subsidiaries joint ventures and equity accounted investees companies are stated on pages 223 to 225 to the Financial Statements.

38.2.3.2 Details of Directors and their spouses' share holdings are given on page 267. There were no other transactions with key management personnel other than those disclosed in Note 38 to the Financial Statement.

38.2.3.3 The under mentioned Director of Hayleys PLC, have leased the following residential premises to the under noted Companies in the Group:

Lessor	Premises	Lessee	Monthly Rental Rs.
A M Pandithage	Colombo 08	Hayleys PLC	5,000

38.2.34 Mr. K D D Perera purchased 2,182,584 shares of Hayleys PLC during the year from Vallibel One PLC of which Mr Perera has the controlling interest for Rs. 708.6 mn.

38.2.3.5 Mr. K D D Perera purchased 3,216,146 shares of The Kingsbury PLC during the year from Vallibel One PLC of which Mr Perera has the controlling interest for Rs. 51.4 mn.

 $38.2.36 \; \mathrm{Mr} \; \mathrm{K} \; \mathrm{D} \; \mathrm{D} \; \mathrm{Perera} \; \mathrm{purchased} \; 6,935,913 \; \mathrm{shares} \; \mathrm{of} \; \mathrm{Singer} \; (\mathrm{Sri} \; \mathrm{Lanka}) \; \mathrm{PLC} \; \mathrm{at} \; \mathrm{the} \; \mathrm{Mandatory} \; \mathrm{Offer} \; \mathrm{during} \; \mathrm{the} \; \mathrm{year} \; \mathrm{for} \; \mathrm{Rs}. \; 325.9 \mathrm{mn}.$

38.23.7 Mr L T Samarawickrama purchased 18,272 shares of Amaya Leisure PLC during the year for Rs. 0.97 mn.

38.2.3.8 Mr S C Ganegoda purchased 4,492 shares of Hunas Falls Hotels PLC during the year for Rs. 0.21 mn.

38.3 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 370 and 373. Business segment classification is also given under Group Companies.

38.3.1 Companies within the Group engage in trading transactions under relevant commercial terms and condition.

38.3.2 Hayleys PLC. provides office space to its subsidiary 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.

			Comp	any		
		2018			2017	
		Rs. '000			Rs. '000	
Business segment	Rent	Common expenses	Purchase of goods and services	Rent	Common expenses	Purchase of goods and services
Eco solutions	9,444	118,691	1,799	10,352	107,600	2,281
Hand protection	20,905	160,854	5,876	18,705	208,825	8
Purification products	35,924	153,051	-	32,080	139,446	926
Textiles	_	97,372	-	-	85,716	
Construction materials	-	50,986	-	-	40,463	
Agriculture	23,172	124,340	5,125	20,733	105,532	3,667
Plantations	25,133	85,525	580	22,722	71,835	599
Industry inputs	16,439	72,506	645	14,708	59,568	857
Power & energy	_	19,704	-	-	16,959	
Transportation & logistics	79,296	174,851	8,441	76,163	136,821	7,437
Consumer & retail	25,832	80,926	2,903	23,113	70,493	10,925
Leisure	27,097	206,518	24,944	-	151,630	20,06
Others	22,156	100,330	19,793	47,256	88,476	29,445
	285,398	1,445,654	70,106	265,832	1,283,364	76,208

 $Performance \ Highlights \ *\ Hayleys\ at\ a\ Glance \ *\ Leadership\ \&\ Governance \ *\ Performance\ *\ Portfolio\ Review \ *\ Integrated\ Performance \ *\ Pinancial\ Statements$

Notes to the Financial Statements

38.4 Amount Due From/Due To Subsidiaries

As at 31st March	Compa	Company		Company	
	2018		2017		
Business segment	Receivable	Payable	Receivable		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Eco solutions	145,298	(178)	145,170	(377)	
Hand protection	33,552	-	56,427	-	
Purification products	31,887	(63)	90,558	(940)	
Textiles	8,337	-	6,990	-	
Construction materials	16,088	-	4,200	-	
Agriculture	166,655	(569)	234,403	(392)	
Plantations	227,489	(4,064)	9,345	-	
Industry inputs	79,808	-	167,482	(5)	
Power & energy	537,334	(5)	6,350	-	
Transportation & logistics	165,617	(699)	141,436	(985)	
Consumer & retail	40,304	(626)	22,708	(646)	
Leisure	71,278	(153)	76,287	(98)	
Others	276,911	(33,993)	215,325	(31,334)	
	1,800,558	(40,350)	1,176,681	(34,777)	

$38.5 \quad Amount \, Due \, From/Due \, To \, Equity \, Accounted \, Investees$

As at 31st March		Consol	idated		Company				
	20	18	2017		20	18	2017		
Business segment	Receivable	Payable	Receivable		Receivable	Payable	Receivable	Payable	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Eco solutions	11,661	-	8,238	-	5,597	-	8,067	-	
Purification products	26,409	-	9,673	-	23	-	-	-	
Transportation & logistics	10,714	-	4,935	-	615	-	4,935	-	
Others	72,322	_	45,529	-	2,615	-	653	_	
	121,106	-	68,375	-	8,850	-	13,655	=	

38.6 Transactions With Other Related Companies

Company	Relationship	Name of director	Nature of transaction	Amount Rs.000
LB Finance PLC	Control/Significant share holder	K.D.D. Perera	Lease rental paid	12,526
			Outstanding	11,815
Pan Asia Bank PLC	Significant share holder	K.D.D. Perera	Bank facility	873,800
			Outstanding	360,786
			Interest paid	11,522
Royal Ceramics PLC	Control/Significant share holder	K.D.D. Perera	Purchase of Goods & services	35,640
			Outstanding	5,622

Company	Relationship	Name of director	Nature of transaction	Amount Rs.000
Vallibel Finance Ltd.	Control/Significant share holder	K.D.D. Perera	Outstanding	567
Vallibel One PLC	Control/Significant share holder	K.D.D. Perera	Outstanding	919
			Amounts paid	20,700
Unidil Packaging Ltd.	Control/Significant share holder	K.D.D. Perera	Amounts paid	94,665
			Amount received	2,638
			Outstanding	21,176
Delmege Limited	Control/Significant share holder	K.D.D. Perera	Amounts paid	25,093
Horana Plantations PLC	Control/Significant share holder	K.D.D. Perera	Amounts paid	36,539
			Outstanding	2,152
Swisstek Ceylon PLC	Control/Significant share holder	K.D.D. Perera	Amounts paid	232
Delmage Forsyth & Co.Ltd.	Control/Significant share holder	K.D.D. Perera	Amounts received	151,721
			Outstanding	698
Lanka Tiles PLC	Control/Significant share holder	K.D.D. Perera	Amounts paid	15,115
			Outstanding	312
The Fortress Resorts PLC	Control/Significant share holder	K.D.D. Perera	Amounts paid	5,207
			Outstanding	97

- 38.7 Details of guarantees given in respect of related parties are given in Note 32 to the Financial Statements.
- $38.8 \qquad \hbox{No provision was made in respect of related party receivables}$
- $38.9 \qquad \text{No security has been obtained for related party receivables and all related party dues are payable on demand} \\$
- 38.10 Interest on related party dues are decided based on the inter bank lending rates, associated risk and purpose for which funds are used
- 38.11 There are no related parties or related party transactions other than those disclosed in Note 38 to the Financial Statements.

39. Discontinued Operations/Assets Held For Sales

As at 31st March	Consolida	ated
s <mark>classified as held for sale</mark> and other receivables n Hand and Bank	2018	2017
	Rs.'000	Rs.'000
Assets classified as held for sale		
Trade and other receivables	1,906	1,906
Cash in Hand and Bank	1,115	1,115
Total assets	3,021	3,021
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	332	332
Total liabilities	332	332

Civaro India (Pvt) Ltd., which was set up in India, to develop an international freight management network, has now ceased operation due to the negative effect of the global recession and will be wound up.

Notes to the Financial Statements

40. 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.

