

# EXCEPTIONAL







# EXCEPTIONAL

In the midst of a complex environment filled with turbulence and uncertainty, we are proud to report that your Company emerged triumphant – continuing steadily along an exceptional journey of resilience and growth that first began over 143 years ago.

Over the years, we navigated a formidable course – relying on perfectly crafted structures, systems and strategies that enabled us to thrive in the face of overwhelming odds. That’s how, despite the debilitating impacts of the year under review, we remained unwavering, confronting the seemingly impossible with a powerful strength and resilience that is distinctive to us.

The pages that follow explore our strong track record of success in the face of impossible odds, while paying tribute to the characteristics and the unyielding strength that enabled us to display a truly spectacular performance during the year under review.

We’re rising above the storm to face the future with confidence; delivering a legacy of exceptional value both today, and in the years to come.

*The bar-headed goose is known for its iconic high altitude migration, making a journey across challenging conditions for 1,500km over the Himalayas – the world’s longest and tallest land mass. Its ability to survive extreme weather conditions and potential threats is a result of years of evolution and strategic thinking – undertaking a unique path that maximises progress through sheer energy and determination.*

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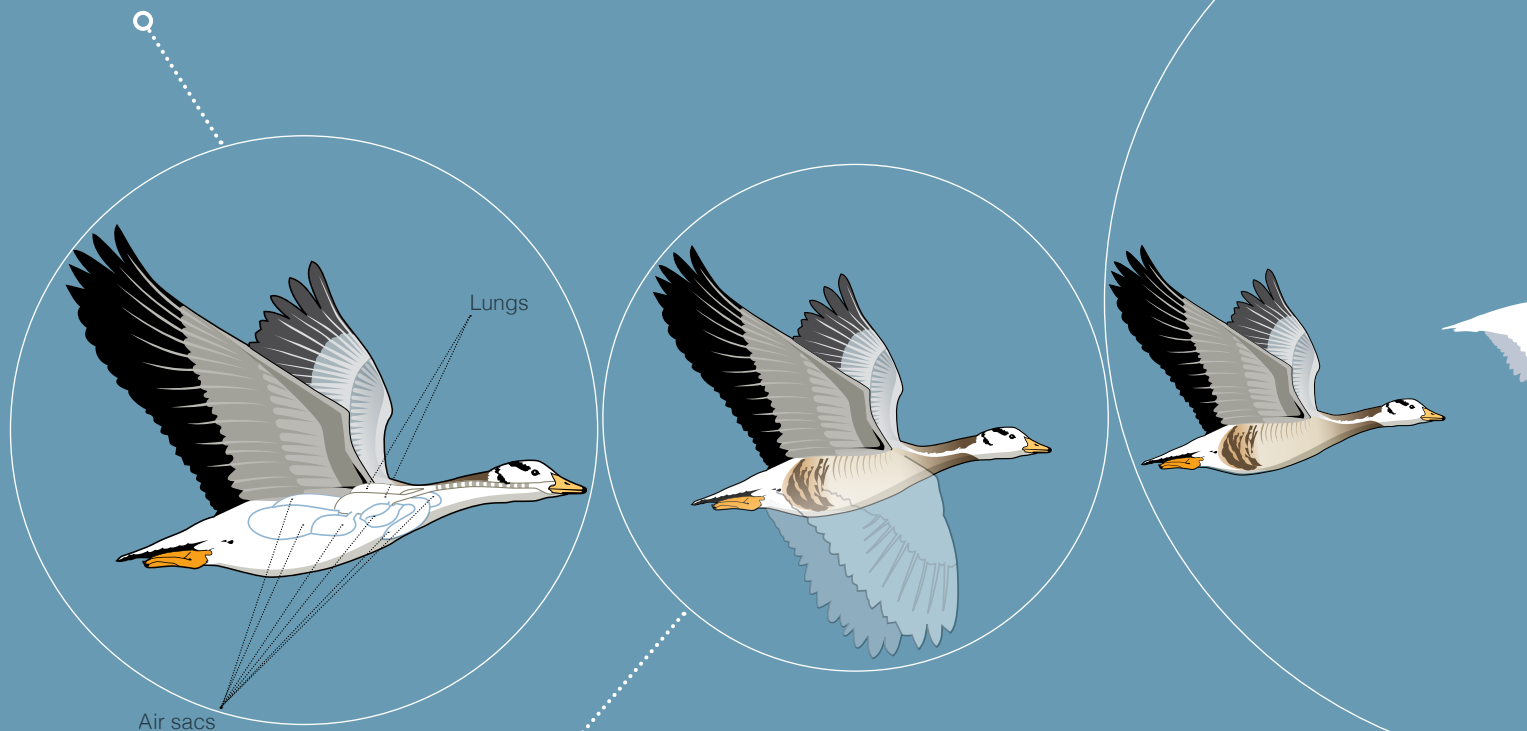
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# EXCEPTIONAL

## FORM

**We're built to endure the harshest environments – structured to adapt to any eventuality.**

The bar-headed goose is structured to sustain flight at remarkably high altitudes. These birds possess stronger lungs and oxygen-rich blood; adaptations that enable them to triumph against conditions of low air density, less oxygen, and extreme cold.



## ENERGY

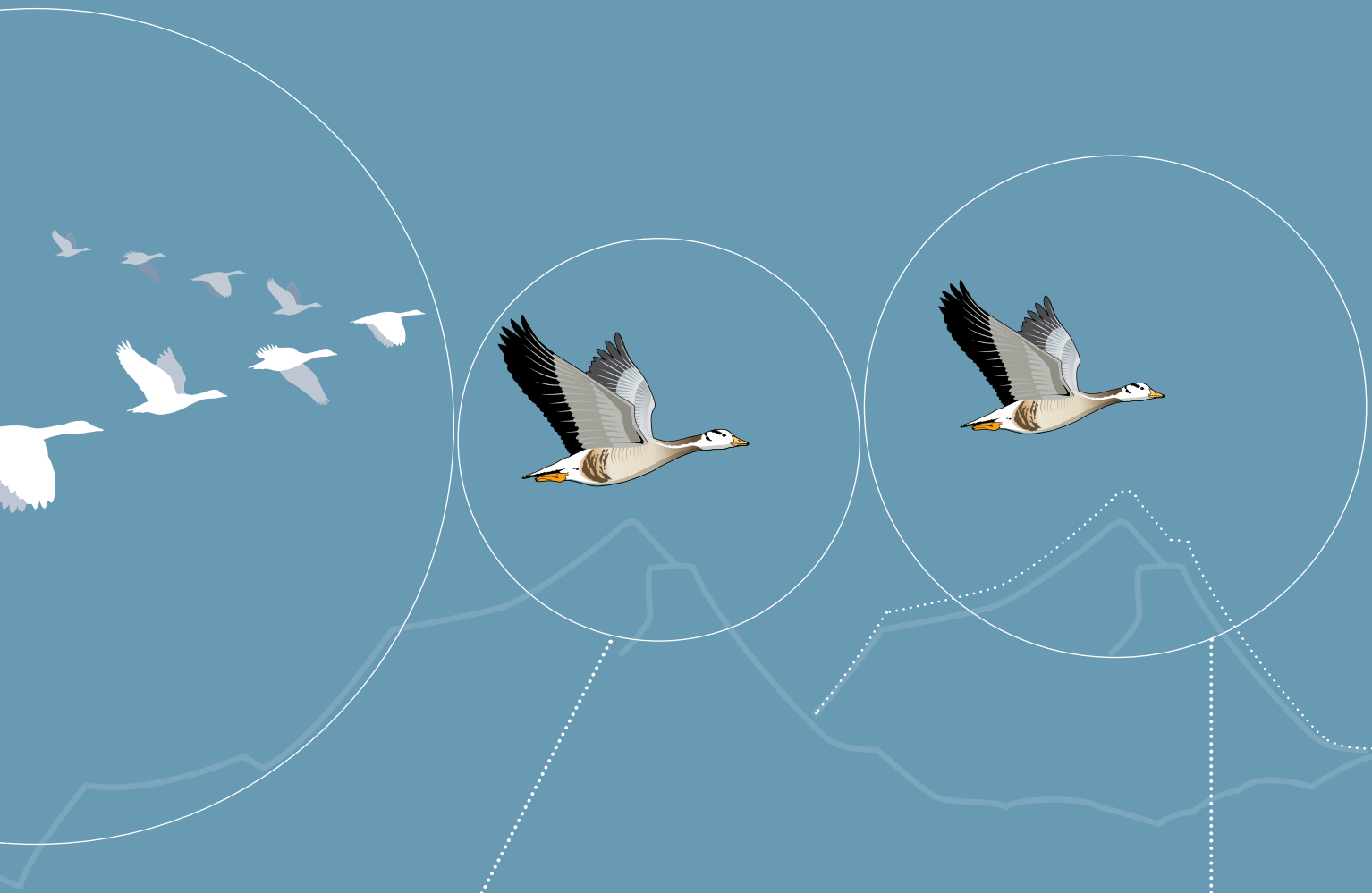
**Our unwavering strength and vitality enabled us to rise above and surpass stakeholder expectations.**

This particular species rarely glides, yet possesses the stamina to travel over challenging terrain. Long periods of flight are maintained by expending considerable energy through the constant flapping of their wings.

## ENDURANCE

**We're wired to weather the storms that lie ahead, as we power onwards with a purpose.**

The bar headed goose can cover over 1,600km in a single day, with some flights being tracked at over 17 hours. They are able to fly against strong crosswinds and yet maintain their course, utilising a v-formation to optimise their performance.



## HEIGHTS

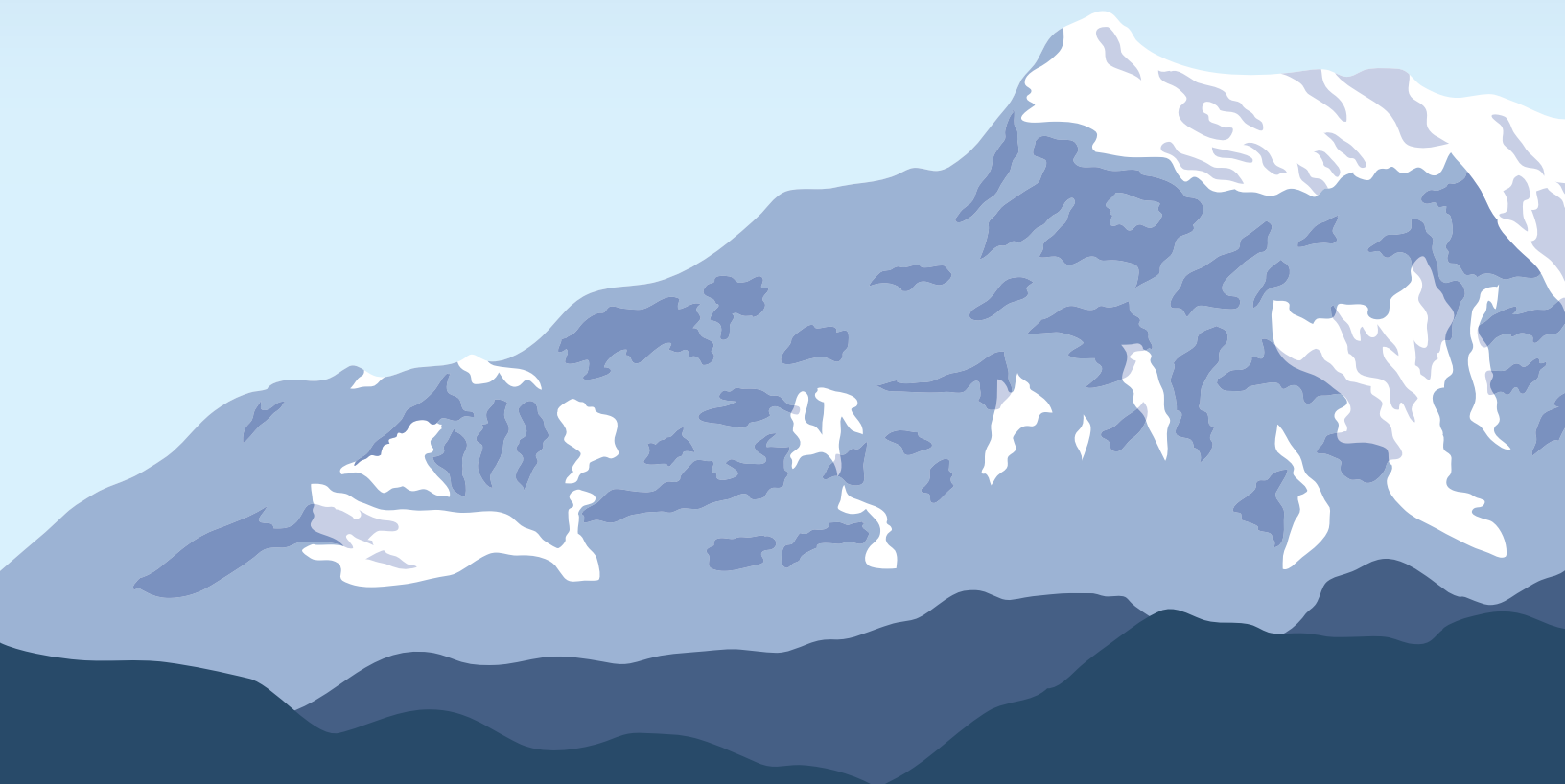
**We're soaring far above the rest of our peers, dominating the space in which we operate.**

These birds are unmatched in terms of the sheer scale of their achievements – able to reach heights above 7,000m, where every other species is barely able to survive.

## ASCENDANCY

**We continue to push ourselves to transcend our limits, and achieve new heights year on year.**

The Himalayas grows by approximately 10mm every year. The geese have been making their journey for millennia, pushing themselves to exceed their past performances and conquer increasing adversity.



# VISION

To be Sri Lanka's corporate inspiration at all times.

# MISSION

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



# VALUES

- 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.

&

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

# A TRIBUTE TO OUR EMPLOYEES



“In an extraordinarily challenging year, your company demonstrated remarkable spirit and agility to deliver exceptional results. Our people faced adversity head on, rallying together to propel Hayleys towards bold and transformative action and to deliver record-breaking growth and profitability”

- Ensured the safety of our people through stringent measures in line with guidelines issued by relevant health authorities
- Increased capacity utilisation levels in key sectors without additional investments, through embracing new ways of working
- Factories swiftly recommenced operations
- Leveraged digital capabilities to facilitate remote working arrangements
- Full remuneration maintained for all employees across the Group

#### THROUGH THE COMMITMENT OF OUR PEOPLE THE GROUP DELIVERED

**Rs. 241.28 bn**

Highest-ever Revenue

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**Rs. 19.23 bn**

Highest-ever PBT

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The past year has reaffirmed our belief that the Hayleys Team is the Group's most valuable asset, and we deeply appreciate the passion, commitment and sacrifices that each and every one of you have made in delivering the phenomenal results achieved.

**Thank you for your  
exceptional commitment**



In the midst of these unprecedented times, we extend our heartfelt gratitude to the frontline workers and first responders who placed their lives on the line to help us face the unknown.

Your sacrifice and acts of bravery enabled our nation to soar above the storm; through safeguarding our very existence, you created a means for us to reach our potential as a people, and a reason to believe in the promise of tomorrow.

**Thank you**





We are the Hayleys Group

# AN EXCEPTIONAL HISTORY

Even as we mark 143 years of unmatched value creation, our legacy continues. We are built and structured to face the future – to last through major upheavals and transformations in society and across the world, to serve our stakeholders for the foreseeable future.

In this portion of the report, you will discover our story, and the factors that enable us to thrive. Here you will find the principles and practices that define us, as well as the impactful presence that drives our performance.

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*The sandhill crane has been in existence for millennia, with the earliest fossil dating back 2.5 million years, and their closest ancestors being recorded nearly 10 million years ago. Cranes are a symbol of longevity, wisdom and immortality; a tribute to their endurance, and ability to evolve with the changing times and conditions.*

# The Story Unfolds...

WE PRESENT OUR 8TH INTEGRATED ANNUAL REPORT ‘EXCEPTIONAL’- OUR PRIMARY PUBLICATION TO SHAREHOLDERS, WHICH AIMS TO COMMUNICATE THE GROUP’S VALUE CREATION STORY SUCCINCTLY AND CLEARLY.

	<b>WE ARE THE HAYLEYS GROUP</b> An overview of the Group including our businesses, market position and a brief summary of the Group’s financial, social and environmental performance.
	<b>EXCEPTIONAL LEADERSHIP</b> Leadership insights and how strong governance practices underpin the creation of shared value and position us for long-term growth.
	<b>STRATEGIES TO UNLOCK VALUE</b> Our business model, the needs and expectations of our stakeholders and how we drive our strategy in creating shared value.
	<b>ADAPTING AND THRIVING</b> Review of our businesses and how we nurtured our resources and relationships during the year, including how value was created through our financial performance.
	<b>NURTURING OUR RESOURCES</b> Overview of how we utilised our capital resources during the year to generate outcomes for our stakeholders.

This year’s Annual Report marks a key milestone in our Integrated Reporting journey, as we successfully obtained external assurance on our Integrated Reporting practices.

**BOARD RESPONSIBILITY**

Hayleys PLC’s Board of Directors hold ultimate responsibility for ensuring the integrity of this Report. We hereby confirm that the 2020/21 Report addresses all relevant material matters and fairly represents the Group’s integrated performance. We also confirm that the Report has been prepared in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council. The Report is approved and authorised for publication.

Signed on behalf of the Board

**M.Y.A. Perera**  
Chairman  
Audit Committee

**NAVIGATION ICONS**

We have used the following navigation icons across the Report to showcase connectivity between strategy, KPIs, resource allocation, risks and other relevant information.

CAPITALS	
	Financial Capital
	Manufactured Capital
	Human Capital
	Social and Relationship Capital
	Intellectual Capital
	Natural Capital
STRATEGIC PILLARS	
	Profitable Growth
	Innovation and Digitalisation
	Value Chain and Community Partnerships
	Customer Focus
	Inspired and Dedicated Team
	Climate Action

**FORWARD LOOKING STATEMENTS**

This Annual Report contains forward looking statements which are based on the Group’s current expectations and forecasts of future events. Readers can identify these statements through words such as anticipate, expect, estimate, intend, project, believe and other terms of similar meaning. These statements are subject to inherent risks and uncertainties and assumptions many of which relate to factors beyond the Group’s control. The Group cautions investors that these factors could differ materially from those expressed in any forward-looking statement.

## YEAR AT A GLANCE

# 01

**RANKED THE  
NO. 1 LISTED  
COMPANY IN  
SRI LANKA BY  
LMD**

# Rs.19bn

**HAYLEYS COMPLETES  
FY 20/21 WITH  
RECORD-BREAKING  
PBT**

## Subdivision of Shares

**OF 14 LISTED ENTITIES  
IN THE GROUP**

## Great Place to Work

**CERTIFIED 11  
SUBSIDIARIES**

## THE CHAIRMAN'S AWARDS CEREMONY

## HGRC AGM

**HAYLEYS GROUP  
RECREATION CLUB  
ANNUAL GENERAL  
MEETING**

# Rs.975mn

**TOTAL DIVIDEND PAID  
FOR 2020/2021**

## SAP BPC

**STATUTORY  
CONSOLIDATION OF  
GROUP FINANCIALS AND  
MIS REPORTING**

## SAP S/4 HANA wave III

**DIPPED PRODUCTS  
(THAILAND) LIMITED  
ALUMEX PLC  
MABROC TEAS (PVT) LTD**

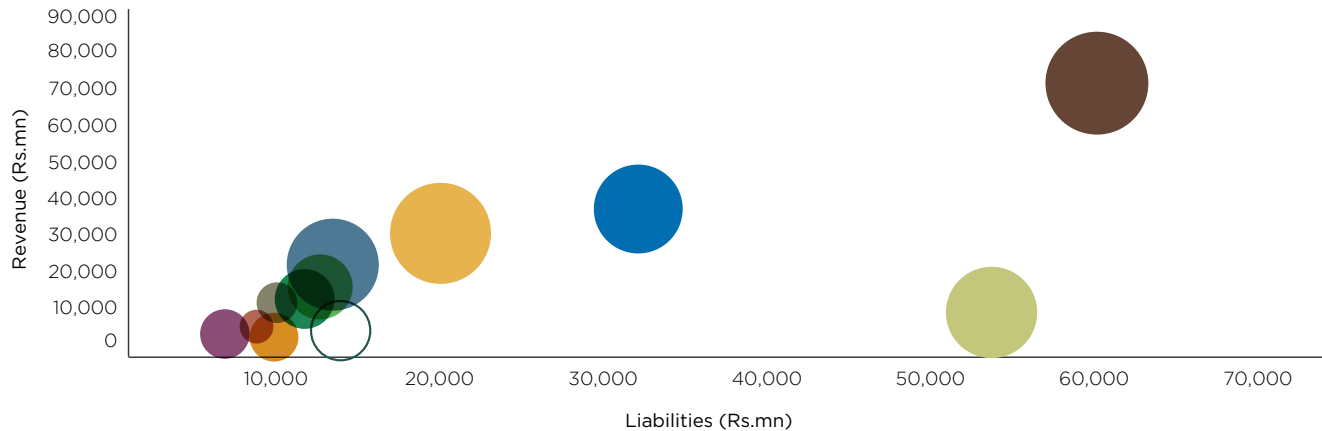


## WE ARE THE HAYLEYS GROUP

Hayleys PLC is one of Sri Lanka's most economically and socially impactful organisations, operating across 12 diverse industry sectors with deep-rooted relationships across supply chains, distribution networks and customer segments. With products sold in over 70 markets across the world, Hayleys is one of the country's largest value-added exporters, commanding globally

### BUSINESS PROFILE

#### RELATIVE CONTRIBUTION OF SECTORS



The size of the circle represents Earnings-before-interest and tax  
Solid circle indicates positive earnings whilst unfilled circle indicates negative earnings

SECTORS	 Eco Solutions	 Agriculture
	 Hand Protection	 Consumer & Retail
	 Purification	 Leisure
	 Textiles	 Industry Inputs, Power & Energy
	 Construction Materials	 Transportation & Logistics
	 Plantations	 Other

#### FINANCIAL HIGHLIGHTS

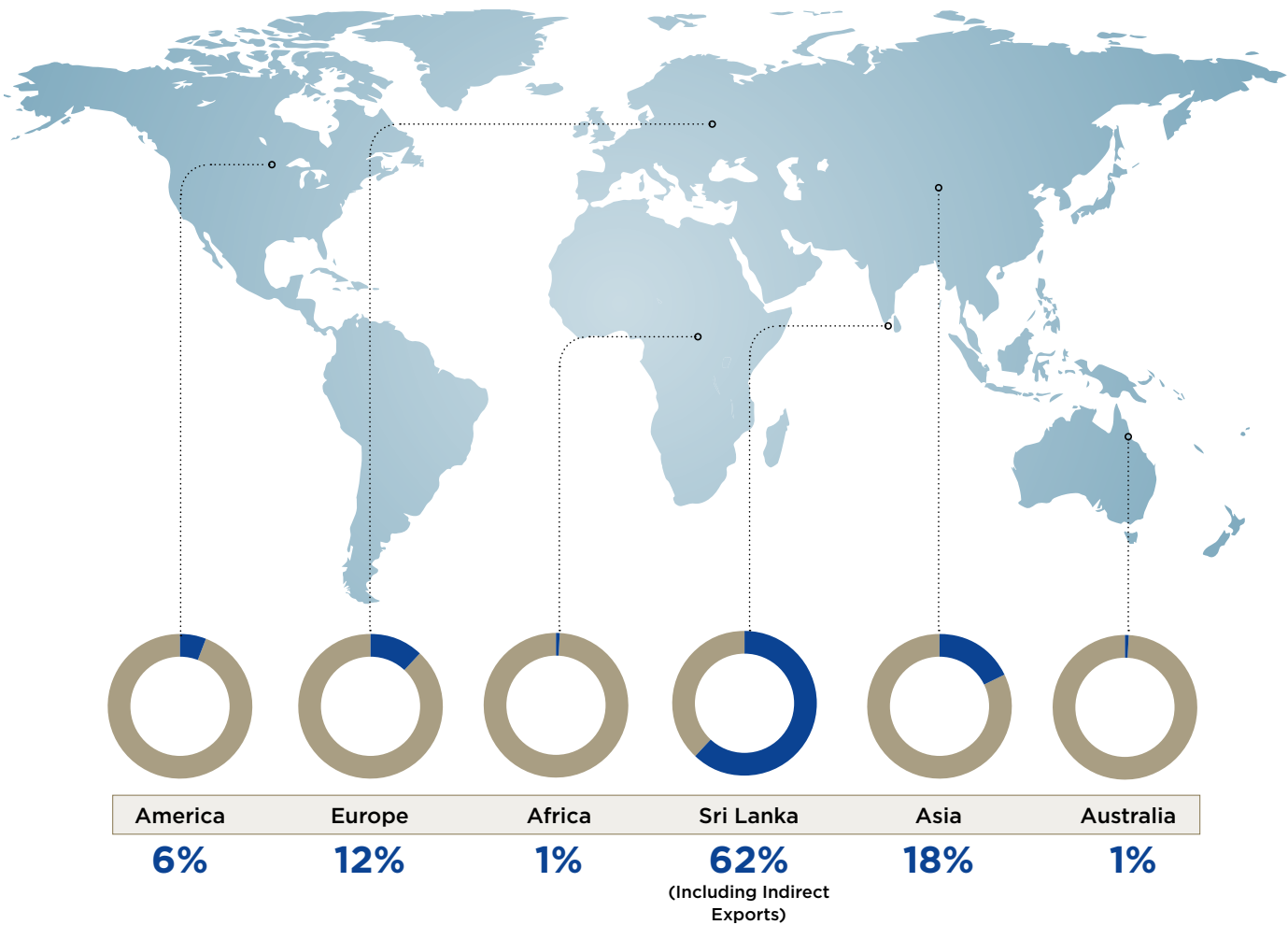
<b>Rs. 279.38 bn</b> Total Assets	<b>Rs. 241.28 bn</b> Total Revenue	<b>Rs. 14.05 bn</b> Profit-after-tax	<b>Rs. 148.32 bn</b> Group Market Capitalisation	<b>Rs. 68.99 bn</b> Economic Value Generated
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#### ECONOMIC IMPACT

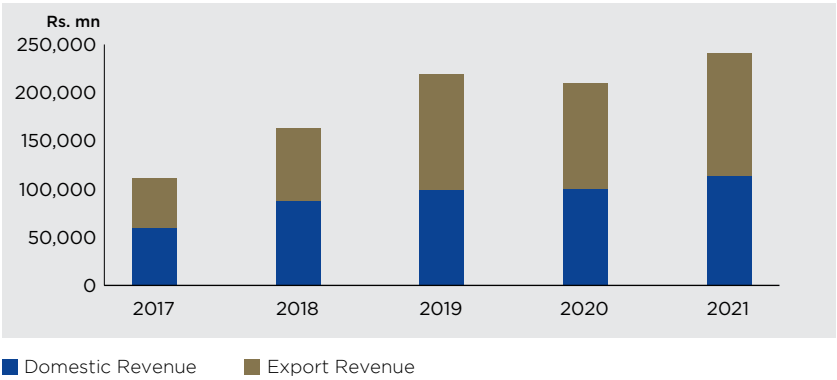
<b>4.2%</b> Sri Lanka's Export Income	<b>3.9% &amp; 4.5%</b> Sri Lanka's Tea and Rubber Production	<b>USD 600 mn</b> Foreign Exchange Earnings	<b>28%</b> Sri Lanka's Glove Exports	<b>3%</b> Sri Lanka's Renewable Energy
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leading market positions in several of its key sectors. Through a vibrant history of over 143 years, Hayleys has been at the forefront of driving Sri Lankan industries forward, through innovation, capacity building and sustainability which has led to the creation of responsible value across its universe of stakeholders.

OUR GLOBAL FOOTPRINT



CONSOLIDATED REVENUE GROWTH



## OUR PORTFOLIO

### ECO SOLUTIONS



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

#### Key products

Brushware  
Floor Coverings  
Industrial Fibre

#### Highlights 2020/21

Revenue: +26%  
PBT: +86%

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### HAND PROTECTION



Serve 5% of global demand for household and industrial gloves, with a global reputation for innovation, quality and sustainability.

#### Key products

Household gloves  
Industrial gloves  
Medical gloves

#### Highlights 2020/21

Revenue: +70%  
PBT: 5-fold increase

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### PURIFICATION



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

#### Key products

Granular AC  
Powder AC  
Extruded pellet AC  
Environmental engineering solutions

#### Highlights 2020/21

Revenue: +12%  
PBT: +107%

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### TEXTILES



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

#### Key products

Single jersey  
Interlock  
Pique  
Fleece

#### Highlights 2020/21

Revenue: +20%  
PBT: +140%

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### CONSTRUCTION MATERIALS



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

#### Key products

Windows  
Partitions  
Curtain walls  
Shop fronts

#### Highlights 2020/21

Revenue: +27%  
PBT: 15-fold increase

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### PLANTATIONS



One of Sri Lanka's largest plantation sector contributors, we generate 3.9% and 4.5% of the country's tea and rubber production respectively.

#### Key products

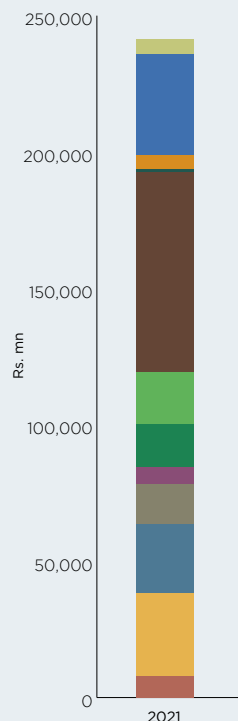
Tea  
Rubber  
Tea exports

#### Highlights 2020/21

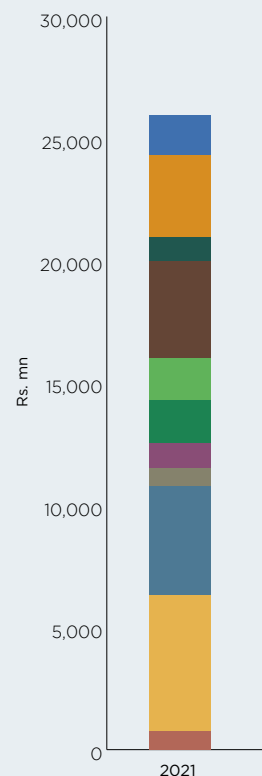
Revenue: +26%  
PBT: 8-fold increase

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### REVENUE



### PBT





## PERFORMANCE HIGHLIGHTS

		2021	Change %	2020	2019
<b>EARNINGS HIGHLIGHTS AND RATIOS</b>					
Revenue	Rs. mn	241,276	14.73	210,307	219,182
Earnings before interest, tax, depreciation & amortisation (EBITDA)	Rs. mn	33,205	42.03	23,379	21,017
Results from operating activities	Rs. mn	25,954	57.55	16,473	15,989
Profit before tax	Rs. mn	19,234	249.45	5,504	5,476
Profit after tax	Rs. mn	14,046	385.18	2,895	2,750
Profit attributable to owners of the parent	Rs. mn	7,637	1,950.58	372	265
Dividends	Rs. mn	975	-	-	375
Gross profit margin	%	25.35	6.29	23.85	22.34
Operating profit margin	%	10.76	37.33	7.83	7.29
Net profit margin	%	5.82	322.91	1.38	1.25
Earnings per share (basic)*	Rs.	10.18	1,950.58	0.50	0.35
Return on assets (ROA)	%	5.03	331.22	1.17	1.19
Return on capital employed (ROCE)	%	13.68	54.86	8.84	9.13
Interest cover	No. of times	3.00	115.84	1.39	1.47
<b>FINANCIAL POSITION HIGHLIGHTS AND RATIOS</b>					
Total assets	Rs. mn	279,383	12.51	248,309	231,747
Total debt	Rs. mn	114,462	(7.36)	123,555	113,284
Equity attributable to equity holders of the parent	Rs. mn	47,618	19.93	39,705	40,242
Gearing	%	60.35	(8.95)	66.28	64.67
Debt/equity	%	152.21	(22.56)	196.57	183.07
Equity asset ratio	%	26.92	6.33	25.31	26.70
Net assets per share*	Rs.	63.49	19.93	52.94	53.66
Current ratio	No. of times	1.11	6.23	1.04	0.99
Quick asset ratio	No. of times	0.70	5.26	0.67	0.64
No. of shares in issue	No. mn	750	900.00	75	75
<b>MARKET / SHAREHOLDER INFORMATION</b>					
Market value per share**	Rs.	60.80	(50.81)	123.60	168.00
Dividend per share*	Rs.	1.30	-	-	0.50
Company market capitalisation	Rs. mn	45,600	391.91	9,270	12,600
Group market capitalisation	Rs. mn	148,317	270.82	39,998	49,295
Price earnings ratio	No. of times	5.97	(76.01)	24.89	47.48
Dividend yield ratio	%	2.14	-	-	2.98
Dividend payout ratio	%	12.77	-	-	141.30
Dividend cover	No. of times	7.83	-	-	0.71
<b>OTHERS</b>					
Economic value generated	Rs. mn	68,992	18.03	58,454	57,684
Economic value distributed	Rs. mn	57,252	7.64	53,187	53,159
Government	Rs. mn	12,482	(0.21)	12,508	13,959
Employees	Rs. mn	30,511	12.39	27,148	25,828
Others	Rs. mn	14,260	5.39	13,531	13,372
Value added per employee	Rs. mn	2.24	19.04	1.88	1.85
Group employment	Number	30,765	(0.85)	31,029	31,255
Average revenue per employee	Rs. mn	7.84	15.71	6.78	6.98
Average operating income per employee	Rs. mn	0.84	58.91	0.53	0.51
Credit rating		A+ (Ika)	-	A+ (Ika)	AA- (Ika)

\*Ratios have been adjusted based on post sub-division of 10 shares for every one ordinary share held.

\*\*2021 is after the sub-division of shares





		2021	Change %	2020	2019
<b>CONSOLIDATED STATEMENT OF SOCIAL PERFORMANCE</b>					
<b>EMPLOYEES</b>					
Employees on payroll	No.	30,765	-0.85%	31,029	31,255
Female representation	%	37	-2.63%	38	38
New recruits	No.	4,053	-12.86%	4,651	3,567
Investment in training	Rs. mn	18	-73.53%	68	105
Training hours	Hours	161,989	-27.77%	224,275	166,708
Average training hours per employee	Hours	5.27	-27.11%	7.23	5.30
Retention rate	%	86	1.18%	85	91
Workplace Injuries	No.	149	-22.40%	192	1,603
Lost working days	No.	1,861	-55.29%	4,162	14,432
<b>CUSTOMERS</b>					
Customers acquired	No.	1,602,712	42.74%	1,122,834	1,699,855
Revenue generated	Rs. mn	241,276	14.73%	210,307	219,182
<b>SUPPLIERS AND BUSINESS PARTNERS</b>					
Total number of suppliers (as at end-March)	No.	18,699	-2.73%	19,224	19,420
SME suppliers	No.	10,711	-5.33%	11,314	13,224
Payments to suppliers	Rs. mn	145,497	10.28%	131,928	135,662
Proportion of spending on local suppliers	%	47	-25.40%	63	45
Suppliers supported through development programs	No.	1,601	779.67%	182	351
<b>COMMUNITY ENGAGEMENT</b>					
Investment in CSR	Rs. mn	292	7.06%	273	>250
Beneficiaries of CSR	No.	377,983	-9.58%	418,038	92,000
No. of new products developed	No.	349	80.83%	193	197
No. of products in the pipeline	No.	107	105.77%	52	93
Investment in R&D	Rs. mn	201	55.81%	129	278
<b>CONSOLIDATED STATEMENT OF ENVIRONMENTAL PERFORMANCE</b>					
Total Energy consumption	GJ mn	4.03	9.51%	3.68	3.75
Renewable energy consumption	GJ mn	2.60	11.09%	2.34	2.57
Non-renewable energy consumption	GJ mn	1.44	7.29%	1.34	1.17
% Renewable energy consumption	%	64	1.26%	64	69
Renewable energy generated	MWh	151,647	63.87%	92,540	45,443
Renewable energy generation %					
Out of total energy consumed	%	14	55.56%	9	4
Out of total electricity consumed	%	102	50.00%	68	34
Total Carbon footprint (GHG emission)	tCO <sub>2</sub> e	204,501	8.90%	187,784	184,018
Scope 01 emissions	tCO <sub>2</sub> e	91,187	7.00%	85,224	76,331
Scope 02 emissions	tCO <sub>2</sub> e	92,031	9.03%	84,408	84,996
Scope 03 emissions	tCO <sub>2</sub> e	21,283	17.25%	18,152	22,691
Biogenic emissions	tCO <sub>2</sub> e	291,054	11.11%	261,956	288,262
Total water withdrawal	m <sup>3</sup> mn	5.33	-0.19%	5.34	4.68
Rain water harvested	m <sup>3</sup>	21,157	34.88%	15,686	13,851
Recycled water usage	%	9	12.50%	8	0
Solid waste	MT	16,521.0	-68.26%	52,051	77,952
Effluents discharged	m <sup>3</sup> mn	3.92	-0.25%	3.93	3.71
Waste water treated through internal treatment plants	%	59	5.36%	56	25
Energy Intensity (energy per revenue)	MJ / Rs. mn	16,719	-6.52%	17,885	17,103
Emission intensity (emission per revenue)	KgCO <sub>2</sub> e / Rs. mn	848	-7.20%	913	839
Water intensity (water withdrawal per revenue)	L / Rs. mn	22,072	-15.01%	25,970	21,369
<b>CONSOLIDATED STATEMENT OF ECONOMIC PERFORMANCE</b>					
Foreign exchange income earned	USD mn	600	8.30%	554	587
Indirect employment	No.	5,960	11.55%	5,343	6,255
Supplier reach	No.	18,700	-2.73%	19,224	19,420
<b>CAPACITY BUILDING</b>					
Construction materials	No.	339	-91.00%	3,768	3,013
Agriculture	No.	-	-100.00%	178	196
Consumer & Retail	No.	5,000	8.58%	4,605	800
Job creation outside the Western Province	No.	1,694	-18.75%	2,085	1,934
Tax paid	Rs. mn	12,482	-0.21%	12,508	13,959
Innovations (total new products introduced)	No.	349	80.83%	193	197
Renewable energy generated	MWh	151,647	63.87%	92,540	45,443

## EVOLUTION OF OUR ANNUAL REPORT

The Group's Annual Report has continued to evolve in line with international best practices in corporate reporting. As the Corporate Reporting dialogue centres increasingly on greater coherence, relevance and meaningfulness of information presented in Annual Report, we have strived to strike a balance between presented complete and relevant information while ensuring the simplicity, clarity and readability of the Report. The Group has pursued aggressive organic and inorganic growth over the past decade or so, which has resulted in the number of companies within the Group and resultantly the Scope of the Report widening considerably. Against this backdrop, Hayleys has also sought to streamline its information gathering and reporting processes through increased focus on automation, thereby ensuring efficiency, reliability and accuracy.

YEAR / SCOPE	IMPROVEMENTS IN REPORTING	RECOGNITION
<b>2015/16</b> <b>167</b> <b>COMPANIES</b>	<ul style="list-style-type: none"> <li>Disclosure of comprehensive qualitative information for social and environmental performance for sectors and at Group level</li> <li>Independent Assurance on Sustainability Reporting</li> </ul>	Silver - Diversified Holdings (CA Sri Lanka Annual Report Awards 2016)
<b>2016/17</b> <b>168</b> <b>COMPANIES</b>	<ul style="list-style-type: none"> <li>Comprehensive qualitative and quantitative information on all six capitals based on the &lt;IR&gt; Framework</li> <li>Certified as a Carbon neutral Annual Report by ClimateSL</li> <li>Dedicated chapter focusing on Forward Outlook for the Group</li> <li>Dedicated chapter on the performance of the Hayleys share</li> <li>Publication of a USD Income statement and Statement of Financial Position</li> </ul>	Silver-Overall Excellence in Reporting Winner-Diversified Holdings Bronze-Business Model (CA Sri Lanka Annual Report Awards 2017)
<b>2017/18</b> <b>184</b> <b>COMPANIES</b>	<ul style="list-style-type: none"> <li>Early adoption of the GRI Standards for sustainability reporting</li> <li>Dedicated chapter on the Group's economic contribution</li> <li>Dedicated chapter on forward outlook and performance against budget 2017/18</li> <li>Adoption of the Code of Best Practices on Corporate Governance (2017) published by CA Sri Lanka</li> <li>Adoption of accounting policies applicable to Licensed Finance Companies</li> </ul>	Winner-Overall Excellence in Reporting Winner-Diversified Holdings Winner-Management Commentary (CA Sri Lanka Annual Report Awards 2018)
<b>2018/19</b> <b>182</b> <b>COMPANIES</b>	<ul style="list-style-type: none"> <li>Adoption of the National Green Reporting Standards of Sri Lanka</li> <li>Disclosure of Scope 3 GHG emissions inclusive of air travel</li> <li>Comprehensive 7-part materiality test conducted across sectors</li> </ul>	Silver-Overall Excellence in Reporting Winner-Diversified Holdings Winner-Stakeholder Engagement (CA Sri Lanka Annual Report Awards 2019)
<b>2019/20</b> <b>179</b> <b>COMPANIES</b>	<ul style="list-style-type: none"> <li>Given the unprecedented operating conditions and uncertainty that prevailed last year following the outbreak of the pandemic in Sri Lanka, a management decision was made to produce a statutorily compliant, concise Report</li> </ul>	CA Sri Lanka Annual Report competition was not held

### IMPROVEMENTS FEATURED IN HAYLEYS PLC ANNUAL REPORT 2020/21

Improvements to the Annual Report 	Improvements to the Reporting Process 
<ul style="list-style-type: none"> <li>Obtained external assurance on Integrated Reporting- one of the first Sri Lankan corporates to do so</li> <li>Adoption of revised GRI Standards, GRI 403-Health and Safety, GRI 303 - Water and Effluents</li> <li>Adoption of the revisions to the Integrated Reporting Framework published in January 2021</li> <li>Increased use of connected performance drivers to showcase connectivity between capital utilisation, preservation and erosion</li> <li>Clearly demonstrate implications of COVID-19 on the Group's strategy, operations and performance</li> <li>Adoption of the Gender Parity Reporting Framework of CA Sri Lanka</li> </ul>	<ul style="list-style-type: none"> <li>Automated the Statutory Financial Consolidation and MIS through SAP Business Planning &amp; Consolidation module ensuring increased efficiency, accuracy and reliability of the information</li> <li>Refined and improved computation of the Group's carbon footprint through considering the non-CO<sub>2</sub> GHG emissions (CH<sub>4</sub> and NO<sub>2</sub> related emissions) emitted from burning biomass</li> <li>Defined Sector-wise annual and long-term environmental targets to be achieved by 2030, aligned to the Sustainable Development Goals</li> </ul>

## OUR IMPACTS

The depth and breadth of the Group's businesses has allowed it to nurture deep-rooted relationships across industries and value chains, generating significant socio-economic impacts throughout the country. During the year, Hayleys PLC catered to 1.6 mn customers, empowering nearly 18,700 suppliers and over 16,000 out-growers while supporting over 370,000 individuals through our community engagement initiatives. Given the nature of its operations, the Group also has significant environmental impacts and has over the years adopted holistic, Group-wide efforts to reduce its adverse impacts while nurturing and rejuvenating natural resources.



## HAYLEYS RESPONSE TO COVID-19

The outbreak of the COVID-19 pandemic has plunged the global economy into recession, presenting organisations, communities and governments with some of the most complex challenges of this generation. The implications on some of the Group's businesses has also been severe, with every aspect of our operations being affected in some way or another. The Group's success for the year is largely attributed to the ability of the Hayleys Team to swiftly embrace new ways of working while promptly addressing emerging challenges through innovative and practical solutions.

### SRI LANKA'S RESPONSE TO THE PANDEMIC

Following the initial outbreak of the pandemic in Sri Lanka in March 2020, the Government imposed strict lockdowns and restrictions on mobility in a bid to curb the spread of infections. These measures were largely successful as the country avoided an escalation in infections during the 1st wave; however, the 2nd and 3rd waves have seen significantly higher infections due to the emergence of highly transmissible variants. In order to address the inevitable economic fall out of further lockdowns, the Government has committed to ensuring the continuity of economic activity and business operations, while imposing partial restrictions to prevent further escalations. This approach, together with businesses' adaptation to operating with limited mobility and a conducive policy stance has allowed a degree of resilience, ensuring continuity of economic activities.

#### IMPLICATIONS OF COVID-19 ON HAYLEYS



Direct impact on continuity of operations due to restricted mobility and work disruptions, particularly during the first wave of the pandemic.	Disruptions to international logistics and supply chains arising from lockdowns and shortages of labour in factories.	Heightened employee vulnerability to health and safety risks and transformation of the conventional workplace with a surge in remote interactions
Shifts in consumer behaviour, including slowdown in demand for certain product categories and increased propensity towards digital platforms.	Implications of accommodative monetary and fiscal policy stance including sustained decline in interest rates	Increased macro-economic risks including sharp depreciation in exchange rate and considerable pressure on the country's external position
Considerable volatility in commodity prices and freight rates directly impacted the input costs of raw materials	Disruptions in tourism due to international border closures and travel restrictions.	Surge in demand for personal protective equipment given increased focus on health and safety aspects.

#### MAGNITUDE OF NEGATIVE IMPACT ON OUR SECTORS

Low	Moderate	High
<ul style="list-style-type: none"> <li>Power &amp; Energy</li> <li>Others</li> </ul>	<ul style="list-style-type: none"> <li>Eco Solutions</li> <li>Purification</li> <li>Hand Protection</li> <li>Textiles</li> <li>Construction Materials</li> <li>Plantations</li> <li>Agriculture</li> <li>Consumer &amp; Retail</li> <li>Industrial Inputs</li> <li>Transportation &amp; Logistics</li> </ul>	<ul style="list-style-type: none"> <li>Leisure</li> </ul>

Specific implications of the pandemic on each Sector in discussed within the Sector Reviews from pages 98 to page 169 of this Report.

## OUR RESPONSE

The Group was quick to adapt to the realities of the pandemic, with all sectors obtaining the necessary approvals and implementing stringent safety measures which in turn allowed the relatively swift recommencement of operations. The Group's response included the following:

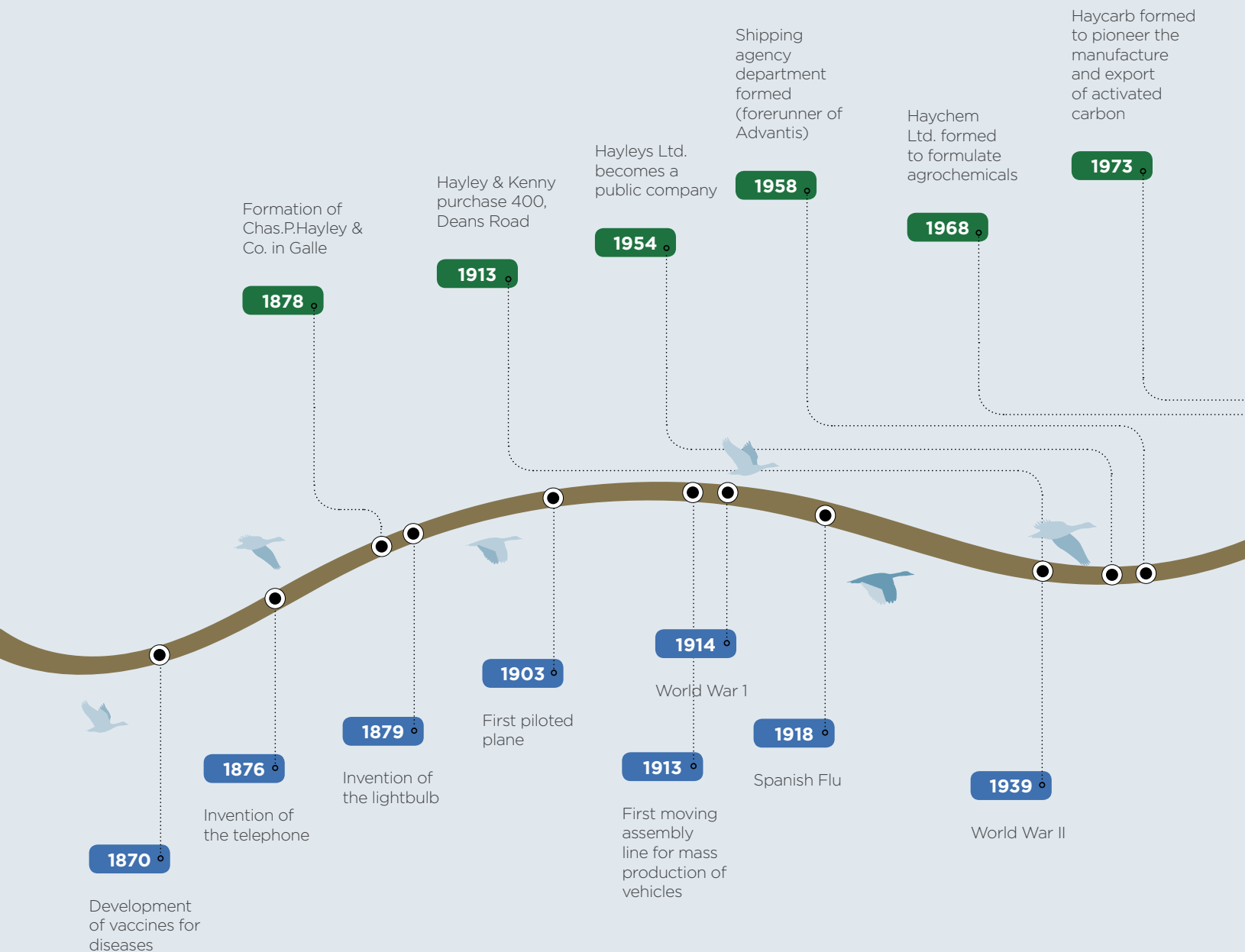
- Establishment of several Task Forces at Group level to ensure timely and proactive interventions for critical challenges arising due to COVID-19.

<b>COVID-19 TASK FORCE</b>	<ul style="list-style-type: none"> <li>● Focus on ensuring the safety of all employees across the Group through implementing safety measures, daily monitoring of infections and formulation of action plans to ensure continuity of operations.</li> </ul>
<b>FREIGHT SOLUTIONS TASK FORCE</b>	<ul style="list-style-type: none"> <li>● Proactively manage Group Exports in an environment of increasing freight rates, shipping container shortage and global port congestions and backlogs. The Task Force ensured that export orders were fulfilled through ongoing monitoring, effective planning and mitigation of emerging risks.</li> </ul>
<b>HAYSMART TASK FORCE</b>	<ul style="list-style-type: none"> <li>● Responsible for implementing the organisation wide Haysmart initiative which aimed to drive concerted cost rationalisation through productivity improvements, optimising resources and increasing automation.</li> </ul>
<b>PROJECT FINCO</b>	<ul style="list-style-type: none"> <li>● Project FINCO aimed to capitalise on the low interest rate scenario to drive reductions in the Group's borrowings costs. This involved refinancing high-cost funding and increasing reliance on fixed rate borrowings through interest rate swaps. The Group Treasury Unit also sought to leverage Group synergies to match import bills with the export inflows between sectors through synthetic forward contracts thereby reducing exposure to exchange rate risk.</li> </ul>

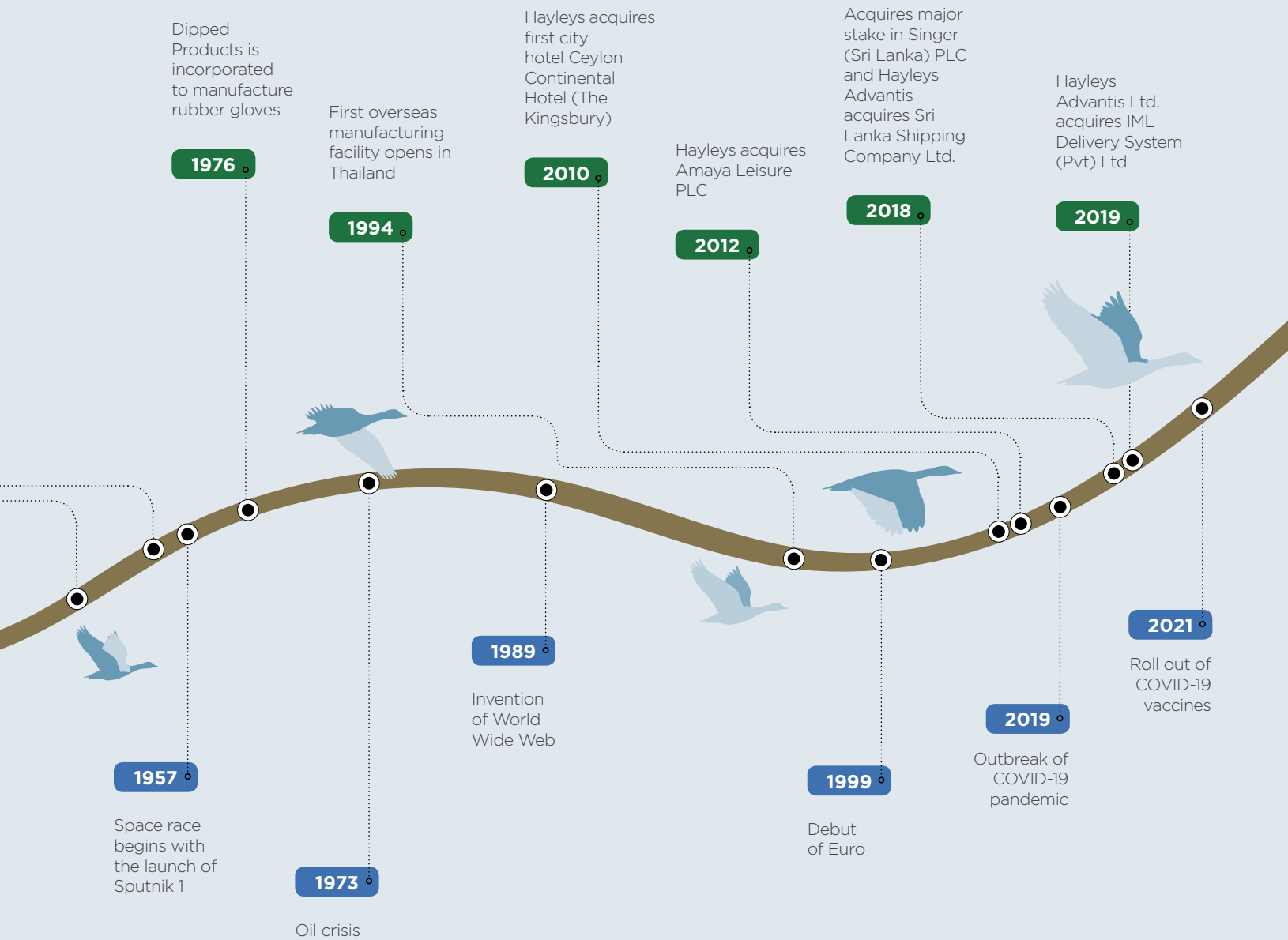
- All sectors rolled-out COVID-19 response plans, which provided a blueprint for recommencing operations under stringent health and safety guidelines.
- Introduced a range of safety protocol in line with the requirements of national and international health authorities, which included bio-bubbles, distribution of relevant PPE, implementation of sanitization and temperature monitoring mechanisms, provision of transport facilities and random PCR testing among others.
- Facilitated remote working facilities for all office employees, providing the necessary IT systems and infrastructure to ensure seamless operations.
- Group-wide decision to retain all employees in continuing operations at full remuneration despite heightened uncertainty and liquidity strain during the first lockdown. The Group Management Committee took a voluntary pay cut for a period of 03 months.
- Capitalised on opportunities presented by the pandemic through agile strategies and operating models.
- Redeployment of employees between Sectors to ensure optimisation of human capital.
- Shifted engagement with both internal and external stakeholders to digital platforms including training, employee induction, interaction, virtual tours for customers etc.
- Supporting the national effort to combat COVID-19 through direct monetary contributions of nearly Rs. 44 mn and distribution of a range of PPE, medical equipment, sanitizers and ration packs to hospitals, healthcare workers, schools and vulnerable communities.

## OUR STORY CONTINUES

### Hayleys PLC



### Global Developments



## INVESTMENT CASE

### SHAREHOLDER RETURNS

The Group's diversity has afforded it strong resilience to external vulnerabilities, as the weak performance of certain sectors is balanced by strong performance of another. Meanwhile, organic and inorganic growth over the past decade or so have led to consistent increases in the net asset value per share. Strong profit performance in 2020/21 resulted in the Group's earnings per share surging to Rs. 10.18 from Rs.0.50 the previous year. The Group engaged in a share split during the year. In 2020/21, Hayleys PLC also paid total dividends amounting to Rs.975 mn, the highest payout in its operating history with the aim of strengthening market liquidity. The Group's share price performed exceedingly well during the year, with market capitalisation increasing over 3-fold to Rs. 148.32 bn during the year.

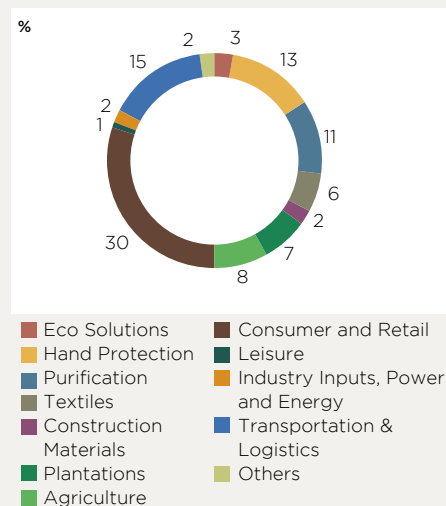
### SHAREHOLDER RETURNS



### DIVERSITY IN EARNINGS

- Sri Lanka's most diversified corporate with presence across 12 industry sectors.
- Diversity in both industry and geographical reach
- Diversity in customer segments, catering to both B2B and retail customers across all 5 regions in the world
- Diversity in industry sectors, with interests in manufacturing, agriculture and service sectors

### DIVERSITY IN REVENUE PROFILE



### STRONG MARKET POSITIONS

- A leading manufacturer of coconut-shell based activated carbon
- Market leader in the Transportation and Logistics Sector
- 5% of global demand for natural and synthetic latex based household and industrial gloves
- Undisputed market leader in Sri Lanka's consumer durables market
- Leader in Sri Lanka's aluminium extrusion industry
- Largest exporter of processed fruits and vegetables

(Pages 98 to 169 for further information)



## STRONG INVESTOR RELATIONS AND ENGAGEMENT

- Award-winning corporate reporting having embraced the principles of Integrated Reporting and Sustainability Reporting
  - Dedicated e-mail communication channel for investors/potential investors and shareholders, with concerns directed to relevant departments for follow up.
- (Pages 180 to 181 for further information)

## EXTENSIVE LAND BANK

**354.49**

Acres of land in 18 districts  
of Sri Lanka

**74.09**

Acres in 3  
overseas locations

## CAPABLE LEADERSHIP TEAM

The Group's Board of Directors combine diverse skills and industry expertise, enriching Board discussions and decisions. Meanwhile, our Sectors are driven by industry veterans with established track records in driving business growth. The leadership team is supported by a young and dynamic second-tier.