For the year ended 31st March,	Eco So	lutions	Ha Prote	ınd etion	Purifi	cation	Tex	tiles		ruction erials	Plan	tation	Agric	ulture
In Rs '000	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue													•	
Total	5,383,127	4,655,457	15.865.114	14,285,240	15 518 079	13,553,575	8,855,501	8,228,977	4,512,227	4,728,320	12,679,891	10 123 032	14,786,030	14 125 00
Intra Group	(871,968)	(642,844)	(13,221)	(3,796)	10,010,079	10,000,070	0,000,001	0,220,277	(112,685)	(22,004)	(70,549)	(133,778)	(839,315)	(513,273
			V -7 /					-						
External	4,511,159	4,012,613	15,851,893	14,281,444	15,518,079	13,553,575	8,855,501	8,228,977	4,399,542	4,706,316	12,609,342	9,989,254	13,946,715	13,611,73
Segment results														
Results from operating	(15,961)	1,063,797	470,721	978,264	1,090,442	1,368,272	141,995	199,536	645,768	1,050,277	887,202	479,166	1,148,701	1,486,73
activities	(10,701)	1,000,777	170,721	270,201	1,070,112	1,000,272	111,220	177,000	010,700	1,000,277	007,202	17 2,100	1,110,701	1,100,70
Net finance cost	(1,145)	(149,913)	(77,490)	(100,320)	(180,036)	(199,674)	(149,524)	(138,295)	(131,042)	(33,877)	(409,942)	(348,506)	(238,439)	(383,911
	32,867	•	(77,±20)	(100,320)	1,956	12,505	(177,027)	(100,290)	(101,042)	(33,077)	(402,242)	(010,000)	(200,107)	(303,211
Share of profit of equity	32,807	29,544	-	-	1,950	12,505	-	-	-	-	-	-	-	
Change in feinvelue of	19.450	40.000	26.760	E1 900										
Change in fair value of	13,479	40,220	36,760	51,300	-	-	-	-	-	-	-	-	-	
Investment Properties														
Value added tax on financial services	-	-	-	-	-	-	-	-	-	-	-	-	-	
Profit before tax	29,240	983,648	429,991	929,244	912,362	1,181,103	(7,529)	61,241	514,726	1,016,400	477,260	130,660	910,262	1,102,81
Tax	(52,892)	26,256	317,142	126,821	152,800	248,586	96,784	(11,401)	150,368	262,904	119,481	46,724	284,093	312,439
					•		•	•	•				•	
Depreciation on property,	39,306	80,934	560,961	507,052	426,255	364,073	300,186	309,529	116,190	101,379	514,211	408,199	120,485	117,220
plant & equipment Impairment of property,		67.082							-	8.250			-	
plant & equipment		07,002								0,200				
Amortisation of intangible			128	128	32,749	33,678	22.015	50,428	-	_				
assets			120	120	02,717	00,070	22,010	00,120						
Total assets (excl. equity	7,497,463	7,383,074	12,026,824	11,729,852	14,387,015	13,406,093	5,817,517	5,755,435	5,878,576	3,829,697	13,943,397	12,635,295	11,346,325	9,002,12
accounted investees)														
Investment in equity	67,130	49,566	-	-	99,822	97,866	-	-	-	-	-	-	-	
accounted investees														
Additions to Property Plant	71,138	77,371	339,168	479,362	494,297	712,100	371,519	305,986	341,370	169,042	695,617	2,805,839	98,786	70,27
& equipment														
Improvements to Biological	-	-	-	-	-	-	-	-	-	-	8,988	9.254	-	
assets														
Additions to Intangible	3,025	-	-	-	39,404	49,282	7,505	-	-	-	-	-	72,038	
assets									•					
Non Interest bearing														
liabilities	01	,	10	10	01	200	03-	202	05	10	====	=====	0= -	
Deferred tax Liability	219,336	15,627	128,146	100,535	219,199	101,632	211,645	181,433	221,551	106,139	585,701	585,557	25,946	25,51
Employee benefit	314,418	328,260	623,173	542,834	464,424	365,672	316,337	333,859	108,229	91,248	1,743,564	1,627,033	565,774	464,62
obligations														
Trade and other payables	365,343	209,354	2,212,203	2,004,862	2,677,042	2,715,711	1,369,751	901,091	1,014,482	1,055,415	1,201,909	932,209	3,702,931	1,990,29
Cash Flow														
	E00.00	(((0 :0=	E0= 0.4=	0===0-	00.00	0.050.50	(E0.01=	160 10-	(900 07 6)	E00 E0 -	1 (50 05	0=0=0	1.057.00	61=6=
Segment cash flows from	539,698	(668,637)	737,345	275,728	93,303	2,078,784	659,045	162,422	(300,316)	532,708	1,653,252	850,531	1,371,329	217,97
Operating Activities														
Segment cash flows from	(919,883)	1,310,397	(47,209)	(729,502)	(344,228)	1,212,427	(369,670)	(548,407)	(1,458,419)	(628,457)	(818,796)	(1,350,205)	(193,023)	13,13
Investment Activities		•		•				•	•				•	•
Segment cash flows from	290,401	(9,903)	(979,317)	(151,796)	(661,297)	(229,800)	(400,269)	435,526	687,482	105,809	(70,267)	764,793	(593,528)	(503,987
Financing Activities														

Cons & re		Lei	sure	Industr	y Inputs	Power an	d Energy	Transpo Logi	rtation & stics	Otl	iers		egment tments	To	otal
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
35,927,829	5,277,527	5,756,399	5,618,506	4,049,942	3,737,608	1,513,363	1,026,860	35,652,333	24,245,431	5,681,628	3,721,614	-	-	166,181,463	113,327,15
-	-	(83,469)	-	(238,410)	(103,983)	-	-	-	-	(702,379)	(524,398)	-	-	(2,931,996)	(1,944,076
35,927,829	5,277,527	5,672,930	5,618,506	3,811,532	3,633,625	1,513,363	1,026,860	35,652,333	24,245,431	4,979,249	3,197,216	-	-	163,249,467	111,383,07
2,026,114	178,805	343,432	772,467	401,529	480,957	936,963	582,391	2,949,820	1,857,068	2,365,110	1,855,012	(1,988,658)	(2,678,094)	11,403,177	9,674,64
1,209,265)	(170,052)	(395,758)	(396,332)	(195,624)	(124,257)	(226,306)	(96,839)	(697,394)	(158,460)	(689,897)	(766,596)	(1,330,160)	(44,610)	(5,932,022)	(3,111,642
-	-	-	-	-	-	189,862	173,765	1,552	(3,377)	989	434	-	-	227,226	212,8
-	-	-	-	-	-	-	-	89,200	93,000	44,747	64,767	-	-	184,186	249,28
(119,069)	-	-	-	-	-	-	-	-	-	-	-	-	-	(119,069)	
697,780	8,753	(52,326)	376,135	205,905	356,700	900,519	659,317	2,343,178	1,788,231	1,720,948	1,153,616	(3,318,818)	(2,722,704)	5,763,498	7,025,16
349,355	8,356	108,722	74,420	56,507	103,788	(144,067)	22,544	922,831	594,990	12,099	36,111	117,837	124,302	2,491,060	1,976,84
290,876	28,793	548,327	542,167	20,690	13,016	264,203	177,450	593,619	245,977	131,948	77,061	-	24,929	3,927,258	2,997,78
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75,3
17,025	-	25,114	24,361	208	-	12,552	12,549	40,590	28,129	1,139	961	-	31,500	151,520	181,73
47,193,336	3,182,595	11,042,673	10,821,145	4,851,807	3,689,516	4,418,146	4,376,294	28,166,314	16,487,253	47,480,943	31,024,340	(5,129,333)	(4,042,329)	208,921,003	129,280,3
-	-	-	-	525,000	525,000	136,077	33,627	5,532	4,164	12,337	11,410	-	-	845,898	721,63
344,573	39,440	305,754	3,178,393	86,261	61,007	22,156	2,995,787	844,615	1,827,888	280,185	555,953	462	-	4,295,901	13,278,44
-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,988	9,25
26,983	-	1,257	6,214	61,225	-	-	139,441	105,712	22,831	31,699	707	-	-	348,848	218,47
643,177	-	528,109	438,838	_	_	2,843	41,652	1,278,542	255,804	665,170	390	_	_	4,729,365	1,853,12
872,849	69,744	116,556	93,097	155,812	113,581	7,368	5,870	1,126,793	842,266	922,362	730,551	-	-	7,337,659	5,608,64
9,133,042	1,153,899	878,652	800,992	635,917	525,112	74,085	95,888	4,031,226	3,466,603	1,467,749	930,090	-	-	28,764,332	16,781,52
2,465,270)	(6,009)	404,895	1,164,186	(129,518)	(85,008)	845,820	1,607,374	1,571,523	807,421	946,025	(1,171,488)	1,523,862	1,675,712	7,451,001	7,441,70
(189,334)	(37,852)	(916,600)	(4,084,199)	(314,777)	(649,482)	(29,527)	(2,507,062)	(4,097,677)	2,833,097	(11,014,506)	(1,531,264)	2,422,331	(4,354,112)	(18,291,318)	(11,051,48
(597,356)	(4.800)	(95,994)	2,954,392	(207,524)	383.496	(823,835)	774,735	2,077,181	346,801	6,404,708	27.320		(3,580,612)	(1,126,681)	1.311.9

Notes to the Financial Statements

41. 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 considered 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. $58 \, \mathrm{bn}$ ($2017 - \mathrm{Rs}$, $24 \, \mathrm{bn}$) which is recorded at Note $22 \, \mathrm{to}$ the Financial Statements.

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.

Treasury bills

Singer Finance (Lanka) PLC invests not less than 7.5% of the public deposits in Treasury Bills to comply with the Central Bank of Sri Lanka Direction No. 1 of 2009.

Cash and cash equivalents

The Group held cash in hand and at bank equivalents of Rs. 7 bn at 31st March 2018 (2017 -Rs. 5 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.

Notes to the Financial Statements

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.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31st March 2018	On demand	Less than 3	3 to 12	1 to 5	>5 years	Total
		Months	months	years		
Consolidated	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest-bearing loans and borrowings	9,455,332	28,169,960	20,394,370	29,417,706	5,203,634	92,641,002
Trade and other payables	5,205,390	19,958,066	2,973,077	537,990	89,809	28,764,332
Security deposit	-	39,570	141,106	531,003	487,449	1,199,128
Other financial liabilities	88,114	2,453,956	3,974,961	390,914	12,142	6,920,087
	14,748,836	50,621,552	27,483,514	30,877,613	5,793,034	129,524,549

As at 31st March 2018	On demand	Less than 3	3 to 12	1 to 5	>5 years	Total
		Months	months	years		
Company	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest-bearing loans and borrowings	3,875,370	936,975	2,810,923	9,685,101	2,497,327	19,805,696
Trade and other payables	192,620	113,489	11,271		1,902	319,282
Other current financial liabilities	-	10,654	_	_	_	10,654
	4,067,990	1,061,118	2,822,194	9,685,101	2,499,229	20,135,632

As at 31st March 2017	On demand	Less than 3	3 to 12	1 to 5	>5 years	Total
Consolidated	D- /000	Months	months	years P-7000	D- /000	D-7000
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	9,634,332	2,773,385	432,498	86,187	16,781,524
Other Current financial liabilities	-	1,374	_	_	-	1,374
	8,290,605	23,777,369	8,309,129	17,068,600	4,084,789	61,530,492

As at 31st March 2017	On demand	Less than 3	3 to 12	1 to 5	>5 years	Total
		Months	months	years		
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

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 2018 and 2017.

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 advices 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:

Consoli	idated	Company
Increase/decrease in base point	Effect on profit before tax	Effect on profit before tax
	Rs.'000	Rs.'000
+ 150	(1,268,120)	(185,454)
- 150	1,268,120	185,454
+ 150	(509,067)	(25,932)
- 150	509,067	25,932

Notes to the Financial Statements

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk on sales, purchases and borrowings and net investments in foreign subsidiaries that are denominated in a currency other than the respective functional currencies of the Group. These currencies primarily are the Euro, US Dollars (USD), Bangladesh Taka, Pound Sterling (GBP), Indonesia Rupiah and Thailand Baht. "

The Group hedges its exposure to fluctuations on the translation of its foreign operations by holding net borrowings in foreign currencies and by using foreign currency swaps and forwards contracts. Group Treasury closely monitors the exchange rate fluctuations and advices 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.

		Consoli	dated	Company
		Increase/decrease in base point	Effect on profit before tax	Effect on profit before tax
			Rs.'000	Rs.'000
2018	USD	+ 5%	(787,099)	(77,626)
	Euro	+ 5%	85,485	-
	USD	- 5%	787,099	77,626
	Euro	- 5%	(85,485)	-
2017	USD	+ 5%	(740,655)	(126,384)
	Euro	+ 5%	5,877	-
	USD	- 5%	740,655	126,384
	Euro	- 5%	(5,877)	-

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

As at 31st March	Consol	Company		
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest Bearing borrowing	34,621,339	20,634,704	12,182,428	5,901,449
Current portion of Long term interest bearing borrowings	23,801,452	5,060,603	3,747,898	1,211,273
Short term interest bearing borrowings	34,218,211	19,052,287	3,875,370	719,020
	92,641,002	44,747,594	19,805,696	7,831,742
Equity	59,807,766	58,038,967	18,478,608	17,070,208
Equity and debts	152,448,768	102,786,561	38,284,304	24,901,950
Gearing ratio	61%	44%	52%	31%

The Regulatory Capital requirements for the Finance Companies are set by the Central Bank of Sri Lanka. The details of the computation of risk weighted assets, capital and the ratios of the Singer Finance PLC are given below:

Capital Adequacy of Singer Finance PLC

Capital adequacy is a measure of financial institutions financial strength and stability. This widely accepted concept tries to specify the limit up to which a business can expand in terms of its risk – weighted assets. Finance companies in pursuit of business expansion, could engage themselves in activities that regularly change their risk profile. In light of this, regulatory capital requirements have been established to avoid undue expansion beyond specified limits keeping a hold on companies' exposure to risk. Capital serves as a comfort to absorb unexpected losses, providing a degree of security to depositors and other key stakeholders.

This measure has been introduced by the Central Bank of Sri Lanka to protect the interest of the various stakeholders of the Company while ensuring the maintenance of confidence and stability of the financial system.

The capital adequacy ratio is calculated as a percentage on company's capital to its risk weighted assets as specified by the direction. No 02 of 2006, Finance Companies (Risk-Weighted Capital Adequacy Ratio) and there are two measures to defined the capital adequacy of the company namely Core capital to Risk-Weighted asset ratio and Total Capital to Risk-Weighted assets ratio.

 $The minimum requirement for Core \ Capital \ adequacy \ ratio \ and \ Total \ capital \ adequacy \ ratio \ are \ 5\% \ and \ 10\% \ respectively.$

The core capital represents the permanent shareholders', equity and reserves created or increase by appropriations of retained earnings or other surpluses and the total capital include in addition to the core capital, the revaluation reserves, general provisions and other hybrid capital instruments and unsecured subordinated debts.

The Risk Weighted Assets have been calculated by multiplying the value of each category of asset using the risk weight specified by the Central Bank of Sri Lanka.

Notes to the Financial Statements

Details of the computation and the resulting rations are given below:

Total Risk-Weighted Assets Computation	Balance	Risk-Weighted Factor	Risk-Weighted Balance 2018	
	2018			
As at 31st March	Rs.'000	%	Rs.'000	
Assets				
Cash and Bank Balance	295,703	-	-	
Investment in Government Securities	671,383	-	-	
Bank deposits	81,504	20%	16,301	
Loans against fixed deposits	42,550	-	_	
Staff Loans Secured by Provident Fund Balances	74,963	-	-	
Loans against Real Estate	86,416	50%	43,208	
Other Loans and advances	3,943,772	100%	3,943,772	
Finance lease receivable	11,294,077	100%	11,294,077	
Hire purchase receivable	74,762	100%	74,762	
Other assets	323,859	100%	323,859	
Fixed assets	170,008	100%	170,008	
Total Risk - Weighted Assets	17,058,996		15,865,987	
Total Capital Base Computation				
Capital Base			_	
Core Capital			_	
Stated Capital			1,996,444	
Reserved Fund			113,852	
General & other free reserves			_	
Published Retained Earnings			986,178	
Total Core Capital			3,096,474	
Supplementary Capital			-	
Eligible approved unsecured subordinated term debts			_	
General provision			_	
Total Supplementary Capital			-	
Capital Base			3,096,474	

Capital Adequacy ratio

As at 31st March		2018
		Rs.'000
Core Capital Ratio	Core Capital Risk- Weighted Assets	19.52%
Total Capital Ratio	Capital Base Risk- Weighted Assets	19.52%

Collatera

The Group has not pledged its debtors as collateral for long term borrowings at 31 March 2018 and 2017, other than those mentioned in Note 25.12 to the Financial Statements.

TEN YEAR SUMMARY

As at 31st March	10-Year Compound	2018	2017	2016*	2015*	2014	2013	2012**	2011**	2010**	2009**
	Growth (%)	Rs '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000					
Results											
Revenue	18%	163,249,467	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
Profit before taxation	15%	5,763,498	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
Taxation	16%	(2,491,060)	(1,976,840)	(1,756,478)	(1,513,581)	(1,373,628)	(1,411,981)	(914,724)	(903,853)	(684,197)	(571,236)
Profit after tax	15%	3,272,438	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
Non-controlling Interest	16%	(2,248,546)	(2,264,389)	(2,077,507)	(2,305,036)	(1,900,470)	(1,743,449)	(594,330)	(444,128)	(849,893)	(492,464)
Profit attributable to owners of the parent	•	1,023,892	2,783,933	3,117,553	2,581,298	1,808,523	1,761,146	979,169	659,226	1,759,302	310,938
Funds Employed											
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%	887,340	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
Other component of equity		20,978,486	19,013,131	11,576,897	11,573,045	8,969,910	9,000,862	6,373,692	6,164,166		
Revenue reserves	12%	16,208,311	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
Equity attributable to equity holders of	12%	39,649,137	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
the parent				•				•			•
Non-controlling Interest	17%	20,158,629	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
Borrowings (short- and long-term)	26%	92,641,002	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
Assets Employed											
Non-current assets	21%	114,202,537	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
Current assets	19%	95,564,364	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
Current liabilities net of borrowings	22%	(40,159,237)	(19,010,302)	(15,187,278)	(13,019,464)	(12,520,090)	(11,651,381)	(10,151,511)	(8,540,919)	(7,922,413)	(5,317,991)
Security deposit	100%	(1,199,128)	-	-	-	-	-	-	-	-	-
Other non current liabilities	100%	(2,717,541)	_	_	_	_	-	-	_	_	-
Other non current financial liabilities	100%	(403,056)	-	-	-	-	-	-	-	-	-
Provisions	19%	(12,067,024)	(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)
Grants	8%	(772,147)	(743,387)	(739,677)	(713,495)	(742,077)	(783,222)	(777,670)	(792,868)	(447,050)	(349,759)
Capital Employed	19%	152,448,769	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
Cash Flow											
Net cash inflow/(outflow) from operating activities		7,451,001	7,441,702	7,863,808	8,631,365	5,553,098	7,296,563	2,472,453	1,203,321	2,589,712	1,082,097
Net cash inflow/(outflow) from investing activities		(18,291,318)	(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
Net cash inflow/(outflow) from		(1,126,681)	1,311,974	(1,718,516)	(233,279)	1,480,014	(3,954,861)	(1,661,883)	1,962,119	(1,012,142)	(892,834)
financing activities Increase/(decrease) in cash and cash equivalents	*	(11,966,998)	(2,297,813)	(1,045,674)	2,058,092	3,344,613	(1,343,255)	(4,303,097)	(1,496,439)	(1,996,876)	389,894
Key Indicators				-	•	-		-	-	-	-
Earnings per share (basic) (Rs.)		13.65	37.12	41.57	34.42	24.11	23.48	13.06	8.79	23.46	4.15
Dividend per share (basic) (Rs.)	•	5.00	7.50	6.50	6,00	5.00	4.50	4.00	4.00	4.00	3.00
Net assets per share (Rs.)	-	528.65	544.88	414.61	390.15	316.31	296.69	244.17	203.08	202.86	164.74
Market price per share (Rs.)		200.70	265.00	245.70	300.00	285.00	298.70	360.00	382.10	225.00	90.00
% Change in market price	•	(24.26)	7.86	(18.10)	•	(4.59)	(17.03)	(5.78)	70.00	225.00 150.00	(7.90)
(after adjusting for scrip issues)	•										
% Change in All Share Price Index		6.84	(0.16)	(10.97)	14.28	4.06	6.00	(24.99)	94.00	127.00	(36.00)
Return on average shareholders' funds (%)		2.58	6.81	10.03	8.82	7.62	7.91	5.35	4.33	11.56	3.00
Return on average capital employed (%)	-	8.94	10.58	11.08	12.54	12.08	12.25	8.94	7.81	13.30	9.40
Price earnings ratio (times)		14.70	7.14	5.91	8.72	11.82	12.72	27.57	42.32	9.75	21.70
											0.70
Interest cover (times covered)	•	1.77	3.05	4.20	3.98	3.01	2.45	2.74	3.41	5.60	2.10

 $^{^{\}ast}$ 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.