## POSITIONING IN GROWTH INDUSTRIES

The Group has consolidated its presence in growth sector's of the economy, both on a national and global scale.

- Hand Protection: Demand for gloves is expected to consolidate above pre-pandemic levels given increasing safety consciousness
- Purification: More stringent environmental regulations for water and air purification are expected to drive demand for our products
- Transportation & Logistics: 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
- Textiles: Anticipated growth in demand driven by the faster than expected recovery of advanced economies post-pandemic and realisation of pent up demand

## COUNTRY-BY-COUNTRY REPORTING

The Group has a widespread geographical reach, with manufacturing/marketing/other operations in over 15 countries around the world. In a key reporting improvement featured in this year's Annual Report, we have disclosed relevant financial information for each of these countries of origin.

Country	Sector	Revenue (Rs.mn)	Pre-tax profit (Rs.mn)	Tax (Rs.mn)	CAPEX (Rs.mn)	Total assets (Rs.mn)
Sri Lanka	● All Sectors	203,959.82	14,541.61	3,659.24	4,794.35	239,521.64
Australia	● Purification	1,691.34	283.93	73.05	0.06	899.03
Bangladesh	● Agriculture	2,953.60	233.32	102.56	48.83	2,984.82
	● Transportation & Logistics					
India	● Eco Solutions	1,188.67	41.78	1.09	1.12	368.11
	● Transportation & Logistics					
Indonesia	● Purification	5,037.41	905.52	217.86	22.74	3,764.51
	● Transportation & Logistics					
Italy	● Hand Protection	11,179.62	2,106.17	595.35	17.35	11,975.19
Maldives	● Leisure	2,806.52	-462.28	39.11	28.19	6,848.34
	● Transportation & Logistics					
Myanmar	● Transportation & Logistics	1,283.86	169.38	-0.80	8.68	493.96
Singapore	● Transportation & Logistics	1,578.51	-0.51	30.18	1.00	872.48
Thailand	● Hand Protection	12,221.03	2,067.20	420.66	258.15	7,469.49
	● Purification					
United Kingdom	● Purification	3,033.70	134.58	26.17	0.48	1,346.32
	● Eco Solutions					
USA	● Purification	3,468.22	107.25	22.03	-	2,330.15
Others	● Purification	526.83	17.56	1.10	-	509.42
	● Eco Solutions					



Exceptional Leadership

# AN EXCEPTIONAL VISION

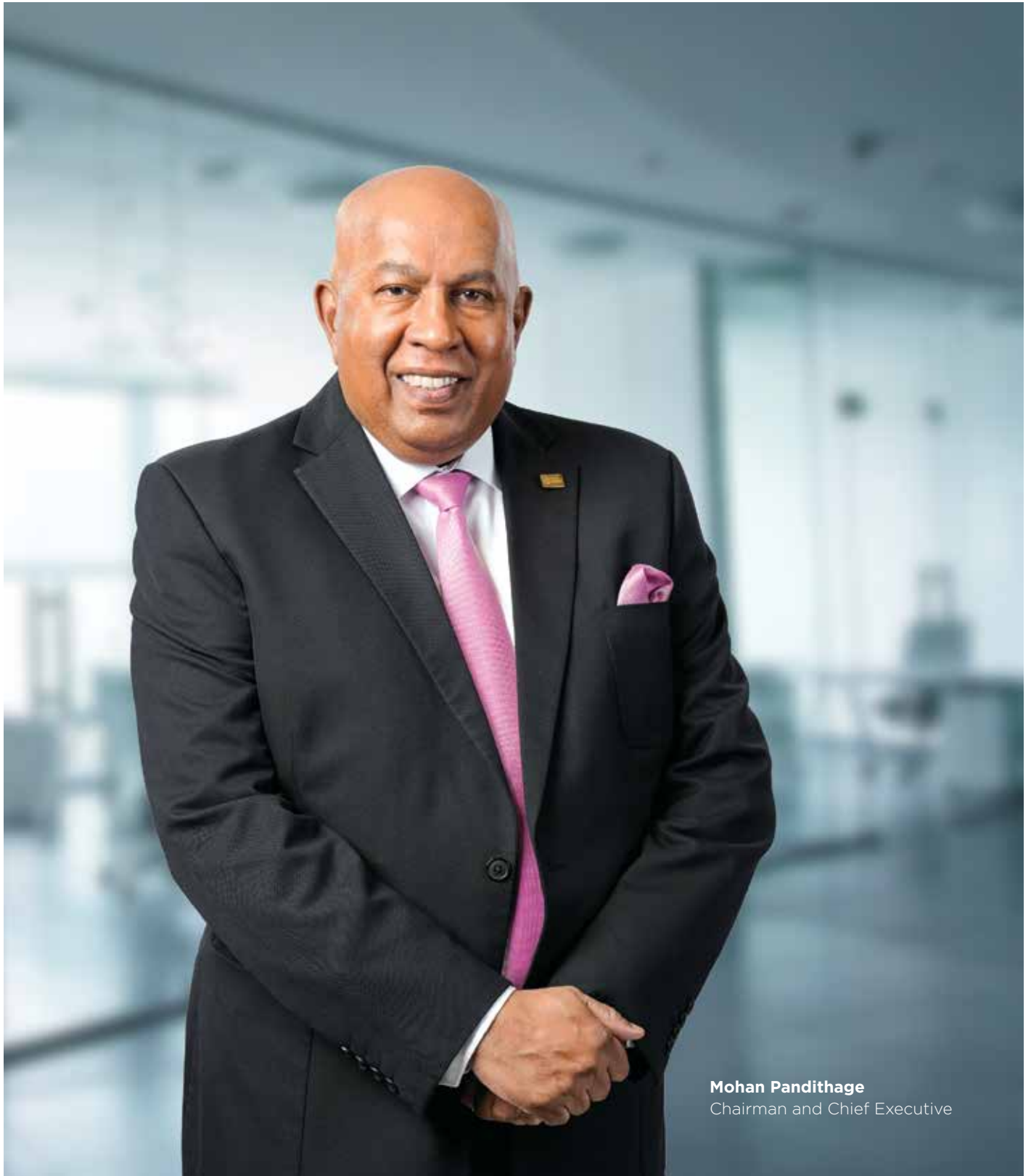
The past year has been one of unprecedented turmoil, yet we remained ever vigilant – seeking out and seizing every opportunity through the power of our farsighted vision and wide-ranging insight.

Here we explore the strategies and vision of our leadership, as well as the governing factors that enable a strong track record in the face of any challenge.

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*The eagle's sight is far superior to any human's – with an astounding 20/5 vision that enables crisp, clear long-distance visibility. Their eyes are uniquely positioned to provide an almost panoramic perspective, with the ability to scan the environment in great detail, perceive greater degrees of vibrance and seek out any available opportunity.*

## CHAIRMAN/CEO'S MESSAGE



**Mohan Pandithage**  
Chairman and Chief Executive

## HIGHLIGHTS 2020/21



Highest revenue in history

**Rs. 241.28 bn**  
(+15% y-o-y)



Highest pre-tax-profit

**Rs. 19.23 bn**  
(3-fold increase)



Highest profit-after-tax

**Rs. 14.05 bn**  
(4-fold increase)



Highest dividend payment

**Rs. 975 mn**



Economic Value Generated

**Rs. 68.99 bn**  
(+18% y-o-y)

The country went into lock down in mid-March 2020 as we were finalising our plans for the year ahead after a challenging year in 2019/20. Uncertainty, widespread job losses and pay cuts highlighted the necessity to save the livelihoods of our 30,765 employees and all sectors went back to the drawing boards to find revenue sources or savings that would enable us to do so. Every sector undertook a detailed analysis of the potential to increase revenue and identified potential savings to offset the salaries bill and that became the map for the uncharted territory that was 2020/21.

### DIVERSITY, GOVERNANCE & SYNERGY

The Group's diversity was a key strength in navigating the year as there was a clear need to support the Leisure sector which was unable to normalise the operations and faced their second consecutive year of extreme challenge. We also needed to protect our existing export businesses as countries across the world were impacted by the pandemic. Businesses focused on the domestic market remained alert to opportunities that arise from every crisis.

The geographical diversity of the Group also played an important part in navigating the year as we had the ability to divert orders to other countries when one went into lockdown, strengthening our positioning as a reliable supplier to our export customers.

The governance structure of Hayleys PLC was the other pillar of strength. The Board increased their vigilance and oversight with the onset of the pandemic, particularly focusing on health and safety, risk, and liquidity. The Group Management Committee (GMC) comprising all sector heads was pivotal to the execution of the plan approved by the Board. The GMC became members of the Haysmart Task Force, chaired by myself, with an agenda dedicated to dealing with the impacts of the COVID-19 pandemic and monitoring progress

against the plans. The Haysmart Task Force met virtually every day in April 2020, sharing solutions that were replicated across the Group, accelerating recovery. We also formed a Group Freight Management Task Force headed by the Sector Head of the Advantis Group and comprising heads of export-import based sectors, Strategic Business Development Unit and the Group's Freight Management Department to ensure timely delivery of our products. The safety of our employees was taken care of by the COVID-19 Task Force comprising the Group Head of HR, Managing Director of Aventura and HR heads of all sectors. The task forces continue to remain with less frequent meetings, complementing the fortnightly meetings of the GMC. These structures were key to identifying and addressing issues and built bridges for greater collaboration across the Group as we came together as one Group to overcome converging challenges.

### CONVERGING & CONFLICTING CHALLENGES

The business landscape at the beginning of the financial year was daunting with multiple challenges converging at the tail end of a year that had weakened the economy and balance sheets of many corporates. Having notched up a record number of days of lost productivity in 2019/20, we faced the possibility that the year ahead could be worse, and it was imperative that we re-opened our factories to avert job losses and pay cuts. Extensive precautions were taken to prepare a safe working place as the downside risks were also high if there were infections. All sectors near normalise operations with the exception of Leisure, relieving the anxiety of employees, SME's and microentrepreneurs throughout the country who were reliant on income derived from our operations. April was perhaps the toughest month as we switched gears to a new reality with limitations in the number of employees we could bring into our factories, cancelled orders from regular customers and closed showrooms.

## Dear Shareholder,

I am delighted to report that Hayleys PLC set a new bar for performance, recording the highest profit of Rs. 14.05 bn in its 143 year history through impeccable execution of detailed plans to build resilience in a year that was the most daunting in living memory.

## CHAIRMAN/CEO'S MESSAGE

Health and safety was key to turning our businesses around and remain high on the agenda as we move into another year of the prolonged effects of the pandemic. All business locations followed the WHO guidelines which was coordinated and overseen by the COVID Task Force who also ensured that all employees were made aware of the Hayleys safety protocols. Despite these measures, the duration of the pandemic remains a critical factor as it continues to impact and drain resources from other vital areas of the economy, giving rise to secondary threats.

Devaluation of the rupee and resultant import restrictions presented conflicting challenges for the Group. While the export sector had a net benefit, this combination posed challenges to the sectors that focused on the domestic market including Consumer & Retail, Construction Materials, Industry Inputs and Agriculture, necessitating game changing moves across these sectors.

The decline in policy interest rates by 174 basis points and AWPLR by 346 basis points during the year were beneficial to the Group as financing costs declined significantly, supporting earnings growth.

Decreased trade flows impacted volumes in the Transportation & Logistics sector although the sector rebounded in the second half of the year. Volatility in commodity prices was a key risk for the Group as we took an early hit from the sharp decline in bunker oil prices in April 2020 which dented the profitability of the Transportation & Logistics sector. This was a key concern during the year as overall commodity prices increased during the second half of the year which was exacerbated by the depreciation of the rupee.

### DIGITALISATION

Digitalisation was key to success. Our investments over the years in migrating processes to digital

platforms paid dividends as we were able to adapt office processes to remote working overnight including reception and call centre activity with safeguards in place to protect the information assets of the Group. Cybersecurity was strengthened in view of our increased remote access to systems and escalating cyber threats. With core operational systems stabilised within a short space of time, attention was turned to applications to extend the customer value proposition. E-commerce platforms were enhanced to enable online purchases supported by the transportation sector with additional features. Sectors also adopted innovative technologies that enabled audit and inspection of facilities by new and existing customers supporting their ESG compliance processes and differentiating the offering beyond the manufacture of products. Other applications enhanced the appeal to socially conscious consumers by providing visibility to the sourcing of raw materials. State of the art applications supported operations across the Group, facilitating integration with B2B customer systems, providing real time information for future forward management of these valuable relationships. Our digital journey has been inclusive and transformational, impacting stakeholders ranging from multinationals to plantations sector associates.

### TRIUMPH AMIDST CHAOS

Hayleys PLC navigated a year of converging challenges to record pre-tax earnings of Rs.19.23 bn, an impressive increase of 249%. Revenue increased 15% with Hand Protection, Consumer & Retail and Agriculture being the top contributors with all other sectors also contributing positively except for Leisure, Industry Inputs, Power & Energy and Transportation & Logistics sectors which recorded a decrease. Gross Profit increased by 22% to Rs.61.16 bn as sectors focused on driving productivity and responsible

## 2020 IN NUMBERS



### Economic Growth

	Revenue Contribution	Economic Growth
Sri Lanka	85%	-3.6%
Italy	4.6%	-8.9%
Thailand	5.1%	-6.1%
Maldives	1.2%	-32.2%
Myanmar	0.5%	3.2%
Bangladesh	1.2%	3.8%
Australia	0.7%	-2.4%
India	0.5%	-8%
Indonesia	2.1%	-2.1%
Singapore	0.7%	-5.4%
United Kingdom	1.3%	-9.9%
USA	1.4%	-3.5%

### WORLD TRADE FLOWS

↓ -5.3%



### SRI LANKA

Imports ↓ 19.5%  
Exports ↓ 15.9%



### Sri Lanka

	2020	2019
GDP (US\$ bn)	80.7	84
Per Capita Income (US\$)	3,682	3,852
Unemployment (%)	5.5	4.8
GDP Growth by Sector		
- Agriculture	-2.4%	1%
- Industry	-6.9%	2.6%
- Services	-1.5%	2.2%
Inflation (%)	6.2	3.5
AWPLR (%)	5.81	9.74
Exchange Rate (Rs:1US\$)	185.52	178.78
Manufacturing Sector Capacity Utilisation (%)	67	81



consumption initiatives such as Six Sigma, Total Productive Maintenance across all production facilities. The Group's commitment to disciplined cost management is evident in the marginal growth of Distribution and Administrative expenses which were curtailed to 2% and 5% growth respectively in line with the plans agreed upon at the beginning of the year. This enabled the Group to record 58% growth in Operating Profits which increased from Rs.16.47 bn to Rs.25.95 bn having secured the salaries, increments and bonuses of employees who are eligible, supported livelihoods of our suppliers and having made most shipments on time confirming to highest quality standards, a hallmark of the Hayleys Group.

Lower interest rates, re-scheduling of loans after serious negotiations and strong cashflows supported a sharp decrease in finance costs by 38% from Rs.11.01 bn in FY 2019/20 to Rs.6.8 bn in FY 2020/21, strengthening pre-tax earnings. Accordingly, Profit before tax increased by 249% to Rs.19.2 bn reflecting the combined impact of productivity, disciplined cost management and a prudent financial risk management approach given the elevated uncertainties. The profit after tax for the Group increased by 385% to Rs.14.05 bn in FY 2020/21 compared to Rs.2.89 bn in the previous year, enabling the Group to record an epoch in Hayleys's annals as we triumphed over the odds and chaos that prevailed during the year.

### STRONGER, POISED FOR GROWTH

The Group's balance sheet expanded as total net assets increased by 20% to Rs.75.20 bn as revenue reserves strengthened during the year. Strong cashflows enabled the Group to reduce debt by Rs.9.09 bn, strengthening the Group's financial position as debt equity improved from 197% in the previous year to 152% in FY 2020/21. The composition of the balance sheet also reflects the prudent approach to

SECTOR ROCE		
	2021	2020
Eco Solutions	7.6%	5.6%
Hand Protection	28.7%	11.5%
Purification	25.3%	19.3%
Textiles	14.3%	8.4%
Construction Materials	24.3%	9.2%
Plantation	19.2%	5.2%
Agriculture	26.7%	18.4%
Consumer & Retail	15.6%	9.6%
Leisure	-21.8%	-3.8%
Industry Inputs, Power & Energy	12.7%	14.7%
Transportation & Logistics	15.4%	13.8%
Other	9.4%	3.4%
<b>Group</b>	<b>13.68%</b>	<b>8.84%</b>

managing working capital and liquidity reinforced during the year. Capital expenditure was kept to a minimum due to the uncertainties and amounted to Rs.5.77 bn which was primarily used to enhance capacity and improve value addition processes. Inventory levels increased reflecting increased investments in raw materials to have comfortable margins for disruption as well as higher levels of finished goods in line with the improved top line. Trade receivables increased by 12% in line with the revenue increase and this is monitored closely to identify early warning signs. Cash and short-term deposits have strengthened the liquidity which is paramount under the circumstances. These structural changes in the balance sheet have considerably strengthened the Group's financial position which is reassuring as we remain in lockdown amidst the third wave of the pandemic.

### REVIEW OF BUSINESS VERTICALS

Hayleys derives 51% of its revenue from the domestic market while balance is derived from exports. Exports revenue was maintained at previous years levels despite weaker merchandise trade globally in 2019. Revenue from the domestic market was impacted by multiple factors which are discussed within each sector in addition to business closures at the beginning and end of the year which affected every business.

#### Consumer & Retail

Singer (Sri Lanka) PLC which dominates the consumer durable sector delivered a stellar performance to record earnings after tax of Rs.2.71 bn, the highest profit achieved in its history. Close oversight of strategy by the Co-Chairman supported the turnaround from the mediocre profit of Rs.383 mn in the previous year to drive profit growth by an impressive 608%. Consumers emerging from the first lockdown of nearly 2 months sought to update homes with modern appliances which are now an essential part of modern life. Working and learning from home trends supported a surge in demand for laptops which took Singer to the #1 position amongst Sri Lanka's consumer and commercial retailers for Dell. Additionally, communications became a vital part of remaining connected to friends and family which supported an increase in demand for phones. Renewed focus on home comforts also saw an increase in demand for TV's, air conditioners and range of kitchen appliances. After sales service became a key differentiator as we strengthened this important area with new standards of excellence. The sector added more brands to its portfolio and also expanded its agri-equipment offering, introducing John Deere tractors to the market. Singer E-commerce channel too performed exceptionally well with the rapidly growing consumer trend of online purchases. Regnis, the manufacturing arm produces refrigerators of high quality in par with international brands

## CHAIRMAN/CEO'S MESSAGE

and has a market share of 40% of the country's refrigerator sales. Singer Finance (Lanka) PLC recorded a profit after tax of Rs.409 mn supported by strong growth in deposits and gold loans with fixed deposits surpassing the Rs.10 bn mark.

The outlook for the Consumer & Retail sector is positive despite the lockdown for the 3rd wave. Singer activated a market segment that was not catered to before and low penetration levels in home appliances and the replacement market present further opportunities for growth. A good harvest in the Maha season also supports growth in the agri-equipment segment and the consumer durable segments. An island wide network and a strong franchise, support the growth of this sector as Sri Lankans adapt to a 21st century lifestyle.

### Hand Protection

The Hand Protection sector which recorded profit after tax of Rs.4.4 bn in the year under review experienced a strong growth in demand for its product range including the disposable gloves. This was also the highest profit in the history of the sector. The influx of orders necessitated a rapid increase of installed capacity although the factories were already producing at optimal capacity. The leadership teams across the five factories in Sri Lanka and Thailand collaborated to enhance the capacity of the existing infrastructure by clearing bottlenecks and optimising the flow of orders. Initiatives such as Lean Six Sigma and Total Productive Maintenance honed the skills of the teams over the past few years and the factories were able to further increase capacity and maximise utilisation as a whole. Increase in raw material prices and the exchange rates were concerns during the year. The Group widened its out-grower programme First Light to 3 new districts to overcome supply constraints for natural rubber latex. Continued focus on innovation supported the launch of a new range of premium products during the year

as well as an eco-friendly glove using recycled PET bottles. Notably, the sector sales including the marketing & distribution arm in Italy retained all its clients while also acquiring new customers in new geographies.

The outlook for the sector remains positive through 2021 although demand growth is expected to moderate in the medium term. Capacity expansion by manufacturers in the region will exert pressure on price while commodity price increases will exert pressure on margins. Well established social and environmental compliance frameworks support competitiveness which will be key to retaining customers in a post pandemic era.

### Purification

Upward movement of gold prices partly supported the growth of the activated carbon product range driving revenue growth. Research and Development led innovation facilitated the launch of new products during the year whilst gaining new grounds in its Energy Storage specialised carbon range. Geographic expansion into new markets and increasing penetration in existing markets was supported by technology driven business development initiatives. We maintained a strong focus on customer engagement in a socially distanced era, facilitating virtual factory tours for remote inspection and audit of our manufacturing facilities. An increasing focus on value added products, high capacity utilisation and productivity efficiencies supported impressive growth in operating margins. Having factories in three countries supported business continuity in a year marked by waves of the pandemic which enabled a reliable supply to our customers. Revenue growth was achieved despite the subdued performance of the environmental engineering business which was partially decreased with the additional production of face masks with an extended range for which the demand surged due to the pandemic.

### CONSUMER & RETAIL



#### Country of operation:

Sri Lanka

- Revenue Rs.73.02 bn ↑ 19%
- EBITDA Rs.7.17 bn ↑ 22%
- Op. Profit Rs.5.60 bn ↑ 29%
- PBT Rs.3.96 bn ↑ 508%
- PAT Rs.2.71 bn ↑ 608%
- Capex Rs.0.58 bn
- Total Assets Rs.70.30 bn ↑ 7%
- Value Created Rs.18.67 ↑ 9%

### HAND PROTECTION



#### Countries of Operations:

Sri Lanka, Thailand, Italy

- Revenue Rs.30.4 bn ↑ 70%
- EBITDA Rs.6.17 bn ↑ 248%
- Op. Profit Rs.5.50 bn ↑ 404%
- PBT Rs.5.55 bn ↑ 449%
- PAT Rs.4.41 bn ↑ 446%
- Capex Rs.1.34 bn
- Total Assets Rs.27.54 bn ↑ 110%
- Value created Rs.9.02 bn ↑ 98%

### PURIFICATION



#### Countries of Operations:

Sri Lanka, Indonesia, Thailand, United Kingdom, Australia, USA Singapore

- Revenue Rs.25.48 bn ↑ 12%
- EBITDA Rs.5.03 bn ↑ 64%
- Op. Profit Rs.4.44 bn ↑ 77%
- PBT Rs.4.48 bn ↑ 107%
- PAT Rs. 3.55 bn ↑ 102%
- Capex Rs. 1.05 bn
- Total Assets Rs.22.95 bn ↑ 23%
- Value created Rs.7.67 bn ↑ 44%



The outlook for this Purification Products sector is positive with strong demand for gold, water and air purification segments, a strong product pipeline driven by the in-house research team and entry into new markets with potential for increasing penetration. Increasing awareness and regulatory action to mitigate climate threats is expected to drive growth of activated carbon and the environmental engineering business which is currently supported by low cost funding augers well with the value added carbon expansion plans of the sector.

### Transportation & Logistics

The Advantis Group played a key role in facilitating the smooth operation of supply chains and inland movement of essential goods and medicines. The sector was restructured to drive focused growth in 5 verticals, namely, International Freight Management, Integrated Logistics, Projects & Engineering, Marine & Energy and Aviation. Given the complementary nature of the businesses, the Group's Aviation operations were brought under the Transportation & Logistics Sector thereby maximising synergies.

The Marine & Energy vertical had a challenging start to the year as bunker oil prices fell sharply with the onset of the pandemic affected the bunker operations in the first half of the year although it rebounded strongly in the second half of the year. The purchase of a high capacity anchor handling tug boat last year also enabled the Marine & Energy vertical to operate at a different level supporting growth. The International Freight Management vertical saw a dip in trade volumes which was buffered by increasing freight rates and exchange gains as the rupee depreciated. The Integrated Logistics cluster delivered strong growth driven by client acquisition and build up of inventory by clients. Express Freight benefitted from the growth of e-commerce as the acquisition of City Pack facilitated delivery of the last mile, strengthening

the value proposition. The Projects & Engineering vertical secured large projects for pre-engineered buildings and is poised for growth both in Sri Lanka and overseas for infrastructure projects. In order to bring all construction divisions under the sector, Unisyst Engineering PLC management was assigned to this sector. International Operations performed well with Maldives operation recording a noteworthy performance and Myanmar, Indonesia, India and Bangladesh all turning around, through acquisition of new businesses and focused growth with existing clients.

As the largest player in the logistics and transportation sector, the sector is well positioned for growth. Capacity at the Colombo Port is key to growth and the East Terminal must come into operation sooner than later. The sector is pursuing potential opportunities at the Hambanthota Port as well. Integrated logistics, Marine and Energy and Projects and Engineering will be thrust areas with investments in digitalisation, geographic expansion, investments in sea going vessels, development of our own products and securing our position as the largest domestic distribution company.

### Agriculture

Hayleys Agriculture sector plays a vital role as a catalyst to modernising the country's agriculture practices and supporting its food security. The sector is an important link of connecting rural farmers to global supply chains, supporting livelihoods with technical know-how, tools, seeds and purchase of their produce at agreed prices.

Hayleys Agriculture recorded its highest turnover and profit during the year despite the challenges of the pandemic on this people intensive sector. The right products at the right time facilitates bumper harvests for paddy and maize supporting livelihoods of farmers. The Sector leveraged its research and development capabilities to drive innovation both in the food exports

## TRANSPORTATION & LOGISTICS



### Countries of Operation:

Sri Lanka, Maldives, Bangladesh, India, Myanmar, Singapore, Indonesia

- Revenue Rs.37.24 bn ↓ 15%
- EBITDA Rs.5.64 bn ↑ 3%
- Op. Profit Rs.4.09 bn ↑ 2%
- PBT Rs.3.33 bn ↑ 31%
- PAT Rs.2.59 bn ↑ 73%
- Capex Rs.0.4 bn
- Total Assets Rs.39.18 bn ↓ 4%
- Value created Rs.8.42 bn ↓ 2%

## AGRICULTURE



### Countries of Operation:

Sri Lanka, Bangladesh

- Revenue Rs.19.23 bn ↑ 41%
- EBITDA Rs.2.28 bn ↑ 35%
- Op. Profit Rs.1.98 bn ↑ 28%
- PBT Rs.1.71 bn ↑ 70%
- PAT Rs.1.22 bn ↑ 62%
- Capex Rs.0.12 bn
- Total Assets Rs.16.03 bn ↑ 17%
- Value created Rs.4.84 bn ↑ 28%

## PLANTATIONS



### Country of Operation:

Sri Lanka

- Revenue Rs.15.93 bn ↑ 26%
- EBITDA Rs.2.37 bn ↑ 178%
- Op. Profit Rs.1.89 bn ↑ 364%
- PBT Rs.1.77 bn ↑ 725%
- PAT Rs.1.55 bn ↑ 1,288%
- Capex Rs.0.39 bn
- Total Assets Rs.16.18 bn ↑ 20%
- Value created Rs.7.95 bn ↑ 30%

## CHAIRMAN/CEO'S MESSAGE

category and in the domestic agri crop growing introducing high yielding new varieties of maize and vegetable seeds. Export initiatives with farmers were affected by mobility restrictions which resulted in high amounts of waste although farmers were paid at the agreed price. Further, export customers were unable to promote new products in advanced economies which impaired new product development. Flower seed operations with global customers remained steady although movement of seeds has been a challenge in global markets due to the pandemic. Crop protection and Agri equipment also recorded strong growth.

The sector focuses its efforts in optimising the productivity of the country's agriculture sector which is absolutely key to the country's food security. Strong pipeline of trials support its activities and the sector is well positioned for growth with a comprehensive value proposition that supports the livelihoods of thousands of farmers in the country.

### Plantations

Favourable movement in tea and rubber prices supported top line growth as the sector overcame challenges related to the pandemic and drought which resulted in a decline in tea production. Increased tea consumption and commencement of online live tea auctions supported the upward trend in Sri Lanka's tea, driving demand. A reputation for high standards of environment and social responsibility, commitment to Good Agricultural Practices and responsible manufacturing processes support the sustainable growth of this sector and the positioning of Talawakelle and Kelani Valley as No.1 and 2 respectively for tea sale. Mabroc also had an excellent year with exports as they continued to work through the lockdowns. Despite the continued work on the estate during lockdown, the sector did not record any COVID-19 positive cases in the

first two waves due to their diligence in implementing safety protocols. Cost of production and yields remain a challenge in the country's plantation sector and the Group continues to invest in digitalisation, automation and mechanisation to improve these.

Future prospects of the sector would largely determine by the labour productivity (cost per KG of plucked tea leaves), availability of suitable pest control and weed control agents and the decision by the Wages Board Committee to increase the daily wage of estate workers without any reference to productivity which is being appealed at present as it will increase the cost of production to an untenable level. Despite these challenges, tea and rubber prices are expected to remain at favourable levels.

### Industry Inputs, Power & Energy

Industry Inputs, Power & Energy sector delivered a resilient performance supported by the power sector to cross the Rs.1 bn mark for profit before tax. The Industry Inputs vertical was successful in gaining entry to the Maldives and Bangladesh, expanding its geographical presence. Its product portfolio was also enhanced with the introduction of nano carbon material and biodegradable plastics to the industrial sector. The Lifesciences vertical also expanded portfolio to fulfil requirements arising in the healthcare sector. The sector focused on expanding its agencies as well, broadening its portfolio and customer value proposition.

Future plans include enhancing the Lifesciences vertical which was focused on radiology to create a one stop shop for medical equipment across all specialties. We will also look to expand our non-conventional renewable energy portfolio. Industry Inputs vertical is also expected to gain momentum as economic activity gains momentum.

### INDUSTRY INPUTS, POWER & ENERGY



#### Country of operation:

Sri Lanka

- Revenue Rs.5.01 bn ↓ 17%
- EBITDA Rs.1.43 bn ↓ 9%
- Op. Profit Rs.1.11 bn ↓ 11%
- PBT Rs.1 bn ↑ 1%
- PAT Rs.0.79 bn ↓ 15%
- Capex Rs.0.36 bn
- Total Assets Rs.13.49 bn ↓ 1%
- Value created Rs.2.03 bn ↓ 24%

### ECO SOLUTIONS



#### Countries of operation:

Sri Lanka, India

- Revenue Rs.7.82 bn ↑ 26%
- EBITDA Rs.0.82 bn ↑ 46%
- Op. Profit Rs.0.66 bn ↑ 51%
- PBT Rs.0.76 bn ↑ 86%
- PAT Rs.0.66 bn ↑ 115%
- Capex Rs.0.30 bn
- Total Assets Rs.13.05 bn ↑ 12%
- Value Added Rs.1.50 bn ↑ 24%

### CONSTRUCTION MATERIALS



#### Country of operation:

Sri Lanka

- Revenue Rs.5.89 bn ↑ 27%
- EBITDA Rs.1.46 ↑ 106%
- Op. Profit Rs.1.23 bn ↑ 168%
- PBT Rs.1.02 bn ↑ 1,428%
- PAT Rs.0.84 bn ↑ 2,626%
- Capex Rs.0.25 bn
- Total Assets Rs.7.67 bn ↑ 13%
- Value created Rs.2.48 bn ↑ 41%

### Eco Solutions

Eco Solutions delivered a resilient performance during the year despite significant challenges in obtaining raw material due to the pandemic. A new branded mattress was introduced to the domestic market and will be distributed through the Singer network. Revenue growth was driven by increased exports to Mexico, USA, UK and Turkey. Innovation is a key driver for growth and products introduced during the year included seed pads, salad mats in growing media which is gaining traction. Brushware using palmyrah fibres was launched in the North.

The sector continues to invest in backward integration operations in the North and East supporting livelihoods in this former war zone. Prospects for this sector are positive as there is increasing awareness about climate change and sustainability, particularly in advanced economies which is the core strength of this sector.

### Construction Materials

The Construction Materials sector overcame multiple challenges to deliver PBT of Rs.1.02 bn, an impressive growth of 1,428% over the previous year. Performance was driven by strong export orders and designing, producing and distributing our own range of value-added products. Increasing the recycled Aluminium component from 20% to 40% in specific product categories supported margin growth as the sector worked with the Metallurgical Department of the University of Moratuwa to develop new alloys from this green metal. Around 10% of total production is exported into advanced economies such as UK, USA, Canada and New Zealand. The low interest regime led to interest in home improvements and we were able to cater to this market with the Lumin range of products which includes DIY window frames, ladders, and even kitchen cabinets which supported top line growth. The sector

also acquired over 30+ new customers even though travelling overseas for marketing was restricted.

The sector has a stable outlook despite the slowdown in the construction sector in 2020 due to its expansion of a value added range of products, strong export growth and innovation partnerships. There is also headroom for improving margins through increased recycled inputs as the global standard for recycled inputs is 75%.

### Textiles

Hayleys Fabric delivered an impressive performance despite the global fashion industry experiencing its worst year on record. Turnover growth outpaced industry growth as the Company innovated fabrics that catered to the trending athleisure product category which witnessed an increase in demand as the pandemic saw more people working from home. Having developed its own Inno brand of fabrics which has gained traction with Tier 1 buyers, the sector had developed strong partnerships built on trust, reliability and innovation and they returned by the second half of the year to fill the order book. The team remained agile from the beginning, recommencing work in April 2020 to produce fabric for face masks which supported cashflow and livelihoods of all the employees of whom 67% are from the village where the factory is located. A proven track record in innovation is the cornerstone of the sector's success, differentiating its offering in an intensely competitive market.

The acquisition of South Asia Textiles Ltd., for Rs.3.9 bn in April is an indication of our future plans for this sector which has remained resilient in an extremely challenging year.

### Leisure

The Tourism sector was the hardest hit by the pandemic and has not recovered as yet as new waves and strains emerge. The Leisure sector bounced back quickly with stringent

## TEXTILES



### Country of operation:

Sri Lanka

Revenue Rs.14.58 bn ↑ 20%

EBITDA Rs.1.30 bn ↑ 55%

Op. Profit Rs.0.88 bn ↑ 97%

PBT Rs.0.72 bn ↑ 140%

PAT Rs.0.73 bn ↑ 217%

Capex Rs.1.10 bn

Total Assets Rs.11.58 bn ↑ 25%

Value created Rs.2.78 bn ↑ 26%

## LEISURE



### Countries of operation:

Sri Lanka, Maldives

Revenue Rs.1.35 bn ↓ 70%

EBITDA Rs.(1.07) bn ↓ 341%

Op. Loss Rs.1.83 bn ↓ 419%

PBT (Rs.2.47 bn) ↓ 179%

PAT (Rs.2.35 bn) ↓ 165%

Capex Rs.0.68 bn

Total Assets Rs.15.62 bn ↓ 4%

Value created (Rs.0.06 bn) ↓ 103%

## OTHERS



### Countries of operation:

Sri Lanka, Netherlands, Japan, United Kingdom

Revenue Rs.5.32 bn ↑ 13%

EBITDA Rs.4.49 bn ↑ 149%

Op. Profit Rs.4.30 bn ↑ 167%

PBT Rs.1.68 bn ↑ 195%

PAT Rs.1.61 bn ↑ 191%

Capex Rs.0.05 bn

Total Assets Rs.72.41 bn ↑ 2%

Value created Rs.7.48 bn ↑ 63%

## CHAIRMAN/CEO'S MESSAGE

safety measures in place, but the intermittent nature of the recovery has been disappointing with the entire industry on cashflow maintenance mode, not just in Sri Lanka but across most countries. Vaccinations are key to a sustainable recovery of the sector and is an urgent need as the opportunity cost is high. The Tourism sector contributed 4.3% to GDP in 2019 and accounts for over 400,000 direct and indirect jobs. The recovery from the terror attacks reflects the ability of the sector to bounce back. Hayleys Group is committed to supporting the sector through this difficult time, positioning it for growth in a post pandemic era.

### Others

This diverse portfolio of verticals includes operations of the holding company Hayleys PLC, BPO and Shares Services, and Fentons Ltd. The Fentons Group expanded its operations, particularly in the solar energy installations which contributed to positive growth in PBT. Dividends received by the holding company amounted to Rs.3.62 bn which gets set off in consolidation and is not reflected in the results of the sector, but is an important number nevertheless as it supported cashflow. The strong cashflows generated during the year and the low interest rate regime supported a sharp decline in finance costs as we renegotiated borrowings at lower rates. The plans for Fentons are being monitored closely to realise its full potential.

### OUTLOOK

While the lockdown for the third wave subdues the outlook, the resilience of the people and the businesses in adapting to life in a socially distanced world has been remarkable. Embracing technology was part of the solutions and the shift to digital will increase productivity enabling Sri Lanka to compete more effectively. Weaker economic indicators give cause for concern but we all need to work together to turn

the tide and rise above. The forecasts by IMF are positive, particularly for advanced economies and this provides the Hayleys Group with further opportunities for growth in the year ahead. Government policy will play a key role in driving sustainable economic growth and we will continue to monitor developments in this regard as we need to carefully consider their impacts on strategy.

### VALUE TO SHAREHOLDERS

Renewed interest in the Colombo Stock Exchange saw the ASPI increase by 55.77% from 4,571.63 to 7,121.28. The share price of Hayleys PLC increased from Rs.123.60 per share to Rs.860.00 (Highest price recorded prior to the sub-division of 10 shares for every one ordinary share held) providing shareholders a return of 13.68% for the financial year from capital appreciation.

Value to shareholders increased considerably during the year with Earnings per share moving up from Rs.0.50 to Rs.10.80. We also distributed two interim dividends of Rs.3 per share in July 2020 and Rs.1 per share (after the sub-division) in March 2021. The distributions put Rs. 975 mn in the hands of our shareholders enhancing the returns from appreciation of the share price.

The Group unlocked further value for shareholders with the sub-division of shares at a ratio of 1:10, increasing liquidity of the share. At the time of writing, a sub-divided share was priced at Rs.78.40 which is an increase of 12% post sub-division.

### INTEGRATING SUSTAINABILITY

This year's performance is a study in how the Group has integrated the principles of sustainability into our business and decision-making processes from the front-line workers to the Board. Our concern for people, planet and profits featured in every decision we made as we walked a tight rope at the beginning of the year, balancing these three priorities

as emotions were charged internally and externally due to elevated anxiety levels and the socioeconomic changes arising from the pandemic. With many of our factories located outside Colombo, we were able to understand the urgency of their needs and restoring livelihoods for our employees, microentrepreneurs and small businesses was a priority.

### Economy

Hayleys Group accounted for 4.22% of the country's direct and indirect exports. Foreign currency earnings of the Group exceeded USD 600 mn. Total value created by the Group amounted to Rs.68.99 bn, 18% over the previous year and 85% of this was in Sri Lanka and the balance was from the Group's overseas operations. The Group paid Rs.12.5 bn in revenues to governments of which Rs.11.23 bn was to the government of Sri Lanka.

### People

The magic of Hayleys is its responsibility to the people, our employees, customers, suppliers and business partners. Our operations are inextricably interwoven into the socioeconomic fabric of our country over 143 years. The Hayleys Way reinforces our values, ensuring fair dealing with all stakeholders.

Securing the job and salaries of our employees was the overarching objective during the year. This commitment was also evident throughout the year as our plans pivoted on making savings or driving revenue growth to protect the Group salary bill while also granting salary increments and bonuses to all eligible employees. This was amply rewarded by the determination of our employees at every level to deliver performance and the support of the trade unions to keep factories running with all the safety precautions. Employees who were COVID positive were looked after until they were sent home after recovery. I believe the best evidence of our commitment to people is

the voluntary pay cut taken for three months by the Hayleys Group Management Committee to maintain intact the salaries of our employees at the same levels. Employees of the Group also came together to donate a day's salary to the COVID Fund which amounted to Rs.19 mn which was matched by the Group making a total donation of Rs.39 mn.

We continued to strengthen our supply chains by expanding out-grower schemes, connecting rural communities to global supply chains. The Agriculture sector continued to purchase the harvest from farmers even when the quality had dropped due to over ripening owing to the lockdown. Over 1,500 people were added to this growing network during the year, supporting their livelihoods through the Haritha Angara programme by Puritas, First Light by Dipped Products and several other projects by Hayleys Agriculture and Eco Solutions.

Our philanthropic activities continued during the year despite the challenges with sectors carrying out innovative campaigns by understanding the real needs of the communities they operate in. Going Beyond Puritas Sathdiyawara campaign continued its work with donations of books to school children in the communities which received the water purification plants in previous year. The Plantation sector worked together with the various agencies to implement several programmes to uplift the lives of their associates including the Home for Every Plantation Worker project which has now benefitted over 58,000 beneficiaries with their own homes. The Alumex diverted the funds allocated for staff welfare to purchase 235 tablets which were distributed to their employees' children, enabling them to do their studies online as schools moved lessons online. They also distributed 300 white canes as a part of an ongoing project.

### Planet

The Group's productivity efficiencies and innovations are driven through well-developed sustainable mindsets as we have championed the GRI standards for over a decade. A focus on sustainable innovation throughout the Group has gained traction with our global customers which are detailed on pages 210 to 211 of this Report. The Group initiatives on greening our business are set out on pages 224 to 225 of the report. Collectively they highlight how environmental sustainability has moved beyond mere compliance to becoming a source of competitive advantage and of strategic importance to the Group.

### Revising Our ESG Framework

We launched a project to transform our ESG Framework to reflect higher levels of integration of sustainability principles in our business, ensuring that it is future forward and fit for purpose. We completed the first phase of revising our ESG framework during the year with the completion of the Conceptual Framework and the Environmental Policies which were implemented at the end of the year. The Environmental Policy Framework also set out the Group's environmental goals for 2030, clearly outlining the roadmap of this ambitious journey. Phase II will be completed during the year with the finalisation of the Social and Governance Policy Frameworks.

The Frameworks are based on the UN Global Compact Principles, GRI Standards, Sustainability Development Goals and Targets, the Integrated Reporting Framework, and the guidelines issued by the Task force for climate related financial disclosures. We will submit the annual returns demonstrating compliance with the UN Global Compact principles in 2021.


This year we have reverted to providing comprehensive coverage of the Group's performance in the Annual Report which was pared down in the previous year in keeping with the gravity of the circumstances we faced at the time.

### APPRECIATIONS

I commend the administrators for their efforts in creating a conducive environment for businesses to continue operations, despite unprecedented challenges posed by the COVID-19 pandemic

The Group Management Committee and the sector heads who provided outstanding leadership during the year, balancing concerns of our stakeholders and I thank them for their untiring efforts during the year. I also thank our employees who came together to deliver a performance that is writ into our annals and will inspire us to reach higher in the years to come.

I am deeply appreciative of the proactive role played by Mr. Dhammika Perera in guiding strategy which has contributed to the results and thank my fellow Board Members for their valuable insights. In conclusion, I thank the shareholders for their continued confidence in Hayleys PLC to deliver sustainable growth with due care for people, planet and profits.



**Mohan Pandithage**

Chairman and Chief Executive  
19th May 2021



## BOARD OF DIRECTORS



**Left to Right**

Gamini Gunaratne, Jayanthi Dharmasena, Hisham Jamaldeen, Dr. Harsha Cabral, PC, Sarath Ganegoda, Mohan Pandithage, Dhammika Perera, Rajitha Kariyawasan, Ruwan Waidyaratne, Aravinda Perera, Rohan Karr, Kawshi Amarasinghe



## BOARD OF DIRECTORS

### 1. MOHAN PANDITHAGE

#### Chairman & Chief Executive

Joined the Hayleys Group in 1969. Appointed to the Hayleys PLC Board in 1998. Chairman and Chief Executive of Hayleys PLC since July 2009. Fellow of the Chartered Institute of Logistics & Transport (UK). Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Shipping Agents. Recipient of the Best Shipping Personality Award by the Institute of Chartered Shipbrokers; Leadership Excellence Recognition – Institute of Chartered Accountants of Sri Lanka; Honored with Lifetime Achievement Award at the Seatrade – Sri Lanka Ports, Trade and Logistics; Lifetime Award for the Most Outstanding Logistics and Transport Personality of the Year – Chartered Institute of Logistics & Transport. Member of the Advisory Council, Ministry of Ports and Shipping. He is the Chairman of Alumex PLC, Amaya Leisure PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, Talawakelle Tea Estates PLC, The Kingsbury PLC, Unisyst Engineering PLC, Horana Plantations PLC and serves on the Board of Diesel & Motor Engineering PLC.

### 2. DHAMMIKA PERERA

#### Co-Chairman Non-Executive

Appointed to the board in 2008. Mr. Dhammika Perera is a quintessential strategist and a business leader with interests in a variety of key industries including manufacturing, banking and finance, leisure, plantations, and

hydropower generation. He has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and unquoted companies. Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resort PLC, Vallibel Power Erathna PLC, Greener Water Limited, Delmege Limited, and LB Microfinance Myanmar Company Limited. He is the Co-Chairman of The Kingsbury PLC and Singer (Sri Lanka) PLC, Executive Deputy Chairman of LB Finance PLC, Deputy Chairman of Horana Plantations PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC. Also, a Director of Dhammika and Priscilla Perera Foundation.

### 3. SARATH GANEGODA

#### Executive Director

Rejoined Hayleys in March 2007. Appointed to the Group Management Committee in July 2007. Appointed to the Board in September 2009. Fellow Member of CA Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri 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, Group Information Technology of Hayleys PLC and appointed as the

Deputy Chairman of Alumex PLC in October 2020. He serves on the Boards of Unisyst Engineering PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC, Horana Plantations PLC and appointed to the Board of Amaya Leisure PLC in April 2021.

### 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 BSc. 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. Is also the Managing Director of Eco Solutions Sector whilst functioning as a Director Hayleys Fibre PLC and the Deputy Chairman 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-three years' experience in the field of Company Law, Intellectual Property Law,



Commercial Law, Securities Laws, International Trade Law & Commercial Arbitration. He has been a President's Counsel for sixteen (16) 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 University of Canberra, Australia. Dr. Cabral is a sitting member of the International Chamber of Commerce (ICC) International Court of Arbitration in Paris and a Representative Member of the Federation of Integrated Conflict Management (FICM) as well as a Representative Member of the International Commercial Disputes Tribunal (ICDT). He is also a Fellow of the Institute of Chartered Secretaries & Administrators (UK). As a member of the Advisory Commission on Company Law in Sri Lanka, Dr. Cabral was one of the architects of the Companies Act No. 7 of 2007, the current Act. Dr. Cabral is also a member of the Board of Investment (BOI) of Sri Lanka, a member of the Law Commission of Sri Lanka, a member of the Intellectual Property Advisory Commission in Sri Lanka, University Grants Commission (UGC) nominee on the Post Graduate Institute of Medicine (PGIM) and a member of the Corporate Governance Committee of the Institute of Chartered Accountants of Sri Lanka. Dr. Cabral is also a member of the Cabinet Appointed Committee to draft the National Trade Policy, Senior Advisor to the Ministry of Sports in drafting the new National Sports Law, Senior Advisor to the Ministry of Justice on the new House of Justice Project (Chairman), Senior Advisor to the Ministry of Justice on Commercial Law Reform and the Chairman, Intellectual Property Law Reform Project of the Ministry of Justice. Dr. Cabral serves as a member of the Presidential Commission on De-Regulation. 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, and as a Founder Board Member of the Sri Lanka International Arbitration Centre, Dr. Cabral has contributed immensely to the legal academia and the corporate community of Sri Lanka. He serves as a senior visiting lecturer at several Universities here and abroad. Dr. Cabral has also authored several books in the field of Company Law, Intellectual Property Law and Commercial Arbitration. Dr. Cabral serves as the Chairman of the Tokyo Cement Group, which commands the largest market share for cement in Sri Lanka. He also serves as the acting Chairman of the Hatton National Bank PLC. In addition, Dr. Cabral was the immediate past Chairman of LOLC Finance PLC, one of the largest Finance Companies in Sri Lanka. Dr. Cabral was a senior Director of the Union Bank of Sri Lanka. Dr. Cabral currently serves as Independent Non-Executive Director of DIMO 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) Limited, CCC-ICLP Alternative Dispute Resolution Centre (Guarantee) Limited and Sri Lanka Institute of Information Technology (Guarantee) Limited (SLIIT), SLIIT International (Private) Limited, and serves on several Audit Committees, Nomination Committees, Remuneration Committees, Recoveries Committees and the Related Party Transaction Committees, chairing most of them.

## **6. RUWAN WAIDYARATNE**

### **Executive Director**

Joined the Hayleys Group in 1985. Has a wide range of expertise in the business of shipping, freight forwarding, logistics and aviation. He has grown through the ranks to become the Managing Director of Hayleys Advantis Limited whilst being appointed as an Executive Director of the Board of Hayleys PLC in April 2013. Currently he holds overall responsibility for the Transportations and Logistics Sector of the Hayleys Group. He also holds the position of Deputy Chairman of Unisyst Engineering PLC. Former Chairman of the Ceylon Association of Shipping Agents (CASA). Former Chairman of the Sri Lanka Logistics and Freight Forwarders' Association (SLFFA). He is a Chartered Member of the Chartered Institute of Logistics & Transport of Sri Lanka. He is a Member of the Steering Committee on Ports, Shipping, Aviation and Logistics affiliated to the Ceylon Chamber of Commerce and a Member of the National Agenda Committee on Logistics & Transport of the Ceylon Chamber of Commerce. He 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.

## **7. HISHAM JAMALDEEN**

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

Appointed to the Board in February 2014. Mr. Jamaldeen has extensive experience in relation to accounting, corporate finance, acquisition and disposals, restructuring, strategic business development & partnerships and business planning. His experience spans across a range of industries

## BOARD OF DIRECTORS

including real estate, retail, leisure, manufacturing, agriculture, industrial solutions, power & energy, plantations, transportation and logistics. Given his deep level expertise in multiple industries, he is recognised as a sector specialist in a multitude of industries and provides vital support towards board level decision making.

He provides to the Board both local and global experience having worked as the Finance Director at Newbridge Capital Investments Limited, a property investment and development company, transacting directly into UK commercial and London residential property. He has been extensively involved in all aspects of property investment especially in transactional analysis, financing, refinancing debt structures and tax assemblies. He was instrumental in transactions involving real estate assets exceeding USD 1.6 bn during his career. His international exposure and real estate experience was gained whilst at Freeman & Partners accountancy practice (UK) and subsequently at Barclays Capital (a British multinational investment Bank).

Mr. Jamaldeen has the distinction of being the founder Managing Director of Steradian Capital Investments, an exclusive real estate advisory and consultancy firm with both global and local clientele who seek exposure and asset management services for real estate investment into Sri Lanka. His key responsibilities include acquisitions, structuring debt financing, and corporate structures. Mr. Jamaldeen is the key contact point for all existing foreign investors spread across Europe, East Asia and South East Asia. He has been instrumental in growing the Assets under Management

to over LKR 18 billion within a short span of time. In 2020, Mr. Jamaldeen was recognised by Echelon as a trail blazer and disruptor in the investments sector for his contribution towards the sector.

Mr. Jamaldeen further serves as the Executive Director of Lanka Realty Investments PLC, Managing Director of On'ally Holdings PLC, and functions as the Non-Executive Director of Haycarb PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, Regnis (Lanka) PLC and Talawakelle Tea Estates PLC. He was a former director of Peoples Bank.

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.

### 8. ARAVINDA PERERA Independent Non-Executive Director

Appointed to the Board as Independent Non-Executive Director and as Chairman of Audit Committee in September 2016. Mr Aravinda Perera counts over 38 years in the Banking sector and functioned as the Managing Director of Sampath Bank PLC from 1st January 2012, until his retirement in September 2016.

He serves on the Boards of Singer Finance (Lanka) PLC as Chairman, as Deputy Chairman in Pan Asia Banking Corporation PLC and as a Director of Rocell Bathware Ltd. Further to the Directorships, he Chairs the Audit committees of Hayleys Aventura (Pvt) Ltd, Hayleys Advantis Ltd and Fentons Ltd. He was the former Chairman of Siyapatha Finance PLC, former

Director of Sampath Centre Ltd., Colombo Stock Exchange and Lanka Bangla Finance Limited in Bangladesh. He passed out from University of Moratuwa in 1980 with an Honours Degree in Mechanical Engineering. 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 honoured with the "Award for the Outstanding Contribution to the Banking Industry - 2015" by the Association of Professional Bankers and was also awarded an Honorary Life Membership by the Association of Professional Bankers in October 2018.

### 9. JAYANTHI DHARMASENA Executive Director

Joined Hayleys Group as a Management Accountant in 1991 and has been with Hayleys Agriculture Sector throughout the career at Hayleys. Appointed to the Group Management Committee 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.

**10. ROHAN KARR****Executive Director**

Joined the Board and Group Management Committee of Hayleys PLC on 1st June 2019. Mr. Karr holds a Masters in Hospitality and Business Studies from UK, and is a veteran in the hospitality industry with 37 years' experience in Executive Vice President / General Manager Positions in leading hotels in Sri Lanka and The United Kingdom. He has served as Regional Director of Revenue Management of Marriott Hotels for Whitbread Hotel Company, England, as General Manager of Bristol Marriott Hotel, England and Marriott Marble Arch, London before his return to Sri Lanka. He was instrumental in revitalising standards for the entire domestic hospitality sector through his ground-breaking work as Executive Vice President of John Keells Holdings overlooking Cinnamon City Hotels and Resorts chain and as Head of Brand Development. He also serves as Managing Director of the Hayleys Leisure sector including Amaya Leisure PLC and The Kingsbury PLC.

**11. GAMINI GUNARATNE****Independent Non - Executive Director**

Appointed to the Board on 1st October 2019. He presently serves as Chairman of Lanka Hotels and Residencies (Pvt) Ltd (Sheraton Colombo), Board Member of Swisstek Ceylon PLC, Regnis (Lanka) PLC, Dipped Products PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Lanka Ceramic PLC, Horana Plantations PLC and SLIIT International (Pvt) Ltd. Previously he has served as Vice Chairman of the National Water Supply and Drainage Board.

**12. KAWSHI AMARASINGHE****Alternate Director to Dhammika Perera**

Appointed as Alternate Director to Mr.Dhammika Perera on the 17th October 2019. Ms. Amarasinghe currently serves as Group Director, International Business Development & CSR at Vallibel One PLC. Prior to joining Vallibel One, Ms. Amarasinghe served as an intern at Strategic Policy Division at Department of Community Safety in Queensland, Australia. Ms. Amarasinghe earned a bachelor's degree in International Studies from University of Queensland in Brisbane, Australia and a specialisation in French Studies at University of Lausanne, Switzerland. In addition, she holds a certificate in Management Acceleration from INSEAD Business School in Fontainebleau, France and a certificate in Hotel Revenue Management from Cornell University, USA.

## GROUP MANAGEMENT COMMITTEE



### *Left to Right - 1st Row*

#### **DR. ROSHAN RAJADURAI**

Managing Director – Hayleys Plantations

#### **ROHAN GOONETILLEKE**

Managing Director – Hayleys Fabric PLC

#### **DARSHI TALPAHEWA**

Head – Group Human Resources, Legal & Corporate Communications

#### **PRAMUK DEDIWELA**

Managing Director – Alumex Group

#### **NIRAN RANATUNGA**

Managing Director – Mabroc Group

#### **CHOLIYA DE SILVA**

Group Chief Financial Officer





*Left to Right- 2nd Row*

**ANDREW NG**

Managing Director –  
Dipped Products Group

**HASITH PREMATILLAKE**

Managing Director – Fentons Group

**MAHESH WIJEWARDENE**

Managing Director – Singer Group



## 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. RUWAN WAIDYARATNE

Please refer profile in Board of Directors

### 5. JAYANTHI DHARMASENA

Please refer profile in Board of Directors

### 6. ROHAN KARR

Please refer profile in Board of Directors

### 7. DR. ROSHAN RAJADURAI

Joined Hayleys Group in 2013 and was appointed to Hayleys Group Management Committee, Managing Director of Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC and Horana Plantations PLC. Holds a B.Sc Honours in Plantation Management, an MBA and an MSc. in Agriculture and Plantation Crops from the Post Graduate Institute of Agriculture, University of Peradeniya. He has a Ph.D in Management and a D.Sc in Agriculture. Since 1993 – 2001 held Senior Plantation Management position in Kelani Valley Plantations PLC and from 2002 – 2012 joined Kahawatte Plantations of Dilmah and was Director/CEO 2008 – 2012. He had been the Chairman of the Planters' Association of Ceylon, Board Member of the Sri Lanka Tea Board, Tea Research Institute, Rubber Research Board, Tea Small Holdings Development authority and the Tea Council of Sri Lanka. He serves in the Standing Committee on Agriculture of University Grants Commission. He is the Chairman of the Sustainability Working Group and the Co-Chairman of the Sri Lanka Tea Road Map Strategy 2030.

### 8. 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 Hayleys Fabric, he was appointed as a Director of Brandix X'pressions (Pvt) Ltd, and was appointed to the Board of CLT Apparel (India) (Pvt) Ltd in January 2011, a fully owned subsidiary of Brandix Lanka Ltd. During the period, 2003 to 2010 he was the Managing Director/CEO of Textured Jersey Lanka (Pvt) Ltd, prior to which he was the Managing Director/ CEO of Linea Clothing (Pvt) Ltd, a subsidiary of MAS Holdings (Pvt) Ltd, and prior to that he was at Carson Cumberbatch & Company Ltd as the CEO of Elpitiya Plantations Ltd. He received his higher education in the United Kingdom qualifying as a Graduate Engineer.

### 9. DARSHI TALPAHEWA

Joined Hayleys Group in January 2010 and appointed to the Group Management Committee in November 2015. Non-Executive Director Singer Finance (Lanka) PLC. Lawyer by profession, with a 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 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 and Corporate Communications for the Hayleys Group.

### 10. PRAMUK DEDIWELA

Mr. Dediwela started his career in January 1989 and has over 32 years of experience in the fields of Marketing and Sales, Material and Logistics, Finance, Production and Administration/Human Resources

under Alumex group. He was appointed as an Executive Director of the Alumex PLC and its subsidiaries, Alco industries (Private) limited in December 2010 and appointed as the Managing Director and also to the Hayleys Group Management Committee in July 2018. Mr. Dediwela is a marketer cum financial economist and holds Master of Financial Economics from University of Colombo, Master of Business Administration from University of Southern Queensland, Post-Graduate Diploma in Business and Financial Administration (CA Sri Lanka/Cranfield - UK), Post- Graduate Diploma in Marketing from Chartered Institute of Marketing - UK. Mr. Dediwela is a Member of the Advisory committee on Light Engineering Sector under EDB, Ministry of Industry & Supply Chain Management and holds Memberships of the Chartered Institute of Marketing (UK) and Sri Lanka Economic Association. He is a Council Member of the Foundry Development & Services Institute of Sri Lanka.

### 11. NIRAN RANATUNGA

Commenced a career in tea tasting in 1980 by joining John Keells Ltd. as an auctioneer and a tea broker. Subsequently was trained in tea tasting and blending at UK's Lyons Tetley and R. Twinings & Co. Ltd. Was a founder member of Mabroc Teas (Pvt) Ltd. in 1988 and was appointed Commercial Director in 1991, having undertaken the responsibilities of Marketing Bulk Tea and Branded Teas in numerous international markets. Was responsible for spearheading the initiative to launch an ethical tea brand of the world at the United Nations Global Compact. Was promoted as Managing Director of Mabroc Teas in 2014 and serves on the boards of Hayleys Plantation Services (Pvt) Ltd. and Kelani Valley Instant Tea (Pvt) Ltd. as well as serving on the Committee of Management of the Tea Exporters Association of Sri Lanka. Mr. Ranatunga was appointed to the Group Management Committee in July 2018.