INDICATIVE US DOLLAR FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS FOR INFORMATION PURPOSES ONLY

For the year ended 31st March	Consolida	Company		
	2018	2017	2018	2017
	USD'000	USD'000	USD'000	USD'000
Revenue	1,063,451	751,725	2,470	2,283
Cost of sales	(826,217)	(576,781)	(1,425)	(1,259)
Direct Interest Cost	(3,710)	-	-	-
Gross profit	233,524	174,944	1,045	1,024
Group dividend	-	-	12,195	10,710
Other income	5,924	6,912	7,362	482
Distribution expenses	(47,347)	(23,075)	-	-
Administrative expenses	(116,791)	(91,642)	(386)	(618)
Other expenses	(1,026)	(1,845)	-	(0)
Results from operating activities	74,284	65,294	20,216	11,598
Finance income	7,217	4,850	208	301
Finance cost	(45,860)	(25,850)	(10,975)	(5,501)
Net finance cost	(38,643)	(21,000)	(10,767)	(5,200)
Change in fair value of investment property	1,200	1,682	67	=
Share of profit of equity accounted investees (net of tax)	1,480	1,437	-	-
Value added tax on financial service	(776)	-	-	_
Profit before tax	37,545	47,413	9,516	6,398
Tax expense	(16,227)	(13,342)	(9)	(65)
Profit for the year	21,318	34,071	9,507	6,333
Profit for the period attributable to:				
Owners of the parent	6,670	18,789	-	-
Non-controlling interest	14,648	15,282	-	-
Profit for the year	21,318	34,071	-	-
Average exchange rate	153.51	148.17	153.51	148.17

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	Consolida	nted	Company		
	2018	2017	2018	2017	
	USD'000	USD'000	USD'000	USD'000	
Assets					
Non-current assets					
Property, plant & equipment	539,898	436,919	2,004	15,643	
Investment Properties	12,523	11,609	390		
Biological assets	2,601	2,463	-		
Intangible assets	90,708	42,333	-		
Investments in subsidiaries	-	-	235,684	144,398	
Investments in equity accounted investees	5,436	4,748	-		
Other non- current financial assets	1,868	1,302	613	680	
Non- current trade and other receivables	59,985	-	-		
Other non-current assets	15,624	10,903	-		
Deferred tax assets	5,286	3,974	-		
Total non-current assets	733,929	514,251	238,691	160,72	
Current assets	212.114				
Inventories	210,441	116,311	7		
Amounts due from subsidiaries	-	-	11,571	7,742	
Amounts due from equity accounted investees	778	450	57	9(
Trade and other receivables	309,934	157,094	109	84	
Other current assets	16,966	9,622	611	40-	
Income tax recoverable	3,470	2,269	81	3	
Other current financial assets	1,033	3,155	57	113	
Short term deposits	23,338	19,217	-		
Cash and cash equivalents	48,169	32,944	2,112	42	
Assets classified as held for sale	19	20	-		
Total current assets	614,148	341,082	14,605	8,90	
Total assets	1,348,077	855,333	253,296	169,63	
Equity and Liabilities					
Stated capital	20,314	20,314	20,314	20,31	
Capital reserves	5,703	6,208	85	8'	
Other components of equity	124,627	115,144	(10,192)	3,15	
Revenue reserves	104,164	127,206	108,547	88,75	
Total equity attributable to equity holders of the company	254,808	268,872	118,754	112,31	
Non-controlling interest	129,550	112,989	-		
Total equity	384,358	381,861	118,754	112,31	

Statement of Financial Position for Information purpose only

As at 31st March	Consoli	dated	Company		
	2018	2017	2018	2017	
	USD'000	USD'000	USD'000	USD'000	
Non-current liabilities					
Interest-bearing borrowings	222,496	135,764	78,291	38,828	
Grants	4,962	4,891	-	-	
Deferred tax liability	30,394	12,192	-	-	
Security deposit	7,706	-	-	-	
Other non current Liabilities	17,464	-	-	-	
Other non current financial liabilities	2,590	-	-	-	
Employee benefit obligations	47,156	36,901	4,587	3,665	
Total non-current liabilities	332,768	189,748	82,878	42,493	
Current liabilities	104.055	110.410	9.059	1,600	
Trade and other payables	184,855	110,412	2,052	1,688	
Other current liabilities	25,860	9,246	294	201	
Deferred revenue	1,583	-	-	-	
Other current financial liabilities	41,882	9	68	8	
Amounts due to subsidiaries	_	_	259	229	
Amounts due to equity accounted investees	-		_	-	
Income tax payable	3,903	5,407	-	-	
Current portion of long term interest-bearing borrowings	152,961	33,296	24,086	7,969	
Short-term interest-bearing borrowings	219,905	125,352	24,905	4,731	
Liabilities directly associated with assets classified as held for sale	2	2	-	14.007	
Total current liabilities	630,951	283,724	51,664	14,826	
Total liabilities	963,719	473,472	134,542	57,319	
Total equity and liabilities	1,348,077	855,333	253,296	169,631	
Closing exchange rate	155.60	151.99	155.60	151.99	

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.

QUARTERLY ANALYSIS

	Quart	er 01	Quart	ter 02	Quarter 03		Quart	er 04
	2018	2017	2018	2017	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	29,158,697	24,113,508	33,262,670	28,039,665	49,930,334	30,011,289	50,897,766	29,218,614
Profit before tax	407,737	1,034,335	981,105	1,449,667	1,550,500	1,582,536	2,824,156	2,958,624
Tax expense	(346,281)	(385,698)	(323,799)	(454,106)	(738,715)	(522,136)	(1,082,265)	(614,900)
Profit after tax	61,456	648,637	657,306	995,561	811,785	1,060,400	1,741,891	2,343,724
Profit attributable to owners of the parent	(149,674)	354,935	168,349	575,252	177,943	531,333	827,274	1,322,413
Profit attributable to non- controlling interest	211,130	293,702	488,957	420,309	633,842	529,067	914,617	1,021,311
Total comprehensive income for the period, net of tax	271,909	791,310	747,084	1,044,123	856,096	6,572,023	3,139,983	4,969,606
Non Current Assets	78,481,841	61,052,312	104,615,718	66,035,496	105,719,975	71,582,653	114,202,537	78,161,061
Current Assets	53,812,730	47,499,736	84,388,552	44,994,862	91,925,554	49,381,700	95,564,364	51,840,953
Non current liabilities	28,931,656	22,470,687	46,494,217	25,451,400	46,180,270	25,346,410	51,780,235	28,839,855
Current liabilities	45,858,551	39,988,690	79,943,650	38,975,093	91,504,887	42,636,481	98,178,900	43,123,192

	Quar	ter 01	Quarter 02		Quarter 03		Quart	er 04
	2018	2017	2018	2017	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Market Value of Shares								
Closing share price	296.10	268.00	270.00	285.00	241.00	270.00	200.70	265.00
Basic earnings per share	(2.00)	4.73	2.24	7.67	2.37	7.08	11.03	17.63
Diluted earnings per share	(2.00)	4.73	2.24	7.67	2.37	7.08	11.03	17.63
Highest price recorded for the three months ending	302.80	292.00	299.00	309.00	290.00	288.50	240.00	279.50
Lowest price recorded for the three months ending	262.00	245.00	270.00	265.00	240.00	255.00	191.00	259.00
Market capitalisation (Rs. Mn.)	22,208	20,100	20,250	21,375	18,075	20,250	15,053	19,875
Share Trading Information								
No. of transactions	880	904	1,605	787	2,196	530	3,609	504
No. of shares traded	655,028	481,078	1,122,673	458,753	3,409,251	166,609	3,867,355	355,174
Value of shares traded (Rs)	187,822,552	130,874,667	321,966,427	133,021,445	1,058,032,864	45,663,355	1,158,322,203	94,418,881

VALUE OF REAL ESTATE

As at 31st March 2018

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn
		Eco Solutions				
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 & Co. (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,Bandaranayke 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	69,965	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	108
		Hand Protection				
Dipped Products	Kottawa	Brahmanagama , Kottawa	10.56	129,104	20	169
PLC	Weliweriya	Nedungamuwa, Weliweriya	7.85	-		157
Venigros (Pvt) Ltd.	Weliweriya	Nedungamuwa, Weliweriya	7.09	55,581	6	125
Dipped Products (Thailand) Limited	Khuan Niang	82/2 MOO9,Tumbon Rattapum,Amphur, Khuan Niang, Songkhla, Thailand 90220. Purification	33.23	10,150	1	89
Haycarb PLC	Badalgama	Katana Road, Beatrice Estate, Badalgama.	23.61	230,197	14	157
	Madampe	Kuliyapitiya road, New town, Pothuwila, Madampe	30.59	242,155	19	162
	Wewalduwa	333/25, New road Hunuputiya Wattala.	2.45	41,463	6	223
Recogen (Pvt) Ltd.	Badalgama	Katana Road, Beatrice Estate, Badalgama.	10.84	35,090	4	78
PT Haycarb Palu Mitra	Palu City - Indonesia	Thaipa, Palu Utara, Palu, Sulawesi Tengah 94147, Indonesia	6.98	70,181	18	71
PT Mapalus Makawanua Charcoal Industry	Bitung City - Indonesia	Tanjung Merah, Bitung, Sulawesi Utara 95547, Indonesia	8.93	103,409	8	111