## 12. CHOLIYA DE SILVA

Mr. De Silva was appointed to the Group Management Committee in July 2018 and is a senior finance professional possessing over 30 years' experience in Multinational FMCG, Investment Banking and Real Estate sectors. He is former Finance Director of Coca-Cola Beverages Sri Lanka Ltd and holds a varied and multi-faceted international working experience in New Zealand, India, Nepal, Ethiopia, South Africa and United Arab Emirates. He was a governing Council Member of AAT Sri Lanka from 2016 to 2019, held Chairmanship of various Committees of AAT and CA Sri Lanka. Currently he is serving as a Member of Corporate Governance Committee of CA Sri Lanka. His 30 years' experience include 14 years at Nestlé and 9 years at Coca-Cola. Mr. De Silva is a Fellow Member of CA Sri Lanka, Fellow Member of the Chartered Institute of Management Accountants, UK and a Fellow Member of Institute of Certified Practising Accountants of Australia. He also holds a MBA from Postgraduate Institute of Management, University of Sri Jayawardenepura and has completed an EDP in University of Stellenbosch Business School, Cape Town, South Africa and a Breakthrough Leadership course in Ashridge Business School, London, England.

## 13. ANDREW NG

Joined Dipped Products PLC in October 2018 as Managing Director and was appointed to the Hayleys Management Committee. Prior to joining Dipped Products PLC, was the Vice-President of Medical Global Operations of a large multinational entity. He has over 25 years of international glove manufacturing experience of which

10 years is in senior managerial positions. Experienced in the areas of Engineering, Operations and holds a degree in Engineering from the University of New South Wales, MBA from Deakin University in Australia and a Master Black Belt in Lean Six Sigma.

## 14. HASITH PREMATILLAKE

Joined Hayleys Group in 2018 and was appointed to the Hayleys Group Management Committee in October 2018. Currently serves as the Managing Director of Fentons Limited and its subsidiaries. Previously Mr. Prematillake served as the Country Director/ General Manager of Ansell Lanka (Pvt) Ltd and Chief Executive Officer of Phoenix Industries Ltd. He also held a managerial position at Chevron Lubricants Lanka. He holds a Master of Business Administration Degree (Merit pass) from the University of Colombo where he was awarded prestigious Dr. Linus Silva Medal for Best Overall Performance, B.Sc. Engineering Degree (Hon's.) from University of Moratuwa, Fellow Member of the Chartered Institute of Management Accountants, Member of the Chartered Institute of Marketing, Passed Finalist of CA Sri Lanka and a Graduate of the British Computer Society. He is also a certified Lean Six Sigma Black Belt.

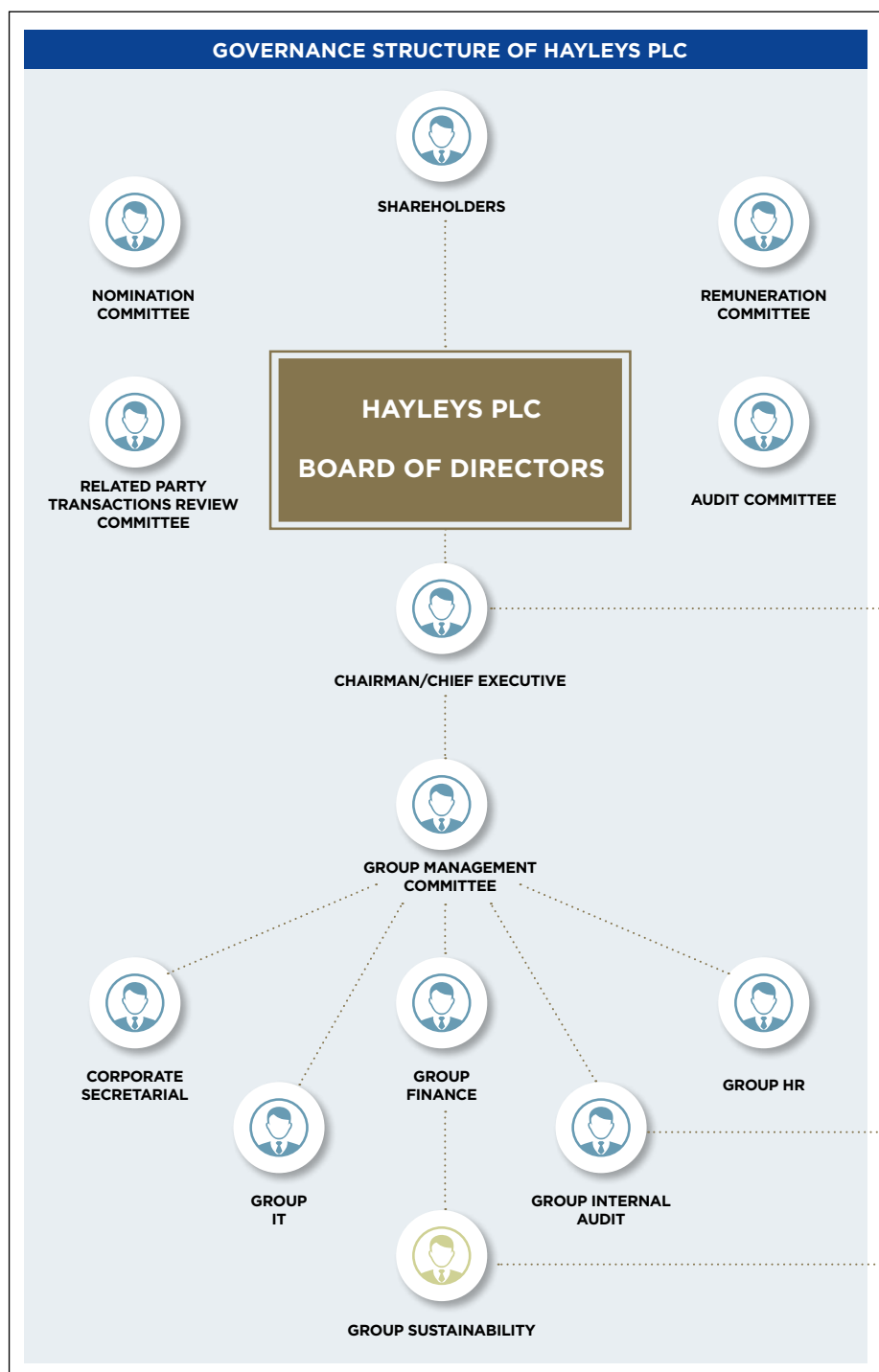
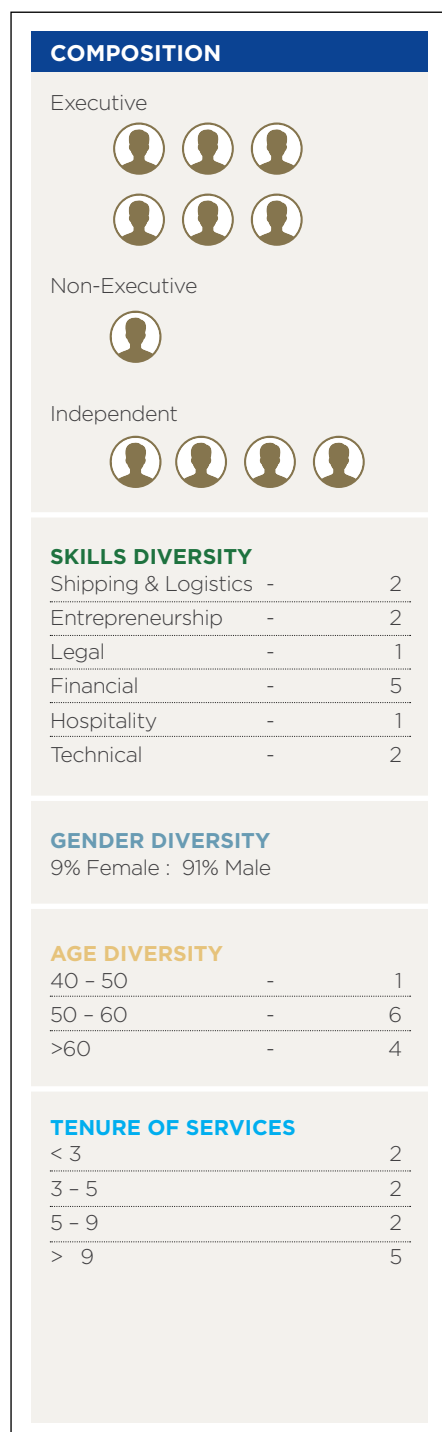
## 15. MAHESH WIJewardene

Mr. Mahesh Wijewardene was appointed to the Group Management Committee and also as an Executive Director and the Chief Executive Officer of Singer (Sri Lanka) PLC and its subsidiary companies with effect from 1st November 2018. He was appointed to the Singer (Sri Lanka) PLC Board on 1st June 2006. Mr. Wijewardene holds a Master's Degree in Business Administration from the

University of Southern Queensland and received the Dean's Award for Outstanding Academic Achievement. He also holds a Diploma in General Management from the Open University of Sri Lanka. He served as the past Chairman of Ceylon Chamber of Commerce – Import section and Sri Lanka – China Business Council. Mr. Wijewardene currently serves in the Executive Council of Sri Lanka Retailers' Association and a member of the International Chamber of Commerce – Policy Committee. He serves as a Director of Singer Industries (Ceylon) PLC, Singer Finance (Lanka) PLC, Regnis (Lanka) PLC, Regnis Appliances (Pvt) Limited, Singer Digital Media (Pvt) Limited, Singer Business School (Pvt) Limited, Reality Lanka Limited, Domus Lanka (Pvt) Limited and Equity Investments Lanka Limited.

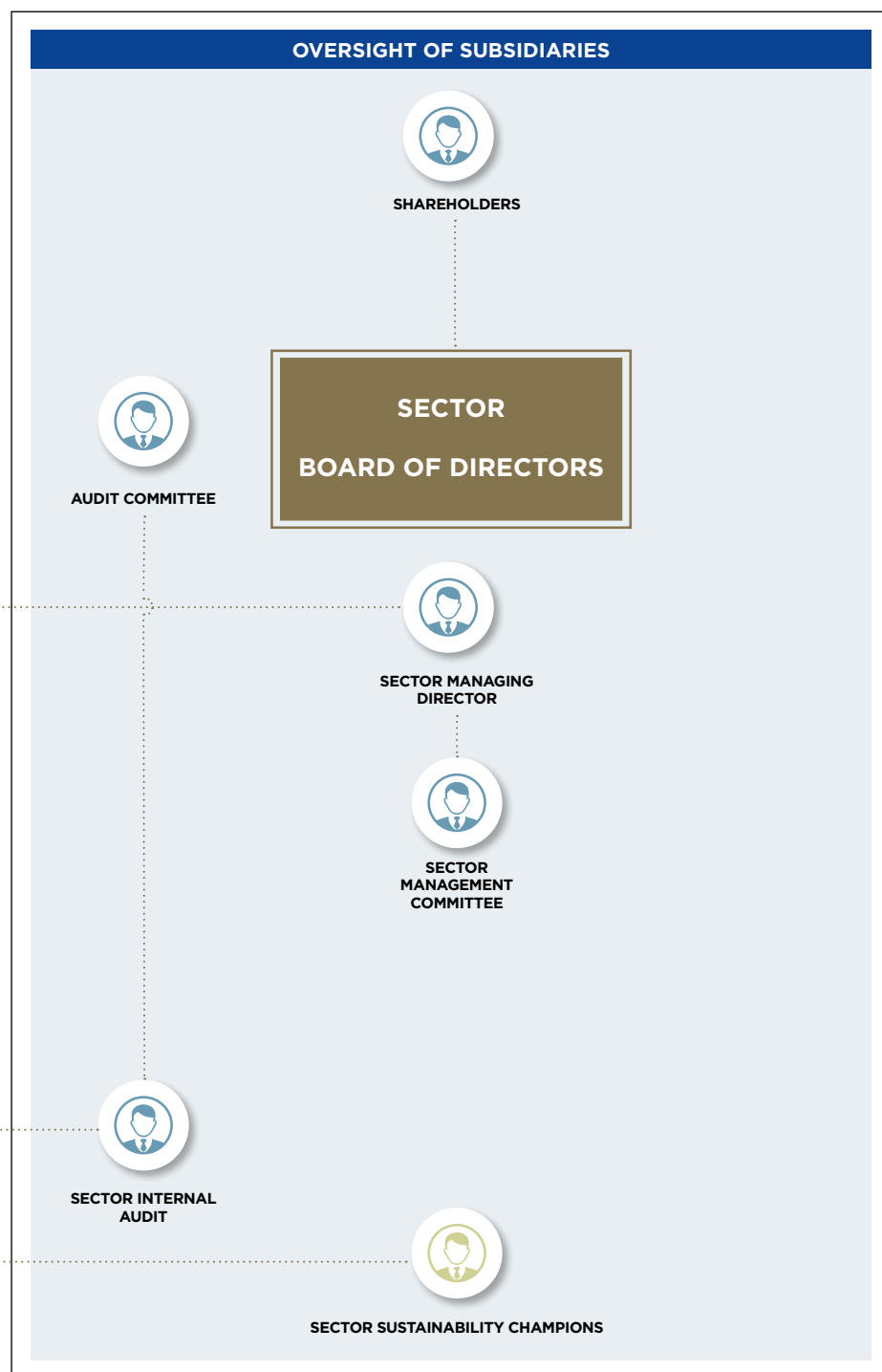
## CORPORATE GOVERNANCE

Corporate governance processes were key to delivering performance in a year of extreme uncertainty and volatility. The structures in place were strengthened with increased oversight by the Board and purpose driven executive committees to identify and address emerging risks and replicate solutions across the Group. Shareholder communication was maintained throughout to keep them apprised of developments during a volatile year.





AS A DIVERSIFIED CONGLOMERATE, WE NEED A GOVERNANCE STRUCTURE THAT IS FIT FOR PURPOSE GIVING THE BOARD LINE OF SIGHT TO THE GROUP'S INDUSTRIALLY AND GEOGRAPHICALLY DIVERSE OPERATIONS



#### HIGHLIGHTS 2020/21

- Revision of strategic plans to ensure ability to meet internal stakeholder concerns
- Increased oversight by Board and Audit Committee on Health & Safety, Liquidity and Risk Management
- Forming high level committees to drive a unified response to the COVID-19 pandemic across the Group
  - Haysmart Task Force – Group Management Committee members dedicated meetings to discuss alignment of strategy to new realities headed by the Chairman
  - COVID-19 Task Force – Committee Headed by Group HR and Sector Head of Industrial Inputs comprising all sector HR heads
  - Freight Solutions Task Force – Committee to manage exports and imports of the Group with representatives from all sectors and the Group Freight Management Department
  - Project FINCO – Increased oversight of Treasury functions to ensure sufficient liquidity, timely application for moratoria and alignment of borrowings to lower interest regime
- Audit Committee increased oversight of Inventories, receivables and cyber security
- Subdivision of shares in a ratio of 1:10 in February 2021
- Acquisition of South Asia Textiles Ltd in April 2021.

## CORPORATE GOVERNANCE

The Corporate Governance report has been structured in line with the themes set out in the IFC Toolkit for Disclosure & Transparency on Corporate Governance. Compliance tables for the Continuing Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka are given in Annex I and Annex II.

### COMMITMENT TO ESG

Hayleys PLC has a strong governance structure and framework that has evolved over the years with the expansion of the Group, facilitating development of strategies, delegation of authority, integrity of financial and ESG reporting, effective oversight and risk management. Integration of ESG principles into decision making has been part of the journey with championship of sustainability principles for nearly a decade. The Group's commitment to going beyond regulatory compliance is guided by voluntary adoption of relevant ESG frameworks and standards as given below.

REGULATORY 	VOLUNTARY STANDARDS, CODES & FRAMEWORKS 
<ul style="list-style-type: none"> <li>● Companies Act No.7 of 2007,</li> <li>● Sri Lanka Accounting and Auditing Standards Act No.15 of 1995</li> <li>● Continued Listing Requirements of the Colombo Stock Exchange</li> <li>● Inland Revenue Act No. 10 of 2006 and amendment</li> <li>● Inland Revenue Act No. 24 of 2017</li> <li>● Customs Ordinance No. 17 of 1869</li> <li>● Exchange Control Act No. 22 of 2017</li> <li>● Industrial Disputes Act No. 43 of 1950</li> <li>● The Shop and Office Employees Act No. 15 of 1954</li> <li>● Factories Ordinance No. 45 of 1942</li> </ul>	<ul style="list-style-type: none"> <li>● Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants 2017</li> <li>● Integrated Reporting Framework</li> <li>● Global Reporting Initiative Standards</li> <li>● Requirements of Environmental &amp; Social Certifications</li> <li>● Quality standard certifications obtained by companies</li> </ul>
INTERNAL DOCUMENTS & POLICIES 	THE HAYLEYS' WAY - Internal Code of Conduct 
<ul style="list-style-type: none"> <li>● Articles of Association</li> <li>● Board Charter</li> <li>● Human Rights Policy</li> <li>● Whistle Blower Policy</li> <li>● Health &amp; Safety Policy</li> <li>● Grievance Handling Policy</li> <li>● Anti Sexual Harassment Policy</li> <li>● Environmental Policy Framework</li> </ul>	<ul style="list-style-type: none"> <li>● Shareholders</li> <li>● Employees</li> <li>● Business Integrity</li> <li>● Environment</li> <li>● Consumes Corporate</li> <li>● Public Responsibility</li> <li>● Conflicts of Interest</li> <li>● Compliance</li> <li>● Fair Competition</li> </ul>

### The Hayleys Way

The compliance culture of Hayleys is reinforced through the orientation training which introduces all new recruits to the corporate values and The Hayleys' Way, typically within one month of joining. This explicitly sets out the expected behaviours of an employee of the Group including explicit statements on anti-corruption and acceptable gifts. This code

of conduct is applicable to all the companies and all the employees of the Hayleys Group.

The Group's Code of Conduct represents the ethical road map for employees including Key Management Personnel and 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.



### Updating the ESG Framework

During the year, Hayleys PLC commenced a project to revise the ESG Framework ensuring it is fit for purpose for the next stage of the Group's journey. The development of the framework engaged all sector representatives to ensure harmonisation of best practice within the Group and embeds use of objective criteria for determining material matters with the aid of readily understandable quantitative analytics. Phase I including the Conceptual Framework and the Environmental Policies have been completed with inputs from all environment sustainability champions in the respective sectors with the leadership of the Group Sustainability Division. Phase II encompassing Social and Governance subjects including Risk Management will be covered in 2021/22.

### STRUCTURE & FUNCTIONING OF THE BOARD OF DIRECTORS

As a diversified conglomerate, we need a governance structure that is fit for purpose giving the Board line of sight to the Group's industrially and geographically diverse operations as set out on pages 98 to 169. The Group comprises 181 companies which

HAYLEYS PLC	
<b>181</b>	Companies
<b>15</b>	Public Listed companies
<b>32</b>	Overseas companies located in
<b>14</b>	Countries
<b>12</b>	Sectors

includes 15 public listed companies which are categorised in to 12 sectors. 32 of the Group companies are located in 14 other countries which are part of the 12 sectors. The Group's governance structure is set out on pages 50 to 51 together with the composition of the Board by role, gender, skills, age and tenure.

### Board Diversity & Qualification

Profiles of the Board members and the Group Management Committee are set out on pages 46 to 49 while page 50 provides information on the diversity of the Board.

<b>EXECUTIVE DIRECTORS</b>	Mr. A.M. Pandithage	Chairman & Chief Executive
	Mr. S.C. Ganegoda	
	Mr. H.S.R. Kariyawasan	
	Mr. L.R.V. Waidyaratne	
	Mrs. J. Dharmasena	
	Mr. R.J. Karunaratne	
<b>NON-EXECUTIVE</b>	Mr. K.D.D. Perera	Co-Chairman
<b>INDEPENDENT NON-EXECUTIVE DIRECTORS</b>	Dr. H. Cabral PC	Senior Independent Director
	Mr. M.H. Jamaldeen	
	Mr. M.Y.A. Perera	
	Mr. K.D.G. Gunaratne	
<b>ALTERNATE DIRECTOR</b>	Ms. A.A.K. Amarasinghe	

## CORPORATE GOVERNANCE

### Independence

The Board comprises 11 Directors of whom 6 are Executive Directors including the Chairman/Chief Executive. Out of the 5 Non-Executive Directors 4 are Independent Directors, thereby supporting board balance.

As the role of the Chairman and Chief Executive are combined, the Board has appointed a Co-Chairman who is the majority shareholder and a President's Counsel as the Senior Independent Director to ensure sufficient balance of power.

The Directors are in the opinion that the following matters do not affect the independence of the Directors on the Board of Hayleys PLC as they conduct themselves in an impartial manner on matters deliberated to them.

- Dr. H. Cabral PC served on the Board of Hayleys PLC for a period exceeding 9 years and is also an Independent Non-Executive Director of Alumex PLC.
- Mr. M.Y.A. Perera is the Non-Executive Chairman of Singer Finance (Lanka) 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 while 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.
- Mr. K.D.G. Gunaratne is an Independent Non-Executive Director of Regnis (Lanka), PLC, Singer Industries (Ceylon) PLC and Dipped Products PLC.

### Nomination, Appointment & Succession

The Nominations Committee assesses the strategic demands of the Group and skills and competence of the Board to determine the need for new appointments to the Board and makes their recommendations accordingly. The Board recommends directors for appointment or re-election by the shareholders at the Annual General Meeting under the advisement of the Nomination Committee. Following details of new Directors are disclosed on their appointment to the Colombo Stock Exchange and selected newspapers.

- a. A brief resume of the Director
- b. The nature of his expertise in relevant functional areas
- c. The names of companies in which the Director holds directorships or memberships in Board Committees; and
- d. Whether such Director can be considered 'Independent'.

The Board has the power to appoint Directors to fill any casual vacancies that may arise during the year. The Articles of Association require that Directors appointed in this manner hold office until the next Annual General Meeting and seek election by the shareholders at that meeting ensuring shareholder participation in the election of Directors.

One third of the Directors in office retire at each Annual General Meeting by rotation with the Directors who have served for the longest period since their appointment/re-appointment retiring first. Retiring Directors are generally eligible for

re-election. The names of Directors submitted for election or re-election are accompanied or disseminated to the CSE 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.

If the Company desires to re-appoint any Director who is over 70 years of age in terms of section 211 of the Companies Act 7 of 2007, requisite resolutions will be put before the shareholders at the forthcoming Annual General Meeting.

### BOARD WORK & COMMITTEES

#### Work of Boards

The Board bears ultimate responsibility for the performance of the Group and is accountable to the shareholders who receive the Annual Report of the Company setting out the performance of the Company. Functions of Chairman and Chief Executive are vested in one person due to the diversity and scale of operations of the Group and the Board is of the view that this is the most appropriate arrangement for Hayleys PLC. The Board has also appointed Mr. K.D.D. Perera as Co- Chairman- Non-Executive and Dr H Cabral, PC, Independent Non-Executive Director functions as Senior Independent Director to facilitate Board balance. 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 Roles and Responsibilities of the Board, the Chairman and the Senior Independent Director are given below.

### ROLE & RESPONSIBILITIES OF THE BOARD

- 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

### ROLE OF CHAIRMAN

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

### ROLE OF SENIOR INDEPENDENT DIRECTOR

- Set corporate values facilitating an equitable balance between key stakeholder interests
- Uphold high standards of ethics, integrity and probity.
- Support executive leadership whilst monitoring their conduct
- Promote high standards of corporate governance and compliance
- Meet with Non-Executive Directors at least twice a year and Executive Directors 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

The Board held 12 meetings during the year and attendance at these meetings and meetings of Board committees of the Board are given below:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Related Party Transaction Review Committee
Mr. A. M. Pandithage	12/12	-	-	1/1	-
Mr. K. D. D. Perera	9/12	-	1/1	1/1	-
Mr. S. C. Ganegoda	12/12	-	-	-	4/4
Mr. H. S. R. Kariyawasan	12/12	-	-	-	-
Dr. H. Cabral PC	12/12	4/4	1/1	1/1	4/4
Mr. L. R. V. Waidyaratne	12/12	-	-	-	-
Mr. M. H. Jamaldeen	12/12	4/4	1/1	-	-
Mr. M. Y. A. Perera	12/12	4/4	1/1	-	4/4
Ms. J. Dharmasena	12/12	-	-	-	-
Mr. R. J. Karunaratne	12/12	-	-	-	-
Mr. K. D. G. Gunaratne	12/12	3/3	-	-	-
Ms. A. A. K. Amarasinghe (Alternate Director to Mr. K. D. D. Perera)	11/12	-	-	-	-
<b>Total</b>	12	4	1	1	4

## CORPORATE GOVERNANCE

### Committees

The Board is assisted in the discharge of its duties by the following committees of the Board.

Board Committee	Areas of Oversight	Composition
<b>Audit Committee</b> Report of the Audit Committee is given on pages 243 to 244	<ul style="list-style-type: none"> <li>Financial Reporting</li> <li>Internal Controls</li> <li>Internal Audit</li> <li>External Audit</li> </ul>	<ul style="list-style-type: none"> <li>Independent Non-Executive Directors - 4</li> </ul>
<b>Nominations Committee</b> Report of the Nominations Committee is given on page 239	<ul style="list-style-type: none"> <li>Appointment of Key Management Personnel</li> <li>Succession Planning</li> <li>Effectiveness of the Board and its Committees</li> <li>Code of Ethics</li> </ul>	<ul style="list-style-type: none"> <li>Chairman - 1</li> <li>Independent Non-Executive Directors - 1</li> <li>Non-Executive Directors - 1</li> </ul>
<b>Remuneration Committee</b> Report of the Remuneration Committee is given on page 240	<ul style="list-style-type: none"> <li>Remuneration policy for Group with particular reference to Key Management Personnel</li> <li>Goals and targets for Key Management Personnel</li> <li>Performance evaluation</li> <li>HR Policy</li> <li>Organisation structure</li> </ul>	<ul style="list-style-type: none"> <li>Independent Non-Executive Directors - 3</li> <li>Non-Executive Directors - 1</li> </ul>
<b>Related Party Transaction Review Committee</b> Report of the RPTRC is given on page 242	<ul style="list-style-type: none"> <li>Related party transaction policy</li> <li>Disclosure of related party transactions</li> </ul>	<ul style="list-style-type: none"> <li>Independent Non-Executive Directors - 2</li> <li>Executive Director - 1</li> </ul>

### Role of Management

The Group Management Committee is pivotal to the management of the Group and is the apex management committee of the Group. It is chaired by the Chairman/Chief Executive of the Board and comprises the Executive Directors of the Group, the Group Chief Financial Officer, the Head of Group Human Resources and 7 Sector Heads. Their profiles are set out on pages 40 to 49 of the report. This Committee meets weekly at present to conduct a detailed review of the businesses of the Group and makes recommendations to the Board accordingly. The minutes of the Group Management Committee are made available to the Board as part of the information pack.

The Haysmart Committee appointed with the onset of the pandemic also comprises the same members although the agenda is different. The Haysmart Committee meetings started out as daily meetings at the beginning of the pandemic but have now reduced to once a month as urgent issues were addressed and performance was stabilised.

### Board Evaluation

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 submitted to the Chairman for discussion at a Board Meeting. Board evaluation criteria is given in the adjacent box.

#### BOARD EVALUATION CRITERIA

- Strategies developed and implemented
- Board image
- Compliance with laws and regulations
- Quality of participation at meetings
- Effectiveness of systems and processes

### Governance of Sustainability

The Group's sustainability governance is incorporated into the governance structure on pages 50 to 51. The Group has well established sustainability governance structures, systems and processes which are maturing with increasing scrutiny and reliance on metrics produced and issues identified

through the Group's non-financial information systems. The integration of the Sustainability function within the Group Finance function supports the disciplined reporting of the information which is reviewed by the Group Management Committee on a quarterly basis at least. The Cube, an in-house developed system has been in place for the last three years and keeps pace with the increasing demands for reliable metrics on Environmental and Social performance related metrics. The sector sustainability champions are responsible for ensuring the information is input into the system and these are collated and reviewed by Group sustainability to assess the reliability of information and to identify emerging issues. The availability of reliable data has enabled us to set Environmental targets which are set out in the Natural Capital Report on page 215. Information on metrics relating to social aspects are set out on in the Human Capital Report on pages 186 to 194 and the Social & Relationship Capital Report on page 195 to 204. Additionally, we have obtained assurance on the Group's compliance with the IR Framework and GRI standards which are set out on pages 393 to 394 and 391 to 393 respectively.

## CONTROL ENVIRONMENT

### Internal Controls

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. However, any system can ensure only reasonable, and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time.

### Internal Audit

The Group's Management Audit & System Review Department (MA & SRD) plays a significant role

in assessing the effectiveness of controls and strengthening them 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 is responsible for internal audit functions. 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.

### Audit Committee

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
- Mr. K.D.G. Gunaratne - Independent Non-Executive (Appointed w.e.f 17.06.2020)

Hayleys Group Services (Pvt) Ltd, serves as its Secretary. The Chairman and Chief Executive, Group CFO, Head of Corporate Affairs Unit & 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 to 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 page 243 which also provides the names of the members of the Audit Committee.

Independence of the Auditors is disclosed in page 244 under the section on the "External Audits" in the "Audit Committee Report" on page 223 to 244 of this Report.

The Audit Committee reviews internal control issues and risk management measures identified by MA & SRD and evaluate the adequacy and effectiveness of the risk management and internal control systems including financial reporting.

The Audit Committee of Hayleys PLC maintains contact with Audit Committees of the subsidiaries through the Annual Audit Committee Forum which brings together all Audit Committee members of subsidiaries to discuss emerging concerns, trends and potential areas for improvement. The Audit Committee chairs of the subsidiaries are also encouraged to escalate matters to the parent company Audit Committee chair where deemed appropriate.

In FY 2020/21, the Audit Committee increased focus on inventories, receivables, cyber risk and risk management. MA&SRD was required to assess inventories and receivables to identify potential areas of concern while cyber security controls were strengthened with assistance of external consultants. All sector Audit



## CORPORATE GOVERNANCE

Committees were also required to followed suit. Risk matrices were reviewed with increased rigour and expanded to include impacts from the pandemic. Financial reporting processes were improved with the implementation of the SAP Business Planning and Consolidation module, strengthening accuracy and timeliness of financial reporting.

### Risk Governance

A separate report on Risk Management on pages 85 to 94 provides insightful information on the Group's governance of risk.

### Compliance

The Group's policy framework facilitates compliance with regulatory requirements and voluntarily adopted standards of best practice and which are verified by MA & SRD. The Group also has a whistle-blowing policy in place which is clearly communicated to all employees and the Audit Committee and Board receive information in this regard. There were no whistles blown during the year under review.

### External Audit

The Audit Committee reviews the independence, the skills and experience and the work of the external auditors annually and recommends appointment accordingly to the Board. The Audit Committee also monitors non-audit work done by the external auditors to ensure their independence. The Report of the Board of Directors provides the nature of non-audit work carried out by the external auditors for the entire Group together with the amounts paid for services. Further details of work undertaken by the Audit Committee are set out in the Report on the Audit Committee on pages 243 to 244.

### Internet of Things & Cybersecurity

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. During the year under review, the Group Head of IT was 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.

### 2020/21 HIGHLIGHTS

- The Group commissioned a review of Cybersecurity and other IT Risks by an external consultant
- Appointment of Group Information Security Deputy General Manager on 1st April 2021

IT and Cybersecurity is an agenda 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 Cybersecurity formed part of the Group's annual statutory audit of financial statements.

An external consulting firm was engaged to conduct a cybersecurity review of the parent company and all sector audit committees followed suit as the level of cyber threats escalated and employees were compelled to work remotely. Following their recommendations, a Group Information Security Deputy General Manager was recruited on 1st April 2021 to function as the Group CISO.

GROUP IT POLICY	GROUP INFORMATION SECURITY POLICY	ACCEPTABLE IT USE	WEB USE
<ul style="list-style-type: none"> <li>● Group Connectivity</li> <li>● Access requirements/Resource utilisation</li> <li>● Individual Sector Networks/System Management</li> <li>● Backup &amp; Recovery/Software Modification</li> <li>● IT Equipment &amp; Software &amp; Third Party Involvement</li> <li>● IT Assets &amp; Media disposal and procurement</li> <li>● Responsibility for Adherence</li> </ul>	<ul style="list-style-type: none"> <li>● Protection of information from unauthorised access</li> <li>● Confirmation of information</li> <li>● Confidentiality, availability and integrity of information</li> <li>● Regulatory requirements</li> <li>● Business continuity plans</li> <li>● Information security training</li> <li>● Reporting breaches of information security</li> <li>● IT policy embedded in to employee induction programme</li> </ul>	<ul style="list-style-type: none"> <li>● Acceptable IT Use</li> <li>● Password Protection Standards</li> <li>● Email Usage</li> <li>● Internet Usage</li> <li>● Monitoring</li> <li>● Enforcement</li> </ul>	<ul style="list-style-type: none"> <li>● Guidelines for web hosting</li> <li>● Guidelines for secure web development</li> <li>● Enforcement</li> </ul>



## UPHOLDING RIGHTS OF SHAREHOLDERS

The Board has well established procedures in place to ensure fair treatment of all shareholders. Quarterly financial statements with an accompanying review, the annual report, timely announcements to the Colombo Stock Exchange of price sensitive information and press releases ensure that all shareholders have access to price sensitive information. The Annual General Meeting is the main forum for engaging with shareholders and the Group has a history of well attended shareholder meetings. Further, a track record of setting benchmarks for corporate reporting affirms the Group's commitment to disclosure and transparency.

Assurance on financial statements, sustainability information and compliance with the Integrated Reporting Framework supports the reliability of the information contained in the annual report which provides comprehensive information on relevant matters to the shareholders. The Reports and other information are available on the Company's website and price sensitive information is also available on the Colombo Stock Exchange website.

### Ownership & Control

Information on the twenty largest shareholders are given on page 379. Mr.K.D.D.Perera owns 51.01% of the Company and is the Co-Chairman reflecting his interests in the affairs of the Group.

### Rights of Minority Shareholders

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. Any information that the Board considered

as price sensitive is disseminated to the shareholders by way of announcements to the CSE and press releases by either the Chairman and Chief Executive or the Company Secretaries as appropriate.

There are 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.

### Remuneration

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. The Report and summarised terms of reference the Remuneration Committee Report are set out on page 240. 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
- M.Y.A. Perera - 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

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 Scheme. The Remuneration Committee follows the provisions set out in Schedule D of the Code as required. No special early termination clauses are included in the contract of employment contract of Executive Directors that would entitle them to extra compensation. However, any such compensation would be determined by the Board of Directors.

Remuneration for Non-Executive Directors reflect the time commitment and responsibilities of their role, taking into consideration market practices. Non-Executive Directors are not included in share options as there is no scheme in existence.

The Report of the Remuneration Committee is set out on page 240 which includes a statement on Remuneration Policy. Please refer page 290 for the total Directors' Remuneration.

## CORPORATE GOVERNANCE

### Investor Relations

The Chairman ensures the views of the shareholders are communicated to the Board as a whole. 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.

### Related Party Transactions

The Related Party Transactions Review Committee of the company has oversight responsibility for related party transactions. The Committee composition is given on page 242 and comprises of two Independent Non-Executive Directors and one Executive Director. Additionally, the Chairman of the Committee is an Independent Non- Executive Director appointed by the Board. Its 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 to facilitate discharge of the following duties:

- a. Establishing a procedure for documenting related parties
- b. 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
- c. Provision of a list of related parties to Key Management Personnel related to their areas of responsibility
- d. Process for KMPs 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 dealings 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 extra- ordinary 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.

### GOVERNANCE OF STAKEHOLDER ENGAGEMENT

Stakeholder engagement is a pre-requisite for sound corporate governance and the Group has a sound stakeholder engagement framework which is set out on pages 72 to 74 of this report. The Board has also put in place grievance mechanisms for workers and affected communities to raise their concerns without fear of reprisal. These, and concerns of regulators are regular items on the Board agenda even if there is a nil report to ensure that such matters are brought to the attention of the respective Boards and escalated to the Group Audit Committee.

Compliance with the Code of Best Practice on Corporate Governance issued by CA Sri Lanka

Code Ref.	Compliance and Implementation	Compliance
<b>A. DIRECTORS</b>		
A.1 An effective Board should direct, lead and control the Company	The Board meets on a monthly basis and attendance at meetings is given on page 55. Board packs are circulated one week prior to the Board meeting and typically include the following information:	✓
A.1.1 Regular meetings, structure and process of submitting information	<ul style="list-style-type: none"> <li>Financial and operational information including progress on agreed Key Performance Indicators and information on the external operating environment;</li> <li>Financial statements for the relevant quarter and year to date together with comparatives for the corresponding period of the previous financial year and budgets;</li> <li>Forecast performance for the financial year</li> </ul>	✓

Code Ref.	Compliance and Implementation	Compliance
	<ul style="list-style-type: none"> <li>• 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;</li> <li>• Operational and financial compliance statements confirming regulatory compliance and other matters considered necessary in accordance with policies of the Group and Board.</li> <li>• 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;</li> <li>• Report on number of calls to whistle blowing line or a confirmation that there were no calls recorded</li> <li>• Information on human resources and capital expenditure</li> <li>• Share trading of the Company and related party transactions by key management personnel</li> <li>• Documents to which the company seal has been affixed to</li> <li>• Resolutions on other matters referred to the Board</li> </ul>	✓
A.1.2 Role & Responsibilities of the Board	The Role and Responsibilities of the Board are inset on page 55 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 85 to 94, 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	<p>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 mandatory records of the Group.</p> <p>Hayleys PLC has obtained insurance cover for the Board of Directors and key management personnel.</p>	✓
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 professionals who are required to conform to professional codes of conduct which require the exercise of independent judgement in discharge of their duties.	✓

## CORPORATE GOVERNANCE

Code Ref.	Compliance and Implementation	Compliance
A.1.6 Dedicate adequate time and effort to matters of the Board and the Company	<p>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.</p> <p>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.</p> <p>In addition, they are available for any adhoc meetings or discussions at any time.</p>	✓
A.1.7 Calls for resolutions	Any Director can call for a resolution to be presented to the Board if deemed necessary.	✓
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.	✓
	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 reporting processes at the same meetings.	✓
A.2 Chairman & Chief Executive Officer	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, who is a Non-Executive Director functions as Senior Independent Director to facilitate Board balance.	✓
A.3. Chairman's role in preserving good corporate governance	See Role of Chairman in Corporate Governance Report.	✓

Code Ref.	Compliance and Implementation	Compliance
A.3.1 Conduct of Board Meetings	<p>The Chairman ensure the following:</p> <ul style="list-style-type: none"> <li>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</li> <li>b. Sufficiency of information in Board packs and timely availability of the same</li> <li>c. Induction programmes for newly appointed Directors to acquaint them with their duties and responsibilities and Corporate Governance structure of the Group</li> <li>d. Effective participation of Executive and Non-Executive Directors,</li> <li>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</li> <li>f. Sufficient balance of power between Executive and Non-Executive Directors</li> <li>g. Views of directors are obtained and the minutes reflect the deliberations of the Board</li> <li>h. Board's control of the affairs of the company and its obligations to shareholders and stakeholders</li> </ul>	✓
A.4 Availability of financial acumen	Refer Principle A.4. in Corporate Governance Report.	✓
A.5 Board Balance	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.	✓
A.5.1 Majority of Non-Executive Directors	Of the 5 NEDs, 4 are independent of any material business relationships subject to the disclosure made on page 54.	The specialist skills required for managing the diverse interests of the Group requires a sufficient number of Executive Directors
A.5.2 If only 3 NEDs, they should be independent	<p>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.</p> <p>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.</p>	✓
A.5.3 Independence of Directors	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.	✓

## CORPORATE GOVERNANCE

Code Ref.	Compliance and Implementation	Compliance
A.5.4 Annual declaration by Directors	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.	✓
A.5.5 Annual determination of independence		✓
A.5.6 Alternate Directors	Ms. A.A.K. Amarasinghe act as an alternate Director to Mr.K.D.D.Perera in line with the Articles of Association of the Company and the CSE listing rules.	✓
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 has being expanded to 2 meetings, a year with NEDs and 1 meeting with Executive Directors on governance matters and communicating matters discussed to the Chairman.	✓
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	✓
A.6. Supply of Information	<p>The Chairman ensures that all Directors are briefed on issues arising at Board Meetings by requiring management to provide comprehensive information including both quantitative and qualitative information for the monthly Board meetings 7 days prior to the Board/Sub-Committee meetings. The Directors have free and open access to Management at all levels to obtain further information or clarify any concerns they may have. 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:</p> <ul style="list-style-type: none"> <li>Formally documented minutes of discussions.</li> <li>By clarifying matters from the Board Secretary.</li> <li>Separate discussions at start of meeting regarding matters arising for the previous meeting.</li> <li>Archived minutes and Board papers accessible electronically at the convenience of the Directors.</li> </ul> <p>Directors also have an open invitation to attend the meetings of the Management Committees and can 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.</p>	✓
A.7. Appointments to the Board & reelection	Refer Nomination, Appointment & Succession in Corporate Governance Report on page 54.	✓
A.8 Directors to submit themselves for re-election		✓

Code Ref.	Compliance and Implementation	Compliance												
A.9 Appraisal of Board & Committee Performance	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 submitted to the Chairman for discussion at a Board Meeting. Board evaluation criteria are given in the adjacent box.	✓												
A.10 Annual Report to disclose specified information regarding directors	<table><tr><th></th><th>Page Reference</th></tr><tr><td>Profiles of Board members</td><td>40 to 45</td></tr><tr><td>Membership of sub-committees and attendance at Board and Subcommittee meetings</td><td>40 to 45</td></tr><tr><td>Remuneration paid to directors</td><td>290</td></tr><tr><td>Related party transaction and other business interests</td><td>358 to 365</td></tr><tr><td>Names of listed companies in Sri Lanka in which they serve as directors</td><td>40 to 45</td></tr></table>		Page Reference	Profiles of Board members	40 to 45	Membership of sub-committees and attendance at Board and Subcommittee meetings	40 to 45	Remuneration paid to directors	290	Related party transaction and other business interests	358 to 365	Names of listed companies in Sri Lanka in which they serve as directors	40 to 45	✓
	Page Reference													
Profiles of Board members	40 to 45													
Membership of sub-committees and attendance at Board and Subcommittee meetings	40 to 45													
Remuneration paid to directors	290													
Related party transaction and other business interests	358 to 365													
Names of listed companies in Sri Lanka in which they serve as directors	40 to 45													
A.11 Appraisal of the CEO	Prior to the commencement of each financial year, the Board in consultation with the Chairman & 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 Chairman & Chief Executive. A monthly performance evaluation is performed at which actual performance is compared to the budget. The Chairman & Chief Executive is responsible to provide the Board with explanations for any adverse variances together with actions to be taken.	✓												

#### DIRECTORS' REMUNERATION

B.1. Establish process for developing policy on executive and director remuneration.	Refer Remuneration on page 240	✓
B.2. Level & Make Up of Remuneration	Refer Level & Make Up of Remuneration on page 240	✓
B.3 Disclosure of remuneration	The Report of the Remuneration Committee on page 240 provides a statement on Remuneration Policy. The total for Directors' Remuneration is given on page 290	✓

#### RELATIONS WITH SHAREHOLDERS

C.1. Constructive use of the AGM & Other General Meetings	Refer Upholding rights of shareholders on page 59	✓
C.2. Communication with shareholders		✓
C.3. Disclosure of major transactions	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 asset base of Hayleys PLC or consolidated Group asset base	✓

Code Ref.	Compliance and Implementation	Compliance
<b>ACCOUNTABILITY &amp; AUDIT</b>		
D.1 Accountability & audit	<p>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.</p> <p>Hayleys PLC has complied with the reporting requirements prescribed by the Colombo Stock Exchange.</p> <p>The following specialised information requirements are also included in this Annual Report:</p> <ul style="list-style-type: none"> <li>• The Business model – on pages 98 to 169.</li> <li>• Operating environment – on pages 96 to 97.</li> <li>• Opportunities &amp; Threats – on pages 85 to 94.</li> <li>• Risk Management – on pages 85 to 94.</li> <li>• Stakeholder relationships on pages 72 to 73.</li> <li>• The Capitals Report on pages 174 to 225.</li> <li>• The Annual Report of the Board of Directors on the Affairs of the Company given on pages 228 to 236 cover all areas of this section.</li> <li>• The “Statement of Directors’ Responsibilities” is given on page 241.</li> <li>• The Directors’ Statement on Internal Controls is given on page 238.</li> <li>• The “Independent Auditors’ Report “on pages 246 to 249 For the Auditor’s responsibility.</li> <li>• The Financial Capital Review, the Value Creation Report on pages 174 to 181 and 70 to 71.</li> </ul> <p>There has been no serious loss of capital to convene an EGM in terms of the Companies Act.</p>	✓
D.2. Risk Management & Internal Control	Refer Control Environment on page 85 to 94	✓
D.3. Audit Committee	Refer Audit Committee on pages 243 to 244	✓
D.4 Related Party Transactions Review Committee	Refer Related Party Transactions on page 242	✓
D.5. Code of Ethics	Refer the Hayleys Way on pages 52 to 53	✓
D.5 Corporate Governance Disclosures	The Corporate Governance Report from pages 50 to 68 and this Annex I: Compliance with the Code of Best Practice on Corporate Governance complies with the requirement to disclose the extent of compliance with the Code of Best Practice on Corporate Governance as specified in Principle D5.	✓
E. Institutional Investors and Other Investors	Please refer Investor Relations on pages 72 to 73	✓



Code Ref.	Compliance and Implementation	Compliance
E.1 & F Encourage voting at AGM	Shareholders are encouraged to participate at the AGM and vote on matters set before them and Hayleys PLC has a track record of a high level of participation at its Annual General Meetings. All shareholders are encouraged to participate and vote at the same.	✓
E.2 Evaluation of Governance Disclosures	All shareholders are provided sufficient information to facilitate and encourage effective shareholder participation including governance matters.	✓

#### INTERNET OF THINGS & CYBERSECURITY

G.1 Identify connectivity and related cyber risks	This function was complied with by the Group Head of IT for the year under review.	✓
G.2 Appoint a CISO and allocate budget to implement a cybersecurity policy	A Group Information Security Deputy General Manager was recruited on 1st April 2021	✓
G.3 Include cyber security in Board agenda	It is a regular agenda item on the Board agenda	✓
G.4 Obtain periodic assurance to review effectiveness of cybersecurity risk management	A firm of external consultants were engaged to review the effectiveness of the Group's cybersecurity risk management during the year.	✓
G.5 Disclosures in Annual Report	Please refer Internet of Things & Cybersecurity on page 58	✓

#### ENVIRONMENT, SOCIETY & GOVERNANCE

H Sustainability Reporting	<p>Sustainability 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:</p> <p>Principle 1 - Reporting of Economic Sustainability on pages 226 to 227</p> <p>Principle 2 - Reporting on the Environment on pages 213 to 225 of the Capital Management Report</p> <p>Principle 3 - Reporting on Labour Practices on pages 186 to 194 of the Capital Management Report.</p> <p>Principle 4 - Reporting on Society on pages 195 to 204 of the Capital Management Report.</p> <p>Principle 5 - Reporting on Product Responsibility on page 196 of the Capital Management Report.</p> <p>Principle 6 - Reporting on Stakeholder identification, engagement and effective communication on pages 72 to 73.</p> <p>Principle 7 - Sustainable reporting on pages 80 to 84.</p>	✓
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## CORPORATE GOVERNANCE

### 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 eleven Directors are NEDs
7.10.2(a)	Independent Directors	Compliant	Four out of Five Non-Executive Directors are 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 pages 53 to 54.
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 45 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 to be disclosed to the public. Brief resumes of the Directors appointed during the year have been provided to the Colombo Stock Exchange.
7.10.5 (a)	Composition of Remuneration Committee	Compliant	Please refer the Remuneration Committee Report on page 240 and Principles B1 to B3 on page 59 of this Corporate Governance Report.
7.10.5(b)	Functions of Remuneration Committee	Compliant	The remuneration paid to Directors is given in note 10 to the financial statements on page 290.
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 243 to 244.
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 242.
9.2.2	Composition	Compliant	Please refer the Report of the Related Party Transaction Review Committee in page 242.
9.2.4	Related Party Transactions Review Committee Meetings	Compliant	Met 04 times during the Financial year 2020/21.
9.3.1	Immediate Disclosures	Compliant	Please refer Note 38 of the Notes to the Accounts on pages 356 to 359.
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 356 to 359.
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 242.
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 228 to 236.



### Strategies To Unlock Value

# AN EXCEPTIONAL PROCESS

The secret to survival is adaptability in the face of change, and that's why, at Hayleys, our processes are designed and structured to ensure we optimise performance and prioritise stakeholder needs at all times.

The pages in this section detail what we consider material to our organisation – defining how we manage our activities and mitigate risks to ensure long-term value creation.

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*The malleefowl creates its nest in the ground. In order to protect its eggs and insulate them against external forces, the malleefowl covers them with a mound of soil. It regulates and monitors the nest's conditions to ensure survival, with the overall temperature maintained by increasing or reducing soil levels in accordance with external dynamics.*

# VALUE CREATION MODEL

## CAPITAL INPUTS

### FINANCIAL CAPITAL

Shareholders' funds:

**Rs. 75.20 bn**

Debt: **Rs. 114.46 bn**

Page 174

### MANUFACTURED CAPITAL

Manufacturing plants

**05 countries**

Property, plant and equipment including buildings, machinery & equipment and vessels:

**Rs. 50.24 bn**

Page 182

### HUMAN CAPITAL

**30,765 employees**

Skills, value and industry insights

Organisational culture- Hayleys Way

Page 186

### SOCIAL & RELATIONSHIP CAPITAL

Customer relationships:

**>1.6 mn**

Supplier relationships:

**18,700 suppliers**

Community relationships

Page 195

### INTELLECTUAL CAPITAL

Our brand

Innovation capabilities

Systems, processes and standards

Organisational capital

Page 205

### NATURAL CAPITAL

Land extent: **428.58 acres**

Water use: **5.33 m<sup>3</sup> mn**

Energy consumption: **4.03 mn MJ**

Raw materials

Page 213

## VISION:

**TO BE SRI LANKA'S CORPORATE INSPIRATION AT ALL TIMES**

## GROUP STRATEGIC PRIORITIES

Profitable  
Growth

Innovation and  
Digitalisation

Value chain &  
Community  
Development

Customer  
Focus

Inspired &  
Dedicated  
Team

Climate  
Action

## OUR PORTFOLIO

**ECO  
SOLUTIONS**

Page 98

**HAND PROTECTION**

Page 104

**PURIFICATION**

Page 110

**TEXTILES**

Page 116

**CONSTRUCTION  
MATERIALS**

Page 122

**PLANTATIONS**

Page 128

**AGRICULTURE**

Page 134

**CONSUMER  
& RETAIL**

Page 140

**LEISURE**

Page 146

**INDUSTRY INPUTS,  
POWER & ENERGY**

Page 152

**TRANSPORTATION  
AND LOGISTICS**

Page 158

**OTHERS**

Page 164

## FACTORS DRIVING OUR STRATEGY

### ECONOMIC AND GEOPOLITICAL ISSUES

- Exchange rate dynamics
- Interest rate trends
- Economic growth
- Disposable income
- Policy direction and stability
- Regulatory developments

### SOCIAL ISSUES

- Skilled labour
- Health and safety
- Population growth and urbanisation
- Agricultural supply chains and livelihoods
- Changes in consumer behaviour

### ENVIRONMENTAL ISSUES

- Implications of climate change
- Water scarcity
- Degradation of natural resources
- Increasing energy costs

## OUTPUTS

### FINANCIAL CAPITAL



+Revenue: **Rs.241.28 bn**  
 +Profit-after-tax: **Rs.14.05 bn**  
 +Dividends paid: **Rs. 975 mn**

### MANUFACTURED CAPITAL



- Activated carbon
- Protective handwear
- Tea and Rubber
- Fabrics
- Fibre-based products
- Agricultural products
- Aluminium profiles
- Consumer durables
- Renewable energy

### HUMAN CAPITAL



+Payments to employees: **Rs. 30.51 bn**  
 +Investment in training: **Rs.18 mn**

### SOCIAL & RELATIONSHIP CAPITAL



+Investment in CSR: **Rs. 292 mn**  
 +Payments to suppliers: **Rs.145.50 bn**  
 +Investment in supplier development: **Rs.47 mn**

### INTELLECTUAL CAPITAL



+Investment in R&D: **Rs.201 mn**  
 +New products launched: **349**  
 +Products in the pipeline: **107**

### NATURAL CAPITAL



-Solid waste generated: **16,521 MT**  
 -Water consumption: **5.33 m<sup>3</sup> mn**  
 -Energy usage: **4.03 mn MJ**  
 -Emissions: **204,501 tCO<sub>2</sub>e**

## OUTCOMES

### SHAREHOLDERS



Sustainable shareholder returns commensurate with the risk undertaken

Page 180

### EMPLOYEES



Attractive rewards and opportunities for skill and career development in a conducive work, dynamic and inclusive environment

Page 186

### CUSTOMERS



Access to innovative, high-quality products which are manufactured through sustainable practices coupled with excellent customer service

Page 196

### SUPPLIERS & BUSINESS PARTNERS



Business growth driven by continued demand for products/services and transfer of knowledge

Page 197

### GOVERNMENT



Contribute towards job creation, socio-economic growth and government revenue through tax contributions

Page 227

### COMMUNITIES



Fulfilment of community needs leading to an improved standard of living

Page 199

## SOCIO-ECONOMIC IMPACTS

Through our diverse, deep-rooted supply chains and export-oriented businesses we support socio-economic empowerment while generating foreign exchange income, which accounts for 4.2% of Sri Lanka's total export income.



## ENVIRONMENTAL IMPACTS

We are committed to reducing the environmental impacts of our operations and achieving sustained reductions in the carbon footprint.