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn
Shizuka Co. Ltd.	Ratchaburi Province - Thailand	190/1, Moo 1, Anghin, Paktho,Ratchaburi 70140,Thailand.	24.49	65,980	12	104
Carbokarn Co. Ltd.	Chonburi Province - Thailand	35/2, Moo 3, Nareuk, Phanat Nikhom, Chonburi-20140, Thailand	15.64	276,000	20	154
	-	Textiles	_			
Hayleys Fabric PLC	Neboda	Narthupana Estate, Neboda	55.11	380,776	24	427
		Construction Materials				
Alumex PLC	Makola	Off Pitigala road, Sapugaskanda, Makola	6.07	104,647	10	389
	Gonawala	Maguruwila road, Pattiwila	1.82	60,694	3	58
	Ekala	"Ekala Estate",Minuwangoda road,Ekala	6.30	91,442	5	417
Alco Industries (Pvt) Ltd.	Gonawala	Maguruwila road, Pattiwila	1.13	34,638	2	81
		Agriculture				
Hayleys	Dambulla	Athabadiwewa, Pahalawewa, Dambulla.	4.35	2,500	2	11
Agriculture Holdings Ltd.	Kottawa	No. 168/D, Brahmanagama, Kottawa, Pannipitiya.	4.96	47,506	7	103
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
Haychem BD Limited.	Mymensingh	Plot no:-B-18, B-19(part) & A-3, A-4, S-1, Mashkanda BSCIC Industral Estate, Kotowali, Maymensingh	0.69	26,383	1	66
	Dhamrai	Plot no:-16, 15(part), BSCIC Industrial Estate, Kalampur, Dhaka	0.16	5,235	1	12
		Consumer & Retail				
Singer (Sri Lanka)	Ambalantota	Main Street,Ambalantota.	0.04	1,885	1	13
PLC	Balangoda	Ratnapura Road,Balangoda.	0.04	2,080	1	19
	Bandarawela	Main Street,Bandarawela.	0.02	1,535	1	8
	Borella	D.S.Senanayaka Mawatha,Borella.	0.03	1,700	1	58
	Chilaw	Bazaar Street,Chilaw.	0.08	4,120	1	41
	Colpetty	No 143, Galle Road, Colombo 03.	0.02	1,560	1	50
	Eheliyagoda	Ratnapuara Road,Eheliyagoda.	0.04	1,660	1	10
	Galle	Main Street,Galle.	0.02	2,250	1	11
	Gampaha	Colombo Road,Gampaha.	0.12	7,870	1	54
	Hikkaduwa	Galle Road,Hikkaduwa.	0.05	2,400	1	22
	Embilipitiya	Colombo Road,Pallegama,Embilipitiya.	0.03	2,070	1	16
	Kadawatha	Kandy Road, Kadawatha.	0.02	1,150	1	8
	Kandy- Mega	Sirimavo Bandaranayake Mawatha, Kandy.	0.06	12,840	1	37

Value of Real Estate

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn
	Katugastota	Madawala Road,Katugastota.	0.03	535	1	9
	Kiridiwella	Gampaha Road,Kirindiwela	0.05	2,940	1	18
	Kurunegala	Bodhiraja Mawatha,Kurunegala.	0.05	2,230	1	27
	Maharagama	High Level Road,Maharagama.	0.04	2,700	1	37
	Matara	Anagarika Dharmapala Mawatha, Matara.	0.06	3,520	1	38
	Middeniya	Katuwana Road,Middeniya.	0.05	2,670	1	14
	Mount Lavinia	Galle Road,Mount Lavia.	0.05	1,900	1	30
	Mount Lavinia- Mega	Galle Road,Mount Lavia.	0.13	15,840	1	83
	Nawalapitiya	Kotmale Road,Nawalapitiya.	0.03	2,760	1	13
	Negombo	Greens Road, Negombo.	0.04	2,040	1	21
	Nuwara-Eliya	Kandy street,Nuwara-Eliya.	0.03	1,700	1	19
	Panadura	Galle Road,Panadura.	0.04	2,940	1	18
	Piliyandala	Gonamaditta Road,Piliyandala.	7.20	116,410	9	229
	Pussellawa	Nuwaraeliya Road,Pussellawa.	0.08	3,295	1	22
	Rathnapura	Colombo road,Rathnapura.	0.04	2,735	1	20
	Tangalle	Matara Road, Tangalle.	0.03	1,285	1	14
	Trincomalee	North Coast Road, Trincomalee	0.03	2,550	1	17
	Wellawatta	Galle Road, Wellawatta.	0.03	2,700	1	46
Reality Lanka	Ahangama	No 24A, Matara Rd, Ahangama	0.09	1,630	1	26
	Attidiya	No.190, Main Rd, Attidiya, Dehiwala	0.04	2,260	1	19
	Moratuwa	No. 17, New Galle Rd, Moratuwa	0.08	2,990	1	39
	kandy	No 129, Kotugodella Vediya, Kandy	0.06	2,900	1	43
	Galle	No 13&15, Wackwella Rd, Galle	0.08	0	0	54
	Kadawatha	No 430/1,Ganemulla Road,Ihala- Karagahamuna,Kadawathe	0.03	0	0	10
	Kalawana	No. J63A, Watapotha Road, Nivithigala, Rathnapura.	1.62	0	0	7
	Maradana	No.51/57,Brandiyawatta,Wellampitiya.	0.06	0	0	4
	Trincomalee	Nayanmarthidal, Thampalakamam, Trincomalee.	0.38	0	0	4
	Ambanpola	No.108 Yaluwewa,Ambanpola.	0.06	0	0	2
Regnis (Lanka) PLC	Ratmalana	No 52,Ferry Road, Off Borupona Road, Ratmalana.	4.41	120,615	16	423
Singer Industries (Ceylon) PLC	Ratmalana	No.02, 5Th Lane Ratmalana	2.27	75,365	10	953
	Ratmalana	No.435 Galle Raod Ratmalana	0.31	12,000	1	200
		Leisure				
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

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn
Kandyan Resorts (Pvt) Ltd.	Kandy	Heerassagala, Kandy	11.91	126,684	10	636
		Industry Inputs				
Hayleys Aventura (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
		Power & Energy				
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	3.08	1,894	1	6
		Transportation & Logist	ics			
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.18/A, Kollupitiya Road, Colombo 03.	Nil	2,450	1	Nil
	Colombo 2	No. 46/12, Sayuru Sevana, Nawam Mawatha, Colombo 2	0.24	45,980	1	350
	-	Others				
Darley Property Holdings (Pvt) Ltd	Colombo	Foster Lane Colombo 10	1.56	65,240	3	2,619
World Export Centre Ltd.	Colombo	Deans Rd. Colombo 10	4.48	Nil	Nil	12,761
Hayleys PLC	Colombo	Deans Rd. Colombo 10	Nil	114,402	8	Nil
Eastern Hotels (Pvt) Ltd.	Trincomalee	Nilakarai Estate, Nilaweli, Trincomalee	23.47	600	3	592
Alufab PLC	Kotugoda	41B, Sasanathilaka road, Opatha, Kotugoda	2.70	34,550	4	28
Hayleys PLC	Bentota	Kaluwamodara, Bentota	0.28	Nil	Nil	61
Carbotels (Pvt) Ltd	Elkaduwa	Weyagala Estate, Elkaduwa, Matale.	65.06	Nil	Nil	52

COUNTRY REPORT

Population (2017)	21.44 Million
Land Area	65,610 Sq km
Languages	Sinhalese, Tamil and English
Per capita GDP (2017)	US\$ 4,065
Currency (2017)	Sri Lankan Rupee (LKR 152.85: 1 US \$)

Background

Sri Lanka is a lower middle-income country of 21.4 million people with per capita GDP of \$4,065 in 2017. Since the war against terrorism ended in 2009, the economy has grown on average at a rate of 5.8 percent a year, reflecting a peace dividend and a commitment to reconstruction and growth, but there have been signs of a slowdown in the later years. The economy is transitioning from a predominantly rural-based economy towards a more urbanized economy oriented around manufacturing and services.

The country has made significant progress in its socio-economic and human development indicators. Social indicators rank among the highest in South Asia and compare favorably with those in middle-income countries. Economic growth has translated into shared prosperity with the national poverty headcount ratio declining from 15.3 percent in 2006/07 to 4.1 percent in 2016. Extreme poverty is rare and concentrated in some geographical pockets.

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.

Recent Economic Developments

Sri Lanka's improvement in macroeconomic performance was masked by inclement weather in 2017. Fiscal and monetary policy measures contributed to stabilization. However, the adverse economic impact of a prolonged drought took a toll on GDP growth (3.1 percent) and the external sector while raising inflation (6.6 percent, annual average). A primary surplus recorded for the first time in decades, albeit small, and passing of the new Inland Revenue Act aided in successful completion of the third review of the IMF program. However, a sharp increase in interest expenditure forced the overall deficit to slightly increase while public debt to GDP ratio marginally decreased thanks to primary surplus and relatively low currency depreciation. FDI, due mainly to the long-leasing of a port asset and a large land reclamation project along with other debt creating capital flows, helped improve the reserve cover of imports to 3.8 months of imports. The currency depreciated by 2 percent against the US Dollar.



Policy Directions

During the war against terrorism investment in Sri Lanka's infrastructure was neglected. Since the end of conflict an aggressive investment drive commenced, 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 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.

Economic Outlook

The outlook remains favorable, provided the government is committed to the reform agenda of improving competitiveness, governance and public financial management. Growth is projected to rebound in 2018 from a low base and be maintain at a around 4.5 percent in the medium term, driven by private consumption and investment. Inflation will stabilize at mid-single digit level as the impact of natural disasters wears off, although the upward trend in oil prices may exert some upward pressure. The external sector will continue to benefit from the GSP+ preferential access to the European Union and tourism receipts, despite the deceleration of remittances. External buffers are expected to improve, with emphasis on purchasing foreign exchange, maintaining a more marketdetermined exchange rate, and increased FDI. The overall fiscal deficit is projected to fall in the medium term, supported by the ongoing implementation of revenue measures. Growth should continue to translate into poverty reduction and improvement in living standards.

Sri Lanka is strategically located at a centre point amongst the emerging global economic powerhouses. India is immediately north of Sri Lanka and the two countries have a 18 year old Free Trade Agreement. Singapore and Sri Lanka signed a free trade agreement during the year which will deepen economic ties and facilitates greater trade flows between the two countries. 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 government has strengthened diplomatic and economic ties with key trading partners the US and the EU, which creates a suitable

balance for economic and geopolitical objectives of the country. Greater economic and political integration with key global players places Sri Lanka in an ideal position to play a pivotal role amongst the drivers of global economic growth in the medium to long term.