- **64%** reliance on renewable energy
- **41%** carbon footprint offset through renewable energy generation
- **9%** sustainable water sourcing
- **>44,500** trees planted



# STAKEHOLDER ENGAGEMENT

Understanding and effectively responding to the diverse needs of our stakeholders is vital in delivering shared value and ensuring the Group's long-term sustainability. At Hayleys PLC, stakeholder engagement is an ongoing discipline, facilitated through numerous formal and informal mechanisms. Given the depth and diversity of our stakeholder relationships, the Group

1

Identification of stakeholders

2

Prioritise stakeholders depending on their ability to impact our value creation process the impact of our decisions

3

Conduct engagement (formal and informal) at Sector level

4

Prioritise feedback

STAKEHOLDER GROUP	SHAREHOLDERS	CUSTOMERS
	531 institutional shareholders and 8,848 retail shareholders	Our customer base comprises individuals, SMES and corporates in Sri Lanka and across the world
 <b>HOW WE LISTEN</b>	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Quarterly financial results released to the CSE</li> <li>Investor road shows when required</li> <li>Ongoing engagement with investment analysts, stock brokers and media</li> <li>Corporate website (ongoing)</li> <li>Press releases through the CSE (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Customer interaction at contact points (ongoing)</li> <li>Engagement with marketing teams (ongoing)</li> <li>Periodic customer satisfaction surveys in certain sectors</li> <li>Print and electronic media publications as and when required (ongoing)</li> </ul>
 <b>WHAT OUR STAKEHOLDERS CARE ABOUT</b>	<ul style="list-style-type: none"> <li>Sustainable returns commensurate with the risk undertaken</li> <li>Strategic agenda and progress against strategy</li> <li>Corporate Conduct and governance</li> <li>Proactive risk management practices</li> <li>Macroeconomic environment and potential impacts on the Group</li> </ul>	<ul style="list-style-type: none"> <li>Continued availability of products and easy accessibility</li> <li>Value for money</li> <li>Good customer service at all contact points</li> <li>Product innovation</li> <li>Product knowledge and attitude of employees</li> <li>Responsible products and marketing</li> </ul>
 <b>STAKEHOLDER IMPLICATIONS OF COVID-19</b>	<ul style="list-style-type: none"> <li>Resilience of the business to challenges stemming from COVID-19 and agility of strategy</li> <li>Health standards in place to ensure safety of employees</li> <li>Impacts on financial performance and stability</li> </ul>	<ul style="list-style-type: none"> <li>Continued availability of products</li> <li>Accessibility through digital platforms</li> <li>Flexibility in payment terms</li> </ul>
 <b>HOW WE RESPONDED</b>	Communicate all material information on a timely basis through the Colombo Stock Exchange.	All Sectors maintained a high-level of engagement with customers with ongoing focus on innovation, product quality and customer service
 <b>STRATEGIC RELEVANCE</b>	Profitable growth, Innovation and digitalisation.	Customer Focus
	Page 180 	Page 196 

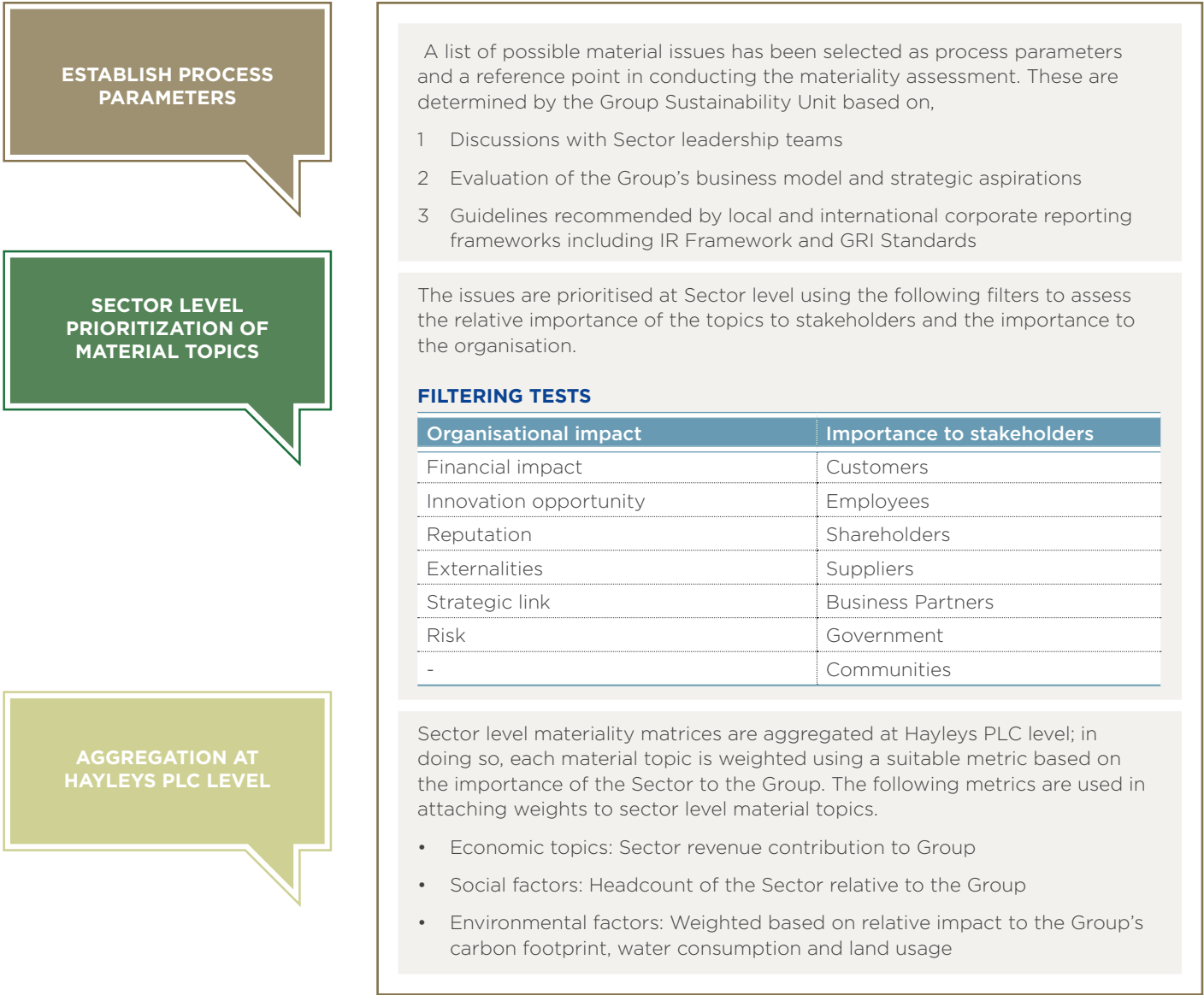
prioritises its stakeholder relationships, based on the those who could potentially have the most significant impact on our ability to create value. The stakeholder engagement process is as follows:

EMPLOYEES 	SUPPLIERS & BUSINESS PARTNERS 	GOVERNMENT 	COMMUNITIES 
30,765 employees	Our business sectors have deep linkages with an extensive network of suppliers and business partners	We engage with a number of regulators through our diverse business sectors.	We have nurtured deep-rooted and sustainable connections with the communities we operate in
<ul style="list-style-type: none"> <li>• Digital engagement (ongoing)</li> <li>• Performance appraisals (annual)</li> <li>• Periodic satisfaction surveys</li> <li>• Periodic staff meetings</li> <li>• Year-round event calendar including work life balance initiatives, sports activities and cultural activities; these events were curtailed during the year, given restrictions on gatherings</li> <li>• Annual award schemes</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier development initiatives (ongoing)</li> <li>• Periodic supplier reviews and assessments</li> <li>• Periodic meetings and written communication</li> <li>• Community engagement initiatives (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing regulatory reporting in certain sectors</li> <li>• Consultations and meetings when required</li> <li>• Announcements to the CSE when required</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings with beneficiaries of CSR initiatives and capacity building programmes (ongoing)</li> <li>• Press releases and other publications (ongoing)</li> </ul>
<ul style="list-style-type: none"> <li>• Attractive remuneration schemes</li> <li>• Opportunities for talent and skill development</li> <li>• Career progression opportunities</li> <li>• Injury-free, safe working environment</li> <li>• Freedom of association</li> <li>• Work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>• Secure demand</li> <li>• Fair and transparent pricing</li> <li>• Ease of transacting</li> <li>• Continuity of relationship</li> <li>• Transfer of technical knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance to all relevant regulations, directions and guidelines</li> <li>• Maintain regular and transparent communications</li> <li>• Contribute positively to the economy, society and environment</li> <li>• Support the achievement of macro-economic objectives</li> </ul>	<ul style="list-style-type: none"> <li>• Employment creation within communities</li> <li>• CSR initiatives and capacity building programmes</li> <li>• Environmental preservation and minimising environmental impacts</li> </ul>
<ul style="list-style-type: none"> <li>• Concerns on job and financial security</li> <li>• Safety standards implemented across operating locations</li> <li>• Concerns on the Group's financial performance and sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Liquidity pressure given disruptions to supply chains</li> <li>• Sustainability of demand from the Group given implications on business volumes</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance to all relevant health and safety regulations</li> <li>• Ensuring continuity of operations</li> </ul>	<ul style="list-style-type: none"> <li>• Support pandemic-hit communities and national efforts to combat the pandemic</li> </ul>
As employees adapted to new ways of working, we strengthened engagement through digital channels, adopting measures to ensure the physical and mental well-being of employees	Strengthened supplier relationships through ongoing engagement, with proactive measures taken to ensure continuity of supplier operations	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.
Inspired and dedicated team	Value Chain and Community Partnerships	-	Value Chain and Community Partnerships
Page 186 	Page 197 	Page 227 	Page 199 



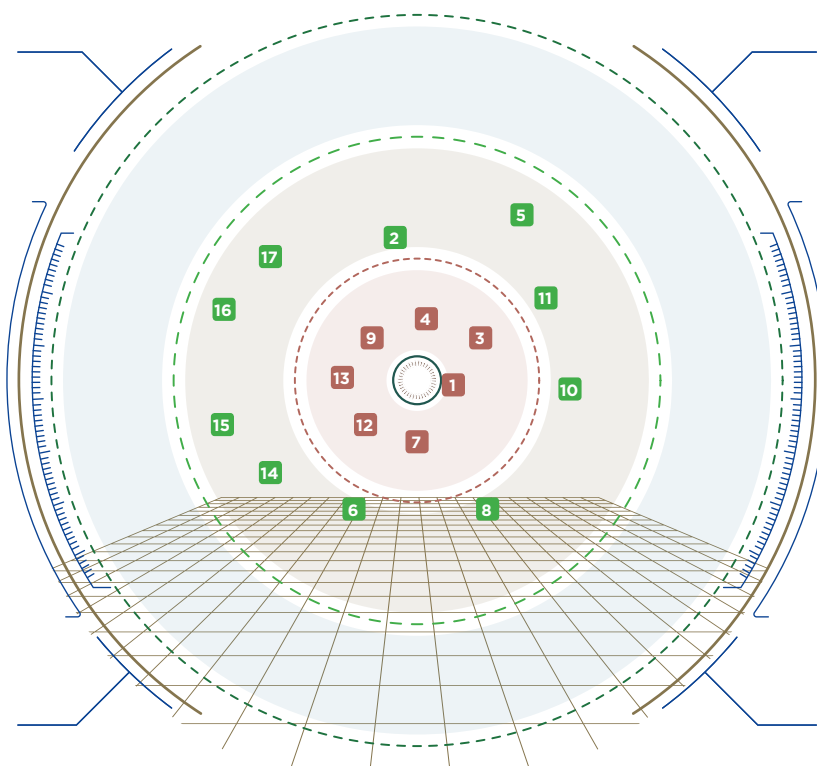
Hayleys PLC conducts a comprehensive materiality assessment annually, with the engagement of all business sectors. The process facilitates regular review and update of material topics which are material to the Group’s stakeholders and value creation, in view of changes in both the internal and external operating environment. The assessment is conducted at Sector level and aggregated at Hayleys PLC, with each topic weighted using a suitable metric based on the importance of the Sector’s impacts to the Group.

The process adopted for assessing material issues is presented below:



The unprecedented external landscape that prevailed during the year, led to considerable shifts in the Group’s material topics. There were no major changes to the reporting boundary compared to the previous year.

## MATERIALITY RADAR



Material topic	Corresponding GRI principle	Corresponding NGRC indicator	Link to UN SDG	Reporting boundary
(1) Customer satisfaction	-	-	-	The Group's customers across its business sectors
(2) Product quality	GRI 417-Marketing and labelling	SOCL18		The products and services manufactured and/or distributed by the Group
(3) Occupational health and safety	GRI 403-Occupational Health and safety			Reporting boundary relates to the Group's employees
4) Employment	GRI 401-Employment GRI 402-Labour management relations GRI 404-Training and education GRI 407-Freedom of Association and Collective Bargaining	SOCL2 SOCL5 SOCL7 SOCL8	 	Refers to the Group's direct employees across its operating locations

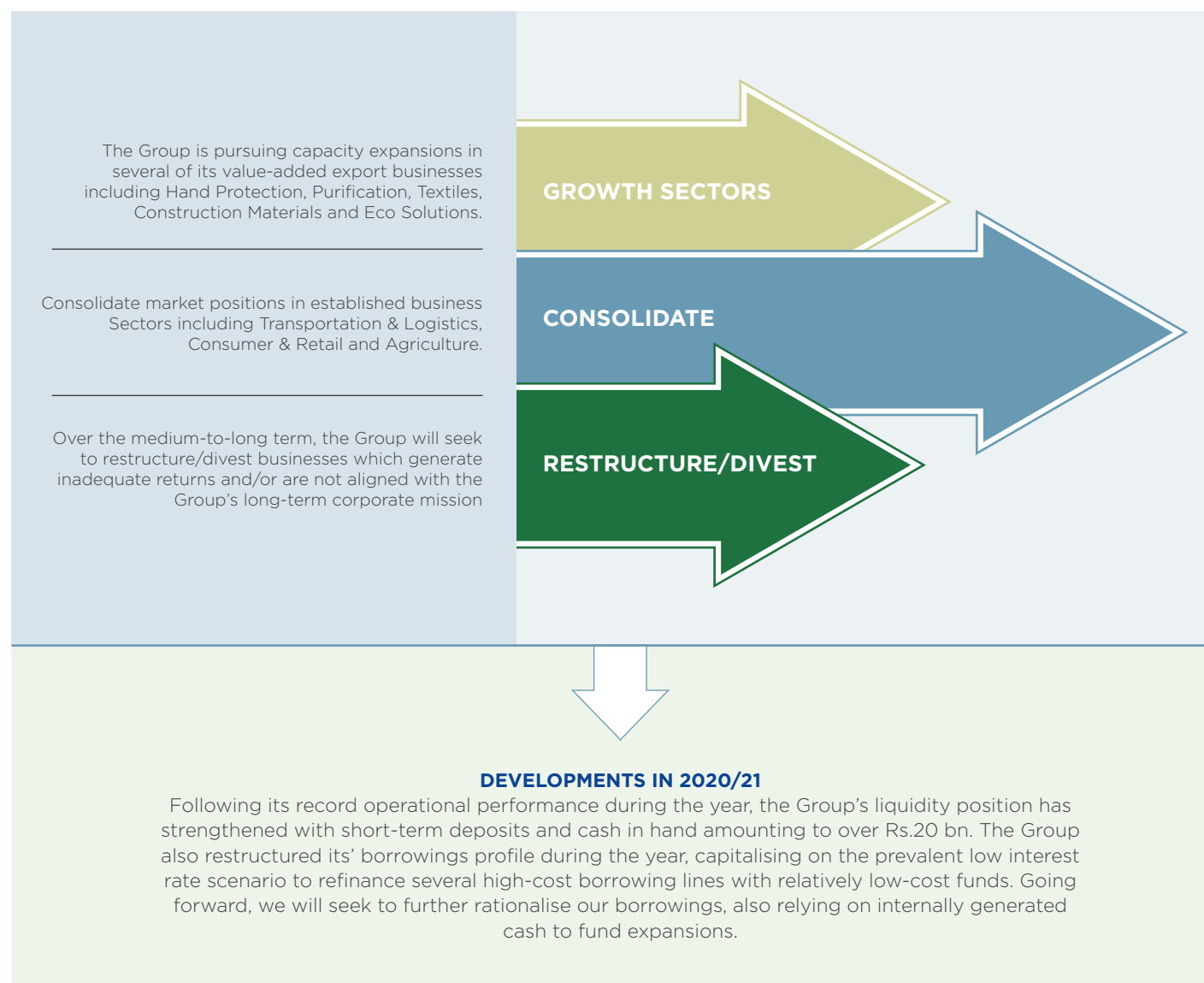
## MATERIAL MATTERS

Material topic	Corresponding GRI principle	Corresponding NGRC indicator	Link to UN SDG	Reporting boundary
(5) Compliance	GRI 307-Environmental compliance  GRI 406-Non discrimination  GRI 419: Socio economic compliance	ENVT22  SOCL12		Relates to the compliance of all entities within the Group
(6) Best practices along supply chains	GRI 204:Procurement practices	ECON4,SOCL11		Relates to the Group's key supply chains, primarily in Sri Lanka
(7) Customer Health and Safety	GRI 416: Customer Health and Safety			The Group's customers across its business sectors
(8) Materials and chemicals	GRI 301: Materials	ENVT1, ENVT2		Materials and chemicals used in the Group's manufacturing processes
(9) Innovation				Relates to the Group's product and process innovations
(10) Managing Environmental Impacts	GRI 302-Energy GRI 303-Water GRI 304-Bio-diversity GRI 305-Emissions GRI 306-Waste & Effluents	ENVT8  ENVT11,ENVT12	   	The reporting boundary includes the Group's direct environmental impacts
(11) Local communities	GRI 413-Local communities			Relates to the communities with whom the Group engages and broader communities in operating areas
(12) Manufacturing capabilities				The Group's manufacturing operations in Sri Lanka and overseas
(13) Operational efficiency				Relates to the Group's operations
(14) Economic impacts	GRI 201-Economic Performance  GRI 203-Indirect economic impacts	ECON1, ECON2  ECON6		
(15) Principal Relationships	-	-	-	Our local and international principals across key business sectors
(16) Exposure to exchange rate fluctuations				
(17) Commodity prices				

## ASSET ALLOCATION

The Group's asset allocation strategy seeks to optimise risk-return dynamics while balancing short, medium to long-term growth aspirations. The Group's businesses are at different levels of maturity and the Board determines the sectors positioned for growth, consolidation or rationalisation based on market potential, industry dynamics and the Group's long-term aspirations as a consolidated entity.

Asset allocation as well as funding decisions also seek to balance the Group's short-term liquidity position and future investments, ensuring that short-term liquidity risks are managed effectively. In recent years, the Group has pursued aggressive debt-funded expansions which has led to a considerable increase in its borrowings. The Group intends to gradually pare down its exposure to borrowings, with several acquired businesses generating healthy returns.



# UNLOCKING VALUE

The six pillars of the Group's long-term strategy remained relevant despite unprecedented shifts in the operating landscape. The Board sets the strategic direction whilst the plan is formulated with the assistance of the Strategic Business Development Unit (SBDU) at Hayleys PLC. The plan is then cascaded to the Sectors under the leadership of the Group Management Committee; while their diversity necessitates sectors to adopt unique strategies specific to industry dynamics and their respective operational models, they remain largely aligned to the overarching pillars of the Group strategy.

MISSION: DELIVERING SUPERIOR SHAREHOLDER VALUE BY UNLEASHING THE FULL POTENTIAL																													
STRATEGIC PILLAR	 PROFITABLE GROWTH	 INNOVATION AND DIGITISATION	 VALUE CHAIN & COMMUNITY PARTNERSHIPS																										
OUR COMMITMENT	To have a balanced investment portfolio in terms of risk, returns and growth to ensure sustainable profitability and liquidity	Adapting to the dynamic digital age by utilising technology and social media to create new revenue streams by introducing innovative solutions and products	Creating a secure, sustainable and efficient value chain and uplifting livelihoods and empowering communities																										
STRATEGIC DRIVERS IN 2020/21	<ul style="list-style-type: none"><li>● Innovation by value addition</li><li>● Local and offshore expansion of manufacturing facilities and marketing offices</li><li>● Create, develop and invest in our own brands for exports</li><li>● Expansion through organic and inorganic growth</li></ul>	<ul style="list-style-type: none"><li>● Organic growth through innovation</li><li>● Enhanced focus on R&amp;D</li><li>● Enhance brand equity through stronger digital presence</li><li>● Increase penetration through social media</li></ul>	<ul style="list-style-type: none"><li>● Expansion of supply chains across Sri Lanka and overseas</li><li>● Enhance livelihoods through innovative supply chain initiatives</li><li>● Supplier development initiatives to drive sustainability</li><li>● Increase transparency through fair trade prices</li></ul>																										
RESOURCE ALLOCATION	Capital expenditure: Rs.5.77 bn	Investment in R&D: Rs. 201 mn	Investment in supplier development: Rs.47 mn Payments to suppliers: Rs. 145.50 bn																										
KEY PERFORMANCE INDICATORS	<p>While growth plans were affected in certain sectors due to restrictions on mobility and other limitations, several sectors continued to pursue organic growth through capacity expansion.</p> <table><thead><tr><th>KPI</th><th>Performance in 2020/21</th></tr></thead><tbody><tr><td>Customer reach</td><td>&gt;1.6 mn</td></tr><tr><td>Acquisitions</td><td>1*</td></tr><tr><td>No. of sectors which expanded capacity</td><td>3</td></tr><tr><td>Revenue growth</td><td>+15%</td></tr><tr><td>EBIT growth</td><td>+58%</td></tr></tbody></table> <p>*Events after reporting date</p>	KPI	Performance in 2020/21	Customer reach	>1.6 mn	Acquisitions	1*	No. of sectors which expanded capacity	3	Revenue growth	+15%	EBIT growth	+58%	<p>Several sectors strengthened their competitive position through new product development. As a Group, we also strengthened our online visibility and increased social media engagement.</p> <p><b>349</b> <b>NEW PRODUCTS LAUNCHED</b></p> <p>Developments in technology</p> <ul style="list-style-type: none"><li>• Launch of corporate website</li><li>• Automated the Financial Consolidation, and MIS through using SAP Business Planning &amp; Consolidation</li><li>• Virtual customer tours by Haycarb PLC</li><li>• Launch of online food delivery platform by The Kingsbury</li></ul>	<p>Given disruptions to international supply chains the Group sought increased reliance on local supply chains, investing in capacity building and development across key supply chains.</p> <table><thead><tr><th>KPI</th><th></th></tr></thead><tbody><tr><td>Total suppliers</td><td>18,700</td></tr><tr><td>No. of new suppliers</td><td>&gt;1200</td></tr><tr><td>Suppliers developed</td><td>&gt;1600</td></tr><tr><td>Increase in supplier value injection</td><td>10%</td></tr><tr><td>Small scale suppliers</td><td>57%</td></tr><tr><td>Local procurement</td><td>47%</td></tr></tbody></table>	KPI		Total suppliers	18,700	No. of new suppliers	>1200	Suppliers developed	>1600	Increase in supplier value injection	10%	Small scale suppliers	57%	Local procurement	47%
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RISKS IMPACTING STRATEGY	<p>Duration of pandemic</p> <p>Exchange rate fluctuations</p> <p>Government policy and macro-economic variables</p> <p>Geopolitical risk</p>	Cybersecurity and IT related risks	<p>Local community relations and indirect community impacts</p> <p>Availability and pricing of raw materials/ commodities</p>																										
WAY FORWARD	Several Sectors are currently pursuing capacity expansions, particularly in value added exports	Ongoing focus on enhancing the Group's online and social media presence	Strengthen relationships across key agricultural and other supply chains																										

In the way of unprecedented operational challenges during the year, the Group leveraged its collective thinking across 12 sectors, breaking-down silos and sharing experiences and insights in accelerating recovery.

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

 CUSTOMER FOCUS	 INSPIRED AND DEDICATED TEAM	 CLIMATE ACTION	STRATEGIC PILLAR																														
Enhancing experiences for every customer, from the rural farmer to the global consumer through excellence in product quality and service	Creating a dynamic team to steer the “World of Hayleys” to be Sri Lanka’s corporate inspiration at all times	Strive to protect, enhance and sustain the wider ecological system we operate within	OUR COMMITMENT																														
<ul style="list-style-type: none"><li>● Commitment to quality and responsibility</li><li>● Widen product margins through product excellence</li><li>● Achieve high customer satisfaction levels</li><li>● High level of customer engagement</li></ul>	<ul style="list-style-type: none"><li>● Attract and retain the industry’s top talent</li><li>● Agile work plans</li><li>● Ongoing investment in training</li><li>● Effective performance appraisals</li></ul>	<ul style="list-style-type: none"><li>● Reduce dependence on non-renewable energy sources</li><li>● Achieve sustained reductions in the carbon footprint</li><li>● Preservation of bio-diversity</li><li>● Full compliance to environmental regulations</li></ul>	STRATEGIC DRIVERS IN 2020/21																														
Ongoing investments in customer relationship management  Customer surveys conducted: >4,000	Investment in training and development: Rs. 18 mn  Investment in the Group’s new HRIS: Rs. 17 mn	Investments in replanting: Rs. 259 mn  Investments in roof top solar projects: Rs.750 mn	RESOURCE ALLOCATION																														
<div><div>&gt;1.6 mn</div><div>CUSTOMER REACH</div></div> <div><div>70%</div><div>AVERAGE CUSTOMER SATISFACTION*</div></div> <div><div>99%</div><div>COMPLAINTS RESOLVED</div></div> <div>*Aggregation of sector- level customer satisfaction surveys</div>	<table><tr><th colspan="2">KPI</th></tr><tr><td>Total employees</td><td>30,765</td></tr><tr><td>Average training hours/employee</td><td>5.3</td></tr><tr><td>Retention rate</td><td>86%</td></tr><tr><td>Promotions</td><td>339</td></tr><tr><td>Female representation</td><td>37%</td></tr><tr><td>Profit per employee</td><td>Rs. 0.46 mn</td></tr></table>	KPI		Total employees	30,765	Average training hours/employee	5.3	Retention rate	86%	Promotions	339	Female representation	37%	Profit per employee	Rs. 0.46 mn	<table><tr><th colspan="2">KPI</th></tr><tr><td>Reliance on renewable energy</td><td>64%</td></tr><tr><td>Sustainable water sourcing</td><td>9%</td></tr><tr><td>Waste to landfill</td><td>25%</td></tr><tr><td>Changes in,</td><td></td></tr><tr><td>Energy intensity</td><td>-7%</td></tr><tr><td>Water intensity</td><td>-15%</td></tr><tr><td>Emission intensity</td><td>-7%</td></tr></table> <div>Launch of Group-wide Environmental targets with aspirations to reduce the carbon footprint by 30% by 2030.</div>	KPI		Reliance on renewable energy	64%	Sustainable water sourcing	9%	Waste to landfill	25%	Changes in,		Energy intensity	-7%	Water intensity	-15%	Emission intensity	-7%	KEY PERFORMANCE INDICATORS
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Customer satisfaction Product responsibility	Labour shortages Employee health and safety Employee relations	Implications of climate change Supply and affordability of energy Availability of water Effluents and waste	RISKS IMPACTING STRATEGY																														
Drive customer acquisition in new markets while pursuing increased penetration in existing markets	Strengthen leadership capabilities through targeted development and obtain ISO-30,414 certification	Ongoing investment in rooftop solar project. Sector-wise initiatives to achieve environmental targets	WAY FORWARD																														

## SUSTAINABILITY AT HAYLEYS



### OUR APPROACH

Our key businesses have always embedded social and environmental considerations into their business operations and decision making, with several sectors such as Purification, Hand Protection, Plantations and Agriculture (among others) sharpening their competitive edge through focusing on sustainability. In recent years, the Group has sought to harness this collective knowledge and industry learnings into developing a Group-wide holistic sustainability agenda, which aims to addressing emerging societal and environmental issues while mitigating the Group's adverse external impacts. Parallel importance has been placed on strengthening the monitoring and reporting of our non-financial impacts.

### PROGRESS IN OUR SUSTAINABILITY JOURNEY

2017/2018

- Launch of Hayleys Cube- a robust information system to collect, aggregate and monitor relevant non-financial information across sectors

- Comprehensive 7-part materiality test was implemented across sectors enabling identification of critical socio-environmental issues
- Commenced computation of Scope 3 carbon emissions

2018/2019

2019/2020

- Appointed Sector-level Sustainability champions and created a platform for sharing knowledge and best practices across the Group

- Initiated the formulation of a Group-wide ESG Framework with the Environment Pillar launched during the year

2020/2021

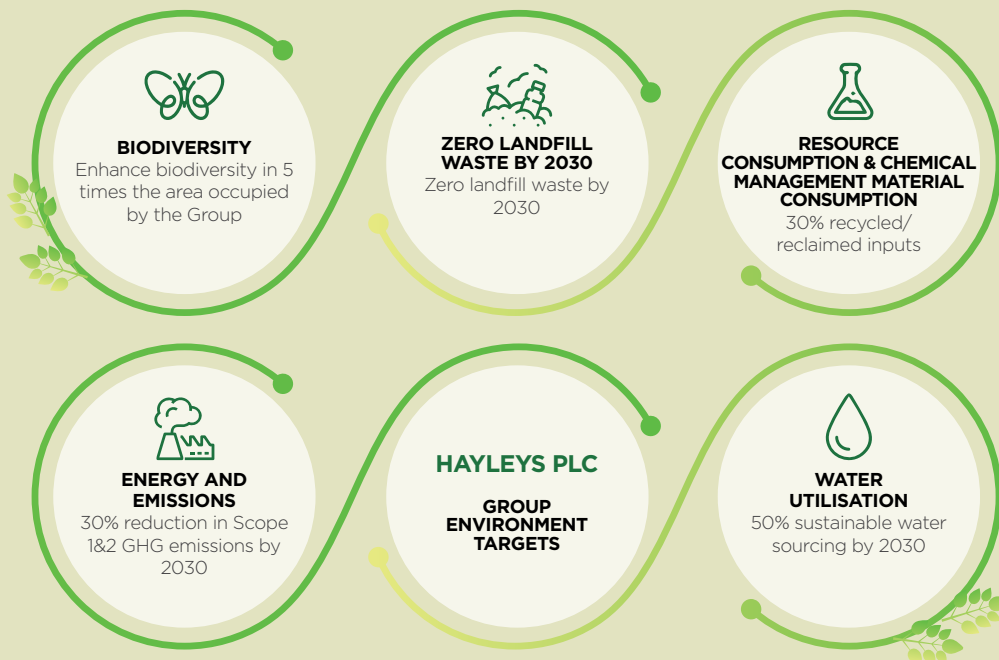


## HAYLEYS GROUP ESG FRAMEWORK

During the year under review, the Group commenced formulation of a Group-wide, holistic ESG Framework which aims to deliver triple bottom value while driving sustainable economic growth, fostering social development, and investing in environmental sustainability. Driven by the Hayleys Group Sustainability Unit, the formulation of the Framework followed significant stakeholder engagement at multiple levels and critical evaluation of emerging ESG risks both from the internal and external landscape. The Framework is also aligned to the Sustainable Development Goals, drawing parallels between the defined indicators and targets, and the Group's own aspirations.



The 'Environment' pillar of the Framework was rolled-out to the Sectors during the year, with a clearly defined roadmap for achieving the Group's 2030 environmental targets as presented below. Sectors will drive the achievement of the goals through implementing initiatives at Sector-level, in addition to organisation-wide projects driven by Hayleys PLC. The annual progress made by the Sectors will be monitored on a quarterly basis by the Hayleys Sustainability Unit.



Precautionary principle: While the Group has not formally adopted the Precautionary principle, the ESG Framework provides clear guidance on responsible investment and the evaluation of social and environmental implications of investment decisions.

## COMMITMENT TO THE SUSTAINABLE DEVELOPMENT GOALS (SDG)

**Our Approach:** Through the Group's ESG Framework, the Group intends to link its ESG aspirations to the SDGs in which it can make the most significant contribution. This was completed for the Environmental Pillar of the ESG Framework, which was launched during the year. A summary of the Group's contribution to the selected SDGs are presented below; these initiatives are discussed in detail in subsequent sections of this Report.



### SDG 1: NO POVERTY

**Sri Lankan context:** Sri Lanka's poverty levels have recorded gradual decrease in recent decades, with the poverty headcount index amounting to 4.1% in 2016.

Relevant SDG targets	Hayleys' contribution
<b>Target 1.1:</b> By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day	Nearly 16,000 out-growers supported
<b>Target 1.4:</b> By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance	'House for every plantation worker' initiative supports 58,000 estate workers through a holistic proposition.



### SDG 2: ZERO HUNGER

**Sri Lankan context:** Prevalence of undernourishment of 7.6%, with 17.3% prevalence of stunting among children the age of 5 years.

Relevant SDG targets	Hayleys' contribution
Target 2.3: By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment	+Agriculture Sector's research into developing high quality planting materials, crop nutrition and protection solutions.  +Plantation sector's efforts to drive productivity improvements in estates
Target 2.4: By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality	+Climate smart agriculture solutions by the Agriculture Sector



### SDG 4: QUALITY EDUCATION

**Sri Lankan context:** Sri Lanka's literacy rates are among the best in the region although 13.8% of the population complete the GCE Advanced level examination

Relevant SDG targets	Hayleys' contribution
Target 4.3: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university	Equal opportunity employer in offering skill and career development
Target 4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship	5.3 average training hours per employee  Skill development for fabricators, out-growers and fashion entrepreneurs (through Singer)



### SDG 5: GENDER EQUALITY

Sri Lankan context: Labour force participation among women is relatively low at 36

Relevant SDG targets	Hayleys' contribution
5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life	37% female representation rate 11% female representation in management level
5.c Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels	Equal opportunity employer, with policies in place for anti-sexual harassment, non-discrimination and grievance handling.



### SDG 6: CLEAN WATER AND SANITISATION

Sri Lankan context: 81% of Sri Lanka's population has access to safely managed drinking water services

Relevant SDG targets	Hayleys' contribution
Target 6.1: By 2030, achieve universal and equitable access to safe and affordable drinking water for all	190,000 litres of water purified through 19 projects under the Puritas Sath Diyawara project
Target 6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally	59% of all water used is recycled through effluent treatment plants
Target 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity	Increased focus on water recycling with 9% of water recycled in 2020/21 0.2% reduction in water consumption and 15% reduction in water intensity



### SDG 3: GOOD HEALTH AND WELL-BEING

Sri Lankan context: Maternal Mortality Rate of 36 per 100,000 live births

Relevant SDG targets	Hayleys' contribution
Target 3.1: By 2030, reduce the global maternal mortality ratio to less than 70 per 100,000 live births	The Plantation Sector offers a "womb-to-tomb" proposition for estate employees which includes pre-natal and post-natal care



### SDG 7: AFFORDABLE AND CLEAN ENERGY

Sri Lankan context: 100% electrification with 37% of energy generated through renewable energy including hydro and non-conventional renewable energy sources

Relevant SDG targets	Hayleys' contribution
Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.	64% of the Group's total energy requirements fulfilled by renewable energy Accounts for 3% of the country's total renewable energy generation
Target 7.3: By 2030, double the global rate of improvement in energy efficiency	7% reduction in energy intensity during the year

## COMMITMENT TO THE SUSTAINABLE DEVELOPMENT GOALS (SDG)



### SDG 8: DECENT WORK AND ECONOMIC GROWTH

Sri Lankan context: Unemployment rate of 4.8%, with female unemployment relatively higher at 6.9%.

Relevant SDG targets	Hayleys' contribution
Target 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors	Group-wide focus on innovation and value addition with over 300 new products introduced during the year, with R&D spend
Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	Equal remuneration for men and women at a 1:1 ratio
Target 8.6: By 2020, substantially reduce the proportion of youth not in employment, education or training	Youth skill development through Fabricator training, The Singer Business School and Agricultural Training School



### SDG 11: RESPONSIBLE CONSUMPTION AND PRODUCTION

Sri Lankan context: The country lacks a coherent national waste management policy, with only an estimated 50% of waste generated collected.

Relevant SDG targets	Hayleys' contribution
Target 12.2: By 2030, achieve the sustainable management and efficient use of natural resources	Comprehensive waste management policy in place across the Group with the aim of driving reductions in waste to land-fill
Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	25% land-fill waste while over 60% of waste is recycled and re-used



### SDG 13: CLIMATE ACTION

Sri Lankan context: Sri Lanka remains highly vulnerable to climate related risks and was ranked 6th on the Climate Risk Index of the UNDP.

Relevant SDG targets	Hayleys' contribution
Target 13.2: Integrate climate change measures into national policies, strategies and planning	The Group has set a target of reducing its Scope 1 and Scope 2 emissions by 30% by 2020. The carbon footprint is monitored across all Sectors and reported to the GMC on a quarterly basis.



### SDG 15: LIFE ON LAND

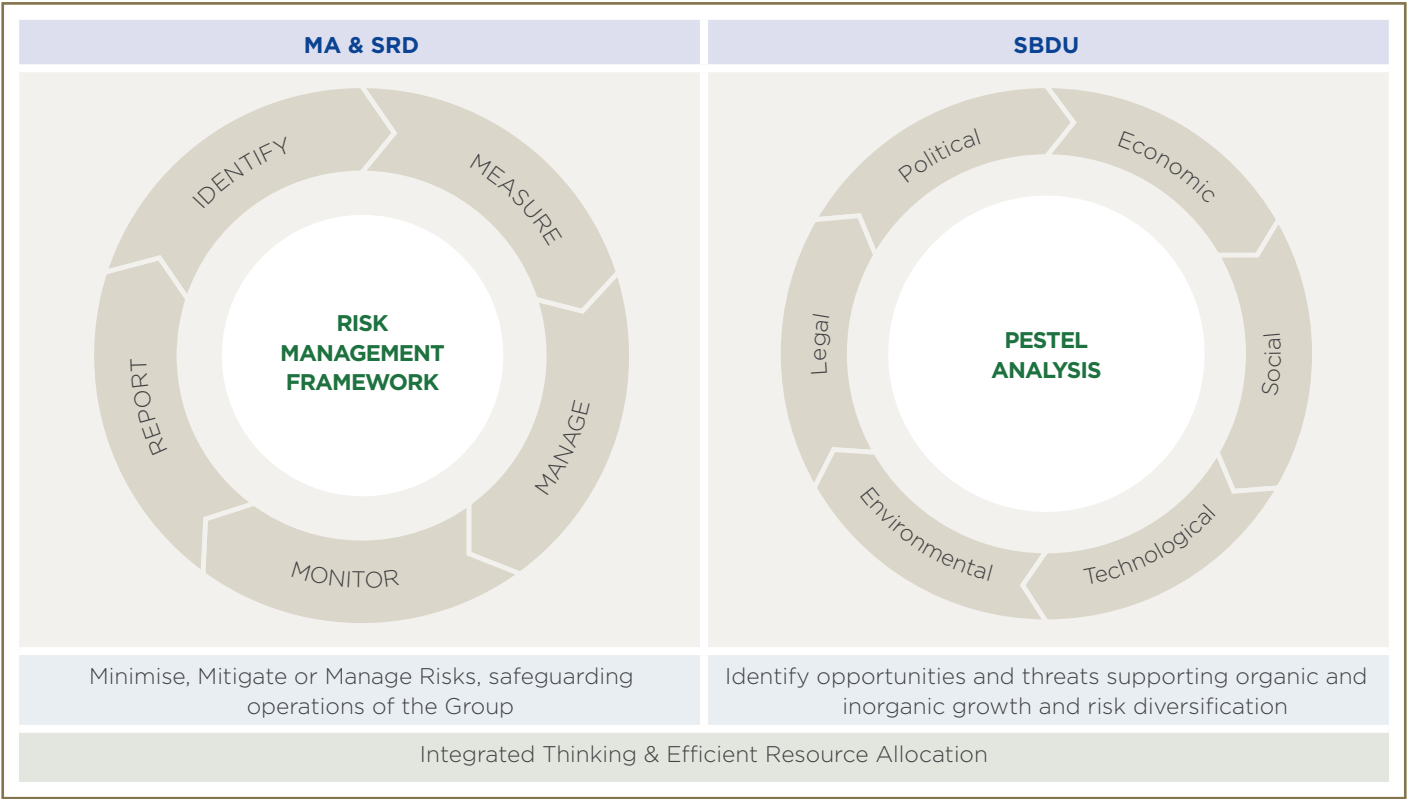
Sri Lankan context: Sri Lanka's forest cover has reduced gradually over the years due to an estimated deforestation rate of 1.1%. The forest cover was estimated at around 17% in 2019.

Relevant SDG targets	Hayleys' contribution
Target 15.1: By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements	Green belt and Wetland biodiversity zone implemented by the Textile sector Biological corridors established by the Plantation sector in order to develop a self-sustaining ecological model.
Target 15.2: By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally	>44,500 trees planted during the year

# RISKS & OPPORTUNITIES

Risk and opportunity are two sides of the same coin and are an ever-present reality of every business activity. Different Group functions monitor external developments and a variety of internal factors for early warning signs of threats and opportunities to align plans and plays accordingly. At a Group level, the two most relevant departments to identifying risks and opportunities are the Group's Strategic Business Development Unit (SBDU) and the MA & SRD who play a key role in identifying risks and opportunities although it is approached with different objectives. SBDU approaches it by monitoring the PESTEL factors to identify new opportunities as well as manage risks at a strategic level whereas MA & SRD approach it primarily from a risk mitigation and management perspective. The year under review is an example of how this dual approach to identifying risks and opportunities enabled the Group to navigate a year of extreme uncertainty.

IN A YEAR OF EXTREME UNCERTAINTY, ALL SECTORS WENT BACK TO THE DRAWING BOARDS FOR A FRESH LOOK AT THEIR BUSINESSES TO TIDE OVER THE SHORT TERM AND DRIVE A RESURGENCE ———— 99



The onset of the pandemic at the time we were reviewing plans for FY2020/21 was a turning point as we reviewed the business landscape, the job losses and the pay cuts that were happening across the world. Faced with the stark reality of this as we were at the close of a difficult year, all sectors went back to the drawing boards for a fresh look at their businesses to identify sources of revenue or savings to save the jobs and salaries of everyone who worked

for the Group. This exercise enabled us to tide over the short term and drive a resurgence in our businesses with the support of willing teams across the Group. This exercise was one of understanding the risks, opportunities, impacts and outcomes to drive optimal resource allocation across all our businesses and epitomises the integrated thinking of the Board, the Group Management Committee and the leadership teams across all our sectors.

**A Stark Landscape**  
FY 2020/21 was a year where there was little need to point out the top risks for any organisation as they were readily understood and common to many businesses across the world as they were existential in nature. A global pandemic that changed how we lived, worked and learned created extreme levels of uncertainty which is perhaps best reflected by the momentary negative price of crude

## RISKS & OPPORTUNITIES

oil in April 2020. Even the worst case scenario was not realistic enough as the governments across the world wrestled with the worst socioeconomic crisis in living memory. Wide ranging business disruptions across the world, health and safety of workers, supply side shocks, cancelled orders and cashflow straitened customers and suppliers were all too common across business sectors. Health and safety of employees was key to recommencing economic activity and new safety protocols were put in place overnight. The main issues are graphically depicted below.

### POLICY UNCERTAINTY

Government policy played a key role in shaping the business landscape. Pro-growth policies such as reducing interest rates and taxation rates had a beneficial impact on the economy. However, import restrictions and the depreciation of rupee were double edged swords.

### RISING UNEMPLOYMENT

Wide-ranging job losses across the world meant loss of livelihoods to many. As 60% of Sri Lanka's workforce are gig workers or daily paid, this is a key concern and one that we understood as our operations cover the entire country including backward integration initiatives which support livelihoods throughout the country.

### CONSUMER DEMAND & BEHAVIOURS

Social distancing measures had a significant impact on consumption of goods and services which remain in a state of flux as new waves and strains emerge, resulting in lockdowns and erratic consumer behaviour. E-commerce volumes surged as more customer switched to shopping online.

### BUSINESS DISRUPTIONS

Lockdowns resulted in extreme levels of business disruption across the world as social distancing became a critical factors. Businesses experienced capacity limitations and needed to modify workplaces and invest in health and safety measures to remain operational.

### CLIMATE CHANGE

While Sri Lanka was fortunate in 2020, climate change risk has a significant impact on the economy and the operations of the Group which have the potential to exacerbate supply side shocks across a wide range of industry sectors.

### TRADE FLOWS

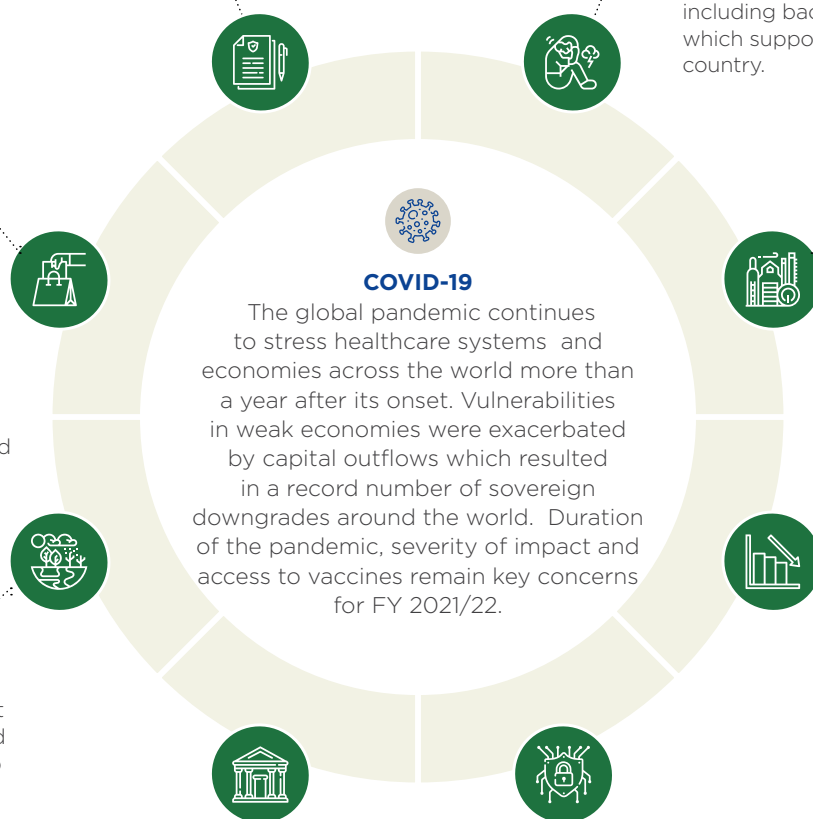
As all businesses experienced disruptions, supply side shocks as well as seismic shifts in demand saw world trade declining by 17% in 2020.

### GEOPOLITICS

Geopolitical stress escalated during the year and remains a key concern as they affect world trade, exchange rates, border access and oil prices.

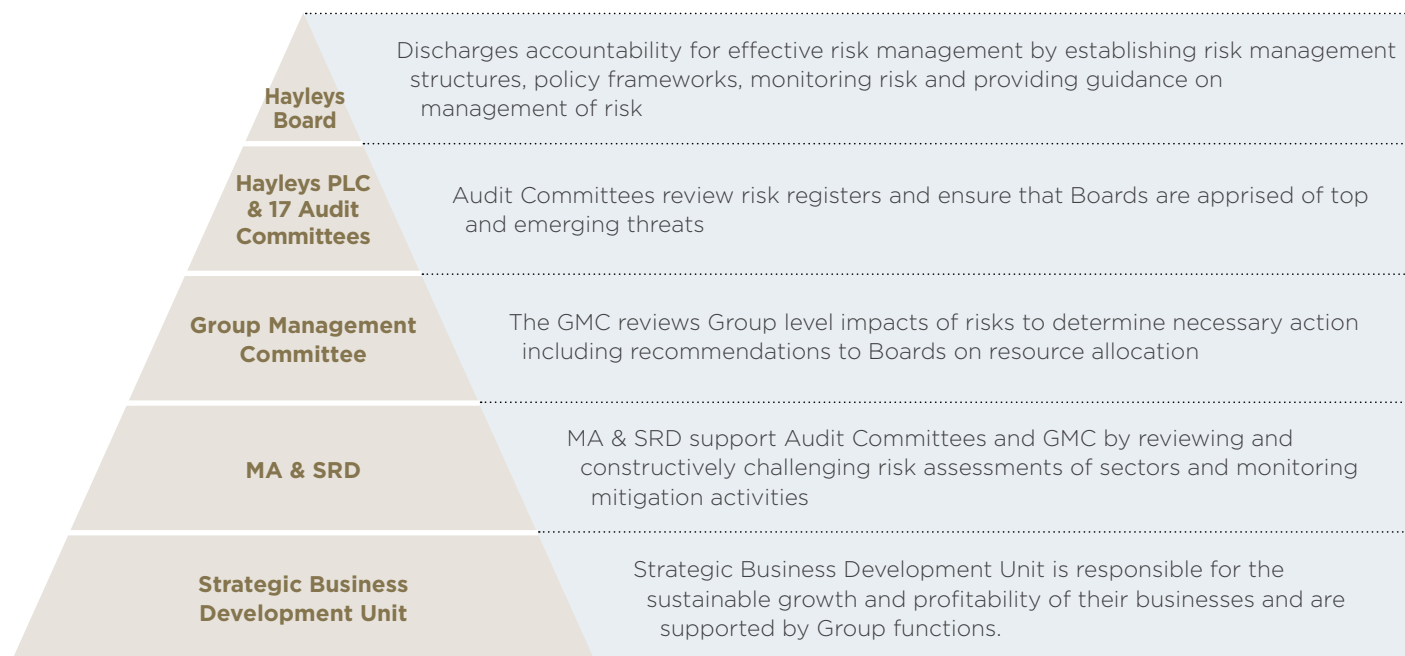
### CYBERSECURITY

As Work From Home became an established trend and online transaction volumes surged, cyber threats increased significantly during the year as hackers had more opportunity and became more sophisticated.



### Risk Governance

The Board has ultimate responsibility for management of risk and are assisted by the Audit Committee in discharge of this duty. The diverse business sectors of the Group have high levels of autonomy in driving their businesses with Group governance structures playing a key role in harmonising policies, sharing best practice, guiding strategic direction, managing risks and optimising resource allocation across the Group as depicted below.

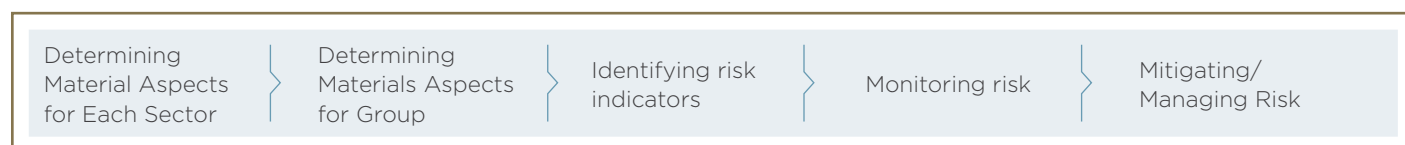


### A structured approach

The Group adopts the three lines of defence model with clear segregations of duties.

1ST LINE	2ND LINE	3RD LINE
<ul style="list-style-type: none"> <li>Individual Businesses</li> <li>Risk Identification, Acceptance &amp; Mitigation</li> </ul>	<ul style="list-style-type: none"> <li>Sector Level Boards &amp; Audit Committees</li> <li>Risk Monitoring &amp; Management</li> </ul>	<ul style="list-style-type: none"> <li>Hayleys PLC Board &amp; Audit Committee</li> <li>Assurance &amp; Policy Formulation</li> </ul>

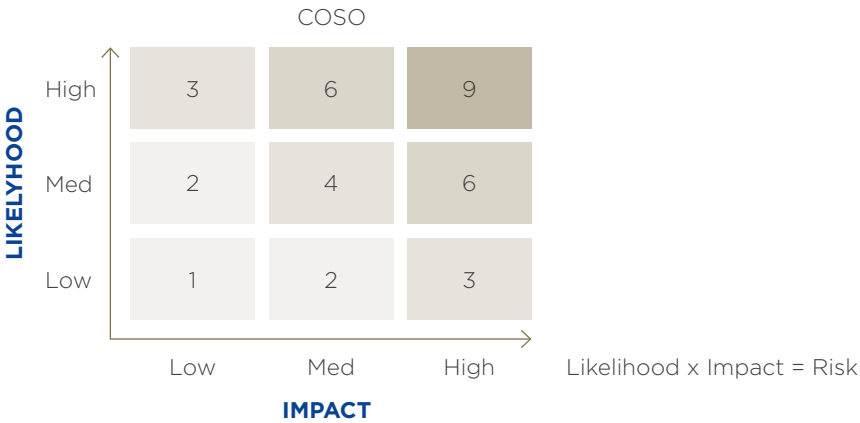
The Group adopts the COSO Framework in assessing potential risks which are ranked and prioritised based on impact and likelihood of occurrence. The risk management process is as follows;





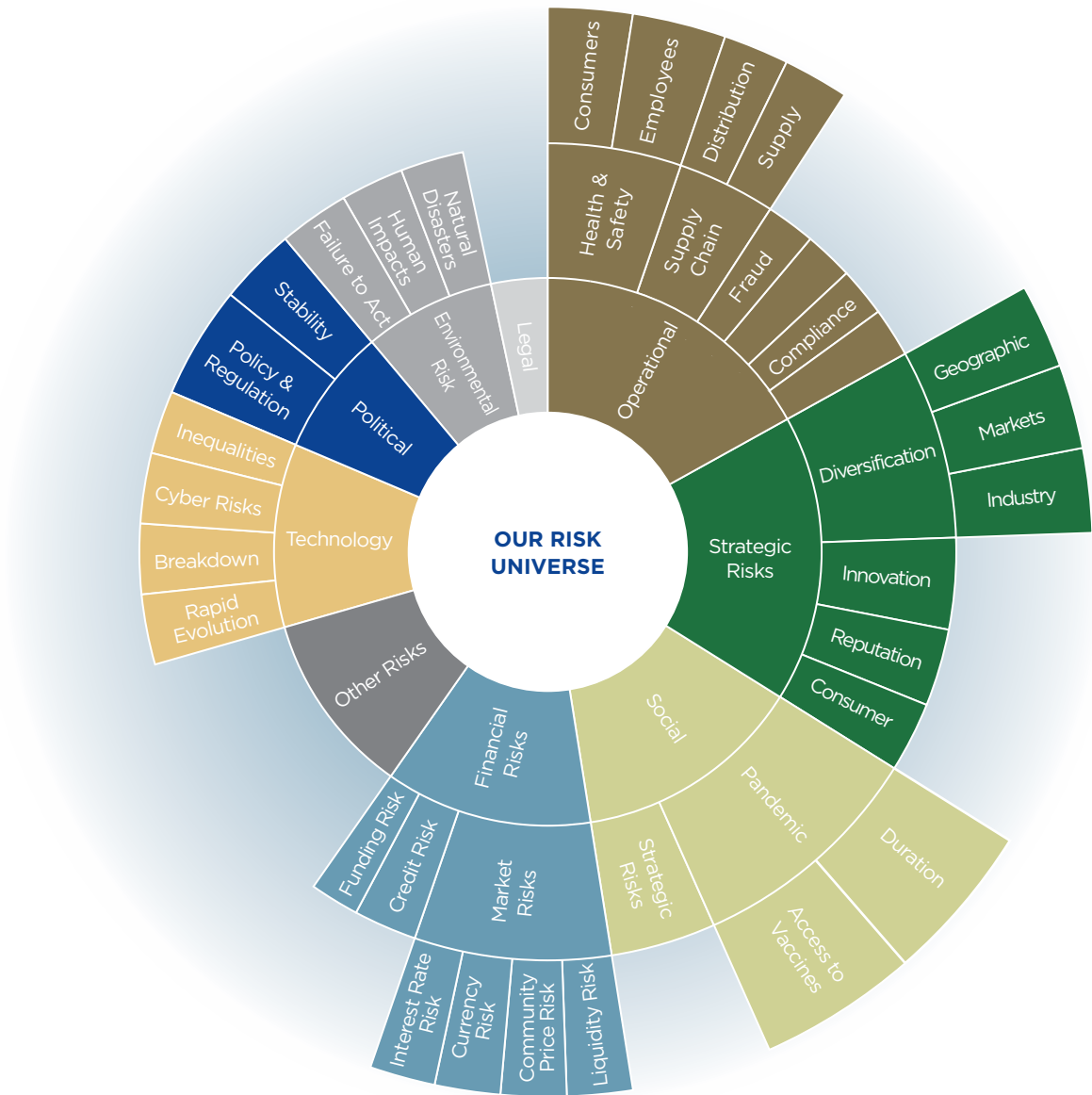
RISKS & OPPORTUNITIES

Risks are assessed in line with the adjacent matrix and a score is obtained for each type of risk, facilitating identification of common risks, aggregation and prioritisation. These are presented to the Group Management Committee, Audit Committee and the Board and used for decision making including the strategic direction of growth and resource allocation.



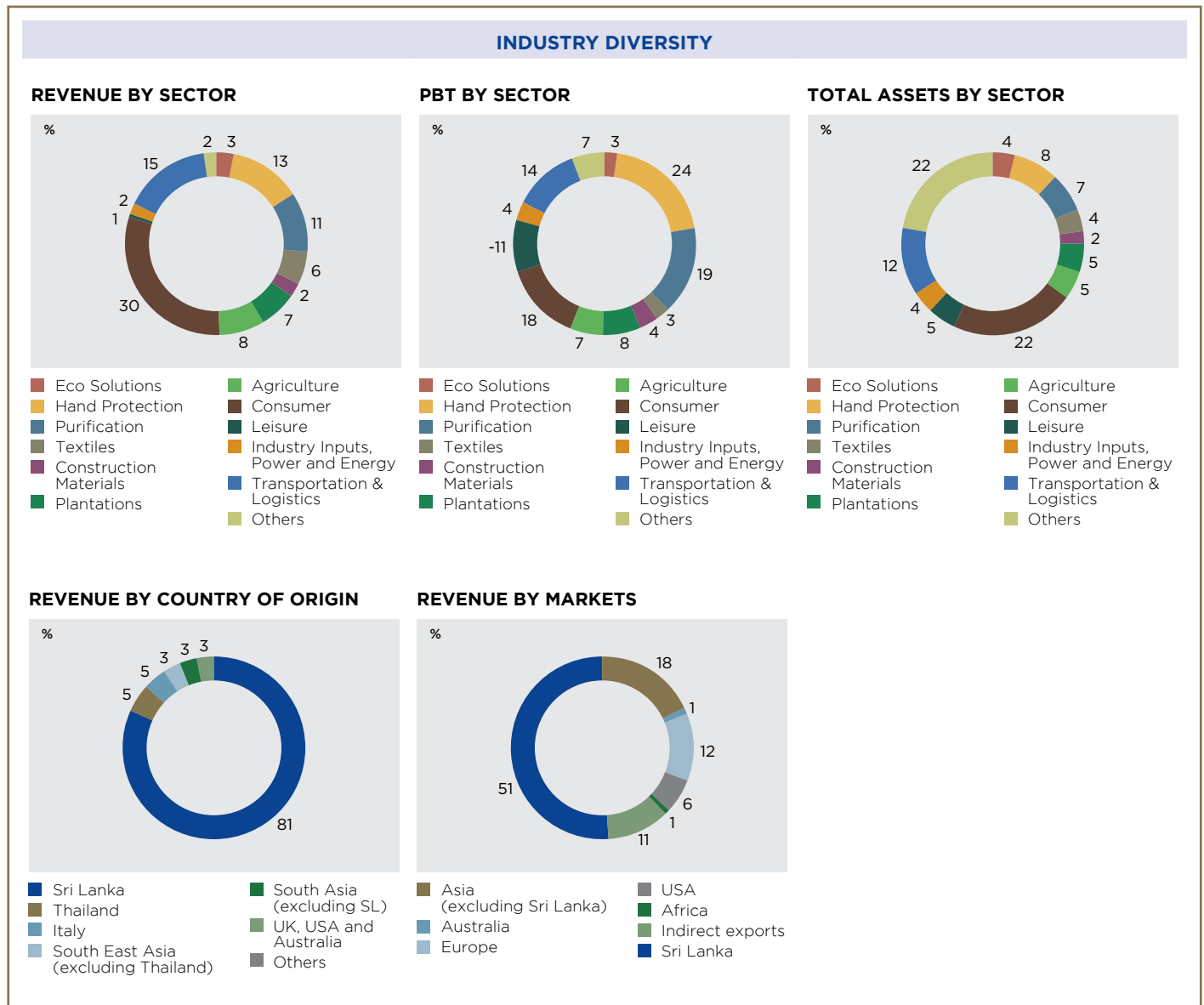
Risk Review 2020/21

Risks of the Hayleys Group are graphically summarized below.



### Strategic Risks

The strength of the Hayleys Group lies in its diversity across industry sectors and its geographical reach across business locations and revenue markets. At the same time, this also increases the number of risks it is exposed to although the impact is cushioned due to diversification as experienced in FY 2019/20 and again in FY 2020/21. The following graphs provide insights into the Group's diversification of risks.



## RISKS & OPPORTUNITIES

The Group's reputation has been carefully nurtured over 143 years and reputation risk is managed at the highest levels of the Group. Innovation has always featured prominently in our success, driving our growth as reflected in Intellectual Capital on pages 205 to 211. Understanding consumer behaviour is a key part of our business as our products must be relevant to customers.

### Top & Emerging Risks

The Group's Top & Emerging Risks identified through the Group risk management processes described above are given below.