SHARE INFORMATION

Ordinary Shareholders as at 31st March 2018

		Residents		N	Non Residents			Total	
No. of shares held	No. of	No. of	%	No. of	No. of	%	No. of	No. of	%
	Shareholders	Shares		Shareholders	Shares		Shareholders	Shares	
1 - 1,000	4,738	946,517	1.2620	60	18,081	0.0241	4,798	964,598	1.2861
1,001 - 10,000	1,072	3,058,213	4.0776	38	165,491	0.2207	1,110	3,223,704	4.2983
10,001 - 100,000	204	6,051,877	8.0692	38	903,505	1.2046	242	6,955,382	9.2738
100,001 - 1,000,000	29	8,825,016	11.7667	6	1,909,871	2.5465	35	10,734,887	14.3132
OVER 1,000,000	5	53,121,429	70.8286				5	53,121,429	70.8286
	6,048	72,003,052	96.0041	142	2,996,948	3.9959	6,190	75,000,000	100.0000
CATEGORY									
Individuals	5,756	60,332,939	80.4439	125	2,575,121	3.4335	5,881	62,908,060	83.8774
Institutions	292	11,670,113	15.5602	17	421,827	0.5624	309	12,091,940	16.1226
	6,048	72,003,052	96.0041	142	2,996,948	3.9959	6,190	75,000,000	100.0000

First Twenty Shareholders as at 31.03.2018

Name of the Shareholder	No. of Shares as at 31.03.2018	%	No. of Shares as at 31.03.2017	%
	as at 31.03.2016		as at 51,05,2017	
1 Mr.K.D.D.Perera	37,829,697	50.44	35,647,113	47.53
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	3,776,621	5.04
4 Lanka Orix Leasing Company PLC	1,700,004	2.27	1,700,004	2.27
5 Hayleys Group Services(Private) Ltd No.02 A/C	1,117,090	1.49	1,117,090	1.49
6 Mrs.A.M.L.Johnpulle & Mr.B.J.M.Johnpulle	882,165	1.18	882,165	1.18
7 Commercial Leasing & Finance PLC	734,144	0.98	734,144	0.98
8 Mrs.R.N.Ponnambalam	590,645	0.79	585,745	0.78
9 Mr.N.K.A.D.De.Silva	570,166	0.76	298,540	0.40
10 Mrs.R.M.Spittel	564,697	0.75	564,697	0.75
11 Mr.R.H.S.Phillips	520,727	0.69	520,727	0.69
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	397,418	0.53
17 Mr.G.N. Wikramanayake (Deceased)	370,422	0.49	370,422	0.49
18 Associated Electrical Corporation Ltd	361,000	0.48	334,000	0.45
19 Renuka Capital PLC	330,155	0.44		
20 Akbar Brothers Pvt Ltd A/C No.01	321,931	0.43	321,931	0.43
TOTAL	60,576,392	80.78	57,760,127	77.03

Directors' Shareholding

	No. of Shares	No. of Shares
	as at 31.03.2018	as at 01.04.2017
Mr.A.M.Pandithage	125,357	125,357
Mr.K.D.D.Perera - 37,829,697 - (<i>LB Finance PLC - 1,666</i>)	37,831,363	37,831,363
*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 - (People's Leasing & Finance PLC/Mr.L.T.Samarawickrama - 3,500)	7,488	7,488
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

 $^{^{*}}$ Mr. M.R.Zaheed retired on 31st March 2018

Market Value of Shares

The market value of an ordinary share of Hayleys PLC was as follows:

	As at	As at
	31.03.2018	31.03.2017
Closing price on	200.70	265.00
Highest price recorded for the twelve months ending	302.80	309.00
Lowest price recorded for the twelve months ending	191.00	245.00
Highest price recorded for the three months ending	240.00	279.50
Lowest price recorded for the three months ending	191.00	259.00
Market capitalisation (Rs.Mn.)	15,053	19,875
Share Trading From 1st April, 2017 to 31st March, 2018		
No. of transactions	3,609	2,725
No. of shares traded	3,867,355	1,461,614
Value of shares traded (Rs.)	1,158,322,203	403,978,348
		•
The public Holding percentage	37.62%	37.62%
Total number of Shareholders representing the Public Holding	6,178	6,005

Float-adjusted market capitalization - Rs.5,662,750,500/-

The Company complies with option 3 of the Listing Rules 7.13.1 (a) – Rs.5.0 Bn

 $Float\,Adjusted\,Market\,Capitalization\,which\,requires\,7.5\%\,minimum\,Public\,Holding.$

Share Information

LISTED DEBENTURES

Details regarding the listed debentures are as follows;

Debenture 1

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, 2018, 9.48% (Net of tax)

Debenture Trading Information for the Three Months Ended - 31.03.2018

There were no transactions during the period.

Debenture 2

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, 2018, 9.69% (Net of tax)

Debenture Trading Information for the Three Months Ended - 31.03.2018

There were no transactions during the period.

Debenture 3

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, 2018, 9.88% (Net of tax)

Debenture Trading Information for the Twelve Months Ended - 31.03.2018

No. of Transactions	7
No. of Debentures traded	68,000
Highest Price (Rs.)	100.00
Lowest Price (Rs.)	97.00
Last Traded Price (Rs.)	98.00
Interest yield - Last traded	11.10%
Yield to maturity - Last traded	12.81%

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 1/2	1	Restructure debt portfolio	1,735	Upon completion of allotment	1,735	86.75%	1,735	100%
Debenture 1/2	2	Working capital requirements	265	Upon completion of allotment	265	13.25%	265	100%
Debenture 3	1	Redemption of Debenture Issue 2013	2,000	9 July 2016	2,000	100%	2,000	100%

HISTORY OF DIVIDENDS AND SCRIP ISSUES

Year ended 31st March	Issue	Basis	No. of shares	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

History of Dividends and Scrip Issues

Year ended 31st March	Issue	Basis	No. of shares	Cum. No. of shares	Dividend	Dividend
			,000	,000		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
2018				75,000	Rs.5.00 p.s	375,000
				- ~,~ ~ ~	F	~,~ ~ ~

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
	Kelani Valley Resorts (Pvt) Ltd	Operating & managing Hotels and providing services.
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 & retail	Hayleys Consumer Products Ltd	Lighting products and solutions, photo imaging, health care and FMCG products
	Hayleys Electronics Lighting (Pvt) Ltd	Lighting products and solutions
	Hayleys Electronics Group	Import, market and repair electronic and electric Items.
	Singer (Sri Lanka) PLC	Retail and wholesale marketing of consumer products

Group Companies

Sub sector	Company	Nature of the Business
	Singer Industries (Ceylon) PLC	Assembly of sawing machines & manufacture cabinets and stands for sawing machines
	Singer Industries (Ceylon) PLC Regnis (Lanka) PLC Singer Finance (Lanka) PLC Regnis Appliances (Pvt) Ltd Reaity Lanka Ltd Digital Media (Pvt) Ltd Singer Business School (Pvt) Ltd Domus Lanka (Private) Limited Hunas Falls Hotels PLC The Kingsbury PLC Amaya Leisure PLC Culture Club Resorts (Pvt) Ltd Kandyan Resorts (Pvt) Ltd Sun Tan Beach Resorts Ltd Luxury Resorts Pvt Ltd Hayleys Tours (Pvt) Ltd Hayleys Aventura (Pvt) Ltd Hayleys Lifesciences (Pvt) Ltd Hayleys Lifesciences (Pvt) Ltd Hayleys Engineering (Pvt) Ltd	Manufacture of Refrigerators and bottle coolers.
	Singer Finance (Lanka) PLC	Finance leasing, Mobilization of Fixed & savings deposits, Financing consume durables under loan schemes, factoring business including invoice discounting granting loans including Micro Loans and credit card business.
	Regnis Appliances (Pvt) Ltd	Manufacture and assemble home appliances.
	Reaity Lanka Ltd	Acquire, lease, sell and develop properties and contractors for constructions.
	Digital Media (Pvt) Ltd	Marketing mobile phones
	Singer Business School (Pvt) Ltd	Retail training education relating to business activities.
	Domus Lanka (Private) Limited	Designing, manufacturing and trading furniture
∟eisure	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
ndustry Inputs and ower & Energy	Hayleys Aventura (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

Sub sector	Company	Nature of the Business
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, marine & shipping.
Others	Dean Foster (Pvt) Ltd	Investments
	Hayleys Business Solutions International	Business Process Outsourcing and Centralised Shared Services
	(Pvt) Ltd	
	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
	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
	Darley Property Holdings (Pvt) Ltd	Property holding and development
	Alufab PLC	Architectural Aluminium joinery systems
	S&T Interirors (Pvt) Ltd	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

GROUP VALUE ADDITION AND DISTRIBUTION

For the year ended 31st March		Consolidate	ed	
	2018		2017	
		Rs. Mn		Rs. Mn
Value Created				
Revenue		163,249		111,383
Other income	-	909		1,024
Change in fair value of investment properties	•	184	•	249
Share of profit of equity accounted investees	•	227	•	213
Finance income	-	1,108	-	719
Cost of materials and services bought in		(127,180)	-	(85,047)
		38,497		28,541
		I		
	Share		Share	
Value Distributed				
To Employees as remuneration	54%	20,434	53%	15,207
To Government revenue	13%	5,158	8%	2,389
Of Sri Lanka		4,692		2,126
Overseas		466	_	263
To Shareholders as dividend	1%	375	2%	563
To Lenders of capital	21%	8,181	19%	5,376
Interest on borrowings		5,932	_	3,112
Non-Controlling interest		2,249		2,264
	89%	34,148	82%	23,535
Value retained for expansion & growth				
Depreciation	10%	3,927	11%	2,998
Profit retained	1%	422	7%	2,008
	11%	4,349	18%	5,006
	100%	38,497	100%	28,541

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

 $\label{lem:acquired} A \ financial \ asset/liability \ acquired/incurred \\ principally for the purpose of selling or \\ repurchasing it in the near term.$

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.