Risk	Potential Impact	Developments in 2020/21	Mitigating Activities
<b>Business Interruptions due to pandemic</b>  <b>Net Risk Assessment</b>  Impact: High Likelihood: High	Business closures resulting from lockdowns or an infection at the workplace continues to be an imminent threat which will lead to loss of production, unsuitability of harvests and delays in shipment of orders.  The Leisure sector continues to be impacted by border closures with a devastating impact on its cashflows.	While vaccines were developed at record pace, access to vaccines remain an issue as many countries experience new waves and strains.  While initiatives were launched to revive tourism, they halted with the third wave and overall travel sentiments remain subdued.	<ul style="list-style-type: none"> <li>Appointment of COVID Task Force to roll out a coordinated response to the pandemic with daily monitoring of developments externally and within the Group</li> <li>Implementation of Health &amp; Safety protocols at business locations including changing workflows, sanitisation and social distancing and dual teams etc.</li> <li>Continued PCR testing with over 13,000 PCR tests done in FY 2020/21</li> <li>Work from home for employees whose presence is not required at the workplace for performance of their roles</li> <li>Increasing awareness of health and safety risks with employees</li> <li>Response system in place to handle positive cases</li> </ul>
<b>Subdued demand</b>  <b>Net Risk Assessment</b>  Impact: High Likelihood: High	Demand for products may weaken in export markets due to reduced disposable incomes and buildup of inventory during the year, impacting top line growth.	Economies were in recession during the year resulting in subdued demand and build up of inventory with customers. However, economic forecasts for 2021 are positive and demand may rebound towards the latter part of the year. The duration of the pandemic remains a critical factor for increased demand.	<ul style="list-style-type: none"> <li>Diversification across markets and product categories</li> <li>Forward contracts with key buyers</li> <li>Focus on new customer acquisition</li> <li>Explore feasibility of establishing distribution presence in key export markets</li> </ul>
<b>Increasing Raw Material prices</b>  Impact: High Likelihood: High	Commodity prices are expected to increase by 30% in 2021 as demand picks up with countries emerging from the pandemic. This will exert pressure on margins as headroom for passing on price increases is limited in the current economic environment.	Commodity prices declined in 2020 but we have already seen the increase in prices of raw materials during 1Q of 2021 and it is likely to maintain the upward trend as countries resume production, moving towards pre-pandemic levels.	<ul style="list-style-type: none"> <li>Daily monitoring of raw material prices</li> <li>Forward booking where possible</li> <li>Build up of sufficient inventory while balancing liquidity and other constraints such as potential for price volatility due to new waves of pandemic and order pipelines</li> <li>Expanding upstream supply chains</li> </ul>

Risk	Potential Impact	Developments in 2020/21	Mitigating Activities
<b>Currency devaluation</b>  <b>Net Risk Assessment</b>  Impact: Moderate Likelihood: High	<p>This can impact both balance sheet assets denominated in foreign currency as well as increase cost of imported raw materials/products, exerting pressure on margins.</p> <p>With 49% of revenue derived in foreign exchange during the year, the Group is cushioned by the impact of foreign exchange risk to a large extent although converging risks or new opportunities can change the dynamics.</p>	<p>The rupee declined by 4.5% during FY 2020/21 amidst concern over balance of payments issues and forecast debt servicing requirements. Wide-ranging import restrictions are in place to support the currency at present. Increasing commodity prices and the need to purchase vaccines will also add pressure</p>	<ul style="list-style-type: none"> <li>Centralised Group Treasury to manage overall foreign exchange risk</li> <li>Natural hedge afforded by the Group's export business</li> <li>Ongoing monitoring of macro-economic trends</li> </ul>
<b>Cybersecurity</b>  <b>Net Risk Assessment</b>  Impact: High Likelihood: High	<p>Threats to Group intellectual property, information assets, systems and processes, financial assets</p>	<p>The year saw increased activity by cybercriminals as transactions moved online.</p>	<ul style="list-style-type: none"> <li>Continuous monitoring of cyber threats</li> <li>Increased information security environment and controls</li> <li>Review by external consultants across all sectors</li> <li>Appointment of a Information Security Deputy General Manager</li> </ul>
<b>Increased competition</b>  <b>Net Risk Assessment</b>  Impact: High Likelihood: High	<p>Players in the Asian region have ramped up production with production growth outpacing the uptick in demand resulting in intense price competition.</p> <p>This is likely impact both export markets and the domestic market exerting pressure on both top and bottom lines.</p>	<p>The global recession has increased the intensity of competition in export markets by countries in the region as they resumed production.</p> <p>In the domestic market, import restrictions in place have deterred the informal market which has been positive for local manufacturers and ethical import businesses. Easing of import restrictions in the future may create competitive pressures as regional low cost manufacturers in the Asian region seek market access through both formal and informal channels.</p>	<ul style="list-style-type: none"> <li>Aggressive client acquisition in export markets</li> <li>Increased focus on strengthening presence in export markets</li> <li>Diversification of export markets</li> <li>Differentiated customer value proposition in domestic market</li> <li>ESG compliance and certification to gain access to markets and also drive strategic differentiation.</li> </ul>

## RISKS & OPPORTUNITIES

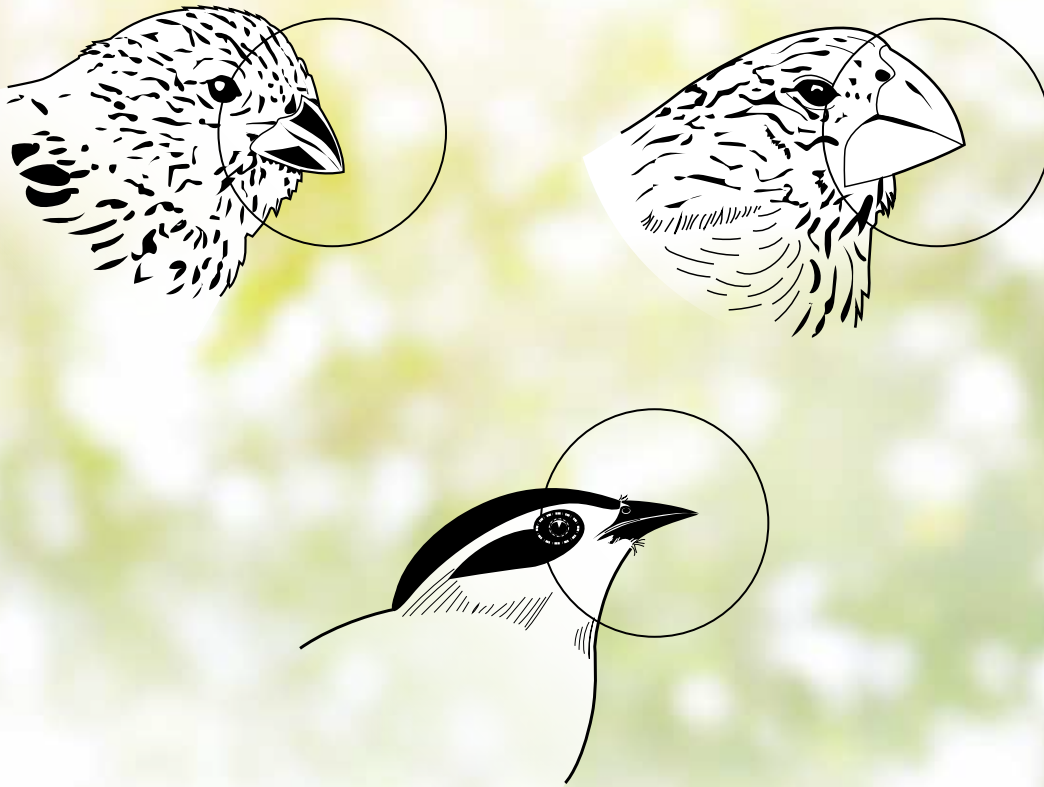
Risk	Potential Impact	Developments in 2020/21	Mitigating Activities
<b>Political risk including government policy</b>  <b>Net Risk Assessment</b>  Impact: High Likelihood: High	Government policy drive regulatory change which may have adverse impact on ethical businesses that commit to regulatory compliance	<p>The accommodative stance adopted by the government saw the decrease in interest rates and extensive moratoria as well as lower tax rates which supported a rebound in economic activity.</p> <p>However, other policy changes such as import restrictions, the restriction - pesticides and weedisides are allowed of agrochemicals and the Wages Board mandated wage increase for plantation workers have significant direct and indirect adverse impacts on our businesses.</p>	<ul style="list-style-type: none"> <li>Representations made to regulatory authorities and ministries through industry associations</li> <li>Review of business models and strategy to align with regulatory requirements</li> </ul>
<b>Credit Risk</b>  <b>Net Risk Assessment</b>  Impact: Moderate Likelihood: High	<p>Increasing working capital cycle stressing cashflow management</p> <p>Potential losses due to impairment of receivables</p>	<p>Losses in a number of sectors increased the credit risk with B2B customers</p> <p>Delayed payments by the government also impacted some sectors</p> <p>Increased unemployment and decreasing disposable income gave rise to increase in B2C credit risk</p>	<ul style="list-style-type: none"> <li>Implement Group credit risk management policy</li> <li>Oversight of sector liquidity by Group Treasury</li> <li>Increased rigour over receivables by all Audit Committees and sectors</li> <li>Strengthened credit processes across businesses sectors</li> </ul>
<b>Liquidity and Financial Stability</b>  <b>Net Risk Assessment</b>  Impact: Moderate Likelihood: Moderate	Financial stress and impaired ability to meet future debt obligations	<p>Repayment of debt during the year improved the debt equity ratios from 196.57% to 152.21%, strengthening the financial position of the Group with sufficient headroom for further borrowings at need.</p> <p>On a sector basis, the Leisure sector has experienced significant cashflow stress and has been supported to a large extent by the Group which will continue into FY 2021/22 as well.</p>	<ul style="list-style-type: none"> <li>Increased oversight on liquidity by Board and GMC</li> <li>Management of liquidity by Group Treasury</li> <li>Strong cashflow generation during the year</li> <li>Strengthened financial stability</li> </ul>

Risk	Potential Impact	Developments in 2020/21	Mitigating Activities
<b>Environmental Risks</b>  <b>Net Risk Assessment</b>  Impact: High Likelihood: High	<p>The Group owns biological assets in the plantation sector which are heavily dependent on favourable weather patterns</p> <p>Additionally, the agriculture sector is directly impacted by weather patterns.</p> <p>A number of other sectors are also directly or indirectly impacted by climate change in varying degrees.</p> <p>Increased calls for tighter environmental regulation by climate change champions</p>	<p>Weather patterns were relatively favourable during the year although harvests were affected by the pandemic.</p> <p>There are significant opportunities for cost savings and promoting green business ventures as there is significant interest in this area.</p> <p>Environmental certification is becoming a mandatory requirement for access to markets and provides an opportunity to differentiate products in advanced economies</p>	<ul style="list-style-type: none"> <li>Coordinated response on environmental risks by Group Sustainability and Sector sustainability champions</li> <li>Setting environmental targets to be achieved by 2030</li> <li>Group Environmental policies revised and implemented</li> <li>Investments in reducing the Group's carbon and water footprint with improved access to markets</li> <li>Increase environmental certifications</li> <li>Strengthen environmental management systems</li> <li>Drive responsible consumption practices throughout the Group</li> <li>Increase employee environmental consciousness through training and other initiatives</li> </ul>
<b>Operational Risks</b>  <b>Net Risk Assessment</b>  Impact: Moderate Likelihood: High  (mainly due to COVID-19 related risks)	<p>Operational risks include potential losses from the day to day running of the business including lapses in compliance with regulatory requirements, weaknesses in internal controls, implementation of health and safety measures etc.</p>	<p>Frequent business disruptions and a work from home trend may result in weaker controls that were designed for a fully functional workplace.</p> <p>COVID-19 risks increased the operational risks as described above.</p>	<ul style="list-style-type: none"> <li>Increased oversight by Boards and Audit Committees</li> <li>All sectors have a Compliance Officer who reports to the Head of Finance on compliance matters</li> <li>MA &amp; SRD and sector internal audit functions</li> <li>Productivity initiatives and certifications benchmark our systems and processes to international standards</li> </ul>
<b>Technology</b>  <b>Net Risk Assessment</b>  Impact: Moderate Likelihood: Moderate	<p>The risk of existing machinery being outdated or not fit for purpose</p> <p>The risk that development of new technologies will require further investment to compete effectively</p> <p>The risk that technology procured will not work according to specifications</p>	<p>Minimal capital expenditure invested during FY 2020/21 due to potential cashflow constraints and limitations in installation of new machinery</p> <p>Some sectors will require investments in the year ahead to increase capacity, enhance production capabilities or strategically differentiate a product range</p>	<ul style="list-style-type: none"> <li>Well developed processes for evaluating proposals for investment in new plant and machinery</li> <li>Well developed project management capabilities due to continuous investments in capital expenditure throughout the Group</li> <li>Follow up processes with checking of rejections, efficiencies etc.</li> <li>Norms established and KPI's outside these norms are flagged and followed up by MA &amp; SRD.</li> </ul>

## RISKS & OPPORTUNITIES

Risk	Potential Impact	Developments in 2020/21	Mitigating Activities
<b>Reputation Risk</b> <b>Net Risk Assessment</b> Impact: Low Likelihood: Low	Hayleys PLC's reputation has been built over 140+ years and is zealously guarded by employees of the Group. However, reputation risk arises from many sources and is hard to monitor until it materialises.	Hayleys PLC performed well during the year, rebounding as one of the success stories in a daunting year.	<ul style="list-style-type: none"> <li>• Hayleys Way applicable to all employees and companies of the Group</li> <li>• Orientation programmes for all new recruits</li> <li>• Sound policy framework</li> <li>• A culture of going beyond regulation to high standards of ESG compliance</li> <li>• A valued reputation as a good corporate citizen</li> </ul>
<b>Legal Risk</b> <b>Net Risk Assessment</b> Impact: Low Likelihood: Low	Legal risk arises from litigation by stakeholders	Hayleys has developed a compliance and socially and environmentally responsible culture that values our social license	<ul style="list-style-type: none"> <li>• Establishment of Whistle blowing policies and Grievance mechanisms for all employees of the Group</li> <li>• Strong policy framework reinforcing equal opportunity, human rights, anti-corruption, anti-sexual harassment and fair disciplinary processes</li> <li>• Active dialog with trade unions to identify and address concerns</li> </ul>





#### Portfolio Review

# AN EXCEPTIONAL DIVERSITY

The diverse capabilities and functions of your Company are designed to achieve adaptability in the face of uncertainty and change – enabling us to thrive in the midst of the harshest environments.

This section outlines the strategy of diversification that continues to drive our long-term success: a range of products and services that share one common purpose – to serve the people in all they do.

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*The Galapagos finches are a single species of bird that exhibit distinct variations in beak form and function, in line with their immediate surroundings and food sources. This great degree of adaptation and diversification became one of the most well-known examples of evolution, and eventually inspired Darwin's Theory of Natural Selection.*

## THE OPERATING ENVIRONMENT

The Group is affected by numerous socio-economic and environmental factors stemming from the external operating landscape. These dynamics are continuously monitored to ensure that the necessary risk management practices are in place to effectively address and mitigate these risks, while capitalising on any emerging opportunities.

Key factors affecting driving the Group's strategy are discussed below:

### ECONOMIC ENVIRONMENT

**Economic growth:** Global economic growth reflected the deep economic scarring of the pandemic, contracting by 3.3% in 2020; advanced and emerging markets decelerated by 4.7% and 2.2% respectively. While economic impacts of the pandemic are likely to endure, particularly for vulnerable economies, the road to recovery has become clearer for advanced economies with global activity recorded strong rebound from the 3rd quarter of 2020. Successful roll-outs of vaccines in many developed economies which can reduce the severity and frequency of infections, coupled with unprecedented fiscal and monetary support is expected to support recovery in the short-to-medium with the IMF projecting global economy to grow by 6% in 2021.

Sri Lanka's economy contracted by 3.6% in 2020 reflecting the broad-based implications of the pandemic and decelerations across all three economic sub-sectors. Economic activity recorded a gradual recovery in the 3rd and 4th quarters of 2020, expanding by 1.3% supported by the decline in interest rates, improving sentiments and businesses adaptation to working under conditions of subdued mobility. However, the sharp surge of infections from May 2021 have dimmed hopes of a quick recovery, as the Government has once again imposed restrictions in a bid to curtail the escalation in infections.

**Interest rates:** The Central Bank implemented unprecedented measures to stimulate activity through an accommodative monetary policy, with the Policy and Statutory Reserve Ratio being reduced multiple times. Resultantly, market interest rates recorded a sustained decline for most part of the year, with the AWPLR decreasing from 9.68% in January 2020 to 5.74% by March 2021.

**Exchange rate:** The country's external position faced significant pressure in 2020, reflecting the sharp drop in tourist earnings and outflows from the equity and debt markets. Resultantly, the Rupee faced considerable devaluation pressure, falling by 3.2% in 2020 to end the year at Rs.187.18, before plummeting by a further 3.4% in the first quarter of 2021.

Implications on Hayleys	Our response	Link to Risk
<ul style="list-style-type: none"> <li>Slowdown in domestic demand across key sectors given the impacts of disposable incomes</li> </ul>	<ul style="list-style-type: none"> <li>Leverage on the diversity of our businesses and geographies to build resilience</li> </ul>	Macro-economic risk
<ul style="list-style-type: none"> <li>Gradual recovery of global activity is expected to support demand for export products</li> </ul>	<ul style="list-style-type: none"> <li>Drive increased penetration in international markets across key Sectors</li> </ul>	Geopolitical risk
<ul style="list-style-type: none"> <li>Escalation in the price of imported input material, although this is countered by the Group's export focus</li> </ul>	<ul style="list-style-type: none"> <li>Increase reliance on local supply chains to mitigate impacts on material inputs</li> </ul>	Interest rate risk
<ul style="list-style-type: none"> <li>Favourable impact on borrowings costs given relatively high debt levels</li> </ul>	<ul style="list-style-type: none"> <li>Proactively negotiating with banks to capitalise on the favourable movement in interest rates</li> </ul>	Exchange rate risk

### REGULATORY DEVELOPMENTS

Key regulatory developments impacting the Group during the year included developments in the monetary and fiscal policies, import restrictions on selected imports, debt-relief granted to pandemic-affected businesses as well as revisions to estate sector wages. The proposed ban on fertilizer ban is also expected to have a considerable impact on the Group's operations, particularly in the Agriculture and Plantation Sectors.

Implications on Hayleys	Our response	Link to Risk
<ul style="list-style-type: none"> <li>Favourable impacts of the accommodative monetary policy stance</li> </ul>	<ul style="list-style-type: none"> <li>Proactively negotiating with suppliers to obtain extended credit</li> </ul>	Government Policy
<ul style="list-style-type: none"> <li>The requirement to obtain 6 months' credit from international suppliers for selected imports</li> </ul>	<ul style="list-style-type: none"> <li>Engaging with industry stakeholders and government in promoting a productivity-based remuneration model</li> </ul>	Interest rate risk
<ul style="list-style-type: none"> <li>The decision by the Wage Board to increase estate sector wages to Rs.1000 a day will have a significant impact on the entire Plantation Sector's profitability.</li> </ul>		Exchange rate risk

## NEW WAYS OF WORKING

The pandemic has resulted in an unprecedented shift towards working from home, as organisations have leveraged digital capabilities and connectivity to ensure the safety of people while continuing operations. This trend has offered an opportunity to drive smarter, faster and safer ways of collaborating and working while driving cost efficiencies. Globally organisations are exploring ways of continuing to operate work-from-models, even after the pandemic is over.

Implications on Hayleys	Our response	Link to Risk
<ul style="list-style-type: none"> <li>Need to drive continued interactions with employees to ensure continued engagement and morale as well as physical and mental well-being</li> <li>Increased vulnerability to cybersecurity risks</li> <li>Long-term implications on organisational culture</li> </ul>	<ul style="list-style-type: none"> <li>Engagement and training initiatives shifted to digital platforms during the year</li> <li>Strengthened the Group's IT and cybersecurity risk management frameworks</li> </ul>	People-related risks IT risks

## IMPLICATIONS OF CLIMATE CHANGE

Implications of climate change have intensified over the past decade or so, with erratic weather conditions, and natural disasters are becoming increasingly frequent across the world. The impacts on value chains, agricultural outputs, communities and businesses have been severe with the World Economic Forum's Global Risk Report for 2020, ranking natural disasters and failure to prevent climate change high both in terms of impact and likelihood.

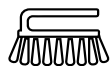
Implications on Hayleys	Our response	Link to Risk
<ul style="list-style-type: none"> <li>Direct implications on the Agriculture and Plantations Sector through impacting crop quality, production volumes and yields</li> <li>Impacts on Sector such as Hand Protection, Purification and Eco Solutions which rely on agricultural supply chains</li> <li>Adverse implications on Sectors which rely heavily on natural resources such as Textiles and Hand Protection</li> </ul>	<ul style="list-style-type: none"> <li>Environmental risk management is supported by the Group's comprehensive ESG Framework, which provides guidance on identifying and mitigating environmental risks.</li> <li>The Agriculture Sector has introduced climate-smart solutions and protected agriculture solutions.</li> </ul>	Climate related risks

## TECHNOLOGY

The pandemic has accelerated the shift towards digital, with advances in technology and emergence of new capabilities such as data analytics, robotics and artificial intelligence offering considerable opportunities for organisations to drive efficiencies while adopting new ways of working have offered an unparalleled opportunity for organisations to drive considerable improvements in efficiency, productivity and reliability

Implications on Hayleys	Our response	Link to Risk
<ul style="list-style-type: none"> <li>Opportunities in enhancing the efficiency of manufacturing operations through automating processes</li> <li>Opportunity in embracing new ways of working</li> </ul>	<ul style="list-style-type: none"> <li>Enhance the Group's online visibility</li> <li>Increase employee and customer engagement through digital platforms</li> <li>Drive efficiencies through automation and digitalisation</li> </ul>	IT-related risks

## SECTOR REVIEW - ECO SOLUTIONS



### HIGHLIGHTS OF 2020/21



#### FINANCIAL PERFORMANCE

- **+26%** growth in revenue
- **+51%** growth in PBIT
- **+86%** growth in PBT
- **+115%** growth in PAT
- **+12%** growth in assets



#### PRODUCT & PROCESS INNOVATION

- 56 new products launched over the last 3 years
- Strong research capabilities through partnerships with external experts, universities and research bodies



#### MARKET POSITION

- One of Sri Lanka's leading manufacturers of value added coconut fibre based products
- Array of over 130 products in 1,200 variants



#### ECONOMIC IMPACT

- 50% jobs created outside the Western province
- Rs.5.61 bn payments to suppliers (+212%)
- USD 38 mn foreign exchange generated

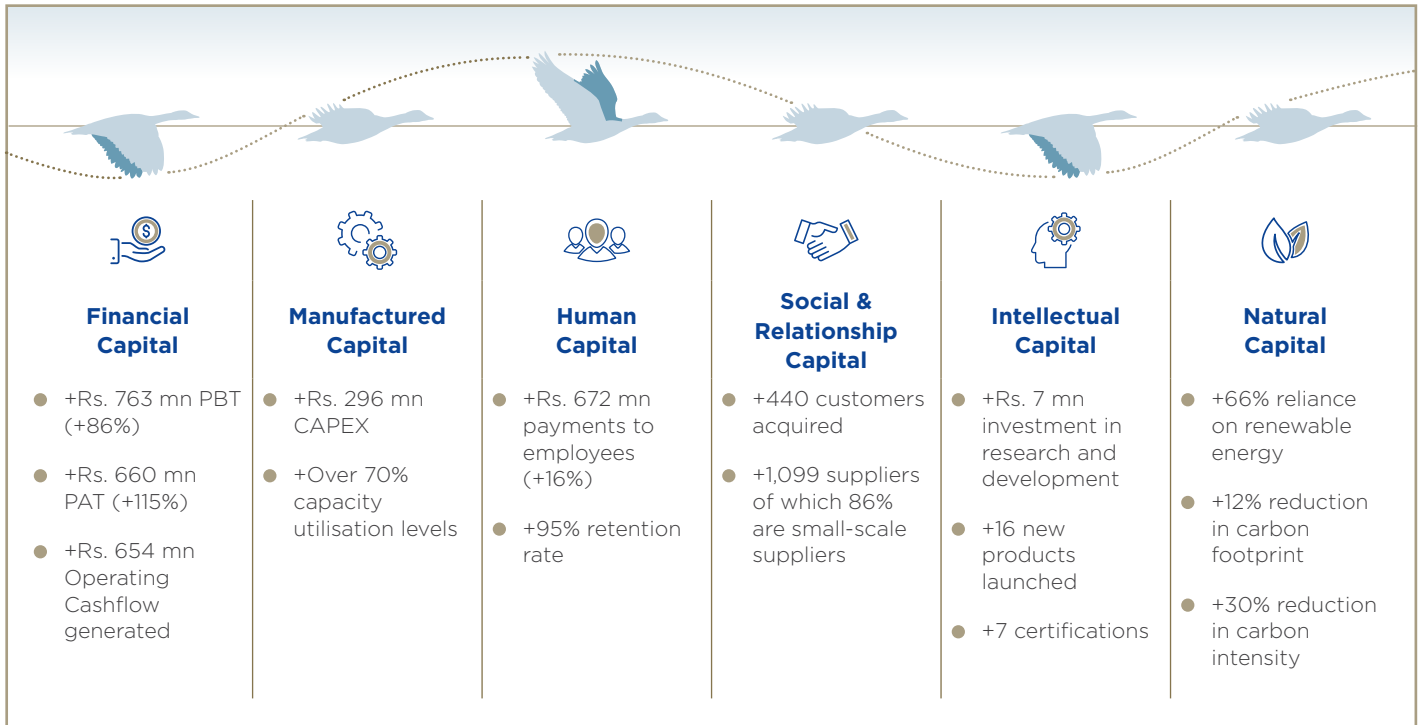


#### GREENER BUSINESS

- 66% reliance on renewable energy led to a 12% reduction in the carbon footprint despite increased activity levels
- Portfolio of products addressing environmental risks such as soil erosion and reef preservation

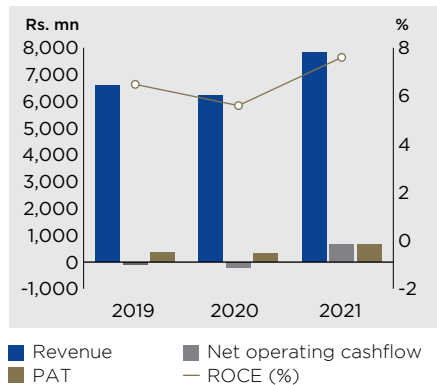
ECO SOLUTIONS IS ONE OF SRI LANKA'S LEADING MANUFACTURERS OF VALUE-ADDED COCONUT FIBRE PRODUCTS WITH A GLOBAL REPUTATION FOR QUALITY, INNOVATION AND TAILOR-MADE SOLUTIONS. THE SECTOR'S PRODUCTS ARE EXPORTED OVER 70 MARKETS WORLDWIDE. — 99

## VALUE CREATION HIGHLIGHTS



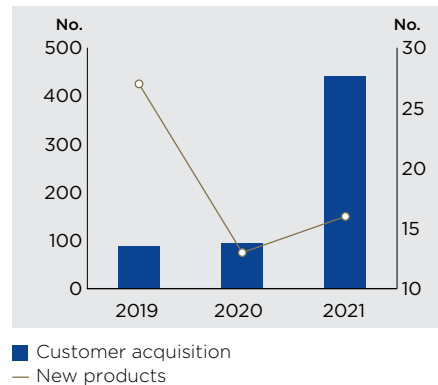
+ Positive Outcome - Negative Outcome

## PROFITABILITY AND CASH FLOW GENERATION



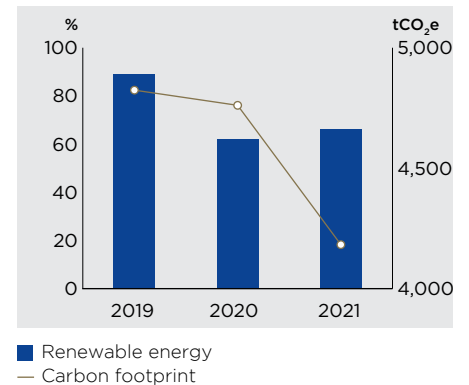
Strong revenue growth supported by customer acquisition and market expansion together with cost conscious manufacturing resulted in good profit growth during the year.

## CUSTOMER AND MARKET EXPANSION



The Sector aggressively pursued acquisition of customers in existing and new markets while expanding its product offering in key markets

## RELIANCE ON RENEWABLE ENERGY

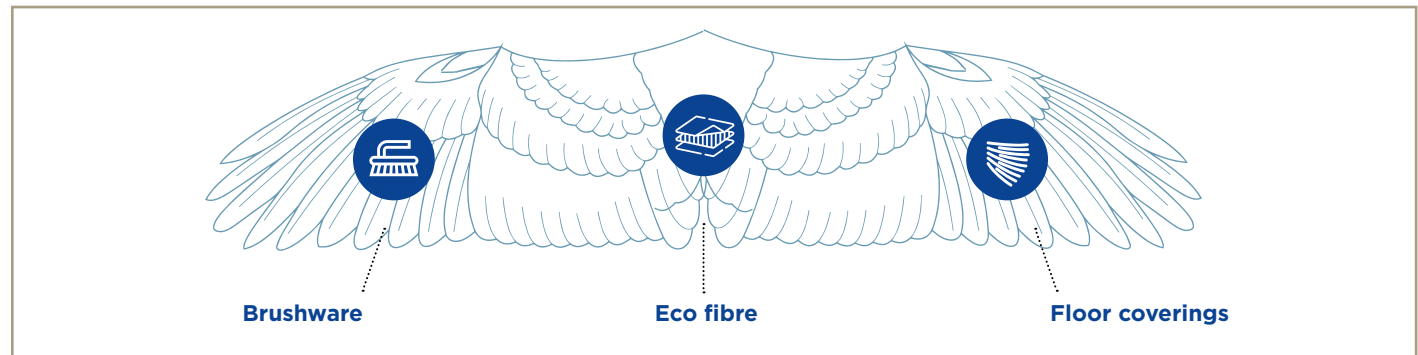


The Sector's reliance on renewable energy through bio-mass has resulted in a sustained reduction in carbon intensity



## SECTOR REVIEW - ECO SOLUTIONS

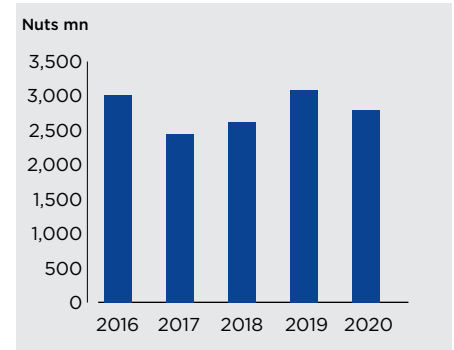
### SCOPE OF SECTOR OPERATIONS



### CONTEXT TO PERFORMANCE

<b>+8%</b> Fibre finished products exports	The increase in fibre-based finished products exports was driven primarily by strong growth in moulded coir products which are used in horticulture. Other categories including brushes, mats and mattings declined during the year.
<b>+42%</b> Increase in coconut price	Coconut prices surged in 2020 reflecting supply disruptions as total production fell by 10%.
<b>6.4%</b> Rupee depreciation	The Sri Lankan Rupee recorded sharp depreciation in the 4th quarter of 2020/21, due to pandemic-induced pressure on the country's external position.
<b>13%</b> Growth forecasted from 2021-2026	The long-term outlook for eco-fibre products remain positive supported by increased prevalence towards eco-friendly products and more stringent environmental regulations in major export markets.

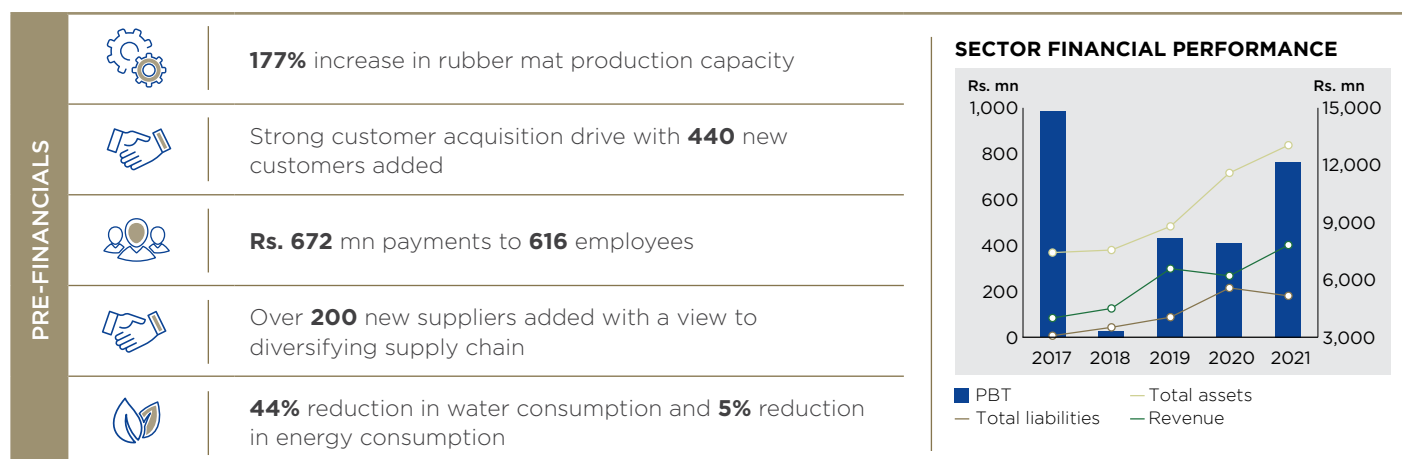
### SRI LANKA COCONUT PRODUCTION



### OUR STRATEGY

Strategic Imperatives	KPI	Target for 2021/22
<ul style="list-style-type: none"> <li>The Sector pursued geographical expansion in new markets while consolidating its position in existing markets.</li> </ul>	<b>440</b> New customers acquired	Enhance relationships with major distributors in key markets while forming partnerships in new markets.
<ul style="list-style-type: none"> <li>In order to address increasing challenges in procuring raw materials, the Sector is pursuing backward integration, thereby exploring avenues of producing raw materials internally.</li> </ul>	<b>Rs.50 mn</b> Investment in backward integration over 3 years	Geographical diversification in raw material procurement.
<ul style="list-style-type: none"> <li>The Sector continues to drive innovation through its advanced research capabilities, highly-skilled research team and partnerships with academics and third-party consultants</li> </ul>	<b>16</b> New products launched <b>Rs. 7 mn</b> Investment in R&D	Increased focus on value-added product range and enhancing brand value for growing-media products.

## INTEGRATED PERFORMANCE REVIEW



## IMPLICATIONS AND RESPONSE TO COVID-19

IMPLICATIONS OF COVID-19	OUR RESPONSE
<ul style="list-style-type: none"> <li>Disruptions to supply chain and resultant escalation in raw material prices</li> <li>Limited labour availability</li> <li>Cancellation and postponement of orders due to export countries being in lockdown</li> <li>Limited shipping space driving freight costs</li> </ul>	<ul style="list-style-type: none"> <li>Accelerated efforts to pursue backward integration to ensure continued access to raw materials and mitigate impacts of volatile costs</li> <li>Covid-19 certifications for all manufacturing facilities through SGS Lanka (Pvt) Ltd</li> <li>Re-negotiation and rescheduling of orders</li> </ul>

Following strong turnaround in 2018/19, the Sector has continued its growth trajectory recording revenue growth of 26% during the year, while Profit before tax increased by 86% reflecting improvements in core performance. The performance for the year reflects aggressive customer acquisition in both existing and new markets, ongoing focus on new product development and cost rationalisation arising from increased efficiencies and productivity improvements. Despite increase in operation expenses and raw materials, the sectors cost conscious manufacturing strategy resulted in profit after tax more than doubling to Rs.660 mn during the year.

Strategic focus was placed on expanding market penetration and the Sector consolidated its position in key markets such as UK, USA, Turkey and Mexico. We also sought to expand the product range offered in key markets, widening the Rubber mat portfolio in the floor covering sub sector. The Eco fibre segment performed well with strong growth in Value added growing media and Horticulture, while the Sector successfully preserved margins in this segment. In addition to international markets, the Sector continued to pursue deeper penetration in the domestic market





## SECTOR REVIEW - ECO SOLUTIONS

through its mattress range, leveraging the extensive reach of Singer (Sri Lanka) PLC to increase geographical reach.

We aggressively sought to develop a range of new products during the year leveraging our research capabilities to launch 16 new products; this included seed pads, micro greens etc. among others. The Sector continues to partner with academics, universities and external experts in formulating and developing innovative and sustainable product offerings which aim to address emerging environmental challenges such as soil erosion, waste to landfill and limited availability of land for cultivation. The Sector has a healthy pipeline of new products, with plans to launch new product categories and variants in 2021/22. In addition, we continue to comply with a range of international certifications in quality, environmental management, social compliance as well as industry-specific certifications such as BRC (British Retail Consortium) for floor coverings.

Securing an uninterrupted supply of raw material remains a key challenge for the Sector given unfavourable weather patterns which have led to volatile prices. Imported raw materials are exposed to added volatility in prices given the fluctuations in exchange rate. In addressing this challenge, the Sector has increasingly sought backward integration, seeking to develop in-house fibre extracting capabilities while expanding local sourcing channels. During the year, we launched the first phase of an in-house palmyrah extraction project and expanded our network of external centres to Jaffna, which resulted in significant cost-efficiencies while supporting nearly 50 livelihoods in an economically vulnerable area. We hope to increase the volumes secured through this channel and completely eliminate reliance on imported palmyrah fibre, thereby preserving the country's foreign exchange and developing local supply chains.

Given the high energy intensity of its operations, the Sector has in recent years sought to reduce dependence



5

New products in pipeline

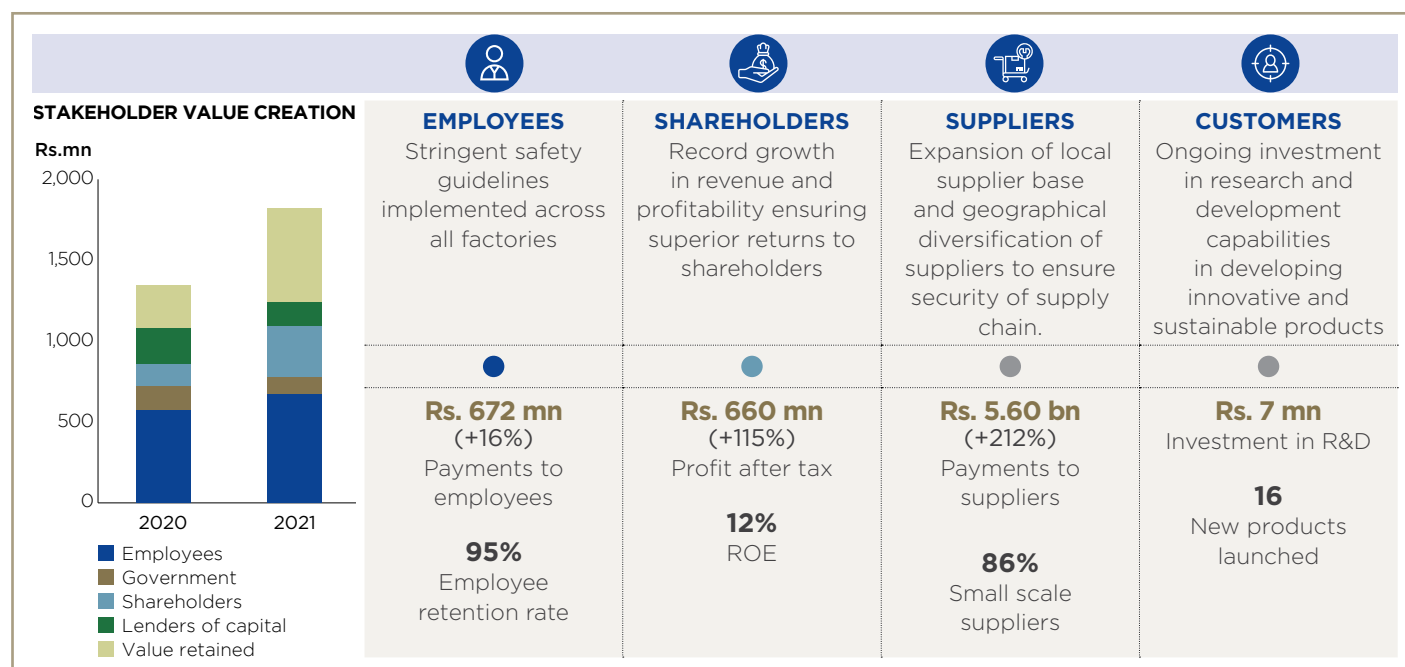


16

New products

on fossil fuel-based energy sources through increasing reliance on renewable energy. Accordingly, the Sector has introduced bio-mass boilers at its manufacturing locations, which has led to a sustained decline in the use of furnace oil. During the year, renewable energy accounted for 66% of the Sector's total energy consumption; accordingly, despite the increase in operational activity, the Sector's carbon footprint decreased by 12% during the year under review. Our portfolio of products also contributes towards addressing emerging environmental issues, such as soil erosion and limited availability of land for cultivation.

## STAKEHOLDER VALUE CREATION




## SECTOR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS


	Relevant SDG	Our Contribution
		<ul style="list-style-type: none"> <li>During the year the Sector consumed 46,551 GJ of renewable energy, which accounted for 66% of the Sector's total energy consumption</li> </ul>
		<ul style="list-style-type: none"> <li>The Sector's products support environmental preservation through erosion control, shoreline protections and riverbank greening</li> </ul>
		<ul style="list-style-type: none"> <li>Through a unique supplier development initiative, the Sector is exploring ways to develop livelihoods along its supply chain by sourcing Palmyrah fibre from Jaffna</li> </ul>

## PLANS

Over the short-to-medium term the Sector will seek to direct capital investments towards enhancing capacity and capabilities in the value added growing media category. We will also seek to further expand our footprint in the floor covering sub sector for rubber mat manufacturing, for which we see strong growth. The Sector will also continue to seek growth in the domestic market through its mattress line as we look to widen our product offering in this category with the launch of Canada's no.1 mattress brand "Springwall" manufactured under a direct licensing agreement. Securing a sustainable supply chain through backward integration as well as expanding our network of local suppliers will also be a priority in the near term.



Opportunities 
<ul style="list-style-type: none"> <li>Increased demand for growing media products due to rapid urbanisation</li> <li>Increasing stringency of environmental regulations</li> <li>Growth opportunities in new markets</li> <li>Strengthening backward integration to ensure a sustainable supply chain</li> </ul>

Risks 
<ul style="list-style-type: none"> <li>Challenges in sourcing raw materials and fluctuations in pricing</li> <li>Exchange rate volatility</li> </ul>

## Financial objectives

Short-to-medium term goals	
ROCE	>15%
ROE	>10%
PBT	Rs.1.0 bn

## SECTOR REVIEW - HAND PROTECTION



### HIGHLIGHTS OF 2020/21



#### FINANCIAL PERFORMANCE

- **+70%** growth in revenue
- **+5-fold** growth in PBIT
- **+5-fold** growth in PBT
- **+5-fold** growth in PAT
- **+110%** growth in assets



#### INNOVATION

- New product development in both supported and unsupported gloves
- 5 patents applied
- Launch of DPL Technology Platforms for products



#### MARKET POSITION

- Among the top household & Industrial glove manufacturers in the world
- Products sold in over +70 countries
- 5 manufacturing facilities in Sri Lanka and Thailand



#### ECONOMIC IMPACT

- 914 new employment opportunities created
- 28% of Sri Lanka's glove exports
- USD 64.8 mn foreign exchange income generated

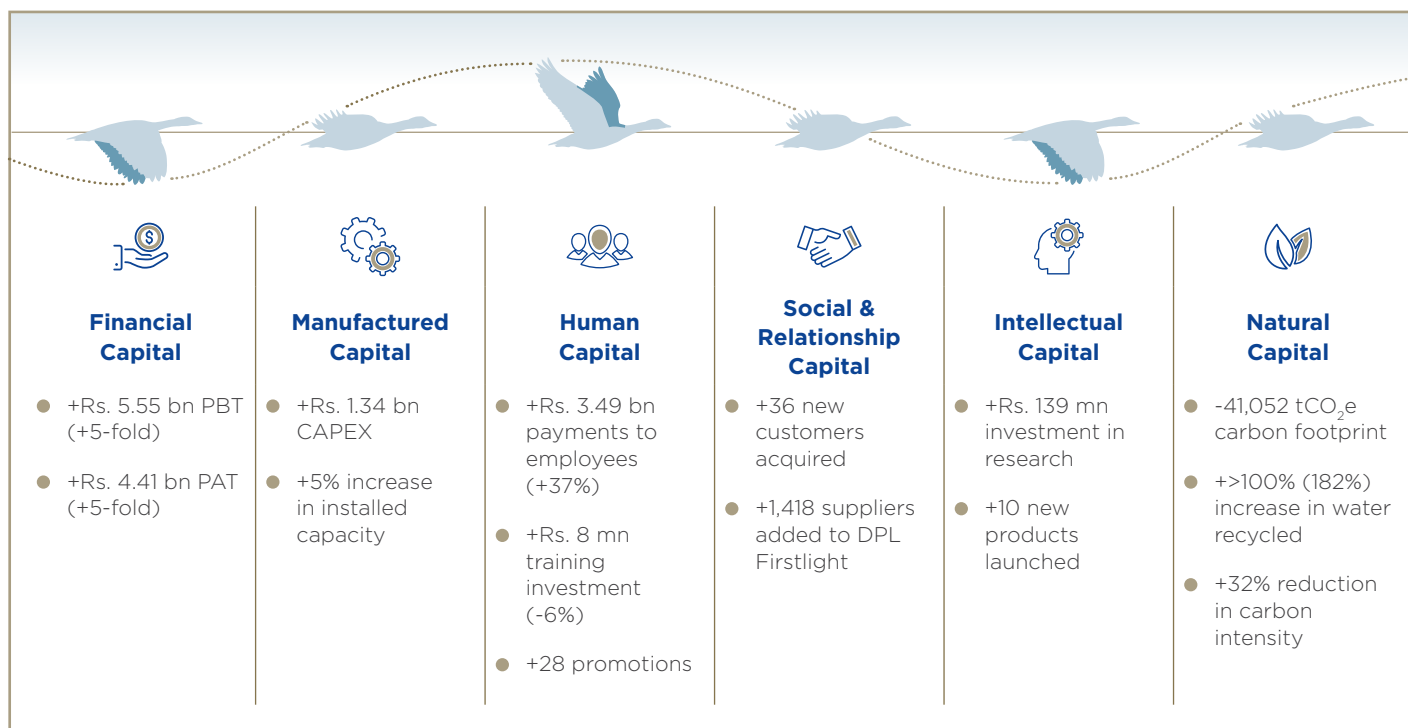


#### PEOPLE AND PLANET

- 100% reliance on biomass energy for powering boilers
- Ongoing efforts to increase water recycling using nature-based solutions
- Value injection to local rubber farmers through sustainable supply chain partnerships

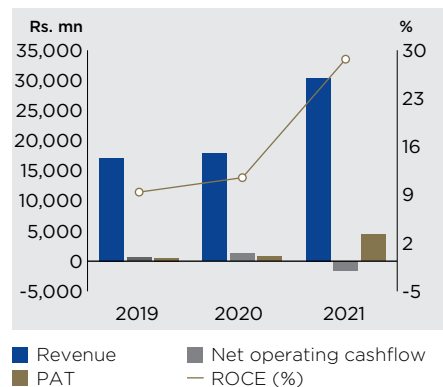
THE SECTOR IS A GLOBAL LEADER IN PROTECTIVE HAND-WEAR, SERVING CLOSE TO 5% OF THE GLOBAL DEMAND FOR NATURAL AND SYNTHETIC-LATEX BASED HOUSEHOLD AND INDUSTRIAL GLOVES. WITH ITS PRODUCTS REACHING OVER 70 COUNTRIES, THE SECTOR HAS BUILT A STRONG REPUTATION FOR INNOVATION, MANUFACTURING CAPABILITIES AND PRODUCT QUALITY — 99

## VALUE CREATION HIGHLIGHTS



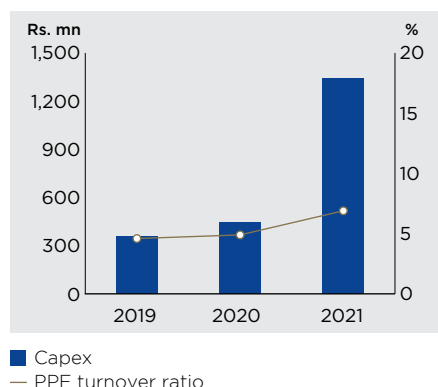
+ Positive Outcome - Negative Outcome

### PROFITABILITY AND CASH FLOW GENERATION



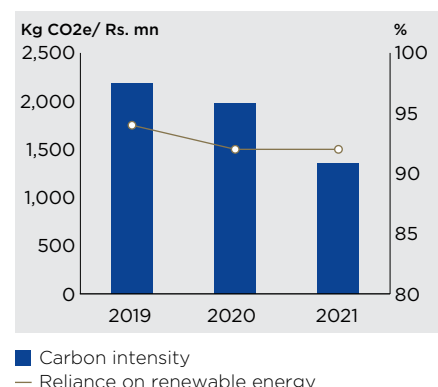
Record revenue and profitability supported by the surge in demand for gloves and the Sector's ability to successfully cater to this demand.

### CAPEX AND REVENUE GENERATION



The Sector's recent investments in capacity expansions served it well, enabling it to capitalise on the opportunity presented by the surge in demand.

### CARBON INTENSITY



The Sector's reliance on renewable energy through bio-mass has resulted in a sustained reduction in carbon intensity.

## SECTOR REVIEW - HAND PROTECTION

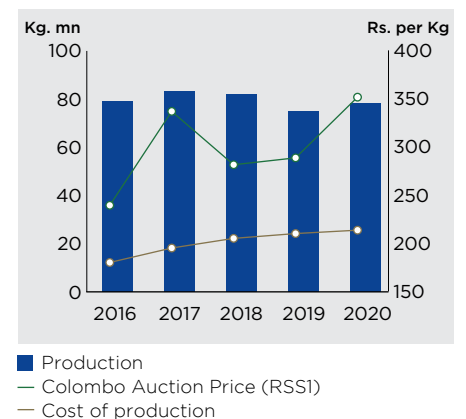
### SCOPE OF SECTOR OPERATIONS



### CONTEXT TO PERFORMANCE

<b>+&gt;90%</b> Demand for disposable gloves	The outbreak of the pandemic resulted in a dramatic surge in demand for gloves- particularly disposable gloves which in turn led to supply shortages in the world market.
<b>+22%</b> Increase in rubber auction price	Domestic and global rubber prices increased during the year in view of stronger demand from glove manufacturers and other industries.
<b>6% - 8%</b> Capacity expansions across the industry	Suppliers have ramped up capacity in catering for the increased demand, which could lead to price pressure over the medium-term.
<b>13%</b> Growth forecasted from 2021-2026	Although moderating from its record-high levels, demand is expected to be robust in 2021, although prices are expected to gradually decline.

### RUBBER CULTIVATION IN SRI LANKA

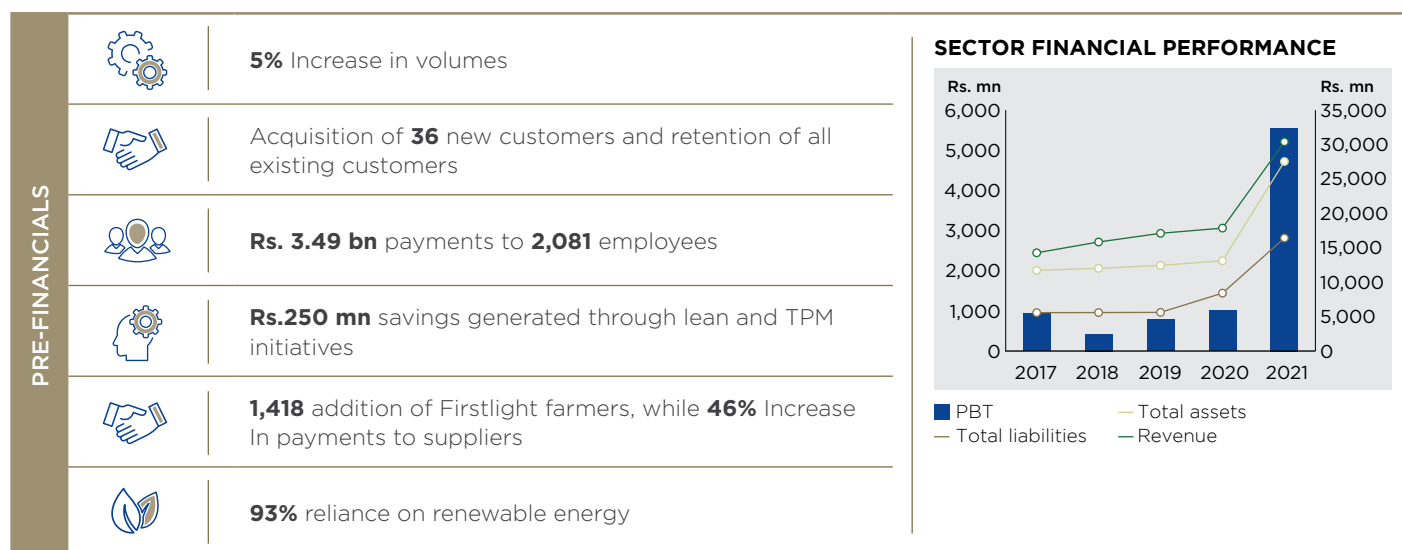


### OUR STRATEGY

Strategic Imperatives	KPI	Target for 2021/22
<ul style="list-style-type: none"> <li>The Sector sought to strengthen manufacturing capabilities through capacity enhancements, as well as process improvements and upgrades in machinery and infrastructure.</li> </ul>	<b>5%</b> Capacity increase  <b>87%</b> Capacity utilisation level	Complete ongoing capacity expansions in all 5 Sri Lanka and Thailand locations, resulting in a further 13% increase in capacity.
<ul style="list-style-type: none"> <li>Ongoing investments in research and development resulted in the launch of a range of new products during the year, including several premium gloves.</li> </ul>	<b>10</b> New products launched  <b>Rs. 139 mn</b> Investment in R&D	Increase contributions from high margin value added products.
<ul style="list-style-type: none"> <li>Given disruptions to supply chains and constraints in sourcing raw materials, the Sector expanded its network of local farmers through the DPL Firstlight program, widening the program's reach to 4 new districts.</li> </ul>	<b>1,418</b> New Firstlight farmers added  <b>65%</b> Local procurement	Maintain balance between locally purchased and imported latex materials while pursuing environmentally friendly sustainable sourcing practices.



## INTEGRATED PERFORMANCE REVIEW



## IMPLICATIONS AND RESPONSE TO COVID-19

IMPLICATIONS OF COVID-19	OUR RESPONSE
<ul style="list-style-type: none"> <li>Surge in demand for disposable gloves given heightened safety concerns, leading to a considerable demand and supply gap in the short-term. Demand for household gloves also increased due to health and hygienic awareness.</li> <li>Challenges in securing raw materials, given supply constraints in both nitrile and natural latex together with disruptions to shipping and logistics</li> </ul>	<ul style="list-style-type: none"> <li>Increased capacity utilisation levels in the immediate term through upgrading machinery, re-engineering processes and optimising resources</li> <li>Strengthened engagement and widened the network of local suppliers through DPL Firstlight</li> </ul>

The Hand Protection Sector delivered a year of exponential growth, with revenue increasing by 70% and profits for the year reaching a record high of Rs. 4.41 bn. Performance was upheld by the surge in demand for gloves during the year, and the Sector's timely efforts to enhance capacity and utilisation in all locations. Profitability was also supported by increased contributions from high-value products, relentless focus on operating efficiencies and effective supply chain management. The Sector's Thailand operation recorded strong turnaround following the surge in demand for disposable gloves, while ICOGUANTI S.p.A. the marketing arm in Italy also delivered good growth.

The success of the year is largely attributed to the Sector's manufacturing excellence, which saw capacity utilisation levels of 87% supported by strategic focus on driving plant efficiencies, infrastructure and machinery upgrades. Stringent health and safety protocols and work arrangements enabled the Sector to operate relatively uninterrupted during the year, successfully catering to the surge in demand. Meanwhile, DPL Production System- which consists of Lean initiatives, TPM and Kaizen



## SECTOR REVIEW - HAND PROTECTION

### DPL TECHNOLOGY PLATFORM

- **DPL Comfort Technology:**  
Enhanced flexibility which reduces hand fatigue. Introduced a glove with sweat absorption properties
- **DPL Supergrip Technology:**  
Offers better grip for oil, wet and dry surfaces
- **DPL SuperchemTechnology:**  
Featuring enhanced chemical resistance
- **DPL Earthsafe Technology:**  
Biodegradable properties
- **DPL Skinsafe Technology:**  
Free of chemical allergy emissions

generated savings to the tune of Rs. 250 mn, as recent efforts aimed to drive operational excellence continued to generate savings.

The Sector's competitive advantage is sharpened by the strength of its research and development capabilities, which has allowed it to consistently cater to evolving customer

requirements. During the year, under review, the Sector launched 10 new products, comprising 5 unsupported and 5 supported gloves. We also launched a new technology platform for products, featuring unique characteristics across 5 categories (presented alongside). In recent years, DPL has sought to widen contributions from premium, value-added gloves and made further progress during the year with the launch of premium electrician gloves, and magnetically detectable gloves. In a unique innovation, we also introduced a glove manufactured using recycled PET material, an environmentally friendly product which reduces landfill waste through recycling PET bottles.

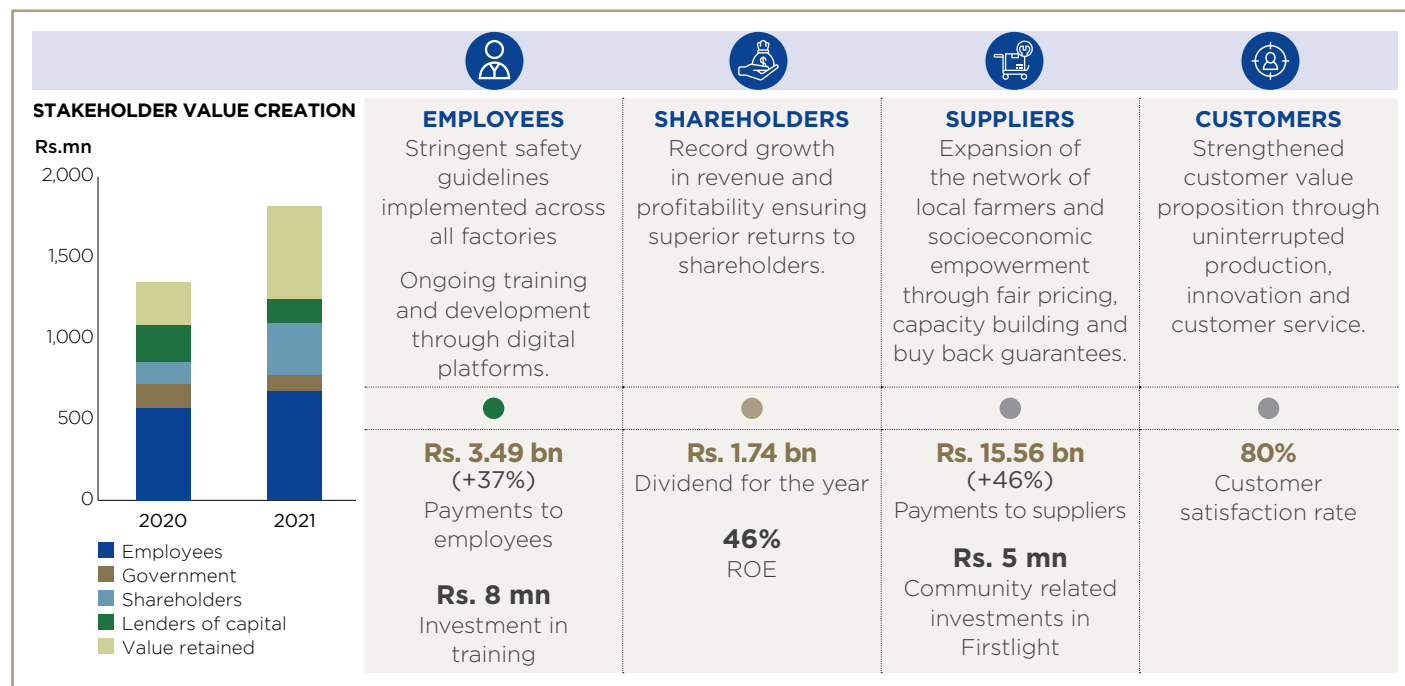
We continued to pursue the acquisition of new customers, particularly from the USA and European region, aided by our ability to quickly ramp up production to meet increased demand. Accordingly, we acquired over 30 new customers in both household and industrial segments, while retaining all existing customers. We leveraged online platforms to maintain a high level of customer engagement and

achieved the customer satisfaction level of 80% during the year under review.

The Sector continued to empower livelihoods through the DPL Firstlight initiative; during the year, we further expanded our network of farmers with the addition of 1,418 new suppliers in several new regions including Monaragala and Kegalle. Given supply disruptions and difficulties in sourcing latex from international suppliers, the Sector increased reliance on domestic suppliers during the year.

Pursuing sustainable manufacturing methods has always been a part of the Sector's ethos and it continues to make inroads in reducing its environmental footprint through increased reliance on renewable energy. During the year, we proactively sought to recycle and re-use water across all our locations; for instance, in Hanwell, water discharged from the plant is treated through an effluent treatment plant and directed to a wetland from which it is pumped back for reuse. As a result the total quantum of water recycled increased by 182%, while 9% of total water withdrawal was recycled.