Glossary of Financial Terms

Non-controlling Interest

Equity in subsidiary not attributable, directly or indirectly, to a parent.

Other comprehensive income

An entry that is generally found in the shareholders' equity section of the balance sheet.

Price Earnings Ratio

Market price of a share divided by earnings per share as reported at that date.

Related Parties

A person or entity that is related to the entity that is preparing its Financial Statements.

Return on Capital employed

Profit before tax and net finance cost divided by average capital employed.

Revenue Reserves

Reserves considered as being available for distributions and investments.

Segments

Constituent business units grouped in terms of similarity of operations and location.

SoRP

Statement of Recommended Practice.

Value Addition

The quantum of wealth generated by the activities of the Group measured as the difference between turnover and the cost of materials and services bought in.

Working Capital

Capital required to finance day- to-day operations, computed as the excess of current assets over current liabilities.

INDEPENDENT ASSURANCE REPORT



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: +94 11 2462500 fun Gen., +94 (1.2697369) Tax : +94 11 55 /8160 bys 3 killycom ty com

Independent Assurance Report to Hayleys PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report-2017/18

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 criteria presented in the annual report- 2017/18 ("the Report").

- Reasonable assurance on the information on financial performance as specified on pages 238 to 241 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: '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 Standards 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

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, GRI Standards: 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 03 May 2018. 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:

Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation of data.

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Independent Assurance Report



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- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance which is properly derived from the Company's audited financial statements for the year ended 31 March 2018.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: In accordance' -Core guidelines.

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 pages 167 to 168 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2018.
- 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 Sustainability Reporting Guideline, GRI Standards-'In accordance' Core.

Ernst & Young

Chartered Accountants

18th May 2018 Colombo

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GRI CONTENT INDEX TOOL

GRI Standard	Disclosure	Page number	Omission
RI 101: Foundatio	on 2016 (does not include any disclosures)		
eneral Disclosu	res	•	
GRI 102: General			
isclosures 2016	102-2 Activities, brands, products and services	16	
	102-3 Location of headquarters	Inner back Cover	
	102-4 Location of operations	287	
	102-5 Ownership and legal form	Inner back cover	
	102-6 Markets served	20	
	102-7 Scale of the organisation	10	
	102-8 Information on employees and other workers	180	
	102-9 Supply chain	94-160	
	102-10 Significant changes to the organisation and supply chain	8	
	102-11 Precautionary principle	206	
	102-12 External initiatives	8	
	102-13 Membership of associations	203	
	102-14 Statement from senior decision maker	32	
	102-16 Values, principles, norms and standards of behaviour	58	
	102-18 Governance structure	48	
	102-40 List of stakeholder groups	70	
	102-41 Collective bargaining agreements	186	
	102-42 Identifying and selecting stakeholders	70	
	102-43 Approach to stakeholder engagement	70	
	102-44 Key topics and concerns raised	73	
	102-45 Entities included in the consolidated financial statements	297	
	102-46 Defining report content and topic boundary	73	
	102-47 Material topics	73	
	102-48 Restatement of information	8	
	102-49 Changes in reporting	384	
	102-50 Reporting period	8	
	102-51 Date of most recent report	8	
	102-52 Reporting cycle	8	
	102-53 Contact point for questions regarding Report	8	
	102-54 Claims of reporting in accordance with GRI Standards	8	
	102-55 GRI context index	379	
	102-56 External assurance	8	

GRI Content Index Tool

GRI Standard	Disclosure	Page number	Omission
Material topics			
Economic Perfo	rmance		
GRI 103:	103-1 Explanation of material topics and its boundaries	384	
Management	103-2 The Management Approach and its components	215	
Approach	103-2 Evaluation of the Management Approach	215	
GRI 201:	201-1- Direct economic value generated and distributed	216	
Economic Performance 2016	201-3 Defined benefit plan obligations and other retirement plans	185	
Procurement pra	actices	_	
GRI 103:	103-1 Explanation of material topics and its boundaries	384	
Management Approach	103-2 The Management Approach and its components	190	
	103-2 Evaluation of the Management Approach	190	
GRI 204: Procurement practices	204-1 Proportion of sending on local suppliers	190	
Raw materials			
GRI 103:	103-1 Explanation of material topics and its boundaries	384	
Management	103-2 The Management Approach and its components	208	
Approach	103-2 Evaluation of the Management Approach	208	
GRI 301: Raw materials (2016)	301-1: Raw materials used by weight or volume	208	
Energy			
GRI 103:	103-1 Explanation of material topics and its boundaries	384	
Management	103-2 The Management Approach and its components	209	
Approach	103-2 Evaluation of the Management Approach	209	
GRI 302: Energy	302-1 Energy consumption within the organization	209	
2016	302-4 Reduction of energy consumption	209	
Water			
GRI 103:	103-1 Explanation of material topics and its boundaries	384	
Management	103-2 The Management Approach and its components	210	
Approach	103-2 Evaluation of the Management Approach	210	
GRI 303: Water	303-1 Water withdrawal by source	210	
2016	303-3 Water recycled and re-used	210	

GRI Standard	Disclosure	Page number	Omission
Bio diversity			
GRI 103:	103-1 Explanation of material topics and its boundaries	384	
Management	103-2 The Management Approach and its components	207	
Approach	103-2 Evaluation of the Management Approach	207	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in or adjacent to protected areas and high areas of biodiversity value outside protected areas	207	
	304-2 Significant impacts of activities, products and services on bio diversity	207	
	304-4 IUCN Red list species and national conservation list species with habitats in areas affected by operations	207	
Emissions			
GRI 103:	103-1 Explanation of material topics and its boundaries	384	
Management Approach	103-2 The Management Approach and its components	212	
	103-2 Evaluation of the Management Approach	212	
GRI 305	305-1 Direct greenhouse gas (GHG) emissions	214	
Emissions: 2016	305-2 Energy indirect greenhouse gas (GHG) emissions (Scope 2)	214	
	305-3 Other indirect (Scope 3) GHG emissions	214	
	305-5 Reduction of greenhouse gas emissions	214	
Effluents and Was	ste		
GRI 103:	103-1 Explanation of material topics and its boundaries	384	
Management	103-2 The Management Approach and its components	210	
Approach	103-2 Evaluation of the Management Approach	210	
GRI 306:	306-1 Water discharge by quality and destination	211	
Effluents and Waste 2016	306-2 Waste by type and disposal method	212	
Environmental C	ompliance		
GRI 103:	103-1 Explanation of material topics and its boundaries	384	
Management	103-2 The Management Approach and its components	206	
Approach	103-2 Evaluation of the Management Approach	206	
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	206	

GRI Content Index Tool

GRI Standard	Disclosure	Page number	Omission
Employment			
GRI 103:	103-1 Explanation of material topics and its boundaries	384	
Management	103-2 The Management Approach and its components	181	
Approach	103-2 Evaluation of the Management Approach	181	
GRI 401:	401-1 Employee hires and turnover	181	
Employment 2016			
Employment		-	
GRI 103:	103-1 Explanation of material topics and its boundaries	384	
\pproach -	103-2 The Management Approach and its components	186	
Approach	103-2 Evaluation of the Management Approach	186	
GRI 402: Labour Management Relations	402-1 Minimum notice periods regarding operational changes	186	
Health and Safety			
GRI 103: Management	103-1 Explanation of material topics and its boundaries	384	
	103-2 The Management Approach and its components	186	
Approach	103-2 Evaluation of the Management Approach	186	
GRI 403: Health	403-2 Types of injury and rates of injury, occupational diseases, lost days and	186	
and Safety 2016	absenteeism and number of work-related fatalities		
Training and educ	ation	•	
GRI 103:	103-1 Explanation of material topics and its boundaries	384	
Management	103-2 The Management Approach and its components	184	
Approach	103-2 Evaluation of the Management Approach	184	
GRI 404: Training	404-1 Average hours of training per year per employee	184	
and education	404-2 Programs for upgrading skills and transition assistance programmes	184	
	$4043\ Percentage\ of\ employees\ receiving\ regular\ performance\ and\ career$ development\ reviews	185	
Non-discrimination	on .	_	
GRI 103:	103-1 Explanation of material topics and its boundaries	384	
Management	103-2 The Management Approach and its components	180	
Approach	103-2 Evaluation of the Management Approach	180	
GRI 406: Non- discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	180	

GRI Standard	Disclosure	Page number	Omission
Freedom of Associ	ation and Collective Bargaining		
GRI 103:	103-1 Explanation of material topics and its boundaries	384	
Approach	103-2 The Management Approach and its components	190	
Approach	103-2 Evaluation of the Management Approach	190	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	190	
Local Communitie	es		
GRI 103:	103-1 Explanation of material topics and its boundaries	384	
	103-2 The Management Approach and its components	192	
Approach	103-2 Evaluation of the Management Approach	192	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	192	
Marketing and lab	elling		
GRI 103:	103-1 Explanation of material topics and its boundaries	384	
Management	103-2 The Management Approach and its components	190	
Approach	103-2 Evaluation of the Management Approach	190	
GRI 417: Marketing and labelling	417-3: Incidents of non-compliance concerning marketing communications	190	
Socio economic co	mpliance		
GRI 103:	103-1 Explanation of material topics and its boundaries	384	
Management	103-2 The Management Approach and its components	190	
Approach	103-2 Evaluation of the Management Approach	190	
GRI 419: Socio economic compliance	419-1 Non-compliance with laws and regulations in the social and economic area	190	

 $Performance \ Highlights \ *\ Hayleys\ at\ a\ Glance \ *\ Leadership\ \&\ Governance \ *\ Performance\ *\ Portfolio\ Review \ *\ Integrated\ Performance \ *\ Pinancial\ Statements$