### STAKEHOLDER VALUE CREATION







## SECTOR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

	Relevant SDG	Our Contribution
		<ul style="list-style-type: none"> <li>Our array of gloves encourage increased health and hygiene in households, industries and medical services, a proposition which gained critical importance given heightened health and safety risks during the year</li> </ul>
		<ul style="list-style-type: none"> <li>100% reliance on bio-mass to fuel our boilers has resulted in a sustained decline in the carbon footprint</li> </ul>
		<ul style="list-style-type: none"> <li>Through DPL Firstlight we empower and support over 4,500 rubber smallholders, directly contributing to their socioeconomic empowerment</li> </ul>
		<ul style="list-style-type: none"> <li>93% of the sector energy requirements fulfilled through renewable energy</li> </ul>

## PLANS

While global demand for gloves is expected to moderate from the record-high levels experienced in 2020/21, demand is expected to remain robust given the still evolving nature of the pandemic and increased health and safety consciousness post COVID-19. The Sector has invested Rs. 1.34 bn in capacity expansions, which is expected to result in a near 13% increase in our capacity by 2021/22. With regional manufacturers ramping up capacity, we expect a degree of price pressure which will see margins narrowing somewhat compared to 2020/21. That said, the Sector is confident of leveraging its manufacturing capabilities, innovation and strong customer relationships to deliver continued growth in earnings.



Opportunities 
<ul style="list-style-type: none"> <li>Demand for gloves expected to be resilient in 2021/22</li> <li>Capacity expansion and increased capacity utilisation</li> <li>Development of premium, value-added products</li> <li>Driving increased operational efficiencies</li> </ul>
Risks 
<ul style="list-style-type: none"> <li>Anticipated price pressure</li> <li>Exchange rate volatility</li> <li>Increase in raw material prices in line with recovery of commodity prices</li> </ul>

## Financial objectives

Short-to-medium term goals	
Revenue growth	>10%
ROE	>20%
Gearing	<50%

## SECTOR REVIEW - PURIFICATION



### HIGHLIGHTS OF 2020/21



#### FINANCIAL PERFORMANCE

- **+12%** growth in revenue
- **+77%** growth in PBIT
- **+107%** growth in PBT
- **+102%** growth in PAT
- **+23%** growth in assets



#### INNOVATION

- Portfolio of over 200 product variants
- 13 new products developed with increased focus on value-added products
- Ongoing focus on R&D with 12 products in the pipeline for 2021/22



#### MARKET POSITION

- A global leader in coconut shell based activated carbon with a 16% market share
- Leading provider of water and waste purification in Sri Lanka, Maldives and region



#### VALUE TO PEOPLE

- Value injection across rural supply chain through the procurement of coconut shells
- Ongoing efforts in supplier development and propagating sustainable practices
- Ensured physical and emotional wellbeing as well as financial security of our employees.



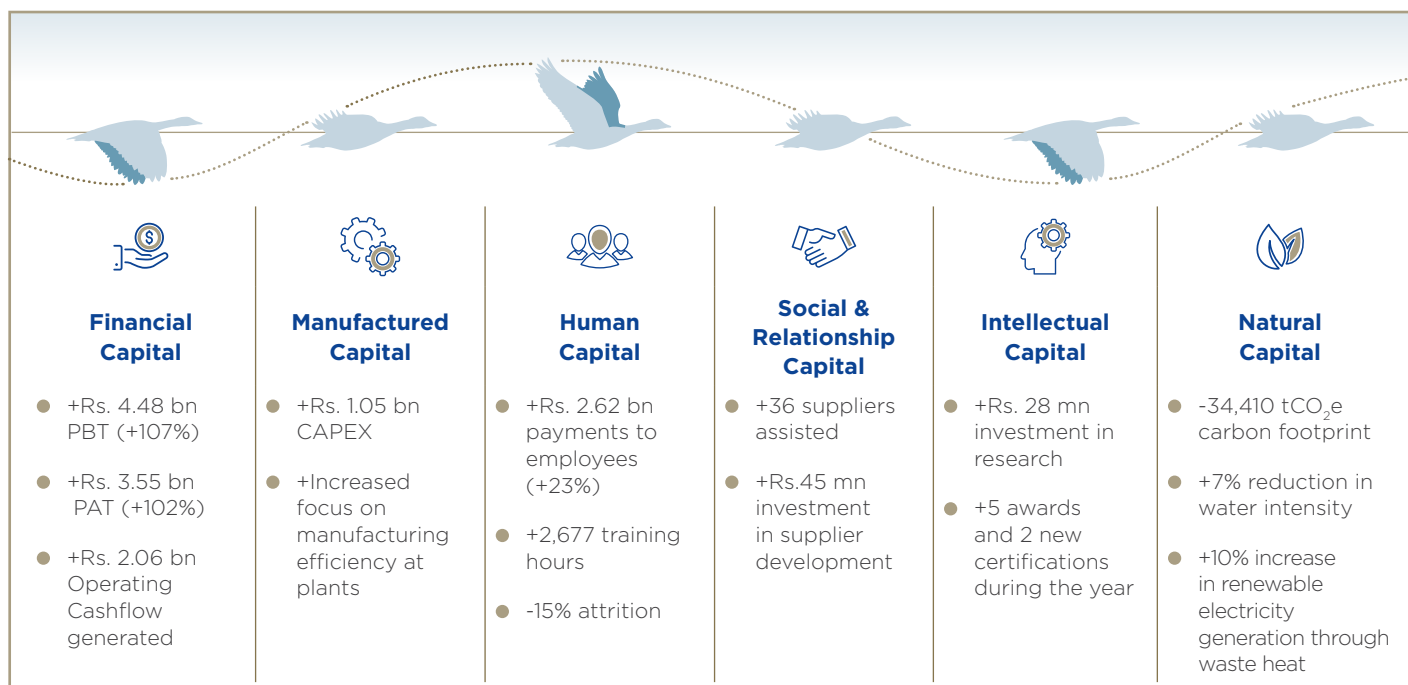
#### SUSTAINABLE SUPPLY CHAINS

- Addition of 69 green charcoaling pits, bringing the total over 330.
- Supply of raw material coconut shell charcoal from environment friendly charcoaling units in Sri Lanka 66% and Thailand 20%

HAYCARB IS A GLOBAL LEADER IN THE MANUFACTURE OF COCONUT SHELL-BASED ACTIVATED CARBON WITH A MARKET REACH OF OVER 50 COUNTRIES AND IS ALSO A LEADING PROVIDER OF WATER AND WASTE PURIFICATION SYSTEMS IN SRI LANKA AND MALDIVES WITH A STRONG REPUTATION FOR INNOVATION, TECHNICAL EXCELLENCE, CUSTOMER CENTRICITY AND SUSTAINABLE OPERATIONS.

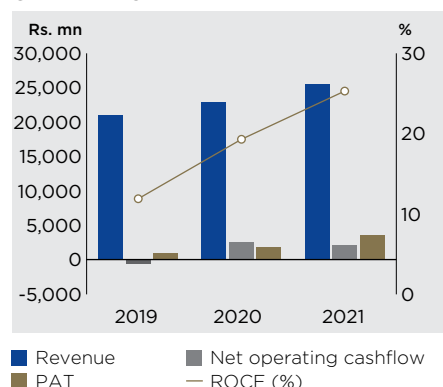


## VALUE CREATION HIGHLIGHTS



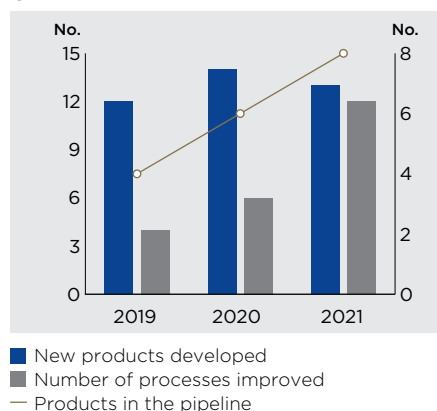
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## PROFITABILITY AND CASH FLOW GENERATION



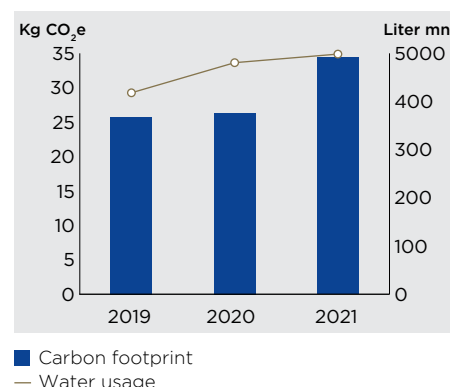
Record revenue and profitability supported by the Sector's ability to ensure continued operations, increased contribution from the value-added portfolio and ongoing manufacturing and operating efficiencies through Lean and CI platforms.

## NURTURING OUR INTELLECTUAL CAPITAL



Ongoing investments in R&D that led to continued new product development, coupled with an incisive marketing strategy sharpened the Sector's competitive edge and strengthened its brand values of innovation, technical excellence, customer centricity and sustainability.

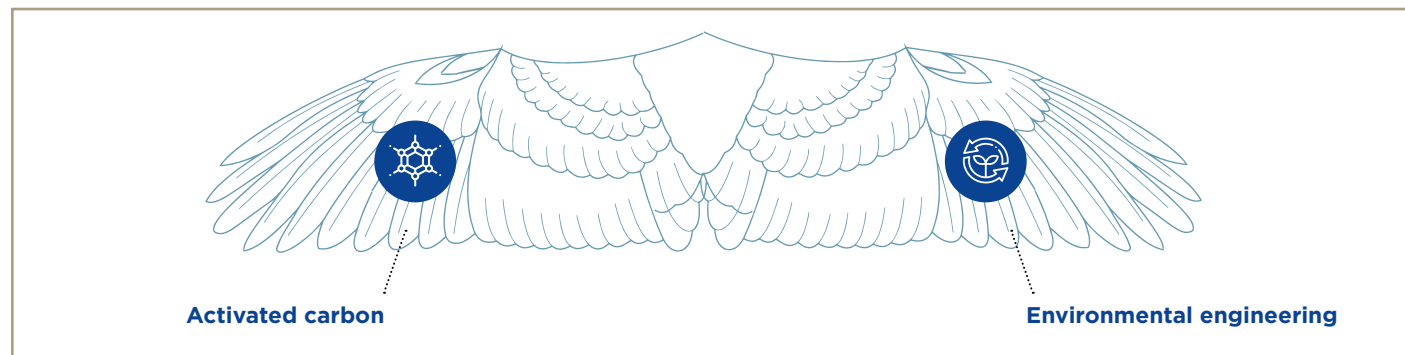
## PRESERVING NATURAL CAPITAL



The Sector is committed to reducing the environmental footprint of its operations and in recent years has strived to reduce dependence on fossil fuels through renewable energy generation; in 2020/21 emissions increased reflecting higher operational activity

## SECTOR REVIEW - PURIFICATION

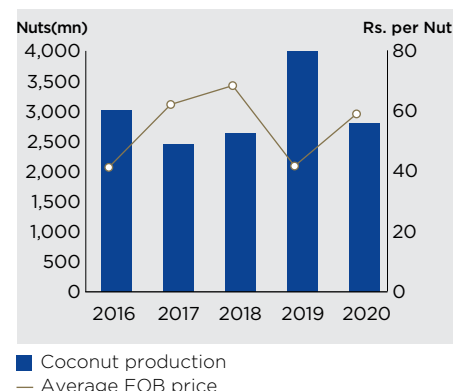
### SCOPE OF SECTOR OPERATIONS



### CONTEXT TO PERFORMANCE

Resilient demand	Global demand for activated carbon remained resilient in 2020, upheld by the growth in the global mining industry and increased emphasis on hygiene and safety in the aftermath of the pandemic
<b>+42%</b> Increase in coconut prices	Coconut prices increased during the year reflecting a near 10% decline in production levels and higher demand.
<b>+27%</b> Increase in gold prices	With gold prices increasing during the year, the global mining industry has seen a resurgence, thereby driving a parallel increase in activated carbon, which is an input in gold processing.
<b>8%</b> Anticipated growth (2021-2028)	Growth is driven by increasing regulations on industrial discharge, stringency of air pollution regulations and the pandemic-induced prevalence towards hygiene and cleanliness.

### COCONUT PRODUCTION

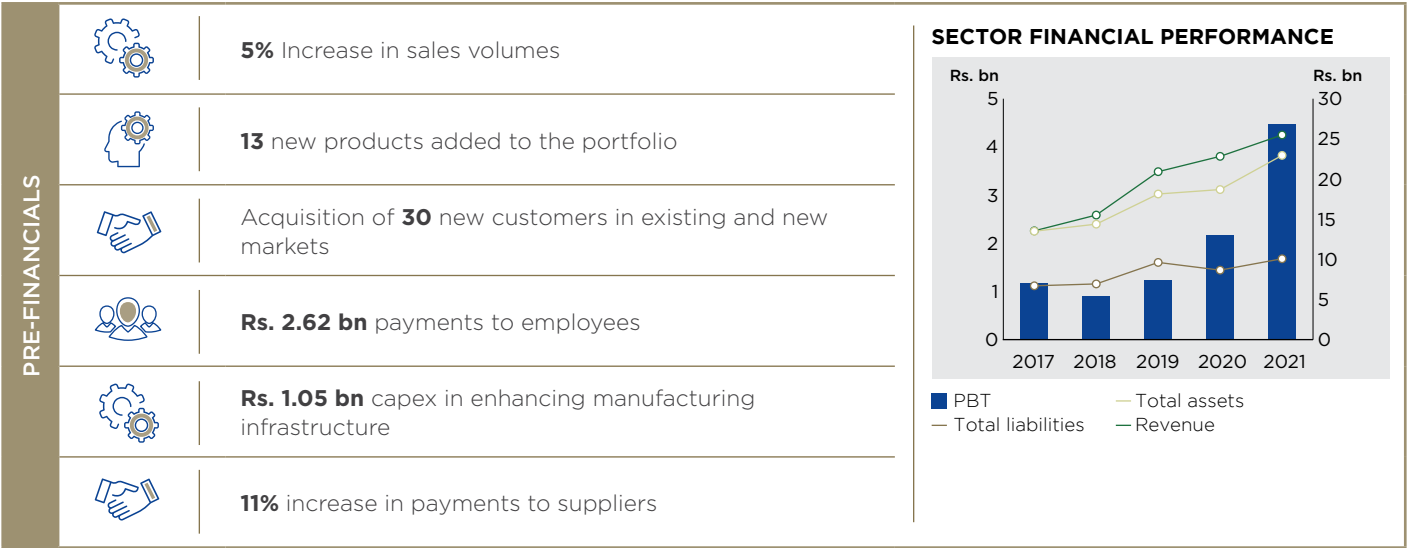


### OUR STRATEGY

Strategic Imperatives	KPI	Target for 2021/22
<ul style="list-style-type: none"> <li>Innovation and new product development continue to be critical success factors and the Sector consolidated its position in the value-added and energy storage portfolios</li> </ul>	<b>13</b> New products developed <b>Rs. 28 mn</b> Investment in R&D	Optimise product portfolio and seek continuous new product development to capitalise on emerging opportunities
<ul style="list-style-type: none"> <li>Customer centricity is key to our strategy and the Sector maintained proactive customer relationship management, leveraging our digital capabilities to drive innovative ways of engagement, including the launched of Haycarb Virtual Tour video.</li> </ul>	<b>Over 80%</b> Customer Satisfaction	Sharpen focus on customer management through customer centricity and sales focus
<ul style="list-style-type: none"> <li>The Sector continued to seek market penetration, consolidating its position in key markets such as USA, Europe, China and South Korea, while also pursuing growth in markets with lower penetration such as Russia, East and West Africa and South America.</li> </ul>	<b>30</b> New customers acquired	Target new distributorships in growth markets such as India, China, Eastern Europe and South Asia among other
<ul style="list-style-type: none"> <li>Building capacity and value addition capabilities in multiple manufacturing locations.</li> </ul>	<b>10%</b> Growth in capacity	Target to capture new market opportunities and commercialise NPD



INTEGRATED PERFORMANCE REVIEW



IMPLICATIONS AND RESPONSE TO COVID-19

IMPLICATIONS OF COVID-19	OUR RESPONSE
<ul style="list-style-type: none"> <li>Opportunities in forward diversification through the surge in demand for face masks.</li> <li>The increased price of gold during the pandemic and the resultant expansion of mining activities led to an increase in demand for activated carbon.</li> <li>Restrictions on travel and downturns in regional markets impacted the design and installation of water and wastewater projects of Puritas.</li> </ul>	<ul style="list-style-type: none"> <li>Achieved good volume growth in a new Oxypura face mask range which was specifically designed to protect against COVID-19.</li> <li>Timely capacity expansions and proactive efforts in recommencing operations during the lockdown enabled the Sector to capitalise on these demand trends.</li> <li>Puritas secured significant government projects in Sri Lanka for water supply and sanitation.</li> </ul>



The Purification Sector delivered a year of record growth and profitability, with revenue increasing by 12% and profit after tax more than doubling to Rs. 3.55 bn, the highest in the Sector's operating history. Recent investments in enhancing manufacturing capabilities and widening the product portfolio augured well for the Sector, which combined with stringent safety protocols enabled it to ensure reliable and uninterrupted supply despite the unprecedented challenges that prevailed. Profitability margins recorded considerable improvement reflecting increased sales volume, contributions from the value-added portfolio and ongoing focus on operating efficiencies. Overall profitability was also supported by the decline in net finance cost during the year. The Environmental Engineering arm's performance was somewhat impacted by the slowdown in projects, following the restrictions on mobility which in turn resulted in profits declining by 13.8% during the year.

In recent years, we have placed strategic emphasis on improving portfolio profitability through driving increased contributions from value-added products. This strategy has served us well and the Sector consolidated its presence

## SECTOR REVIEW - PURIFICATION

through innovations in energy storage, chloramine removal carbons, impregnation carbons, respirator carbons and POU carbons, among others. We also leveraged our capabilities to drive forward diversification thereby capitalising on the surge in demand for face masks with the launch of a new face mask series which generated good revenue and profit growth. With 12 new products currently in the pipeline the Sector will continue to pursue innovation-led growth over the short-to-medium term.

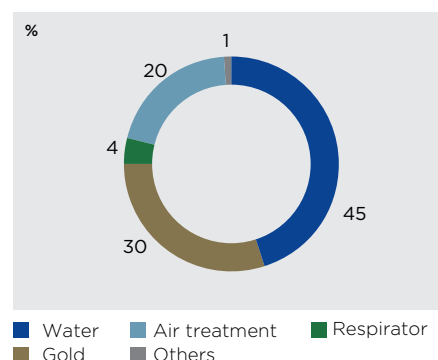
Given disruptions to supply chains during the year, the Sector proactively sought to increase its raw material inventories, which in turn facilitated uninterrupted production. Fluctuations in raw material pricing and availability continue to be one of our key challenges and we have sought to address this through expanding and engaging closely with our supplier base. We made considerable progress in our unique “Haritha Angara” initiative which aims to promote environmentally- friendly charcoaling, thereby reducing the carbon footprint

across our supply chain. During the year, we added 69 new ‘Haritha Angara’ pits bringing the total to over 330 with nearly 200 suppliers empowered through this program to date.

As a large manufacturing organisation, Haycarb is committed to reducing the environmental impacts of its operations through process innovation. During the year, modification to the air treatment (AT) process for volatile gas burning i(VBC) in the Pellet plant generated savings in fossil fuel usage while improvement to washing processes reduced water consumption. As a result of these initiatives, the Sector’s water intensity levels declined by a 7% and renewable electricity generation has increased by 10% during the year.

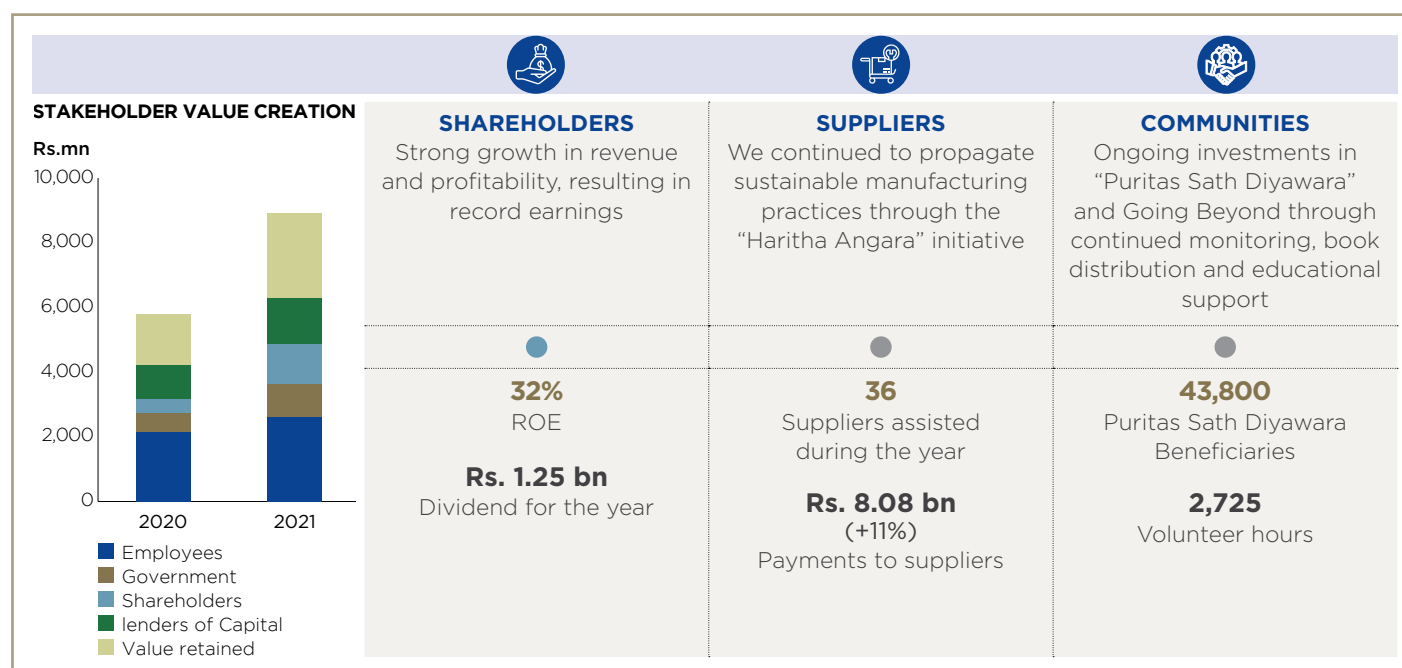
Employee safety was a foremost priority given the prevalent conditions, and the Sector implemented an array of hygiene and sanitization measures during the year. Our Sri Lankan facilities also obtained the Certificate of Conformity, Covid-19 Management System SLS 1672: 2020 from Sri Lanka Standards Institution

### SALES BY APPLICATION







(SLSI) while all existing certifications were renewed through online audits. As a responsible corporate citizen, Haycarb also contributed towards combatting COVID-19 through donating face masks and carbon to health authorities, donations and medical equipment to the intensive care unit of the Infectious Diseases Hospital and providing essential items to COVID-19 impacted communities. The Sector is also the driving force behind the Hayleys’ Group’s flagship CSR project “Puritas Sath Diyawara” through which we provide access to 190,000 litres of purified water per day to over 43,800 people in 23 villages affected by the Chronic Kidney Disease.

## STAKEHOLDER VALUE CREATION



## SECTOR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

	Relevant SDG	Our Contribution
		<ul style="list-style-type: none"> <li>Our products are used to remove pollutants from air, water and other products</li> </ul>
		<ul style="list-style-type: none"> <li>190,000 litres purified per day through the “Puritas Sath Diyawara” project in addition to water and sanitization projects of Puritas</li> </ul>
		<ul style="list-style-type: none"> <li>Green charcoaling pits across the island, the world’s first pollution free charcoaling plant- Recogen Sri Lanka and installation of vertical charcoaling kilns in Thailand have reduced the carbon footprint of our supply chain</li> </ul>

### PLANS

Demand for activated carbon has remained resilient over the last decade and we are strongly positioned to capture emerging growth opportunities by leveraging our capabilities in innovation, technical excellence, customer centricity and sustainability. We will continue to pursue further penetration in our value-added portfolio and are keen to enhance manufacturing capacity, particularly given the current availability of low-cost funding. Meanwhile, the Environmental Engineering arm will continue to pursue opportunities for new projects in the government and private sector in Sri Lanka as well as increase regional penetration through opportunities in Bangladesh and Thailand.



#### Opportunities



- More stringent environmental regulations in line with the escalating implications of climate change
- Availability of low-cost funding for capacity expansions
- Development of new products across key application sectors
- Reducing dependence on fossil fuel-based energy sources
- Reliance of buyers on stronger coconut carbon companies with greater depth and breadth in supply chain for greater reliability and risk mitigation

#### Risks



- Fluctuations in raw material pricing and availability
- Exchange rate volatility
- Resurgence of COVID-19 infections in Sri Lanka and other Asian countries and the resultant restrictions on mobility could prolong the recovery of the Environmental Engineering Sector and affecting coconut carbon supply chain

#### Financial objectives

Short-to-medium term goals	
ROCE	>15%
ROE	>15%
Gearing	<50%



## SECTOR REVIEW - TEXTILES



### HIGHLIGHTS OF 2020/21



#### FINANCIAL PERFORMANCE

- **+20%** growth in revenue
- **+97%** growth in PBIT
- **+140%** growth in PBT
- **+2-fold** growth in PAT
- **+25%** growth in assets



#### INNOVATION

- INNO range continues to gain ground with increased penetration
- New product development sharpened through research capabilities and collaborations with suppliers



#### MARKET POSITION

- Supplier of innovative-high quality fabrics for leading global fashion brands by supporting operations of the local apparel sector
- Sri Lanka's largest manufacturer of synthetic fabric



#### ECONOMIC IMPACT

- 67% employees from communities
- 8,689 MT of fabrics produced
- USD 76 mn foreign exchange generated



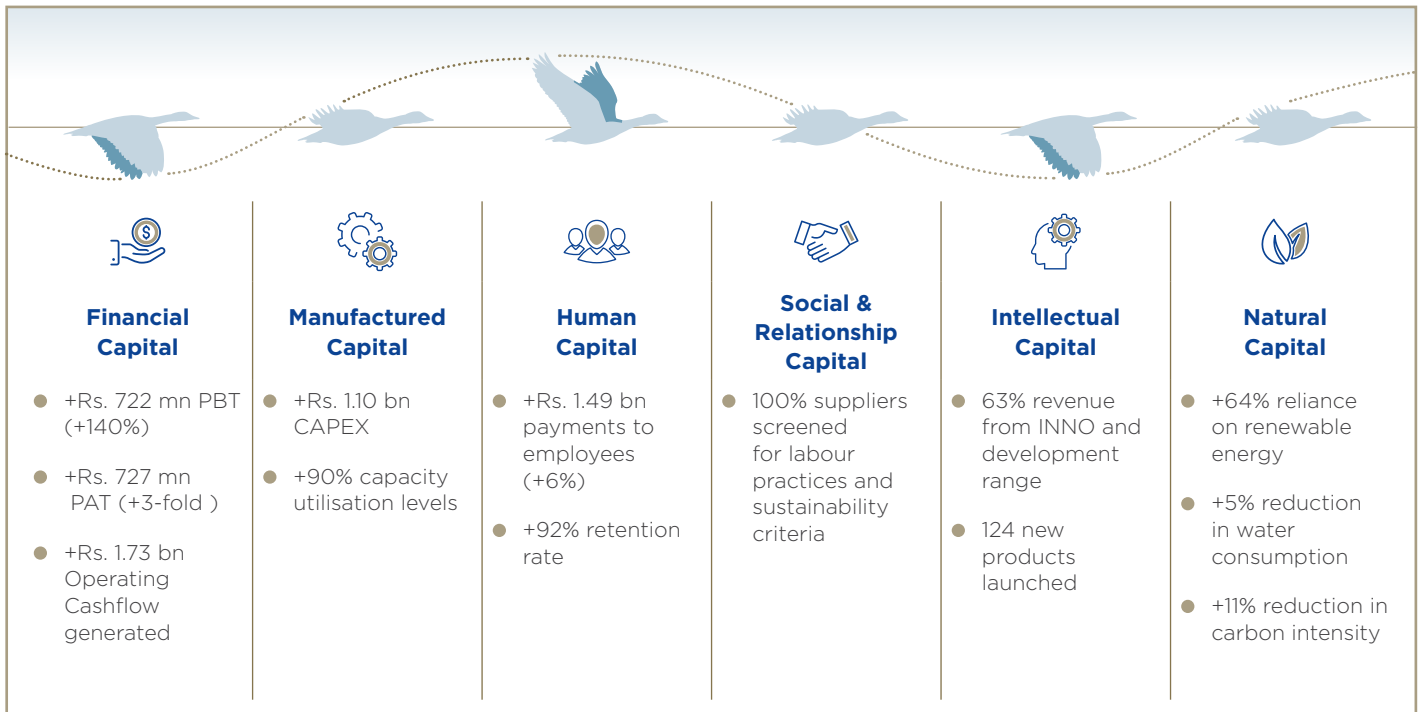
#### GREENER BUSINESS

- 64% reliance on renewable energy through rooftop solar installation and biomass energy consumptions
- First Sri Lankan knitted fabric manufacturer to commit to science-based targets to reduce the carbon footprint

HAYLEYS FABRICS 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, STRONG SUPPLY CHAIN RELATIONSHIPS, LEAN WORK-FLOWS AND SUSTAINABLE MANUFACTURING

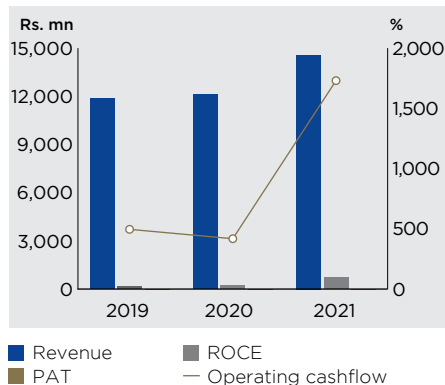


## VALUE CREATION HIGHLIGHTS



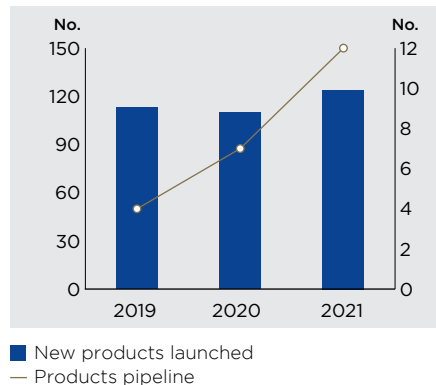
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## PROFITABILITY AND CASH FLOW GENERATION



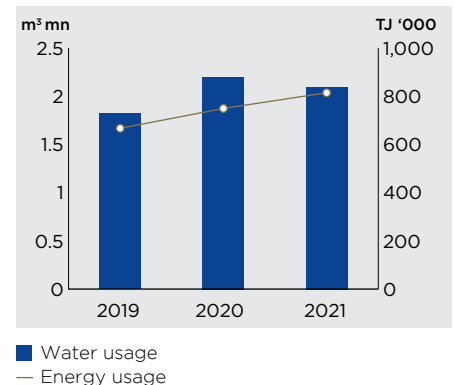
The Sector delivered a strong performance supported by good revenue growth and wider product margins, reflecting a richer product mix

## FOCUS ON INNOVATION



Innovation continues to be key to the Sector's strategy and competitive edge as it continued to widen its product offering

## CONSUMPTION OF NATURAL RESOURCES



Ongoing efforts to drive reductions in water usage and dependence on fossil fuels

## SECTOR REVIEW - TEXTILES

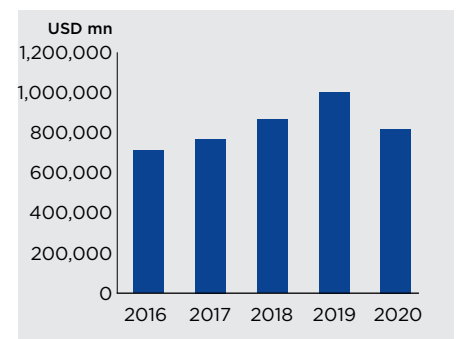
### SCOPE OF SECTOR OPERATIONS






### CONTEXT TO PERFORMANCE

<b>-1%</b> Global demand for clothing and textile	The industry was severely impacted by the lockdowns, travel restrictions, factory shutdowns and closures of retail stores, resulting in a contraction of 1% compared to a growth of 6% in 2019.
<b>-21%</b> Decline in garment and textile exports	Sri Lanka was able to contain the drop in garment and textile exports to 21%, supported by their ability to secure orders for PPE.
Escalating competition	Regional competitors such as Bangladesh and Vietnam have grown significantly, exceeding annual turnover of USD 30 bn, compared to Sri Lanka's USD 5 bn, underscoring the need for higher-capacity manufacturers.
Positive Demand Outlook	Demand conditions have gradually recovered and expected to show rebound following the successful vaccination roll-outs and gradual easing of restrictions in US and European markets.

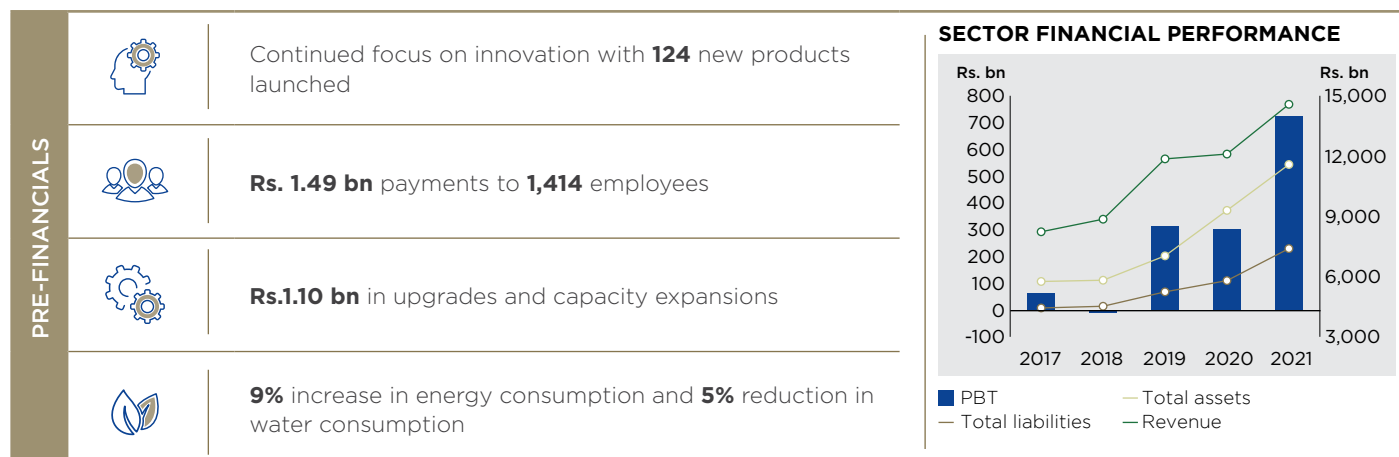
### GARMENTS AND TEXTILE EXPORTS



### OUR STRATEGY

Strategic Imperatives	KPI	Target for 2021/22
 <ul style="list-style-type: none"> <li>Innovation is key to our competitive edge and during the year, the Sector continued to widen its INNO portfolio with the launch of several new products/variants. We also sought timely diversification through manufacturing fabric for PPE.</li> </ul>	<b>124</b> New products developed  <b>Rs.3 mn</b> Investment in R&D	Strengthen customer relationships while maintaining market leadership position with INNO and evaluating options for organic and inorganic growth in order to increase capacity
 <ul style="list-style-type: none"> <li>We continued to focus on building a secure and sustainable supply chain through developing alternative suppliers, conducting supplier audits and collaborating with suppliers</li> </ul>	<b>83</b> Collaborations with suppliers	Develop alternative suppliers for similar materials and proactively monitor global market forecasts on pricing
 <ul style="list-style-type: none"> <li>We pursued ongoing efforts to ensure sustainable and ethical manufacturing through increasing reliance on renewable energy and water recycling. We also continued to comply with a host of international accreditations and certifications.</li> </ul>	<b>64%</b> Reliance on renewable energy  <b>12%</b> Water recycled	Drive reductions in energy consumption and carbon footprint

## INTEGRATED PERFORMANCE REVIEW



## IMPLICATIONS AND RESPONSE TO COVID-19

IMPLICATIONS OF COVID-19	OUR RESPONSE
<ul style="list-style-type: none"> <li>Disruptions in supply chains, with considerable impacts on raw material imports from China.</li> <li>Push-back in orders following the first wave due to closure of outlets, lockdowns and travel restrictions.</li> <li>Heightened health and safety risks of employees, particularly given challenges in ensuring social distancing within factory premises.</li> <li>Shifts in consumer demand patterns, with increased prevalence for loungewear and athleisure.</li> </ul>	<ul style="list-style-type: none"> <li>The Sector sought to proactively built excess raw material inventories from January 2020 to mitigate possible delays in shipments.</li> <li>Proactively engaged with large local garment manufacturers to secure orders to manufacture fabric for PPE (Personal protective equipment).</li> <li>Extremely stringent health and safety protocols including ongoing screening, provision of PPE and frequent disinfecting enabled the Sector to achieve zero infections and zero work stoppage due to COVID-19.</li> <li>The Sector leveraged on its strength in the athleisure category to drive increased penetration.</li> </ul>

The Sector delivered revenue growth of 20% during the year, supported by rebound in orders from the Tier-1 global fashion brands by June 2020, significant increase in demand for athleisure as well as strong sales growth from INNO given increased prevalence for value-added fabrics. Meanwhile profitability margins widened at both GP and operating profit level reflecting increased

contributions from high-yielding INNO products, a richer product mix and a 4% decrease in cost of sales per kg. Resultantly, the Sector's pre tax profit recorded strong growth by 140% to Rs. 722 mn during the year.

Hayleys Fabric demonstrated strong agility and adaptability by swiftly securing orders and pivoting to manufacture personal protective

equipment by the second quarter of the year. The Sector was also the first factory to commence operations by mid-April under the stringent guidelines of the health authorities, thereby leading the industry in the production of PPE. During the year, medical fabrics accounted for 9% of total sales, supporting the Sector's resilience in the early months of the pandemic. With global brands subsequently shifting their product portfolio to meet emerging customer needs, including increased prevalence towards comfortable and active wear, exporters reverted to their original product categories of active wear, loungewear and casual wear which led the revival of the industry in the new normal. The Sector was well positioned to capitalise on this shift, as it leveraged the INNO Portfolio of athleisure/active wear fabrics to drive Tier-1 customer penetrations. The Sector's strategy of moving up the value chains through INNO and development have paid rich dividends in recent years and accounted for 63% of total sales during the year under review.

The Sector continued to drive productivity and efficiency improvements through leveraging on technology and automation. Key initiatives during the year included



## SECTOR REVIEW - TEXTILES

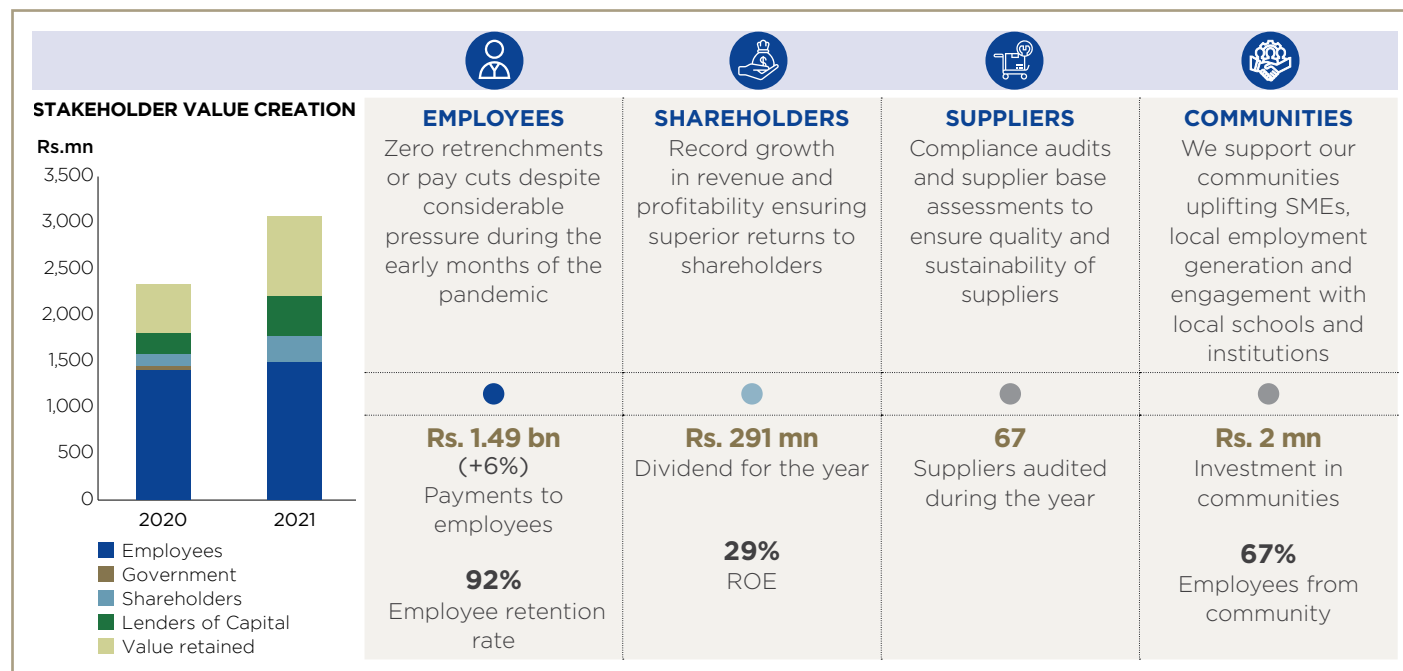


shortening of dye cycle times, increasing efficiency of effluent treatment plant and ongoing investments in upgrading equipment and manufacturing infrastructure. The Sector has also sought to improve its digital infrastructure through establishing a fully functional Disaster Recovery system and implementing AI technology for the procurement of chemicals and dyes, among others.





The Sector made considerable progress in its journey of environmental sustainability during the year, emerging as the first fabric mill in Sri Lanka to commit to the Science Based Target initiative, which involves the emission reduction targets. We

also invested in a 4.5MW roof top solar project, the largest of its kind in Sri Lanka; upon completion this is expected to result in a 8% reduction in the Sector's carbon footprint. Given the water intensity of our operations, the Sector has also continued to drive reductions in water withdrawal through recycling and currently, 12% of water used is recycled daily. During the year, the Sector also initiated a project titled SustainabiliTea using natural dyes extracted from tea waste sourced from our sister companies with the Hayleys Group to dye fabric, which has now been developed for commercial production.

### STAKEHOLDER VALUE CREATION



## SECTOR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

	Relevant SDG	Our Contribution
		<ul style="list-style-type: none"> <li>Increased reliance on renewable energy through solar power generations and biomass energy sources accounting for 64% of total energy consumption.</li> </ul>
		<ul style="list-style-type: none"> <li>Ongoing efforts to reduce the consumption of water through recycling and re-use; total water consumption declined by 5% during the year.</li> </ul>
		<ul style="list-style-type: none"> <li>We continue to leverage our partnerships with global brands to drive collective action towards industry sustainability.</li> </ul>

### PLANS

We are pursuing both organic and inorganic growth opportunities to expand capacity as we align our strategies with the growth aspirations of our Tier-1 customers. In April 2021, the Company acquired majority ownership of South Asia Textiles Limited which is capable of producing cotton fabrics. Following this acquisition the Sector is aptly positioned to gear up capacity in catering to emerging needs for synthetic fabric. Other key priorities include ongoing investments in innovation, process improvements and reducing the environmental impacts of our operations.



#### Opportunities

- Significant growth targeted for athleisure and comfort ware range
- Pursuing diversification of supply chains from China
- Increased prevalence towards socially and environmentally conscious brands and manufacturers
- Increased digital adoption across operations

#### Risks

- Increased raw material prices
- Shortage of skilled labour
- Employee health and safety
- Sri Lanka's over dependence on a few markets

#### Financial objectives

Short-to-medium term goals	
Revenue growth	>20%
ROCE	>10%
ROE	>10%

## SECTOR REVIEW - CONSTRUCTION MATERIALS



### HIGHLIGHTS OF 2020/21



#### FINANCIAL PERFORMANCE

- **+27%** growth in revenue
- **+168%** growth in PBIT
- **+15-fold** growth in PBT
- **+27-fold** growth in PAT
- **+13%** growth in assets



#### INNOVATION

- Industry leader in innovation having introduced many 'firsts' to the aluminium extrusions market
- 44 new products developed including 32 registered industrial designs



#### MARKET POSITION

- Market leader with a share of 50% in the aluminium extrusions segment
- Approved applicator leading global powder coating brands
- License holder of leading global aluminium proprietary systems



#### VALUE TO PEOPLE & PARTNERS

- Catalyst for capacity building in the industry through sharing knowledge across the supply chain
- Procurement of raw materials from over 650 suppliers, of which over 84% are small scale suppliers
- 575 new employment opportunities generated during the year



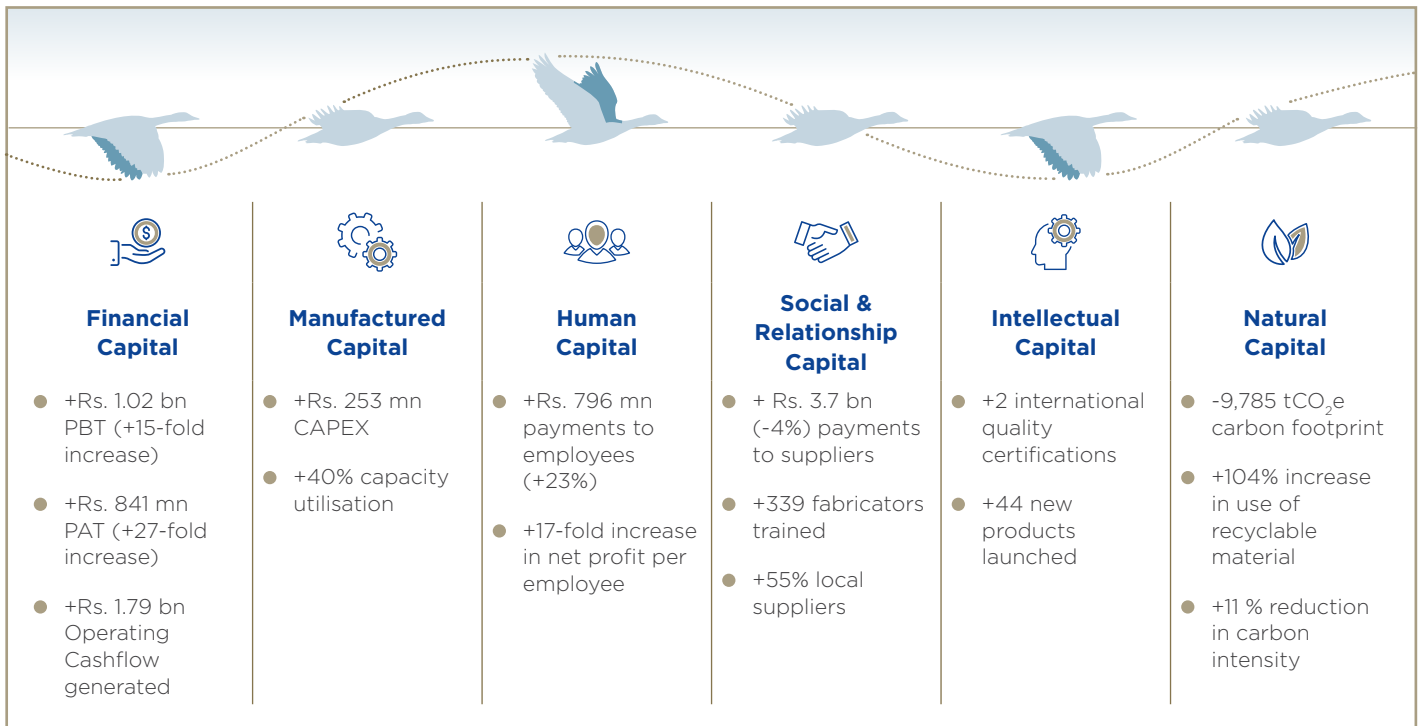
#### CIRCULARITY AND ENVIRONMENTAL COMMITMENT

- Increase reliance on recycled aluminium, contributing to reduced landfill waste
- Use of energy efficient technology and equipment resulting in a gradual decrease in carbon intensity



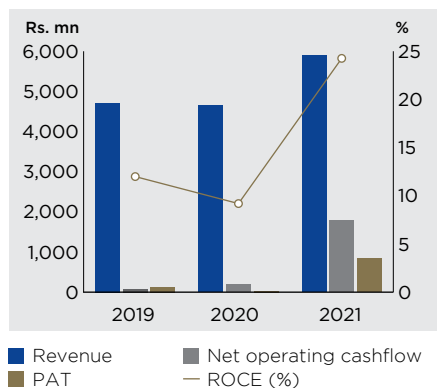
ALUMEX IS SRI LANKA'S LEADING MANUFACTURER OF ALUMINIUM EXTRUSIONS, OFFERING A RANGE OF HIGH QUALITY, INNOVATIVE PRODUCTS TO THE RESIDENTIAL AND INDUSTRIAL SEGMENTS. THE SECTOR BENEFITS FROM STATE-OF-THE-ART TECHNOLOGY AND MANUFACTURING CAPABILITIES, ACCESS TO INTERNATIONAL PROPRIETARY SYSTEMS. 99

## VALUE CREATION HIGHLIGHTS



+ Positive Outcome - Negative Outcome

## PROFITABILITY AND CASH FLOW GENERATION



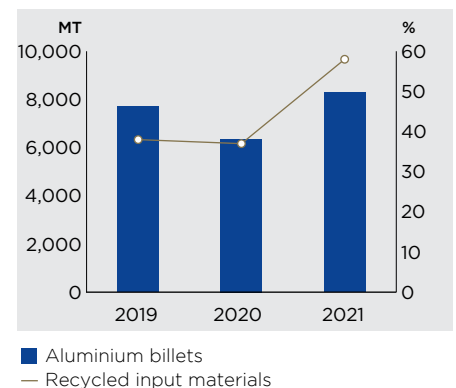
Increased capacity utilisation, product diversification and strong growth from export markets led to commendable growth in the Sector's revenue and profitability

## OUR VALUE CHAIN RELATIONSHIPS



As the industry leader, we engage with and support the livelihoods of numerous business partners across our value chain

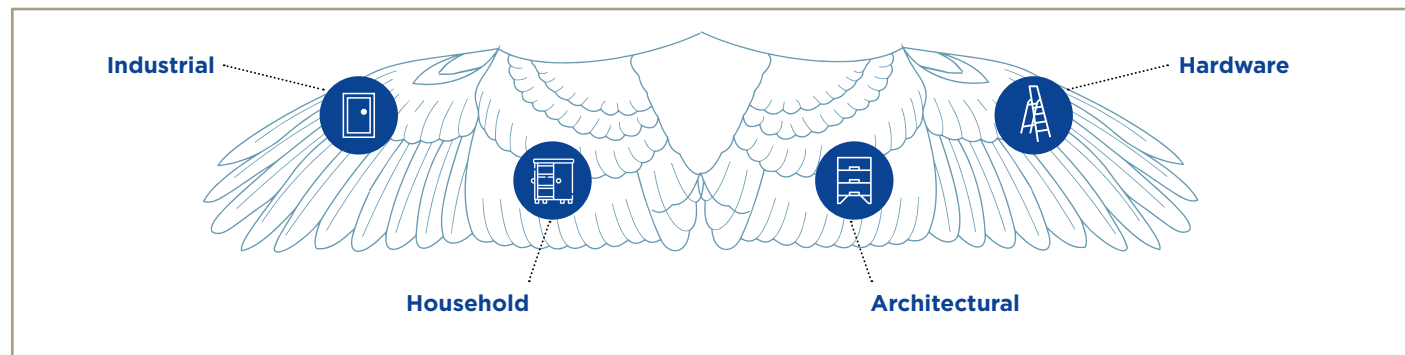
## DRIVING CIRCULARITY



In addition to increasing reliance on recycled material, the Sector has sought sustained reductions in its carbon intensity, which declined by 11% during the year

## SECTOR REVIEW - CONSTRUCTION MATERIALS

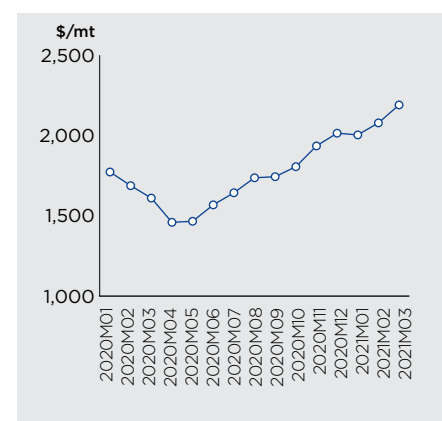
### SCOPE OF SECTOR OPERATIONS



### CONTEXT TO PERFORMANCE

<b>-13.2%</b> Contraction in construction sector	Pandemic-induced contraction in the construction sector due to lockdowns and requirements for social distancing. However, a recovery was observed towards the latter part of the year.
<b>+35%</b> Increase in aluminium prices	Aluminium prices crashed to a four-year low in the 2nd quarter of 2020; however the recovery of global economic activity by the 3rd quarter of 2020, coupled with the reopening of China subsequently led to a dramatic increase in Aluminium prices
<b>-6.4%</b> Depreciation of the Sri Lankan Rupee	The Sri Lankan Rupee recorded sharp depreciation towards March 2021, reflecting outflows from the capital and debt markets and the slowdown in forex inflows to the country.
Positive outlook in the long-term	The long-term outlook for the aluminium profile market remains positive, given its increasing popularity in residential properties and high-rise buildings.

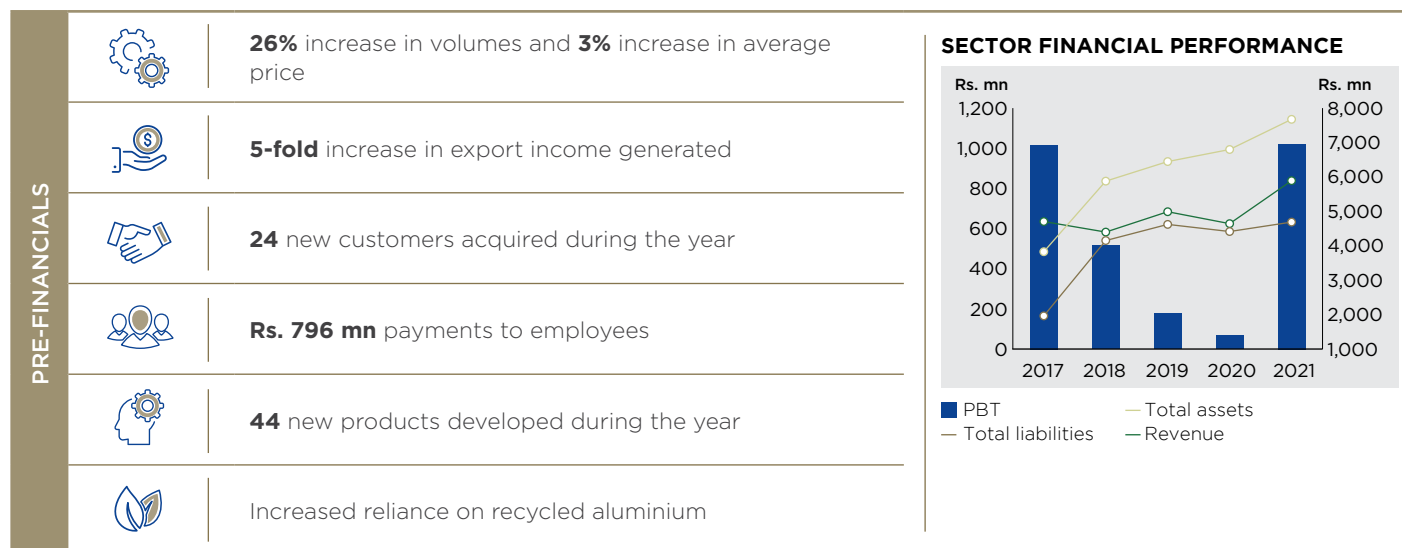
### GLOBAL ALUMINIUM PRICES



### OUR STRATEGY

Strategic imperatives	KPI	Target for 2021/22
<ul style="list-style-type: none"> <li>The Sector sought increased penetration in its export markets including USA, UK, Canada, Australia and New Zealand, focusing mainly on value-added products and components. Given the restrictions that prevailed, the Sector adopted innovative sales and marketing tools through digital platforms to drive customer acquisition.</li> </ul>	<p><b>Rs. 374 mn</b> Revenue from exports</p> <p><b>15</b> Export customers acquired</p>	Drive further growth in the export market through customer acquisition, digital marketing and participation in international exhibitions.
<ul style="list-style-type: none"> <li>The Sector sought product diversification through developing a range of new products such as ladders, aluminium furniture, DIY window frames, kitchen cabinets and panel doors, among others.</li> </ul>	<p><b>44</b> New products developed</p> <p><b>32</b> Patented Products</p>	Continuous investments in the brand, while pursuing further innovation centering in reliability and value for money.
<ul style="list-style-type: none"> <li>Efficiency and cost management drive through driving productivity improvements, enhancing energy efficiency and increasing dependence on recycled aluminium, which also supported the Sector's environmental objectives</li> </ul>	<p><b>28% (2020: 21%)</b> GP margin</p> <p><b>20% (2020: 10%)</b> Operating profit margin</p>	Ongoing investments in training and development while embracing leaner, agile ways of working

## INTEGRATED PERFORMANCE REVIEW



## IMPLICATIONS AND RESPONSE TO COVID-19

IMPLICATIONS OF COVID-19	OUR RESPONSE
<ul style="list-style-type: none"> <li>Slowdown in construction sector projects due to restrictions on mobility and heightened safety concerns resulted in a drop in demand from the industrial sector</li> <li>In subsequent months demand recorded gradual improvement, particularly from the architectural and household segments as home owners engaged in renovation and upgrade projects access to low-cost funding through low interest rates</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing focus on innovation and product development, which in turn enabled diversification of revenue sources</li> <li>Gradual increase in capacity utilisation while ensuring the health and safety of all employees through stringent hygiene practices</li> </ul>

The Sector delivered a year of commendable growth recording revenue and profit growth of 27% and 27-fold respectively. Despite a lackluster first quarter, proactive identification of new market opportunities, relentless focus on efficiencies and organisation-wide efforts to drive volume and profit growth supported the Company's strong turnaround from the 2nd quarter of FY 2020/21. Four special units consisting of a cross-functional employees were deployed to proactively explore opportunities in the external market, internal environment, energy savings and internal efficiencies; this led to a high level of brainstorming and sharing ideas resulting in the formulation of several unique strategies to withstand the adverse implications of COVID-19. Accordingly, the Sector was well positioned to capitalise on the opportunities presented by the recovery of the construction sector in the 3rd quarter, resulting in a profit for the year of Rs. 841 mn. Profitability was also upheld by good growth in exports and the sharp reduction in finance costs in line with the low interest rate scenario.



## SECTOR REVIEW - CONSTRUCTION MATERIALS

The Sector's competitive edge is sharpened by its innovative capabilities which has enabled it to introduce many firsts to the Sri Lankan aluminium industry. As the construction industry slowed in the aftermath of the first wave of infections, the Company broadened its product range through diversifying into the manufacture of panel doors, kitchen cabinets, DIY windows and ladders among others, which in allowed the Sector to demonstrate a degree of resilience.

With the gradual recovery of the aluminium sector, Alumex sought to strengthen its position by successfully obtaining licenses to manufacture 2 world leading aluminium proprietary systems in Sri Lanka, bringing its total to 7. The systems are available to both general and smaller fabricators, who would typically be offered international training on application and installation. However, given the conditions that prevailed during the year, training was

conducted through digital platforms thereby facilitating the transfer of international capabilities and skills across Sri Lanka's aluminium supply chain.

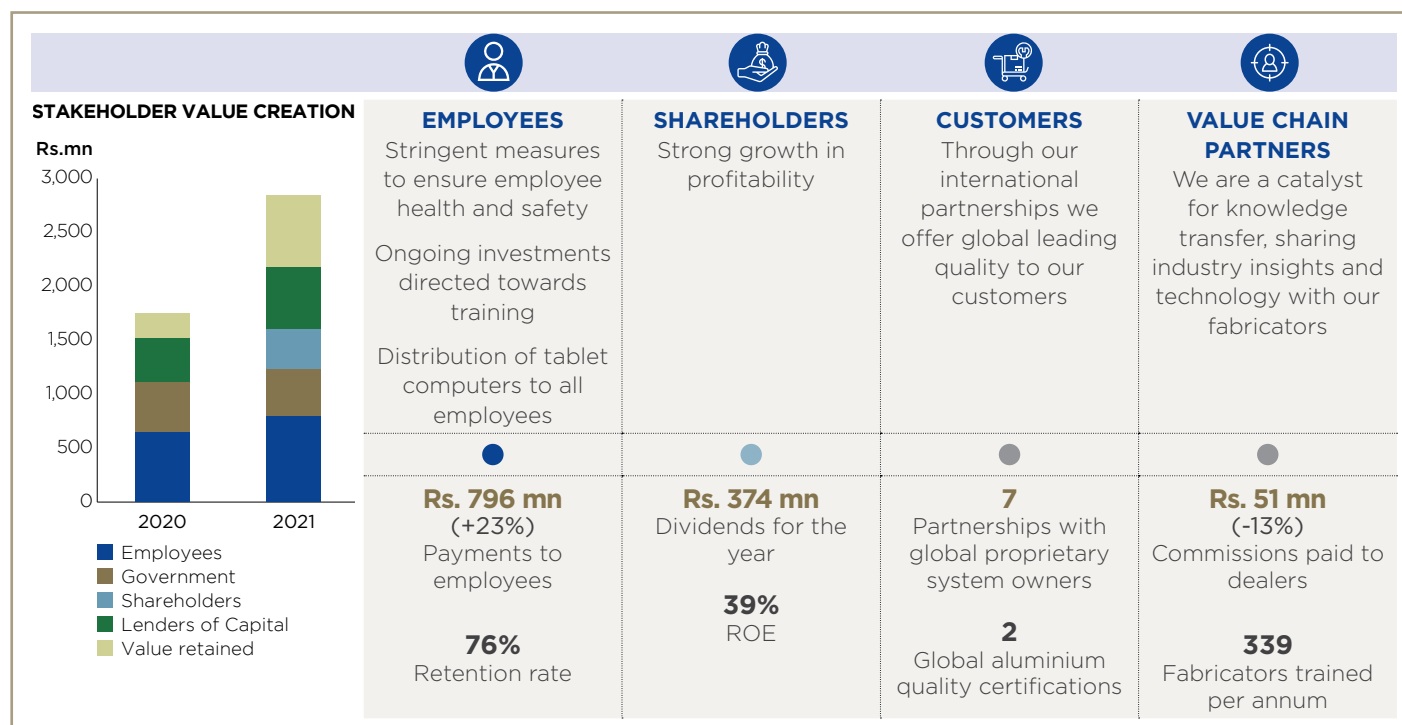
As capacity utilisation levels increased in the 2nd half of the year, the Sector added 575 new employees to the team, primarily at factory level. Given the conditions that prevailed during the year, management emphasis was placed on ensuring employee safety and maintaining morale through a high level of engagement while ensuring job and financial security. A key achievement during the year was the distribution of 235 tablet computers to all employees thereby supporting online learning needs of their children.

As the market leader in the aluminium extrusion industry, Alumex has played a vital role in developing skills along its supply chain through fabricator training programmes,

training for technocrats in the SL Navy, SL Army, Vocational Training Authority and NAITA among others. Due to restrictions on mobility and requirements for social distancing, the Company was compelled to temporarily halt these programmes, instead shifting to digital platforms to facilitate essential training. Accordingly, the Sector launched a mobile app for fabricators during the year, providing access to comprehensive technical support; the app is available in all three languages on the Android platform.

The Sector's environmental agenda centres on increasing efficiency of resources whilst minimising waste and emissions. During the year, Alumex sought to embed the principle of circularity in its operations through increasing reliance on recycled aluminium, thereby reducing waste to landfill and optimising the use of virgin aluminium, which is a non-renewable material. Through a partnership

### STAKEHOLDER VALUE CREATION



with the University of Moratuwa the Sector formulated several products such as hardware components which can utilise a relatively high proportion of recycled aluminium. As a result, recycled aluminium amounted to nearly 58% of the Sector's total aluminium inputs during the year, compared to 37% the year before. Through procuring the recycled aluminium from scrap collectors we are also supporting the livelihoods of around 20 suppliers who are typically micro entrepreneurs. From a commercial perspective, this initiative has enabled the Sector to reduce exposure to foreign currency risks and vulnerabilities in the LME prices.



## SECTOR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

	Relevant SDG	Our Contribution
		<ul style="list-style-type: none"> <li>The Sector typically provides training for fabricators and school teachers through its dedicated fabricator training school. During the year, however, fabricator training programs were temporarily halted.</li> </ul>
		<ul style="list-style-type: none"> <li>We increased use of recycled aluminium to 58% of total aluminium input, thereby reducing dependence on virgin aluminium.</li> </ul>
		<ul style="list-style-type: none"> <li>Introduction of international profile systems to Sri Lanka through our partnerships with global proprietary system owners.</li> </ul>

## PLANS

The Sector will drive continued growth and increase capacity utilisation while consolidating its market leadership position. The gradual recovery of infrastructure projects and continued buoyancy of the residential market is expected to provide considerable opportunities for growth. Driving customer accessibility will also be a key priority as we seek expansion of our distribution network. We will also pursue aggressive growth in our export markets, leveraging our digital capabilities to attract new customers.



Opportunities 
<ul style="list-style-type: none"> <li>Gradual recovery of infrastructure and commercial development projects</li> <li>Partnerships with global aluminium proprietary system owners</li> </ul>
Risks 
<ul style="list-style-type: none"> <li>Escalation in raw material prices</li> <li>Exchange rate volatility</li> <li>Resurgence of COVID-19 infections in Sri Lanka and the resultant restrictions on mobility could prolong the recovery infrastructure projects</li> </ul>

## Financial objectives

Short-to-medium term goals	
ROCE	>25%
ROE	>25%
Gearing	<45%



## SECTOR REVIEW - PLANTATIONS



### HIGHLIGHTS OF 2020/21



#### FINANCIAL PERFORMANCE

- **+26%** growth in revenue
- **+4-fold** growth in PBIT
- **+8-fold** growth in PBT
- **+13-fold** growth in PAT
- **+20%** growth in assets



#### VALUE FOR PEOPLE

- Continued investment in nutrition, maternal and child health, education and living conditions of estate communities
- “Womb-to-tomb” value proposition for estate employees



#### MARKET POSITION

- Accounts for 3.9% and 4.5% of Sri Lanka's tea and rubber production
- Commands the industry's highest pricing for tea and rubber



#### ECONOMIC IMPACT

- Employment generation in estate communities
- FOREX income generated through Mabroc
- Absorption of reverse migrant employees to the labour force during the pandemic

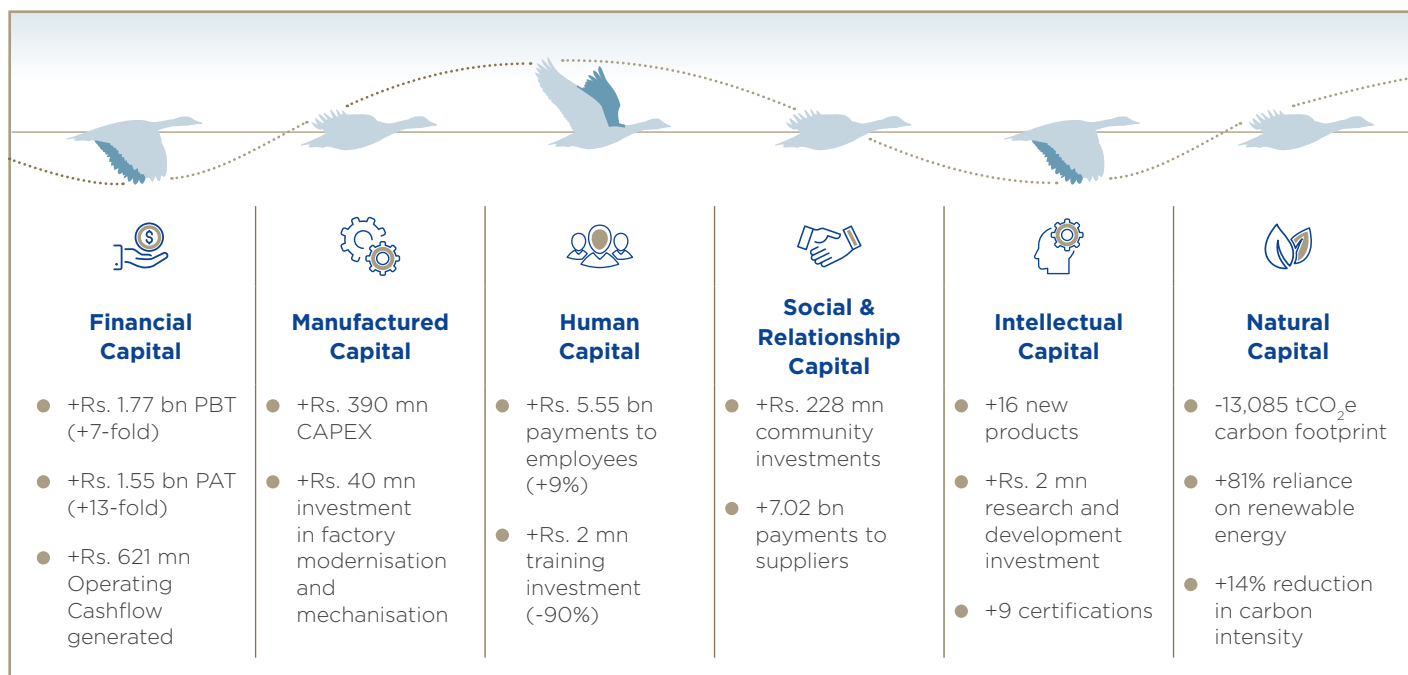


#### COMMITMENT TO THE PLANET

- Increased reliance on sustainable and renewable energy (solar / mini hydro / biomass)
- Investments in environmental initiatives aimed at preserving biodiversity and natural habitats
- Ongoing investments in replanting

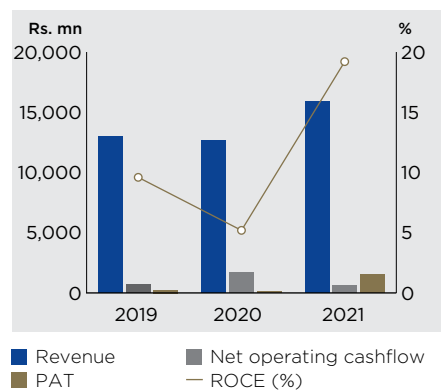
THE SECTOR IS REPRESENTED BY TWO OF SRI LANKA'S LEADING REGIONAL PLANTATION COMPANIES (RPC) KELANI VALLEY PLANTATIONS AND TALAWAKELLE TEA ESTATES WHICH CULTIVATE OVER 19,000 HECTARES OF TEA AND RUBBER ACROSS 41 ESTATES. THE SECTOR ALSO ENGAGED IN THE EXPORT OF TEA THROUGH MABROC TEAS AND MARTIN BAUER HAYLEYS — 99

## VALUE CREATION HIGHLIGHTS



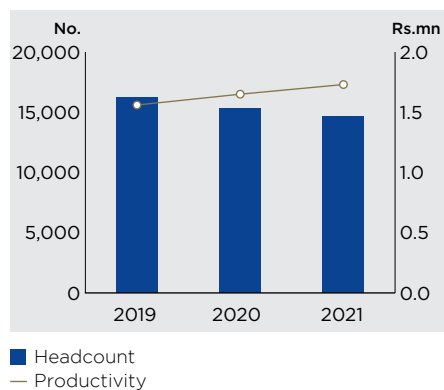
+ Positive Outcome - Negative Outcome

## PROFITABILITY AND CASH FLOW GENERATION



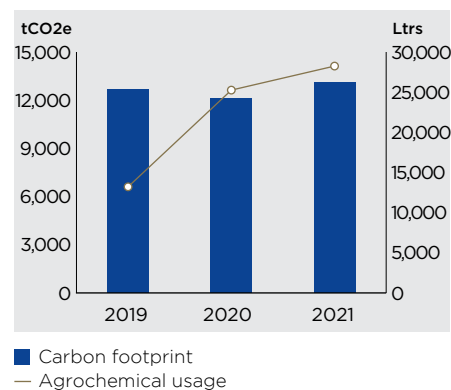
The Sector delivered a resilient performance supported by stronger prices, volume growth and proactive efforts to ensure uninterrupted operations amidst the pandemic.

## EMPLOYEE PRODUCTIVITY



Ongoing investments in mechanisation, process efficiencies and employee training have led to gradual increase in productivity.

## ENVIRONMENTAL IMPACTS

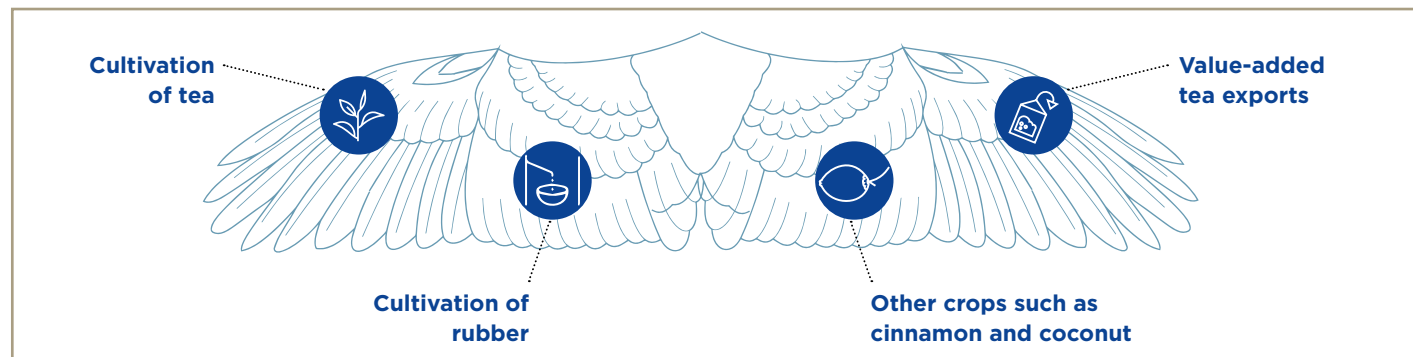


We are committed to optimising the use of water in our operations while continuing to reduce dependence on fossil fuels through renewable energy generation.



## SECTOR REVIEW - PLANTATIONS

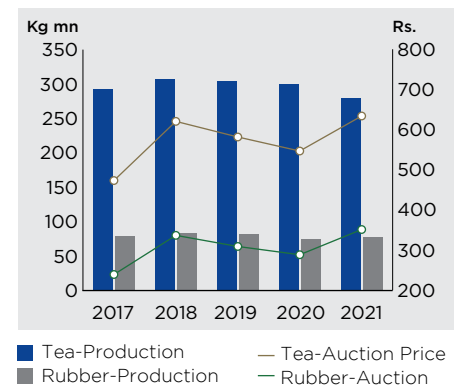
### SCOPE OF SECTOR OPERATIONS



### CONTEXT TO PERFORMANCE

<b>+16%</b> Increase in average tea prices	The broad-based increase in tea prices reflect the fall in supply as well as disruptions to the global supply chain, which enabled higher pricing for Sri Lankan tea.
<b>-7.1%</b> Decline in tea production	Sri Lanka's tea production declined during the year reflecting adverse weather conditions and disruptions to the labour following the outbreak of the pandemic. However, a recovery was seen towards the second half of the year.
<b>+22%</b> increase in rubber prices	Rubber prices increased at the auction in line with the global increase in natural rubber prices, particularly towards the 2nd half of 2020 in which global industrial activity rebounded sharply.
<b>Rs.1,000</b> Increased daily basic wage	The decision by the Wages Board to increase the daily basic wage of estate workers to Rs.1,000 without any reference to productivity is expected to insert intolerable pressure on the already stressed plantation sector.

### TEA AND RUBBER PRODUCTION TRENDS-SRI LANKA



### OUR STRATEGY

Strategic Imperatives	KPI	Target for 2021/22
<ul style="list-style-type: none"> <li>Crop diversification remains a key priority, given low productivity and rising labour costs in tea and rubber, which are labour intensive crops. The Sector will continue to seek increased cultivation of cinnamon, coconut and other export crops.</li> </ul>	<b>406 hectares</b> Land cultivated with alternative crops  <b>Rs. 31,181</b> Profit per hectare	Reduce dependency further to diversify risk and optimise revenue in replanting fields.
<ul style="list-style-type: none"> <li>The Sector has continued to invest in digitalisation and mechanisation which has facilitated more improved performance management, manufacturing efficiencies and better visibility of field level information.</li> </ul>	<b>Rs. 40 mn</b> Investment in factory modernisation	Enhance labour productivity through better monitoring and introduce mechanisation in harvesting and field work.
<ul style="list-style-type: none"> <li>Quality and sustainability are key elements of our competitive edge and we maintained compliance to a range of social, environmental and quality standards, while continuing to invest in communities and environmental initiatives.</li> </ul>	<b>5</b> New certifications obtained	Conduct business in an ethically and socially responsible manner while maintaining the highest standards of quality and continuing to drive meaningful change in the communities we operate in.

## INTEGRATED PERFORMANCE REVIEW



## IMPLICATIONS AND RESPONSE TO COVID-19

IMPLICATIONS OF COVID-19	OUR RESPONSE
<ul style="list-style-type: none"> <li>Reverse migration of labour from cities to the estates due to the lockdown and job losses</li> <li>Heightened health and safety vulnerability in estate communities, which necessitated extremely stringent safety protocols</li> <li>Ongoing efforts to ensure the well-being of estate communities through distribution of food and essential items, monitoring health and ensuring financial security</li> </ul>	<ul style="list-style-type: none"> <li>Ensured the continuity of operations through concerted efforts across the value chain by the entire industry, thereby ensuring that Sri Lanka's supply chain remained largely uninterrupted by the lockdowns and capitalising on the global increase in demand for tea</li> <li>Hands on involvement by the managers and executives to ensure the well-being of all households in our estate communities.</li> </ul>

The Plantation Sector demonstrated strong resilience in a challenging year to deliver revenue and profit growth of 26% and by 13-folds respectively. Performance was driven by improved pricing for both tea and rubber together with the Sector's proactive efforts to ensure continuity of operations through continued engagement in fields, stringent health and safety guidelines and ongoing investments in supporting our people. These efforts by the RPC sector enabled the continued supply of Sri Lankan tea to international markets as other tea-producing countries such as India and Kenya suffered from supply disruptions stemming from the pandemic. Despite heightened safety concerns, the leadership team maintained continued engagement with field level employees, ensuring employee morale was maintained despite numerous obstacles. The Group's tea exporter, Mabroc also delivered record profitability reflecting strategic focus on customer acquisition, new product development and improved pricing. Meanwhile, Martin Bauer Hayleys (Pvt) Ltd, delivered a year of profit growth supported by supported by volume growth and productivity improvements. During the year, the Wages Board imposed a further wage hike to estate sector employees; the increase was



## SECTOR REVIEW - PLANTATIONS

introduced without consent of RPCs and is expected to add Rs.15 bn to the RPC's cost base, thereby inserting further pressure on profitability. As a result, members of the Sri Lanka Planters Association withdrew from the Collective Agreement, which is typically entered into following negotiations with trade unions, the Government and the RPCs and is pursuing legal action in resolving the issue. We continue to highlight the critical importance of adopting a productivity-based remuneration model, which would provide opportunity for workers to generate increased earnings while increasing the dignity of their labour through an entrepreneurial and more independent operating model.

Despite the conditions that prevailed, the Sector continued to invest in ensuring the well-being of its employees. Safety was a key priority and despite significant personal risks, our Managers ensured the

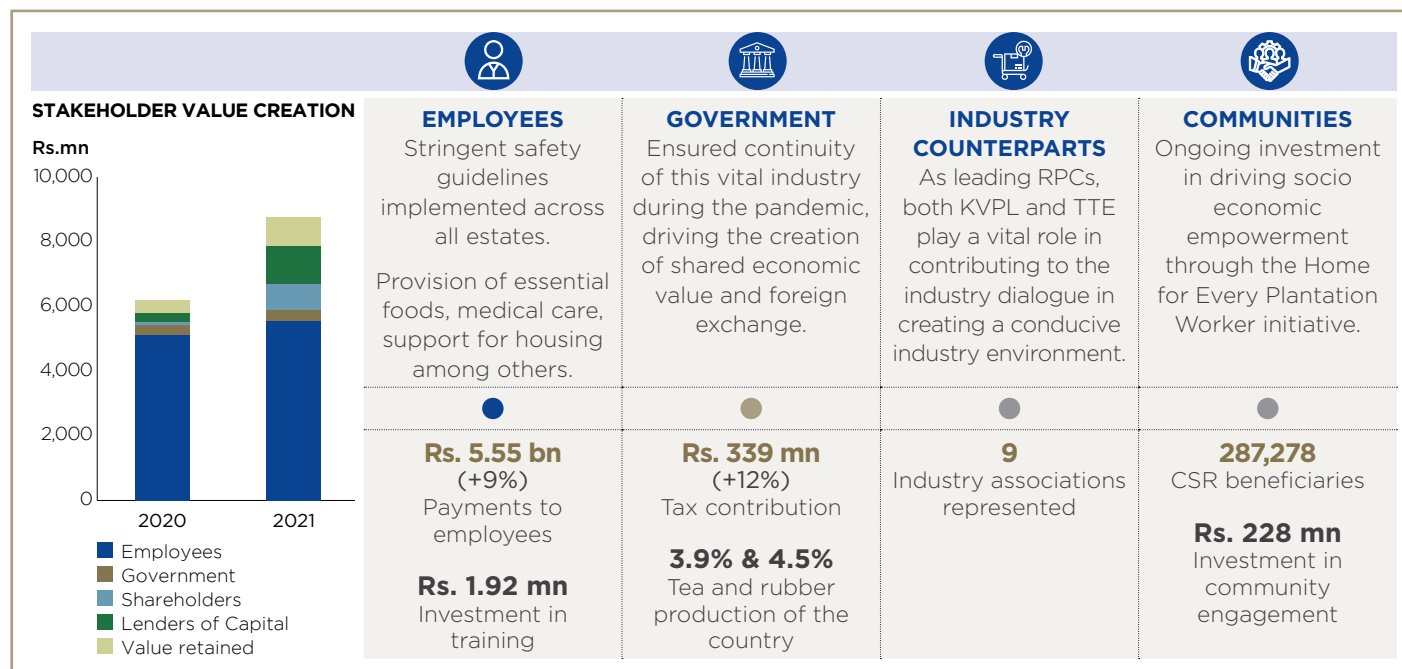
nourishment, financial security and health of estate communities. We also continued to provide opportunities for skill development through training including a certification course accredited by the University of Peradeniya and Tea Research Institute. During the year, we emerged as the first agriculture sector organisation to be certified as a Great Place to Work Survey (GPTW), attesting to the strength of our employee value proposition.

Superior product quality is key to our competitive edge and we have consistently commanded premium pricing at both the tea and rubber auctions. During the year, we maintained this position with both KVPL and TTE commanding a premium over the average auction prices. The Sector is also a frequent recipient of awards and accolades and during the year received over 10 awards including Winner (Large Scale Agriculture) at the Business





World Excellence Awards 2020 and Most Awarded Hall of Fame 2019/20 among others. Both TTE and KVPL were also ranked among the LMD top 50 corporates in Sri Lanka. We also continue to comply to a range of international and local certifications and obtained several new certifications during the year.

The Sector's environmental agenda in 2020/21 focused on enhancing energy efficiency and reducing dependence on fossil fuels through increased focus on renewable energy; accordingly, solar panels with a combined generation capacity of 387KW were installed in 03 tea factories. We also implemented an energy efficiency program at tea factories in line with the guidelines of ISO 50001:2018 Energy Management System. In addition to replanting of Rs. 259 mn the Sector invested in ecosystem restoration at St.Clair Falls thereby promoting forest restoration and protection of biodiversity and natural habitats.

## STAKEHOLDER VALUE CREATION



## SECTOR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

	Relevant SDG	Our Contribution
		<ul style="list-style-type: none"> <li>Estate workers and communities are among the underserved by state and para state organisations and we continue to empower their livelihoods and drive better standards of living through ongoing community investments.</li> </ul>
		<ul style="list-style-type: none"> <li>The Sector is committed to reducing reliance on fossil fuel based energy sources through increasing renewable energy generation and utilisation.</li> </ul>
		<ul style="list-style-type: none"> <li>We engage in replanting and reforestation programmes to preserve bio-diversity and natural habitats.</li> </ul>

## PLANS

We will keenly monitor policy and regulatory developments on estate sector wages and are hopeful that the issue will be resolved in an equitable manner, which will ensure the commercial sustainability of the RPCs as well as continued value creation to employees. We are cognizant of the vital importance in linking output and productivity in Sri Lanka's plantation sector, thereby increasing production volumes and creating an entrepreneurial operating model which will empower employees. KVPL and TTE will also continue to pursue crop diversification in efforts to enhance the productivity of our land while ongoing investments will be directed towards mechanisation, automation and rejuvenating our land.



### Opportunities

- COVID related disruptions to tea production in both Kenya and India would present an opportunity for Sri Lanka to consolidate its position
- Increasing prevalent towards healthy beverages
- Enhancing employee productivity through a revenue-share model
- Favourable exchange rate movements

### Risks

- Mandatory wage hike increase for estate sector employees
- Declining yields and labour productivity
- Ban on agrochemicals and its implications on the plantation sector
- Rising implications of climate change and erratic weather patterns

### Financial objectives

Short-to-medium term goals	
Revenue growth	>10%
ROE	>15%
Gearing	<15%



## SECTOR REVIEW - AGRICULTURE



### HIGHLIGHTS OF 2020/21



#### FINANCIAL PERFORMANCE

- **+41%** revenue growth
- **+28%** PBIT growth
- **+70%** PBT growth
- **+62%** PAT growth
- **+17%** assets growth



#### VALUE FOR PEOPLE

- Stringent health and hygiene protocols to ensure safety of our team
- Ensured uninterrupted distribution of products across network
- Continued value creation to outgrowers through buy-back agreements



#### MARKET POSITION

- Largest Sri Lankan exporter of processed fruits and vegetables
- Leading provider of agri solutions and equipment



#### INNOVATION

- Launch of Tender Jackfruit based meat alternative
- High yielding maize and vegetable seeds
- Launch of turmeric and cinnamon based wellness beverages to export market
- 62 new products in the pipeline

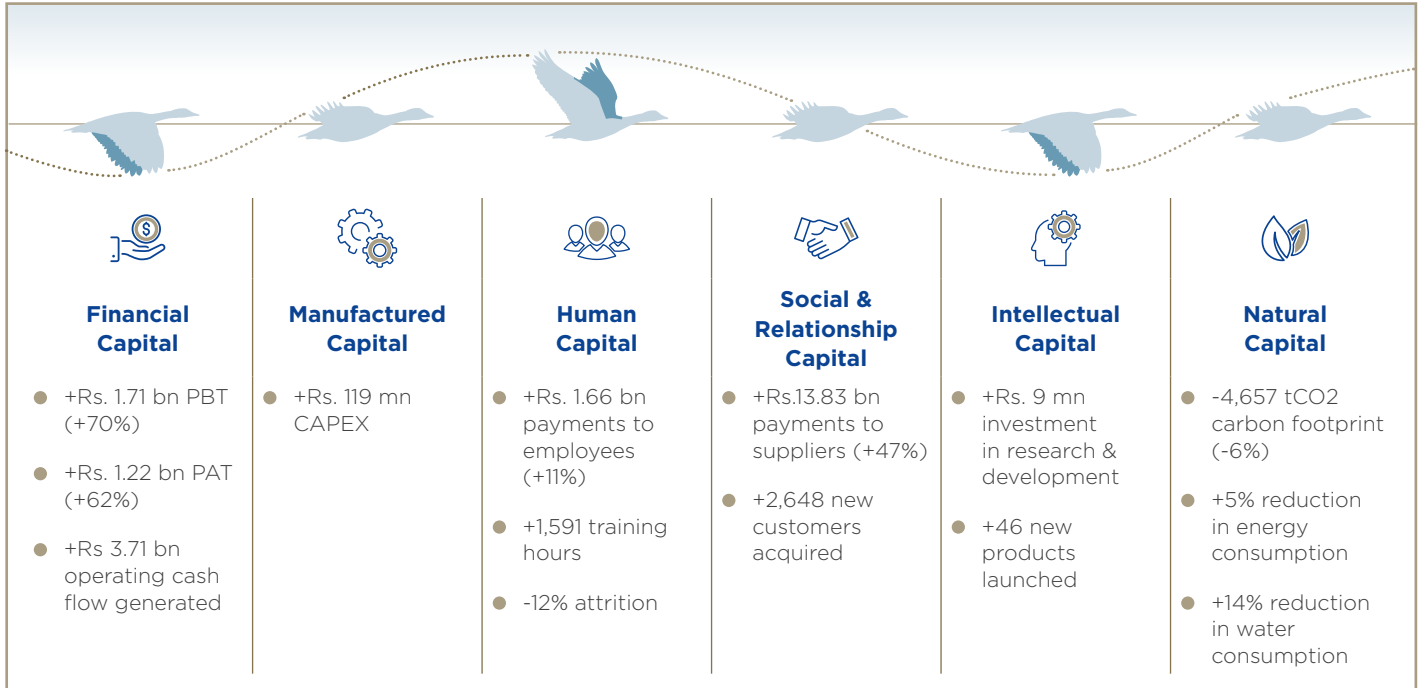


#### COMMITMENT TO THE PLANET

- Ongoing investments in climate smart agriculture solutions
- 10% of water requirement fulfilled through rainwater harvesting in addition to recycling and water purification through bio-remediation
- Commitment to eliminate plastic sachets in packaging

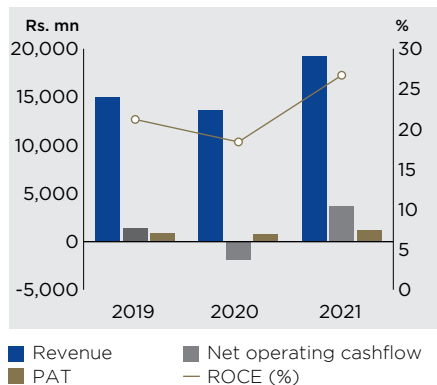
AN INDUSTRY LEADER IN INNOVATION AND SUSTAINABILITY, HAYLEYS AGRICULTURE IS A DOMINANT PLAYER IN SRI LANKA'S AGRICULTURE SECTOR, OFFERING AN ARRAY OF PRODUCTS AND SERVICES TO THE LOCAL AND EXPORT MARKETS. THE SECTOR HOLDS LEADING MARKET POSITIONS IN SEVERAL SUB-SECTORS INCLUDING AGRICULTURAL SOLUTIONS AND EQUIPMENT, EXPORT OF PROCESSED FRUITS AND VEGETABLES. 99

### VALUE CREATION HIGHLIGHTS



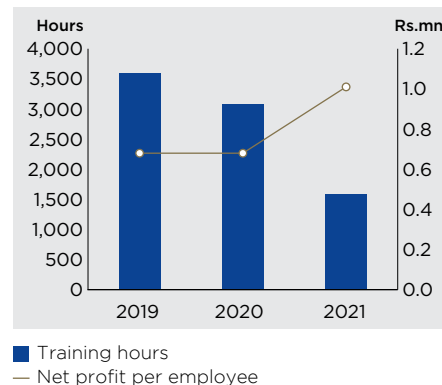
+ Positive Outcome - Negative Outcome

### FINANCIAL PERFORMANCE AND CASH FLOW GENERATION



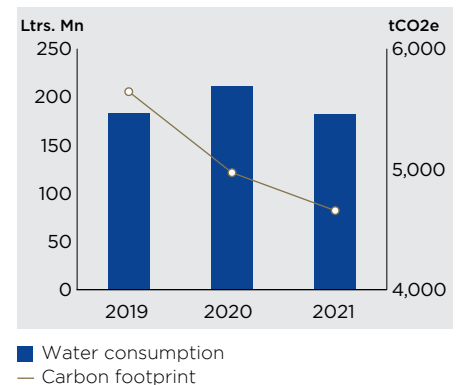
Despite numerous challenges, the Agriculture Sector delivered strong growth in revenue and profitability, through proactive efforts to ensure continued distribution of products across agricultural supply chains.

### EMPLOYEE TRAINING AND PRODUCTIVITY



The Sector has continued to invest in enhancing its employee skills through ongoing opportunities for technical and practical trainings.

### CONSUMPTION OF NATURAL RESOURCES

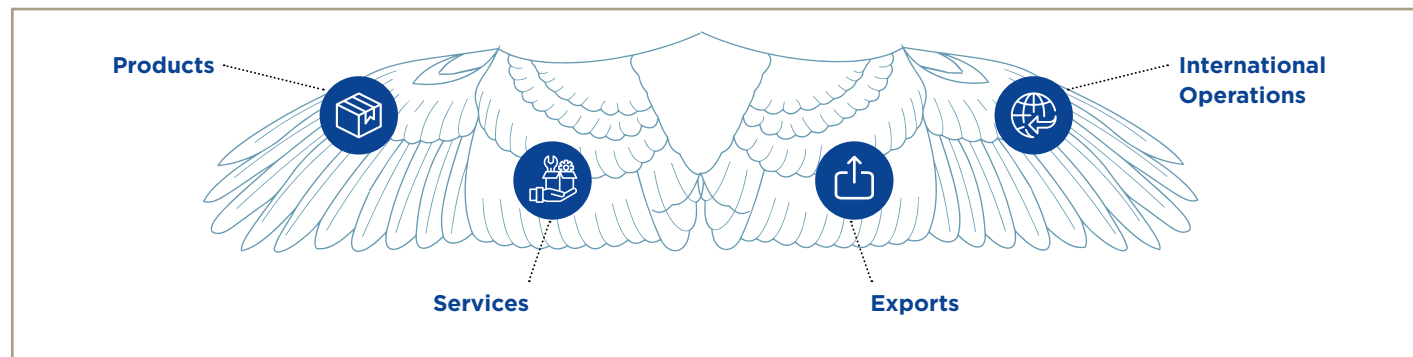


The Sector's environmental agenda during the year was centred on reducing water withdrawal while increasing sustainable water sourcing.



## SECTOR REVIEW - AGRICULTURE

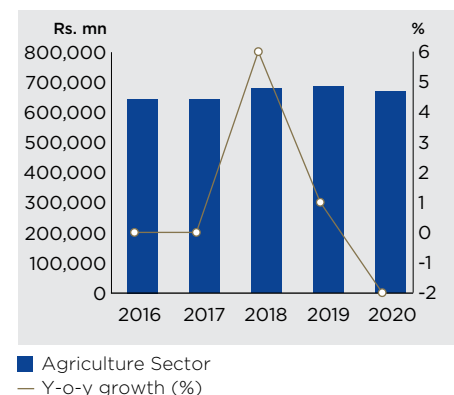
### SCOPE OF SECTOR OPERATIONS



### CONTEXT TO PERFORMANCE

<b>-2.4%</b> Contraction in Agriculture	Sri Lanka's agriculture sector contracted in 2020, reflecting sharp declines in tea, fishing, animal production and oleaginous fruits mainly due to pandemic-related disruptions across supply chains.
<b>+11%</b> Bumper paddy harvest	Paddy harvest reached record high levels supported by conducive weather, an increase in cultivated land extent and favourable policies.
<b>-5.1%</b> Agriculture exports	Agricultural exports declined in 2020, mainly due to decreases in tea and seafood exports. Other agri exports including minor agricultural products and vegetables recorded 12% and 14% growth respectively.
Sri Lanka ranked 75th out of 113 in Food Security	Vulnerability to food security issues remain a global challenge, with the FAO estimating that nearly 8.9% of the world population is undernourished.

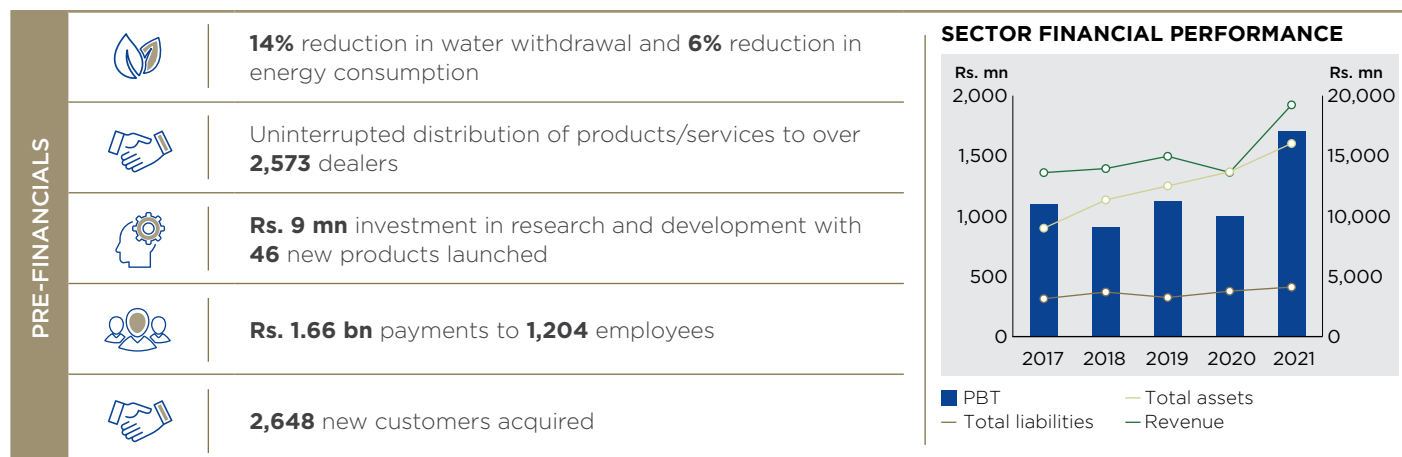
### AGRICULTURE SECTOR PERFORMANCE



### OUR STRATEGY

Strategic imperatives	KPI	Target for 2021/22
<ul style="list-style-type: none"> <li>The Sector leveraged its research and development capabilities to drive innovation in the food exports category, with the launch of several wellness drinks. We also introduced a new variety of maize, vegetable seeds including carrot, kholrabi and tomato and are currently trialling a range of potato varieties.</li> </ul>	<b>46</b> New products launched  <b>Rs.387 mn</b> Revenue generated from new products	Increase market share in key clusters through innovation and expanding product reach.
<ul style="list-style-type: none"> <li>Ongoing efforts to contribute to the modernisation and sustainability of Sri Lanka's agriculture sector through Climate Smart Agriculture solutions including drip irrigation systems, drought resistant planting material, and commercial pest management solutions.</li> </ul>	<b>Rs. 9 mn</b> Investment in R&D  <b>Rs. 12 mn</b> Investments in climate smart agriculture initiatives	Promote pivot irrigation systems and other new agricultural technology which support greener agriculture.
<ul style="list-style-type: none"> <li>Strategic focus on propagating agricultural best practices across farming and outgrower networks through our island-wide extension network and Hayleys Agriculture Training School.</li> </ul>	<b>10</b> Training programmes for farmers/out-growers	Improve productivity of operations through increased automation, streamlining processes

## INTEGRATED PERFORMANCE REVIEW



## IMPLICATIONS AND RESPONSE TO COVID-19

IMPLICATIONS OF COVID-19	OUR RESPONSE
<ul style="list-style-type: none"> <li>Restrictions on mobility had a direct impact on engaging and transacting with farmers and our distribution network</li> <li>Slowdown in demand for the Sector's processed fruit and vegetable exports, which are largely inputs to supply chains of global fast-food chains</li> <li>Launch of new products delayed in export markets</li> <li>Exchange rate fluctuations and resultant impacts on the cost of imported materials</li> </ul>	<ul style="list-style-type: none"> <li>Proactively obtained the necessary approvals to continue distribution of products across agricultural value chains</li> <li>Leveraged the diversity of operations to withstand performance of selected categories through stronger performance in categories such as flower seed exports.</li> <li>Launch of wellness drinks in order to cater to the increased prevalence towards health and well-being</li> </ul>



The Agriculture Sector delivered record turnover and profitability during the year, crossing the Rs.1 bn milestone in PAT for the first time in its operating history, with revenue and PAT increasing by a respective 41% and 62%. Despite the numerous challenges arising from the pandemic and restrictions on mobility, the Sector ensured the uninterrupted distribution of products and maintained engagement with its value chain thereby ensuring the consistent availability of products. Performance was underpinned by broad-based improvements across key clusters; the Products division recorded strong growth driven by the crop protection and agricultural equipment segments which leveraged its strong brands and product range to increase market penetration. Despite disruptions to logistics and shipping operations, the demand for flower seed exports remained resilient supporting overall performance. Meanwhile Haychem (Bangladesh) Ltd also turned in a year of strong growth, despite extended lockdowns which impacted collections. The performance of the food exports and horticulture divisions were below expectations, primarily due to restrictions in key markets and a slowdown in demand due to the pandemic.

In line with its vision of supporting sustainable agriculture, the Sector

## SECTOR REVIEW - AGRICULTURE

has placed strategic emphasis on addressing prevalent challenges affecting the commercial and environmental sustainability of Sri Lanka's agriculture sector, through innovative and climate-smart agriculture solutions. For instance, we have gradually shifted towards safer, greener and organic crop protection materials which feature high levels of efficacy and relatively lower toxicity. We also introduced crop specific fertilizer blends to improve yields based on soil conditions and crop requirements and are currently engaging in research directed towards the development of planting materials which can be cultivated in typically non-traditional regions, thereby expanding cultivation.

Innovations is part of our ethos and a key element of our competitive advantage. During the year, we launched a new variety of maize, which has shown extremely encouraging results. We also developed several

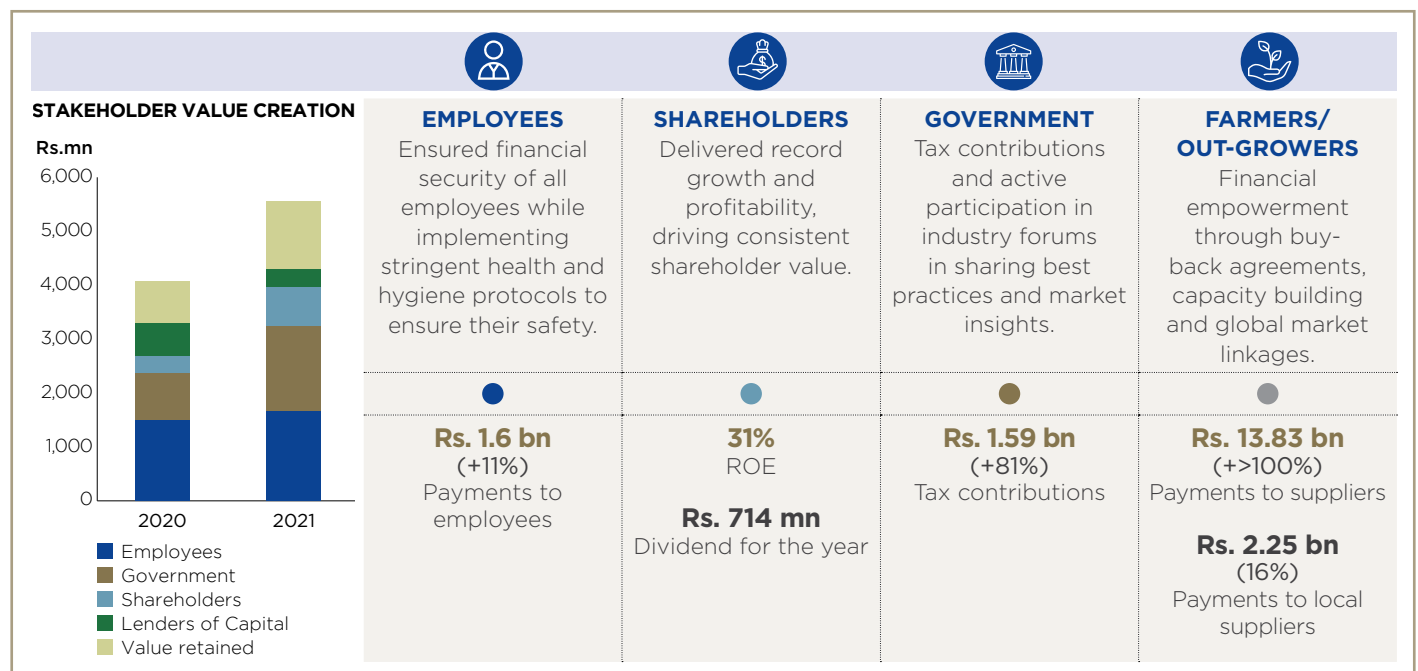
Products in the pipeline	
Crop production	8
Crop protection	4
Food processing	7
Horticulture	9
Animal health	9
Fertilizer	1
Agricultural equipment	21
Pest Management	3
<b>Total</b>	<b>62</b>

flavours of tender jack fruit and natural beverages targeting export markets and several varieties of vegetable seeds. The sector invested Rs. 9 mn in research and development during the year, with 62 products in the pipeline. The Sector partnered with Hayleys Consumer in launching virgin coconut oil and Govi Aruna-moringa mixed string-hopper mix to the local market. The initial response for these products has been very encouraging and we

will seek to leverage our brands and reputation for quality in further penetrating the domestic retail market.

During the year, our team work tirelessly to maintain continuous engagement with agricultural communities across the island, despite the numerous restrictions that prevailed. We continue to support our network of over 16,000 farmers and out-growers through providing training on modern agriculture solutions, guaranteed buy back agreements and financial support. The Hayleys Agriculture Training School conducted 6 training sessions (including 3 webinars) with a total participant base of over 300, engaging industry experts to share their insights. In addition to our financial objectives, the Training School aims to enhance the agricultural skill base in Sri Lanka, given the shortage of skilled labour in the industry.

## STAKEHOLDER VALUE CREATION



## SECTOR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS


	Relevant SDG	Our Contribution
		<ul style="list-style-type: none"> <li>Connecting local farmers to global supply chains and driving productivity improvements through access to training and innovative solutions.</li> </ul>
		<ul style="list-style-type: none"> <li>Empower a network of over 16,000 farmers through annual payments exceeding Rs. 2 bn.</li> </ul>
		<ul style="list-style-type: none"> <li>Sustainable agriculture solutions including pivot irrigation, organic/safer crop protection and specialty fertilizers which enhance soil health</li> </ul>

## PLANS

The Sector is positioned for continued growth as we leverage our research capabilities, extensive product range and global partnerships to drive expansion across key businesses. Our research will be directed towards developing climate-smart solutions which allow the optimum utilisation of resources, thereby contributing towards the sustainable growth of the country's agriculture sector. We are keen to expand our presence in food exports and increasing local manufacturing for the livestock sector, while exploring ways to grow market share across key verticals. Parallel importance will be placed on continued value injection to agricultural communities and supply chains through widening our out-growing and farming networks.



Opportunities 
<ul style="list-style-type: none"> <li>Significant growth potential in export markets, particularly in food exports</li> <li>Opportunities in commercialising climate smart agricultural solutions including organic fertilizers and pesticides</li> <li>Increased focus on health, well-being and balanced nutrition</li> <li>Opportunities in pursuing regional collaboration</li> </ul>

Risks 
<ul style="list-style-type: none"> <li>Resurgence of COVID-19 infections with the outbreak of the 3rd wave in Sri Lanka</li> <li>Implications of climate change and risks of natural disasters</li> <li>Limited arable land and declining yields</li> <li>Potential ban on chemical-based fertilizer/pesticides</li> </ul>

## Financial objectives

Short-to-medium term goals	
Average revenue growth	>25%
GP margin (%)	>25%
ROCE (%)	>20%
ROE (%)	>25%



## SECTOR REVIEW - CONSUMER & RETAIL



### HIGHLIGHTS OF 2020/21



#### FINANCIAL PERFORMANCE

- **+19%** growth in revenue
- **+29%** growth in PBIT
- **+6-fold** growth in PBT
- **+7-fold** growth in PAT
- **+7%** growth in assets



#### VALUE TO PEOPLE

- Singer Finance (Lanka) PLC certified as a Great Place to Work (GPTW) in 2020
- Indirect employment opportunities across the retail network, service agents, franchisees and 3rd party suppliers, sub-contractors and transport providers etc.



#### MARKET POSITION

- Market leader in Sri Lanka's consumer-durables industry through Singer Sri Lanka which has an estimated 80% penetration of households.
- Exclusive agent for Procter & Gamble



#### ECONOMIC IMPACT

- Over 5,000 youth enrolled at Singer Business School driving socio-economic empowerment
- Significant local value addition through manufacturing operations



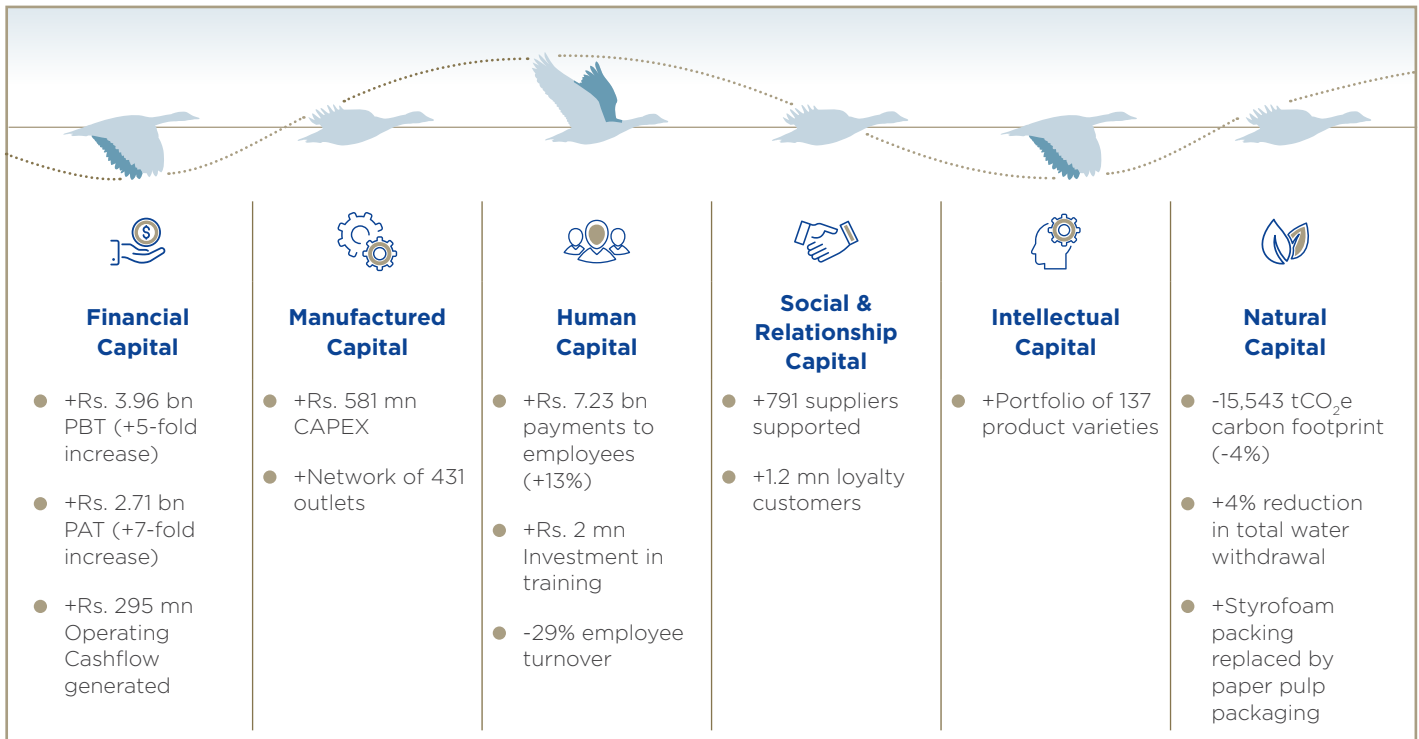
#### STRENGTH OF OUR BRAND

- SLIM People's Brand of the year 2021 for the 15th consecutive year
- SLIM People's Youth choice Brand of the year 2021
- SLIM People's durable brand of the year 2021

SINGER (SRI LANKA) PLC IS THE UNDISPUTED MARKET LEADER IN SRI LANKA'S CONSUMER DURABLES SEGMENT, LEVERAGING ON ITS ESTABLISHED TRACK RECORD OF OVER 144 YEARS, UNMATCHED GEOGRAPHICAL REACH AND EXTENSIVE PRODUCT PORTFOLIO TO REACH NEARLY 80% OF SRI LANKA'S HOUSEHOLDS.

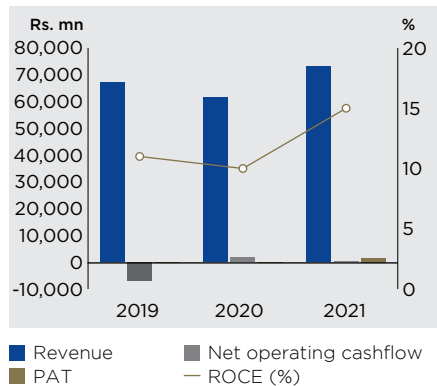


## VALUE CREATION HIGHLIGHTS



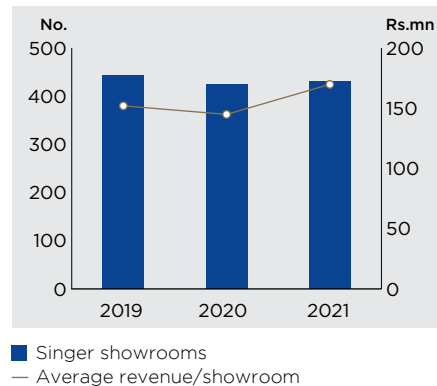
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## PROFITABILITY AND CASH FLOW GENERATION



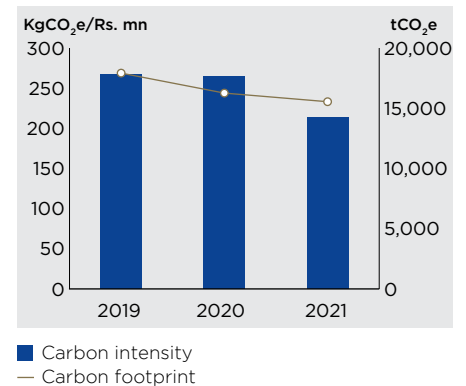
Commendable revenue growth and record profitability supported by the Sector's ability to capitalise on emerging market opportunities while driving operating efficiencies.

## REVENUE GENERATION ACROSS NETWORK



Singer has optimised its distribution network through consolidating outlets and driving increased revenue generation through the network.

## CARBON FOOTPRINT AND INTENSITY

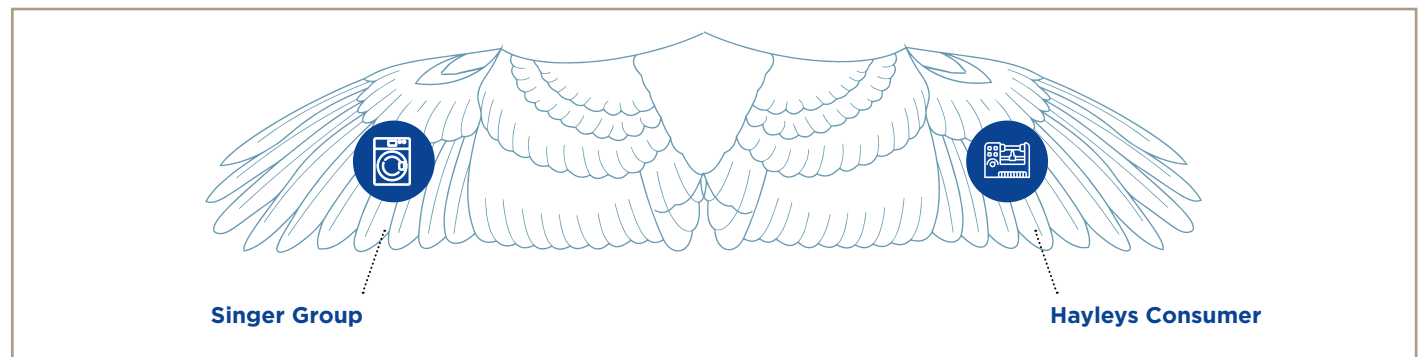


Ongoing efforts towards increasing distribution efficiency through load and route optimisation has led to sustained decline in emission intensity.



## SECTOR REVIEW - CONSUMER & RETAIL

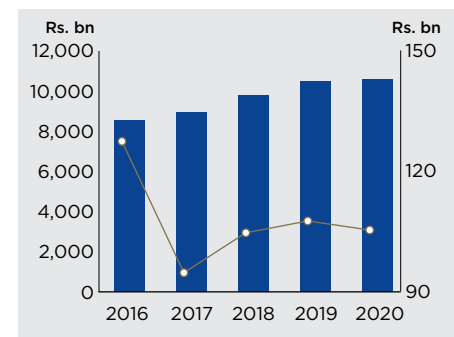
### SCOPE OF SECTOR OPERATIONS



### CONTEXT TO PERFORMANCE

Stagnant consumption expenditure	Private consumption expenditure remained stagnant over the previous year, reflecting restrictions on mobility, weaker consumer sentiments and the overall moderation in economic activity, particularly in the first 2 quarters of the year.
<b>+3%</b> Increase in spending on communication	Despite the subdued economic conditions private spending on communication increased, reflecting higher prevalence towards the use of digital devices and increased internet penetration during the year.
Import restrictions	The Government imposed restrictions on selected non-essential products including some consumer durable items, with a view to preserving foreign exchange.
<b>13%</b> Positive long-term growth	Despite short-term pressures, the long-term outlook for consumer durables remain healthy, given relatively low penetration levels, a widening middle class and increased propensity towards sophisticated products.