DETAILED MATERIAL MATTERS

Material issue and why it is material to us	Corresponding principles	Topic boundary and change in boundary	Materiality in comparison to 2017/18
(1) Earnings growth Critical in generating sustainable shareholder value and ensuring the sufficiency of financial resources in fulfilling growth aspirations		The impacts of our financial performance will arise primarily at direct stakeholder level, including shareholders and employees. However, given the depth and reach of our operations the Group's financial performance can also impact our indirect employees, suppliers and business partners.	No change
(2) Managing talent Attracting and retaining the right employees is vital in driving our strategic agenda and fulfilling our customer promise	GRI 401: Employment GRI 402: Labour/management relations GRI 403: Occupational health and safety GRI 404: Training and education GRI 406: Non-discrimination GRI 407: Freedom of association and collective bargaining UNGC: Principles 1, 3, 4, 5	Our human capital management relates primarily to the Group's direct employees, both in Sri Lank and overseas	No change
(3) Sustainable sourcing Access to a secure and high- quality supply of raw material is essential to the continuity of our operations, particularly in sectors while rely on agricultural raw materials.	GRI 204: Procurement practices	Impacts of this topic occur across our extensive supply chain covering numerous agricultural produce and other raw materials.	_
(4) Product quality and responsibility Superior quality of our products is a key source of advantage to several of our sectors and vital in maintaining customer relationships	GRI 419: Socio economic compliance	The responsibility we have towards maintaining product quality extends to our business partners and end-consumers who would be impacted by any related concerns.	No change
(5) Innovation As a global player, continuous innovation is critical in maintaining our market share and competitive advantage		Innovative capabilities are driven internally through our R&D strengths and significant intellectual capital.	No change
(6) Satisfied customers Satisfied customers are critical to ensuring customer retention and sustaining our competitive edge		The impacts of this topic arise from external stakeholders but will have a long-term impact on the Group's financial performance.	No change

Material issue and why it is material to us	Corresponding principles	Topic boundary and change in boundary	Materiality in comparison to 2017/18
(7) Environmental commitment	GRI 301: Materials	Adverse environmental impacts could	
Adverse environmental impacts of our operations could affect our reputation and social license to operate. Meanwhile the implications	GRI 302: Energy GRI 303: Water GRI 304: Bio-diversity	directly impact our operations, reputation and hurt community relationships, thereby threatening our social license to operate.	
of climate change are being felt more pronouncedly.	GRI 305: Emissions GRI 306: Effluents and Waste UNGC: Principle 7,8, 9		
(8) Compliance Compliance to all relevant labour and environmental regulations are a prerequisite for business continuity	GRI 307: Environmental Compliance GRI 419: Socio economic compliance	Non-compliance to regulations and laws could have potential legal liability and significantly affect our reputation and continuity of operations.	No change
(9) Community relationships We strive to nurture mutually beneficial, productive relationships with our communities as they provide us our social license to operate.	GRI 314: Local communities GRI 201: Economic Performance	The impacts of this are likely to arise in the communities we operate in, although over the long-term the inadequate management of this topic could lead to reputational damage.	No change
(10) Product and process efficiencies With significant interests in the manufacturing sector, product and process efficiencies are vital in sustaining profitability		Challenging external conditions have compelled several sectors to focus on lean initiatives- this is likely to support our financial performance to a certain extent.	
(11) Marketing communications As a responsible corporate citizen, we are committed towards marketing our products responsibly	GRI 417: Marketing and Labelling	The impacts of this are mostly external, as our ability to maintain responsible and transparent communications with our customers and other stakeholders is vital in nurturing long-term relationships.	No change
(12) Principal relationships As a distributor to several leading global brands, maintaining meaningful and long-term relationships with our principals is vital to achieving sustainable growth.		While the impacts occur externally, our inability to maintain healthy principal relationships could significantly impact the Group's financial performance.	New material topic reflecting the addition of Singer Sri Lanka PL and Sri Lanka Shippin Company to the Group
(13) Customer accessibility As a Group with a strong market position in consumer and retail, reaching customers through an accessible network of contact points is crucial to driving business expansion.		This is important in maintaining external customer relationships, but in the long term could also impact our competitive edge and financial performance.	New material topic reflecting the addition of Singer Sri Lanka PLC to the Group.

102-3

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)
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
N L S Joseph
Ms. J Dharmasena (appointed w.e.f 01.04.2018)

MR Zaheed (retired w.e.f 31.03.2018)

Group Management Committee

AM Pandithage - Chief Executive

S C Ganegoda

HSR Kariyawasan

Dr. K I M Ranasoma

LT Samarawickrama

LRV Waidyaratne

S J Wijesignhe

Dr A Sivagananathan

L D E A De Silva

W G R Rajadurai

ERP Goonethileke

Ms.D Talpahewa

HA Pieris (appointed w.e.f 02.10.2017)

Ms. J Dharmasena (appointed w.e.f 01.04.2018)

HCS Mendis (resigned w.e.f 19.09.2017)

MR Zaheed (retired w.e.f 31.03.2018)

MS Lakshminarasimhan (resigned w.e.f

30.04.2018)

Audit Committee

M Y A Perera - Chairman Dr H Cabral, PC M H Jamaldeen

Remuneration Committee

Dr H Cabral, PC – Chairman K D D Perera

K D D Perera

M H Jamaldeen

MYA Perera

Nomination Committee

A M Pandithage – Chairman K D D Perera Dr H Cabral, PC

Related Party Transaction Review Committee

Dr H Cabral, PC - Chairman S C Ganegoda M Y A Perera

Secretaries

Hayleys Group Services (Private) Limited 400, Deans Road, Colombo 10, Sri Lanka

Telephone: (94-11)2627650 Facsimile: (94-11)2627645

E-mail: info.sec@hayleys.com

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

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NOTES

NOTICE OF MEETING

HAYLEYS PLC COMPANY NO. PQ 22

NOTICE IS HEREBY GIVEN that the Sixty Seventh Annual General Meeting of Hayleys PLC will be held at Balmoral Ballroom, The Kingsbury Hotel, No.48, Janadhipathi Mawatha, Colombo 01, Sri Lanka on Friday, 29th June 2018 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 2018, with the Report of the Auditors thereon.
- 2. To declare a dividend as recommended by the Directors.
- 3. To elect Ms. J. Dharmasena, who has been appointed by the Board, since the last Annual General Meeting, a Director.
- 4. To re-elect Mr. S.C.Ganegoda, who retires by rotation at the Annual General Meeting, a Director.
- 5. To re-elect Mr. L.R.V.Waidyaratne, who retires by rotation at the Annual General Meeting, a Director.
- 6. To re-elect Mr. H.S.R.Kariyawasan, 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 2018/19.
- 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 2018/19.
- 9. To consider any other business of which due notice has been given.

Note:

- (i) A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No.400, Deans Road, Colombo 10, Sri Lanka by 10.00 a.m. on 27th June 2018.
- (ii) It is proposed to post ordinary dividend warrants on 10th July 2018 and in accordance with the rules of the Colombo Stock Exchange the shares of the Company will be quoted ex-dividend with effect from 2nd July 2018.

By Order of the Board HAYLEYS PLC HAYLEYS GROUP SERVICES (PRIVATE) LIMITED Secretaries

Colombo 31st May 2018

FORM OF PROXY

HAYLEYS PLC

	npany Number PQ 22 /e*(full n	ame of sha	reholder**)
NI	C No./Reg. No. of Shareholder (**)		
of			
bei	ng Shareholder/Shareholders* of HAYLEYS PLC hereby appoint,		
(1)	(full n	ame of pro	xyholder**)
NI	C No. of Proxyholder (**)		
of.		or failin	g him/them
2.	ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Comproxy to attend, speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Sixty Seventh Annual General Meet be held on Friday, 29th June 2018 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment of the company of the company of the company of the Directors of the Company of the Directors of the Company of Colombo, or failing him, one of the Directors of Colombo, or failing him, or failing h	ing of the C nent there	Company to of.
1.	To adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2018 with the	For	Against
	Report of the Auditors thereon.		
2.	To declare a dividend as recommended by the Directors.		
3.	To elect Ms. J.Dharmasena , who has been appointed to the Board since the last Annual General Meeting, a Director.		
4.	To re-elect Mr. S.C.Ganegoda, who retires by rotation at the Annual General Meeting, a Director.		
5.	$To \ re-elect \ Mr. \ L.R.V. Waidyaratne\ , who\ retires\ by\ rotation\ at\ the\ Annual\ General\ Meeting,\ a\ Director.$		
6.	$\hbox{To re-elect Mr. H.S.R. Kariyawasan, who retires by rotation at the Annual General Meeting, a Director.}$		
7.	To authorise the Directors to determine contributions to charities for the financial year $2018/19$.		
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 2018/19.		
(**:) The proxy may vote as he thinks fit on any other resolution brought before the Meeting of which due Notice has been given.		
As	vitness my/our* hands this day of2018.		
Wi	nesses: Signature :		
Na	ne :		
Ado	lress : Signature of Shareholder		
NI	CNo. :		
No	tes:		
(a)	* Please delete the inappropriate words.		

- (b) 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.
- $(c) \quad A \, shareholder \, is \, not \, entitled \, to \, appoint \, more \, than \, one \, proxy \, to \, attend \, on \, the \, same \, occasion.$
- (d) Instructions are noted on the reverse hereof.
- (e) This Form of Proxy is in terms of the Articles of Association of the Company.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION:

- 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.
- 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.

INVESTOR FEEDBACK FORM

$To \ request \ information \ or \ submit\ a\ comment\ /\ query\ to\ the\ Company, please\ complete\ the\ following\ and\ return\ this\ page\ to-please\ complete\ the\ following\ th$						
Strategic Business Devolopment Unit Hayleys PLC P.O Box 70 , No.400, Deans Road, Colombo 1	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	:					