### CONSUMPTION EXPENDITURE

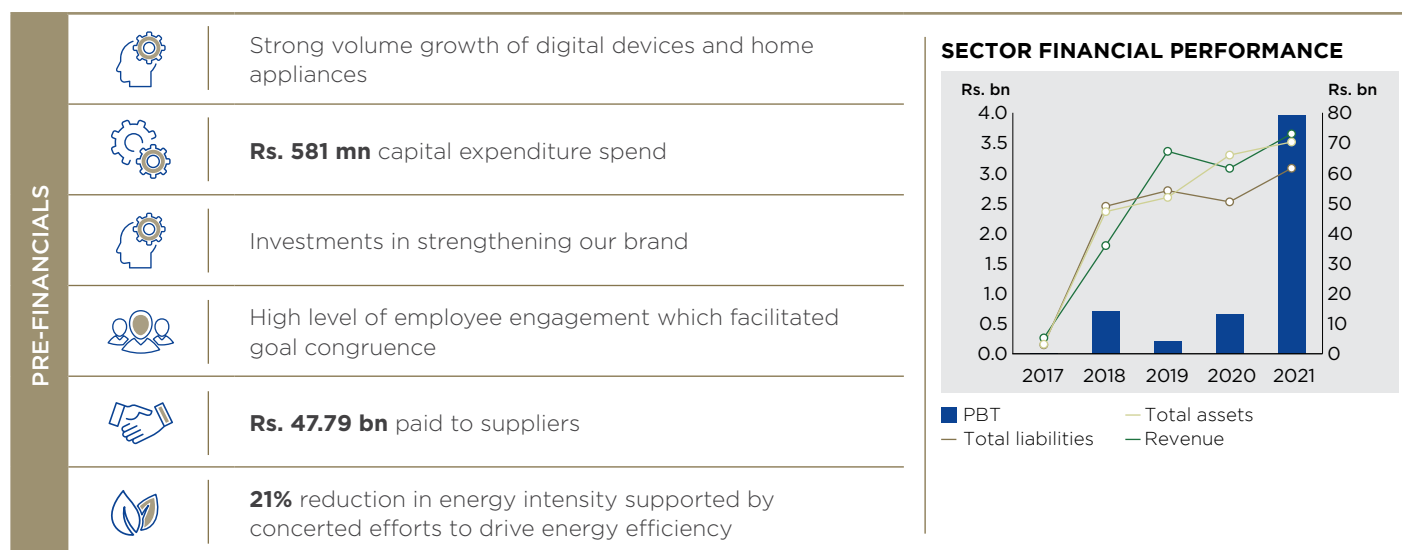


■ Private consumption expenditure  
— Furnishings and household expenditure

### OUR STRATEGY

Strategic Imperatives	KPI	Target for 2021/22
<ul style="list-style-type: none"> <li>Ongoing focus was placed on expanding our product portfolio to effectively capitalise on the surge in demand for digital devices. We also entered several new categories including agricultural equipment and home surveillance systems.</li> </ul>	<b>7</b> New brands introduced	Acquisition of strong international brands to further our brand and product offering. Expanding local manufacturing footprint.
<ul style="list-style-type: none"> <li>Singer to elevate its brand position through retail store re-branding for greater consumer convenience and enhanced service levels.</li> </ul>	<b>Around 50</b> Strategically selected outlets for re-branding	After sales service level elevation.
<ul style="list-style-type: none"> <li>Consolidation of the distribution network through bringing all categories of Singer outlets under a unified Retail channel thereby providing more clarity and accountability across the network.</li> </ul>	<b>431</b> Outlets	Singer retail rebranding to enhance the overall retail experience and perception.
<ul style="list-style-type: none"> <li>The Sector sought to drive operational excellence through leveraging digital capabilities to facilitate improvements in logistics, manufacturing and productivity.</li> </ul>	<b>Rs. 197 mn</b> Investment in ERP	Complete roll-out of the IFS platform with plans to go live in 2021/22.

## INTEGRATED PERFORMANCE REVIEW



## IMPLICATIONS AND RESPONSE TO COVID-19

IMPLICATIONS OF COVID-19	OUR RESPONSE
<ul style="list-style-type: none"> <li>Significant increase in demand for digital devices including smart phones, laptops and tabs reflecting the critical need of connectivity during the lockdown as well as home appliances</li> <li>Import restrictions on selected product categories and requirements on obtaining 6-month credit period from international suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Increased penetration in digital devices through widening product offering and leveraging the branch reach to drive volume growth.</li> <li>Strengthened local manufacturing footprint and proactively negotiated with international suppliers in obtaining the necessary credit period</li> </ul>

The Consumer & Retail Sector recorded a remarkable improvement in profitability with revenue increasing by 19% and profit-after-tax surging over 7-fold to Rs.2.71 bn during the year. The performance reflects Singer's good growth across key product categories as it effectively capitalised on the increase in demand for digital devices and home appliances. Meanwhile recent efforts to consolidated Singer's distribution channels delivered results, reflecting consistency of the customer experience across all touchpoints and increased clarity and accountability across the network. As Singer swiftly embraced new ways of working, it was one of the first companies to fully recommence operations following the lockdown of the first wave, thereby also benefitting from pent-up demand conditions. Top line growth, together with strategic focus on driving operational efficiencies, productivity improvements and cost optimisation resulted in a widening of operating profit margins. Profitability was also supported by the reduction in net finance costs which reflects the Sector's efforts to rationalise borrowings and the prevalent low interest scenario. Resultantly, the Sector delivered a five-fold increase in PBT to Rs. 3.96 bn while profit after tax reached a record high of Rs.2.71 bn from Rs. 383 mn the previous year.



## SECTOR REVIEW - CONSUMER & RETAIL

Singer maintained its position as the market leader in the consumer durables market, commanding dominant positions in several product categories such as televisions, refrigerators, washing machines and sewing machines. The Sector capitalised on its unmatched geographical presence, partnerships with leading international brands and strong brand to drive increased penetration in the digital devices segment, which saw a surge in demand following dramatic lifestyle shifts during the pandemic. Singer also consolidated its leadership position in refrigerators and washing machines, launching several high-capacity refrigerators on par with international specifications, standards and performance. The Sector also added several new categories to its product portfolio, including agricultural equipment (through the John Deere brand), home surveillance systems, smart boards and educational panels, among others. As a result of these efforts, Singer continues to be recognised as one of Sri Lanka's most trusted and loved brands; it was ranked

'Sri Lanka's Most Popular Brand of the year 2021' at the SLIM-People's Awards for the 15th consecutive year, while also winning SLIM Restart Resilience Award 2020 attesting to its agility and adaptability in an extraordinarily challenging year.

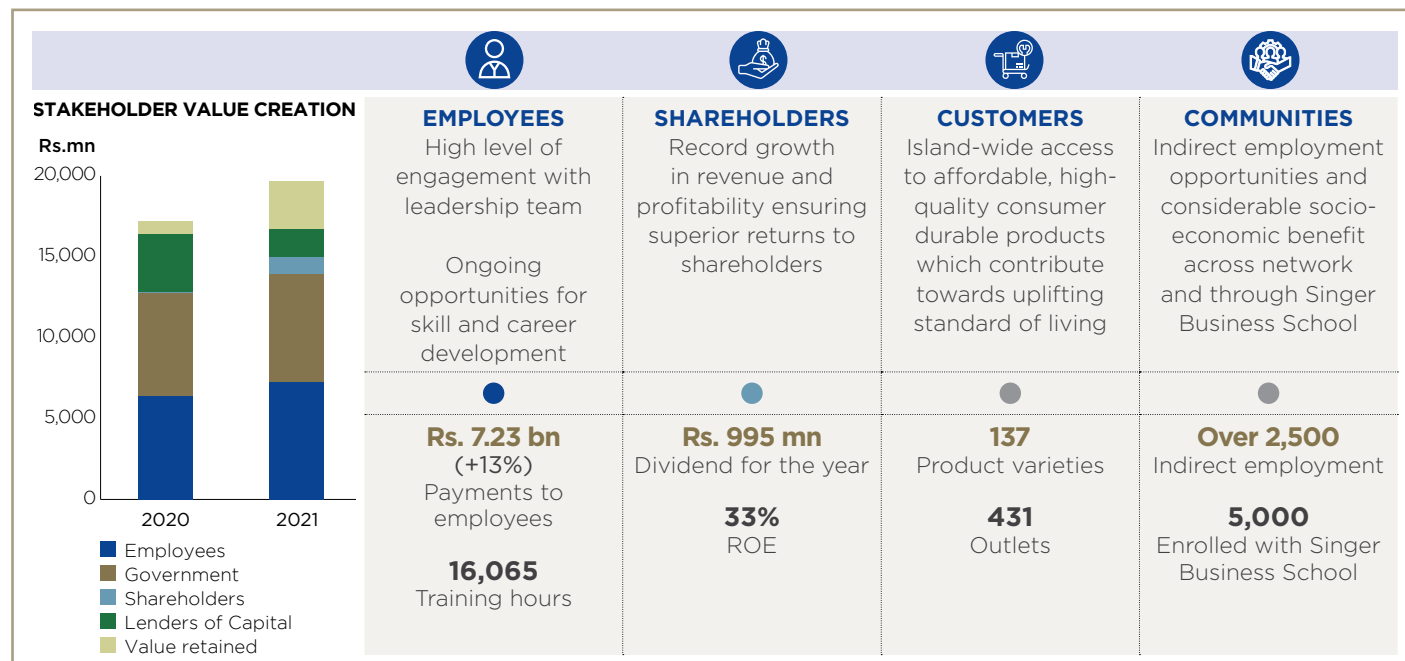
The Sector continued to drive towards operational excellence, leveraging digital capabilities to facilitate improvements in logistics, manufacturing and productivity. Meanwhile new capabilities in BI tools, CRM modules and AI among others have offered richer insights into customer behaviour and demand planning, thereby enhancing the quality and effectiveness of management decisions. The Group's e-commerce platform also performed well during the year, reflecting customers' dramatic shifts to online platforms.

Singer is frequently ranked among the country's top 25 Great Places to Work in Sri Lanka. Strategic emphasis was placed on enhancing the employee value proposition through maintaining

a high-level of engagement with the leadership team, ongoing investment in training and development and priority on health and safety aspects. Given the depth and breadth of its operations, Singer continues to generate substantial socio-economic benefit through supporting livelihoods of 15 Singer Service Centres, 375 service agents, 3rd party transporters and property owners who lease out their buildings, in addition to empowering youth through 66 fashion academies around the country. Through its presence of over 144 years as Sri Lanka's leading consumer durables retailer, Singer has also been a catalyst in driving technology adoption in both urban and rural areas, uplifting and enriching living standards and lifestyles through products offering convenience and sophistication.





Singer's subsidiary, Singer Finance (Lanka) PLC engages in consumer finance, offering loan facilities through a network of 39 branches. The Company demonstrated resilience under challenging macro-economic conditions as well as import restrictions.

### STAKEHOLDER VALUE CREATION



Meanwhile, Procter & Gamble continued to maintain its leading market positions through global brands such as Gillette, Pampers, Olay, and Pantene. While import restrictions temporarily impacted operations, the Sector resolved these challenges through proactively negotiating with international suppliers to obtain the requisite credit period. During the year, we leveraged Group synergies to offer Hayleys' own products such as Mabroc Tea through our network of over 24,000 dealers.

## SECTOR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

	Relevant SDG	Our Contribution
		<ul style="list-style-type: none"> <li>We support the livelihoods of over 2,500 direct employees as well significant indirect employment across the island through our network</li> </ul>
		<ul style="list-style-type: none"> <li>Replacing Styrofoam packing with bio-degradable packing in our factories.</li> <li>Route and load optimisation to improve delivery efficiency and thereby reduce emission intensity</li> </ul>
		<ul style="list-style-type: none"> <li>The Singer Business School empowers the country's youth by providing opportunities for skill development</li> </ul>

## PLANS

Despite short-term pressures arising from the 3rd wave of the pandemic, the Consumer Durables sector presents significant upside potential given the relatively low penetration levels in certain product categories, faster replacement cycles, urbanisation and increasing customer sophistication. Singer is well placed to capitalise on these dynamics by leveraging its strong brand and branch reach to drive further penetration. In 2021/22 the Sector intends to roll-out a comprehensive rebranding initiative, which will seek to completely refresh the Singer brand and reposition it as a dynamic, future-fit brand with a solid foundation in trust, partnership and stability. We will continue to widen our product range through new partnerships with international manufacturers as well as through strengthening our local manufacturing footprint.

## Financial objectives

Short-to-medium term goals	
Revenue growth	>10%
ROCE	>15%
ROE	>15%

## Opportunities

- Gradual improvement in disposable incomes in line with economic revival
- Increased urbanisation and customer sophistication
- Increased importance placed on connectivity
- Opportunities in e-commerce
- Low penetration and faster replacement cycles/upgrades

## Risks

- Exchange rate volatility
- Policy inconsistency and continued import restrictions





## SECTOR REVIEW - LEISURE



### HIGHLIGHTS OF 2020/21



#### FINANCIAL PERFORMANCE

- **-70%** decline in revenue
- Tripling of losses at PAT level
- **-4%** decline in assets



#### VALUE TO PEOPLE

- Definitive decision to retain all employees in ongoing operations
- Full remuneration levels maintained, with additional allowance given to offset the loss of the service charge
- Ongoing investment in training



#### MARKET POSITION

- Owner and operator of 4 resort properties through the Amaya Resorts chain
- Own and operate the 5-star city hotel, The Kingsbury
- Managing agent for 2 properties



#### PROPERTY PORTFOLIO

- 356 rooms across 03 districts through the Amaya resorts chain
- 229 rooms in city hotel, The Kingsbury
- 55 rooms in Amaya Kuda Rah - Maldives
- Ongoing investments in property maintenance and upgrade

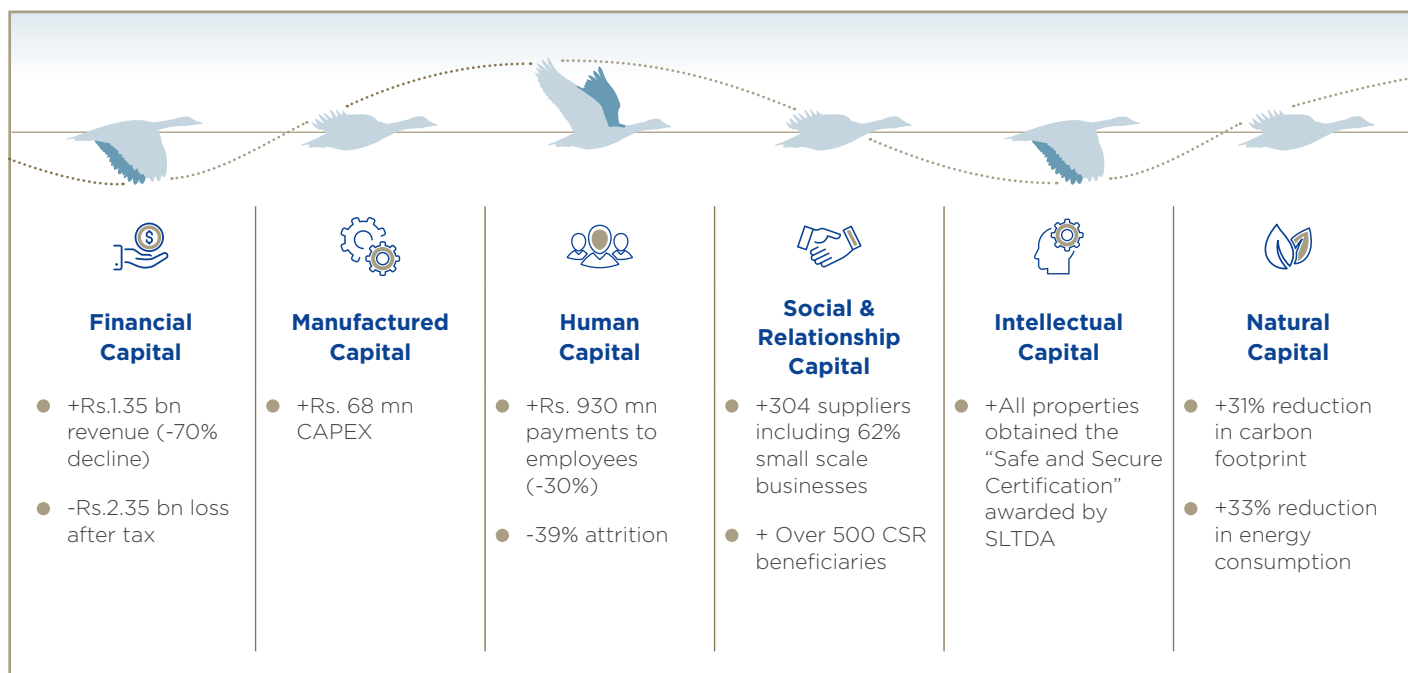


#### COMMITMENT TO THE ENVIRONMENT

- Continued efforts to reduce energy consumption
- Ensuring 100% recycling of waste water for gardening applications

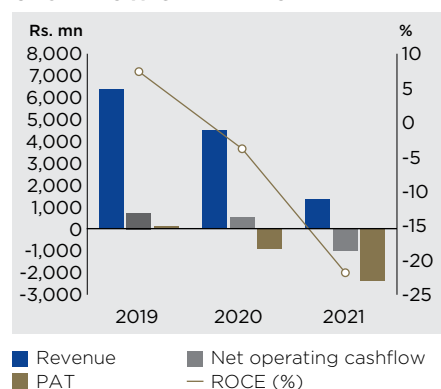
THE SECTOR OWNS AND OPERATES 4 PROPERTIES IN SRI LANKA AND MALDIVES AND MANAGES 2 PROPERTIES THROUGH THE AMAYA RESORTS CHAIN AS WELL AS THE FIVE-STAR CITY HOTEL THE KINGSBURY, IN COLOMBO. 99

## VALUE CREATION HIGHLIGHTS



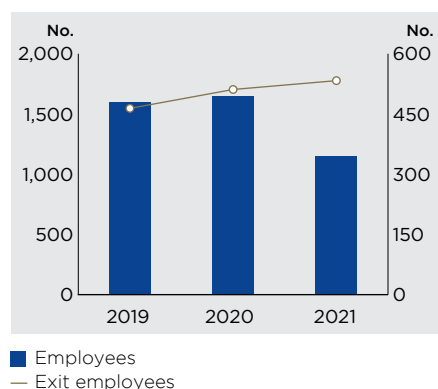
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## FINANCIAL PERFORMANCE AND CASH FLOW GENERATION



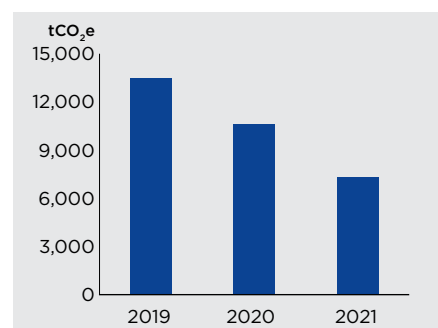
Inevitable impact on financial performance and cash flow generation in the worst year on record for the tourism industry.

## HUMAN CAPITAL MOVEMENTS



The Easter Sunday attack in 2019 followed by the outbreak of the pandemic, has seen a large exodus of employee from the hospitality sector.

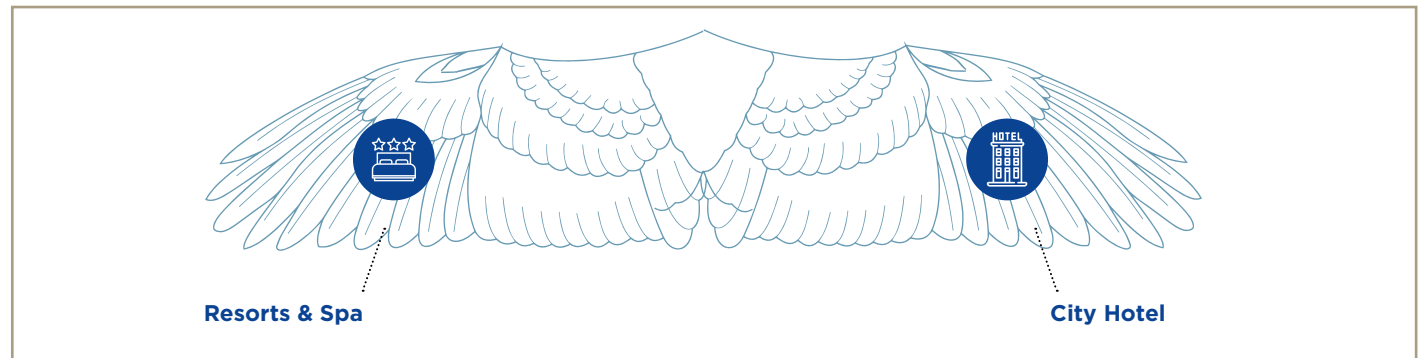
## CARBON FOOTPRINT



As occupancies and footfall plummeted, the Sector's energy consumption and carbon footprint fell significantly.



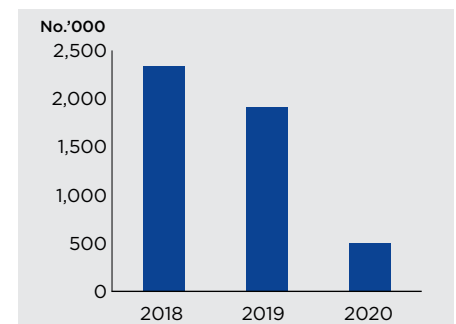
## SCOPE OF SECTOR OPERATIONS



## CONTEXT TO PERFORMANCE

<b>-74%</b> drop in global tourist arrivals	2020 marked the worst year on record for global tourism, reflecting pandemic-induced travel restrictions and unprecedented border closures across countries.
<b>-74%</b> Drop in arrivals to Sri Lanka	Zero arrivals from April to November 2020 due to the complete closure of the country's borders. The country opened its borders in January 2021, although the outbreak of the 3rd wave has led to further restrictions being imposed.
Long-drawn recovery	The UNWTO estimates that it could take between 2.5 to 4 years for international tourism to return to pre-COVID levels and this would largely depend on the success of vaccine roll-outs and the confidence to travel.
Subdued outlook for Sri Lanka	The recent surge in infections have dimmed hopes of a short-term recovery, and the industry is expected to remain subdued till at least early 2022.

## TOURIST ARRIVALS TO SRI LANKA



## OUR STRATEGY

Strategic imperatives	KPI	Target for 2021/22
<ul style="list-style-type: none"> <li>Strategic focus on rationalising overhead costs through optimising resources, redeploying human capital across the Hayleys Group and minimising waste</li> </ul>	<b>24%</b> Decline in indirect expenses	The uncertainty of the pandemic's progress has rendered it extremely challenging to plan for the future. We will continue to monitor evolving industry dynamics while continuing to invest in employee training and property upgrades to ensure we are equipped to capitalise on the Sector's recovery over the mid-to-long term.
<ul style="list-style-type: none"> <li>Pursue cashflow generation through commencing food deliveries in Colombo and Kandy</li> </ul>	<b>Rs. 100 mn</b> Revenue from e-commerce platform.	

## IMPLICATIONS AND RESPONSE TO COVID-19

IMPLICATIONS OF COVID-19	OUR RESPONSE
<ul style="list-style-type: none"> <li>The hospitality sector was amongst the hardest hit of the pandemic; with the country's borders completely closed from April to November 2020, occupancies fell drastically to single-digit levels</li> <li>Direct impacts on employees' earnings due to the loss of the service charge</li> <li>Heightened health and safety risks of employees and guests</li> </ul>	<ul style="list-style-type: none"> <li>Focused on the domestic market, and sought revenue diversification through commencing food delivery etc.</li> <li>Maintained employees' salaries without any form of pay cuts and provided an allowance to partly compensate for the loss of the service charge</li> <li>Implemented extremely stringent health and safety guidelines in line with the recommendations of the authorities.</li> </ul>

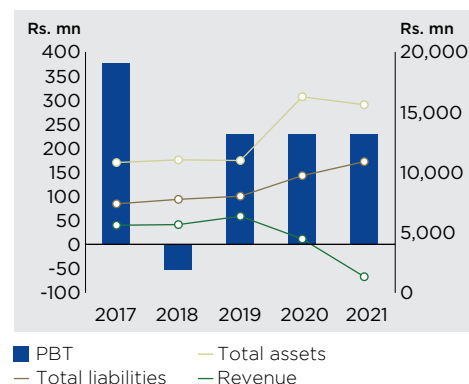
The Sector's performance reflected the inevitable fallout of the pandemic, with revenue declining by 70% to Rs.1.35 bn while losses for the year amounted to Rs.2.35 bn.

As occupancy levels dipped to record lows, particularly in the City hotel, the Sector pursued revenue diversification by commencing food delivery from its world-class restaurants through the launch of "Indulgence" food delivery platform. The service was managed entirely by hotel staff, who served beyond their scope of duties

to offer this service to customers. The proposition continues to gain traction and injected much needed liquidity to the Sector during the year. With the easing of restrictions after the 1st wave of the pandemic, our resorts aggressively pursued domestic guests through numerous promotions and partnerships with banks to provide enticing credit card offers. Resultantly, occupancy levels increased during weekends, albeit at relatively low ARR's and limited by government restrictions on capacity.



## SECTOR FINANCIAL PERFORMANCE



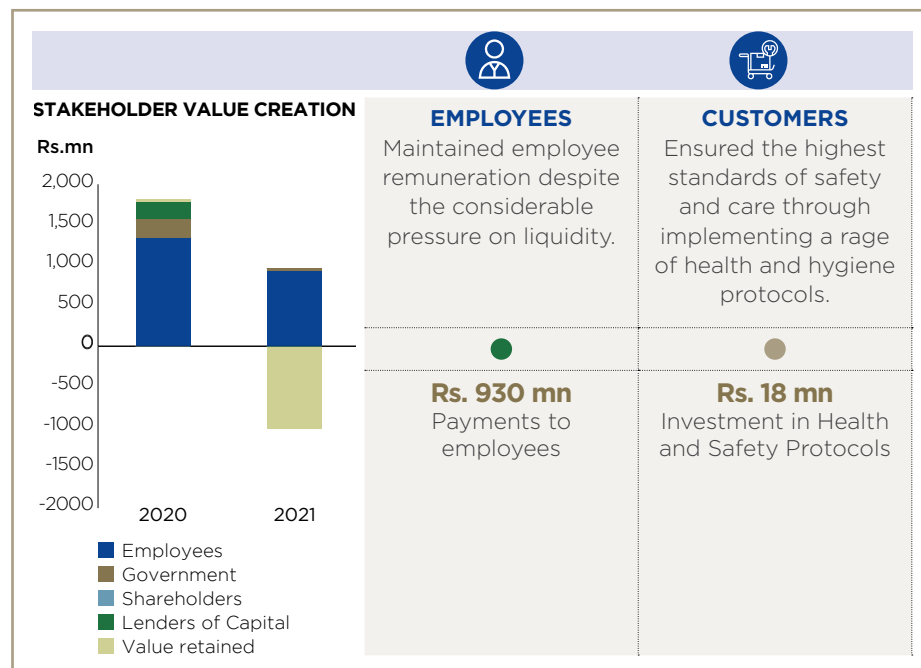
The Maldivian tourism industry recorded strong rebound, as the country opened its borders as early as July 2020, thereby enticing guests from India, Russia and CIS markets. However, with the outbreak of the 3rd wave in South Asia and rapid escalation of infections in India, Maldives has yet again seen a sharp decline in arrivals thereby dimming hopes of a quick recovery.

The Sector experienced an exodus of employees in line with broad industry trends, as the loss of the service charge significantly impacted their financial security. In line with the Hayleys Group, the Sector made a definitive decision to retain all employees in continuing operations at full remuneration, even providing an allowance to partly compensate for the loss of service charge.

Given limited occupancies and customer footfall during the year, the Sector carried out several property refurbishments/upgrades, with total capex amounting to Rs. 68 mn. We also conducted training for our employees on new service standards and safety, which are likely to sharpen the Sector's competitive edge as tourism gradually revives over the medium term and international arrivals recommence.

## SECTOR REVIEW - LEISURE

### STAKEHOLDER VALUE CREATION



### SECTOR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

	Relevant SDG	Our Contribution
		<ul style="list-style-type: none"> <li>Ongoing investment in training our employees, which in turn will improve their career prospects in the tourism sector.</li> </ul>
		<ul style="list-style-type: none"> <li>When recruiting we give preference to youth from communities adjacent to our operations, thereby generating shared value through socio-economic development and empowerment</li> </ul>

### PLANS

With the easing of restrictions in Sri Lanka, lifting of restrictions for international travel and gradual opening of source markets from early this year, we were positioning for a strong rebound by end-2021/22. However, these hopes have now reversed with the sharp resurgence of infections in the South Asian region including Sri Lanka. India- Sri Lanka's largest single source market has seen an uncontrollable rise, with devastating consequences across the country. The relatively slow roll-out of vaccines in Sri Lanka continues to be a concern, and unless the country reaches a high level of inoculation, international travellers are likely to be deterred from visiting the country. The rapidly evolving nature of the pandemic and emergence of variants have resulted in considerable uncertainty rendering it difficult to forecast or plan for the future. Against this backdrop, the Sector will continue to monitor emerging dynamics and rethink and refine its strategy to best adapt to market conditions.

### Opportunities



- Successful roll out of vaccines to a relatively high percentage of the population
- Pent- up demand conditions
- Development of premium, value-added products
- Driving increased operational efficiencies

### Risks



- Emergence of new variants in Sri Lanka leading to further restrictions
- Exchange rate volatility
- Shortage of skilled labour
- Anticipated increase in room inventory in Colombo





## SECTOR REVIEW - INDUSTRY INPUTS, POWER & ENERGY



### HIGHLIGHTS OF 2020/21



#### FINANCIAL PERFORMANCE

- **-17%**  
decline in revenue
- **-11%**  
decline in PBIT
- **+1%**  
growth in PBT
- **-15%**  
decline in PAT
- **-1%**  
decline in assets



#### VALUE FOR PEOPLE

- Ongoing investment in training through leveraging digital platforms
- High levels of employee engagement and retention
- Facilitating partnerships between our principals and customers in sharing technical knowledge



#### MARKET POSITION

- 50 MW of renewable energy installed capacity in mini hydro, wind and solar power
- Leading supplier of medical and analytical equipment through international principals



#### INNOVATION

- Launch of nano carbon material for the glove industry
- Expansion of product portfolio in medical equipments



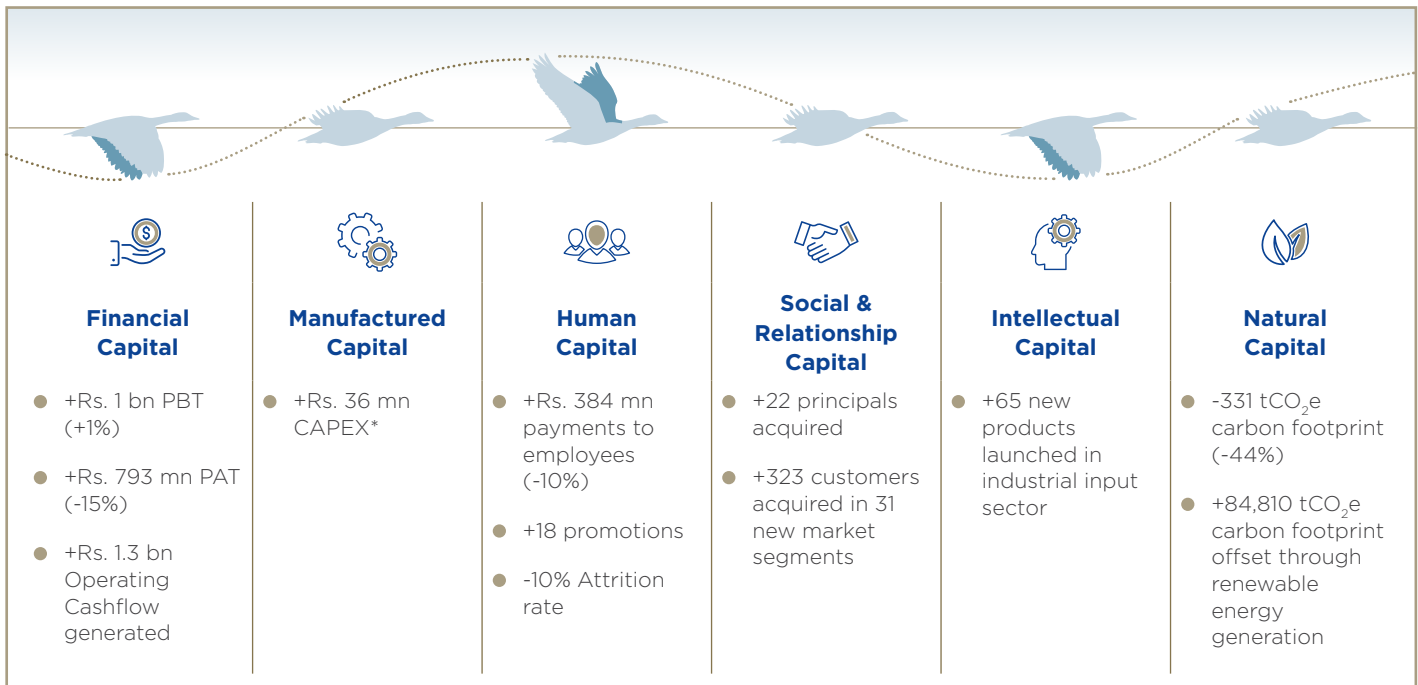
#### COMMITMENT TO THE PLANET

- Sustainable innovation through the introduction of bio degradable organic additive for plastic industry
- Generation of renewable energy and offsetting the Group's carbon footprint

REPRESENTED BY HAYLEYS AVENTURA, THE SECTOR IS A LEADING PRODUCER OF RENEWABLE ENERGY, ACCOUNTING FOR NEARLY 2% OF SRI LANKA'S RENEWABLE ENERGY GENERATION. IT ALSO IMPORTS AND DISTRIBUTES A RANGE OF INDUSTRIAL RAW MATERIAL AND SOLUTIONS IN MANUFACTURING, ENGINEERING AND LIFESCIENCES

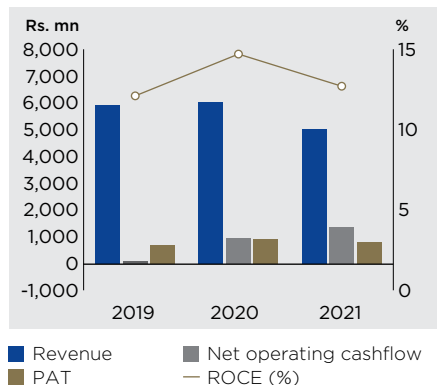


## VALUE CREATION HIGHLIGHTS



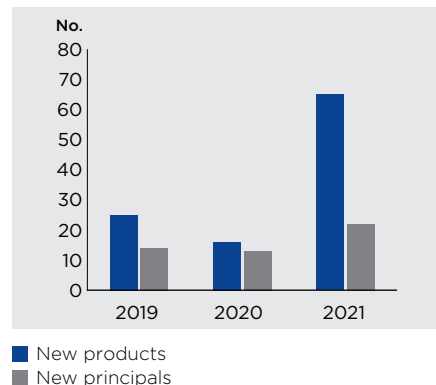
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## PROFITABILITY AND CASH FLOW GENERATION



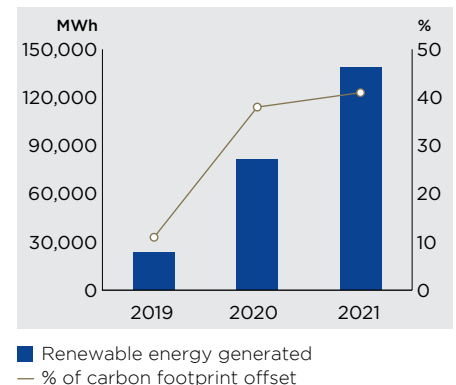
Resilient performance with profitability levels relatively unchanged, supported by the stable performance in the Power & Energy cluster and gradual recovery of the country's Industrial Sector.

## EXPANDING OUR PARTNERSHIPS AND PRODUCTS



We have continued to expand our principal relationships allowing us to widen our product portfolio and strengthen market position.

## GREENING OUR OPERATIONS

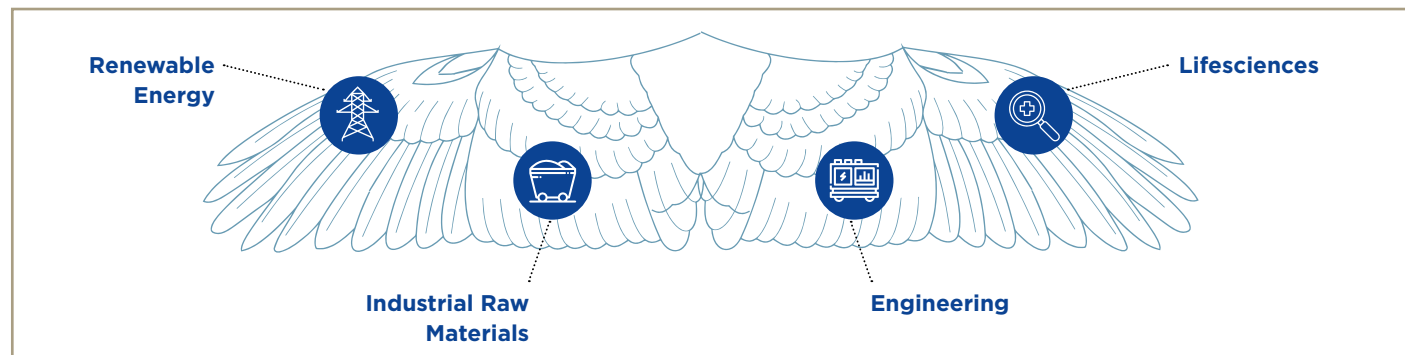


Through generating renewable energy, the Sector offsets 41% of the Hayleys Group's carbon footprint.



## SECTOR REVIEW - INDUSTRY INPUTS, POWER & ENERGY

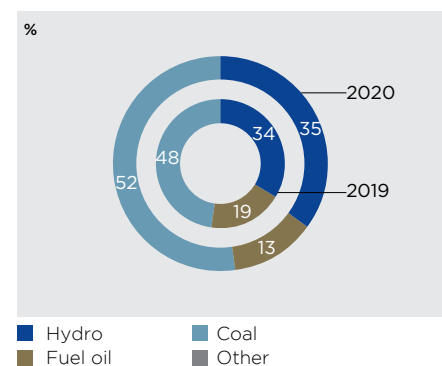
### SCOPE OF SECTOR OPERATIONS



### CONTEXT TO PERFORMANCE

<b>-6.9%</b> Contraction in industrial sector	Sri Lanka's Industry Sector contracted during the year reflecting a pandemic-induced slowdown in manufacturing and construction activities; however a recovery was observed towards the 2nd half of the year, with the Index of Industrial Production recording gradual growth.
<b>-2.1%</b> Electricity sales	Demand for electricity declined reflecting a slowdown in demand from the industrial sector which offset the growth in demand stemming from the domestic sector.
<b>+12.1%</b> Increase in NCRE	The Non Conventional Renewable Energy sector recorded continued growth supported by the expansion in mini-hydro generation.
Implication of import restrictions	The Government imposed import restrictions on certain products to preserve the exchange rate and support the country's external sector; this included obtaining 6-month credit from suppliers.

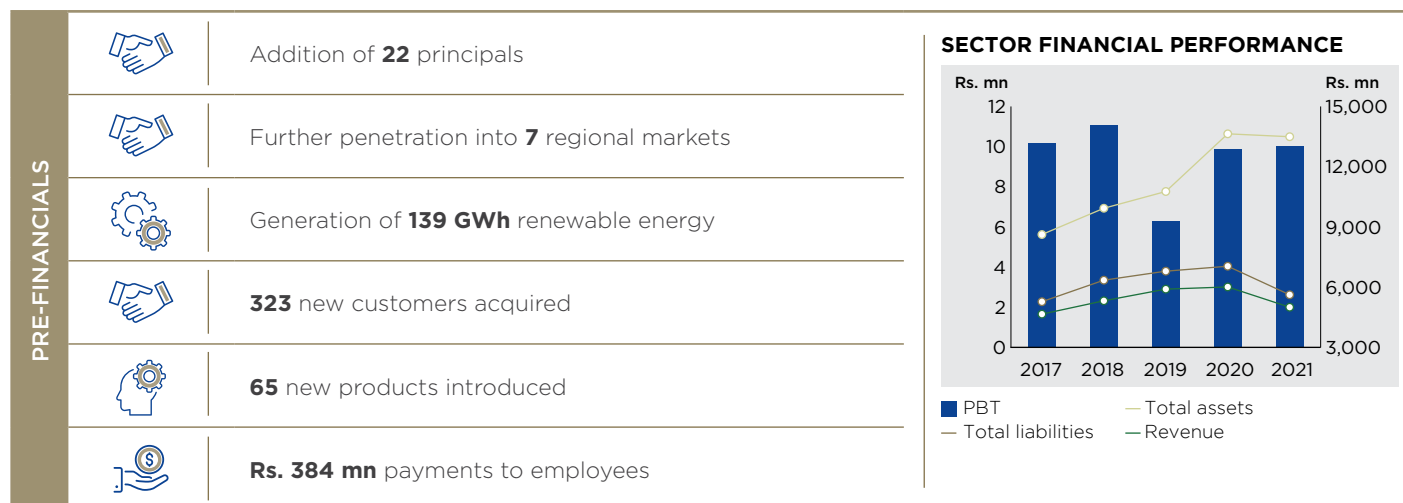
### POWER SECTOR PERFORMANCE



### OUR STRATEGY

Strategic Imperatives	KPI	Target for 2021/22
<ul style="list-style-type: none"> <li>Strategic focus was placed on optimising costs through streamlining operations, establishing central supply chain operations and curtailing marketing and advertising expenses.</li> </ul>	<b>22% (2020: 21%)</b> EBIT margin	Implement framework for minimising overhead costs through centralising processes, setting divisional targets and continuous monitoring.
<ul style="list-style-type: none"> <li>Despite the prevalent conditions, the Sector pursued regional expansion, penetrating the Maldivian market through the Lifesciences cluster. We also consolidated our position in Bangladesh, where we provide industrial raw materials to the apparel industry.</li> </ul>	<b>4</b> No. of regional markets	Expansion of Industrial Raw Materials into new regional markets while consolidating position in existing markets
<ul style="list-style-type: none"> <li>Continued focus on innovation, with the introduction of nano carbon material, which is a key input in the manufacture of touchscreen-sensitive gloves.</li> </ul>	<b>65</b> New products launched	Widen product portfolio, particularly in the Engineering and Industrial Raw Material clusters

## INTEGRATED PERFORMANCE REVIEW



## IMPLICATIONS AND RESPONSE TO COVID-19

IMPLICATIONS OF COVID-19	OUR RESPONSE
<ul style="list-style-type: none"> <li>The sharp depreciation of the exchange rates, particularly during the last few months of the financial year led to an escalation in the cost of imported materials.</li> <li>The country's manufacturing and construction activities recorded a slowdown, due to pandemic-related disruptions and subdued investor sentiments.</li> <li>Opportunities arising from the increased demand for medical equipment such as ventilators, patient monitors and x-ray machines.</li> </ul>	<ul style="list-style-type: none"> <li>Capitalised on our market position in Lifesciences to drive volume growth in medical equipment such as x-rays and ventilators.</li> <li>Ongoing focus on cost management and efficiency improvements.</li> <li>Sought increased penetration in manufacturing industries such as rubber and food &amp; beverage.</li> </ul>



The Sector delivered a profit after tax of Rs. 793 mn during the year, despite a 17% drop in revenue. Performance was driven primarily by the Power & Energy cluster which accounted for 96% of sector profits during the year. Industry Inputs recorded a decline in revenue, reflecting the broad-based slowdown in the country's Industrial Sector and the resultant impact on our Engineering and Industrial raw material clusters. The Sector's profitability was however supported by ongoing focus on cost management, dividend income as well as the decrease in interest costs in view of the sustained decline in market interest rates during the year. We also sought to proactively settle dollar-denominated borrowings given the depreciation of the Sri Lankan Rupee.

The Power & Energy Sector operates 6 mini hydro plants, 3 wind power plants and Sri Lanka's largest solar power plant which collectively generate 10 MW to the national grid. The cluster recorded a 15% decrease in profits as the Nirmalapura wind plant was adversely impacted by its shift to a lower tariff slab in accordance with the power purchase agreement and a temporary shutdown of the plant due to technical issues in power purchasing by CEB.

## SECTOR REVIEW - INDUSTRY INPUTS, POWER & ENERGY

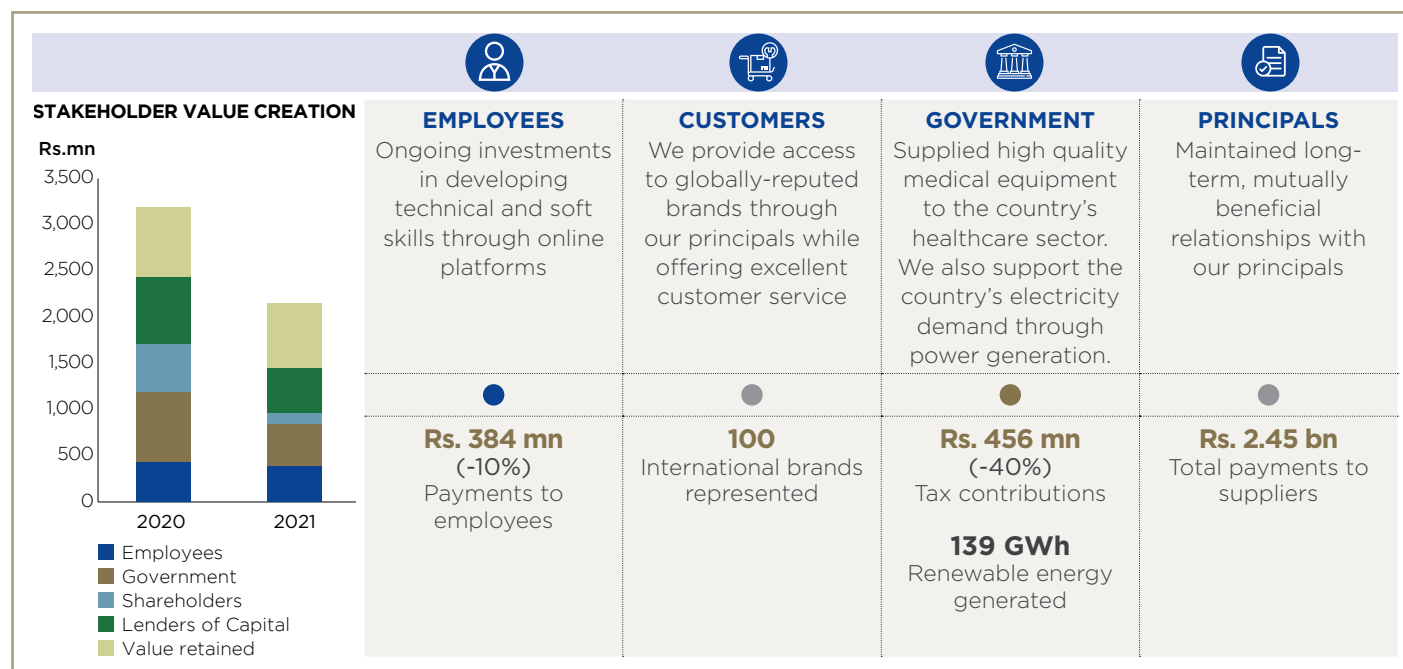
Despite the inevitable impacts of the pandemic during the first half of the year, the Industry Inputs segment recorded a good recovery from the 3rd quarter of 2020/21. In Industrial Raw Materials, the Sector sought increased penetration in manufacturing industries such as rubber and food & beverage which have witnessed a considerable increase in demand in recent months. In Lifesciences, we leveraged our relationships with leading international equipment manufacturers to fulfill increased demand by the Government health sector for equipment such as ventilators and x-ray machines. The Sector also successfully installed an incinerator in the Chilaw Base Hospital and will seek to further grow its presence in this product category. We also strengthened our presence in Maldives, with the supply of mobile x-ray machines during the year.

The Sector benefits from its long-standing relationships with international principals, which has enabled it to supply high-quality products to the Sri Lankan market, thereby facilitating new customer acquisition. During the year, we formed 22 new principal relationships; nearly 21% of our principals have been retained for over 10 years, attesting to the strength of our relationships.





The Sector is keen to contribute towards environmental sustainability through its products and services portfolio. During the year, we acquired an agency for a biodegradable organic additive for plastic industry, which has the potential to drive considerable environmental benefits through accelerating the process of bio-degradation upon disposal in a biologically active landfill. Meanwhile, through the generation of renewable energy, the Sector contributes towards reducing dependence on fossil fuels; during the year, we generated approximately 139 GWh (498,941 GJ) of renewable energy which carry zero emissions, thereby offsetting nearly 41% of the Hayleys Group's total carbon footprint.



## STAKEHOLDER VALUE CREATION



## SECTOR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

	Relevant SDG	Our Contribution
		<ul style="list-style-type: none"> <li>With an installed capacity of 50 MW in mini hydro, solar and wind power plants, the Sector is among the largest generators of renewable energy in the country.</li> </ul>
		<ul style="list-style-type: none"> <li>We support the development of the country's health sector through providing access to world-leading medical &amp; analytical equipment</li> </ul>
		<ul style="list-style-type: none"> <li>The Sector offsets approximately 84,810 tCO<sub>2</sub>e of the Group's carbon footprint annually, thereby reducing the Group's adverse environmental impact.</li> </ul>

### PLANS

As economic conditions and investor sentiments have gradually returned to normalcy, we see significant potential across our operating clusters. We will continue to capitalise on these opportunities through expanding our network of principals and pursuing regional expansions, particularly in South Asian economies. Strategic focus will be placed on penetrating the power solutions market, for which we have strengthened our talent pool with relevant skills.



### Opportunities



- Opportunities for growth in regional markets
- Opportunities stemming from sustainable, innovative products
- Client acquisition in new markets
- Driving increased operational efficiencies

### Risks



- Fluctuations in the exchange rate
- Policy inconsistency on the implementation of government projects
- Extended credit cycle relating to receivables from the government sector

### Financial objectives

Short-to-medium term goals	
ROCE	>20%
Revenue growth	>10%
ROE	>20%



## SECTOR REVIEW - TRANSPORTATION & LOGISTICS



### HIGHLIGHTS OF 2020/21



#### FINANCIAL PERFORMANCE

- **-15%** decline in revenue
- **+2%** growth in PBIT
- **+31%** growth in PBT
- **+73%** growth in PAT
- **-4%** decline in assets



#### VALUE FOR PEOPLE

- Strategic implementation of Health and Safety focused working culture across the entire sector
- Actively facilitated work-from-home arrangements for employees



#### MARKET POSITION

- Largest player in Sri Lanka's transportation and logistics industry
- Owner of the largest commercial fleet of floating assets in Sri Lanka
- Regional presence



#### ECONOMIC IMPACT

- Facilitate the transportation of goods within and outside of the country
- Foreign exchange income generated: USD 57 mn



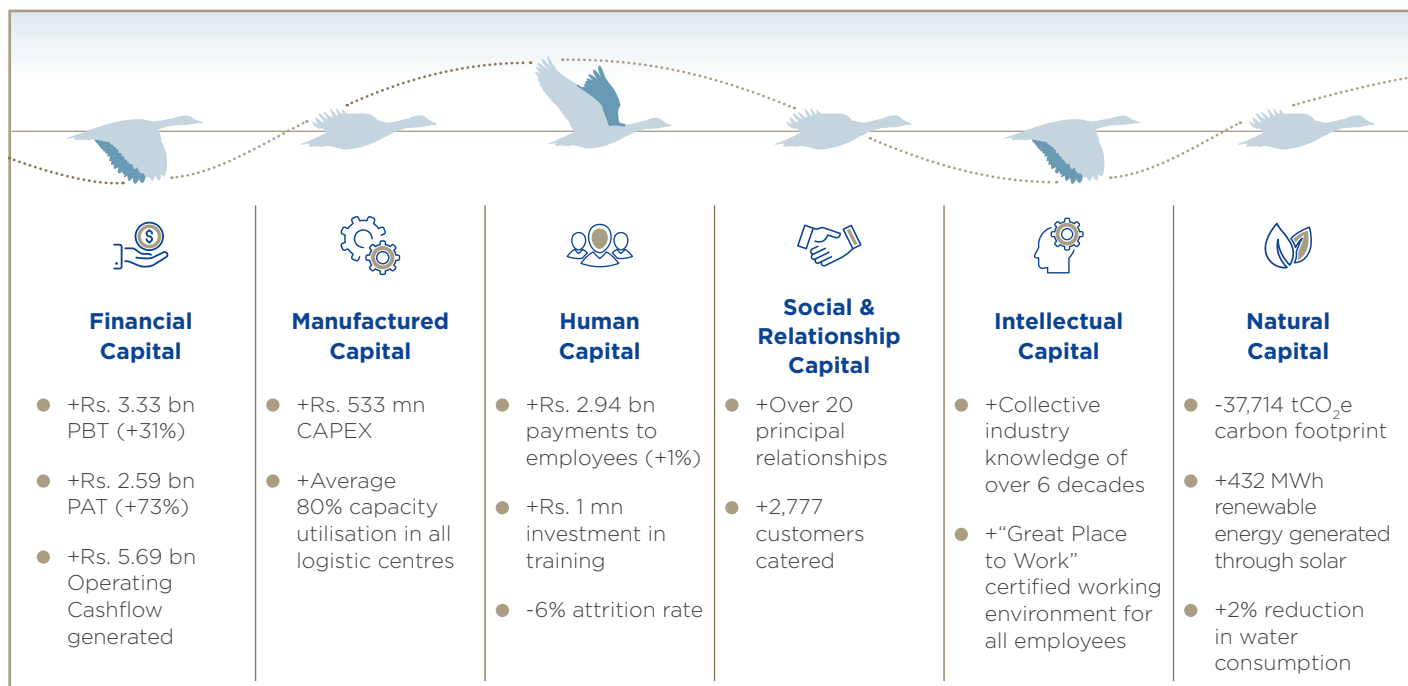
#### COMMUNITY AND PLANET

- Propagate the use of low Sulphur fuel applications for marine operations, supporting the reduction of carbon footprints
- Continuation of impactful CSR activities with investments of more Rs. 3 mn during the 2020/21 FY

THE HAYLEYS ADVANTIS GROUP IS A DOMINANT PLAYER IN SRI LANKA'S TRANSPORTATION AND LOGISTICS SECTOR PROVIDING THE FULL GAMUT OF TRANSPORTATION AND LOGISTICS RELATED SERVICES. THE SECTOR'S COMPETITIVE EDGE IS UNDERPINNED BY ITS PARTNERSHIPS WITH GLOBAL SHIPPING LINES, UNPARALLELED INDUSTRY EXPERTISE AND THE END-TO-END RANGE OF SERVICES IT OFFERS.

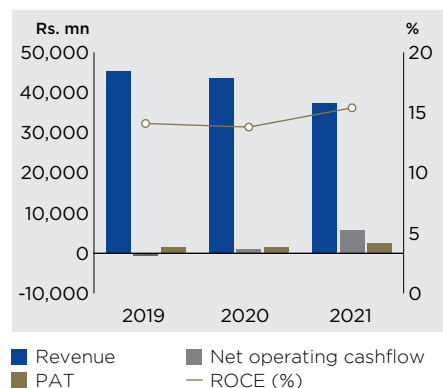


## VALUE CREATION HIGHLIGHTS



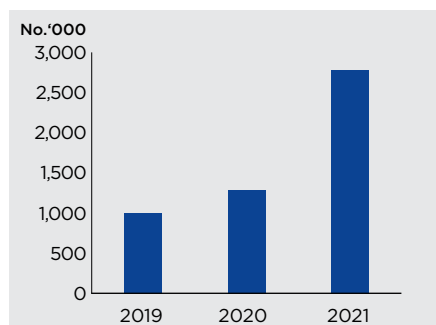
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## PROFITABILITY AND CASH FLOW GENERATION



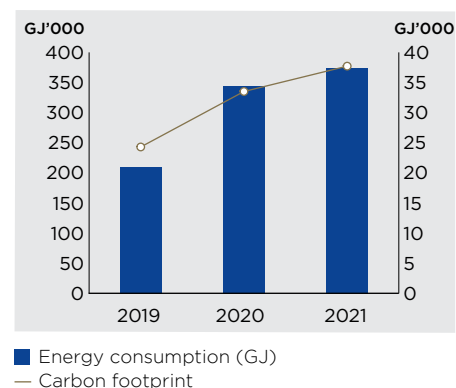
Strong growth across key business clusters, supported by a recovery of freight rates and shipping activity as well as the cluster's penetration across all sectors in the transportation and logistics industry.

## CUSTOMERS CATERED



Ongoing focus on customer penetration and expanding our base of principals has supported sustainable growth in revenue.

## ENERGY CONSUMPTION AND CARBON FOOTPRINT

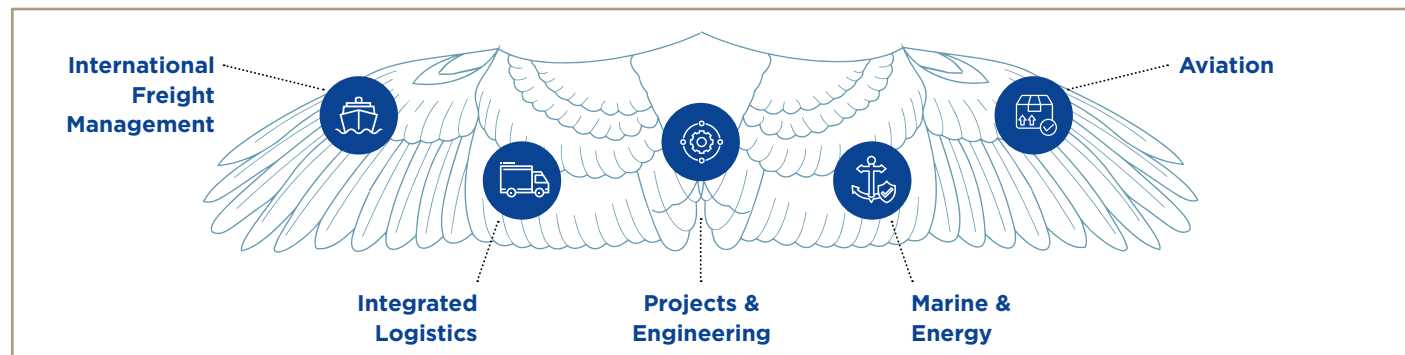


Following the installation of rooftop solar units, the Sector's reliance on renewable energy has increased.



## SECTOR REVIEW - TRANSPORTATION & LOGISTICS

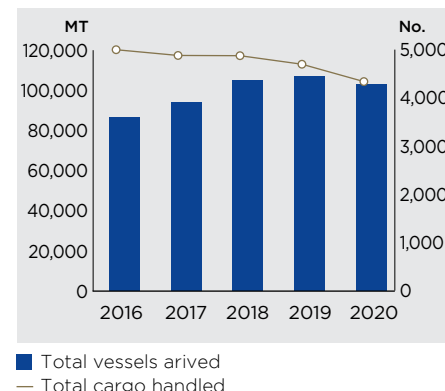
### SCOPE OF SECTOR OPERATIONS



### CONTEXT TO PERFORMANCE

<b>-5.3%</b> Fall in global trade volumes	The pandemic-led collapse of global trade activity bottomed out in the 2nd quarter of 2020, recording strong rebound in subsequent months. The WTO therefore anticipates world trade to increase by 8% in 2021.
<b>-3.8%</b> Total cargo handled by domestic ports	Port activities were significantly impacted by the pandemic in March and through the 2nd quarter as well as in the 4th quarter, resulting in container and cargo handling activities recording a contraction.
Significant volatility in Fall in bunker prices	The volatility in the oil markets and simultaneous supply and demand shocks led to a collapse in bunker fuel in 2020, at the fastest pace of fall in recent history.
Increase in average freight rates in 2020	Freight rates, which declined in the first half of the year saw strong recovery by end-2020 as demand surged in line with increased shipping activity.

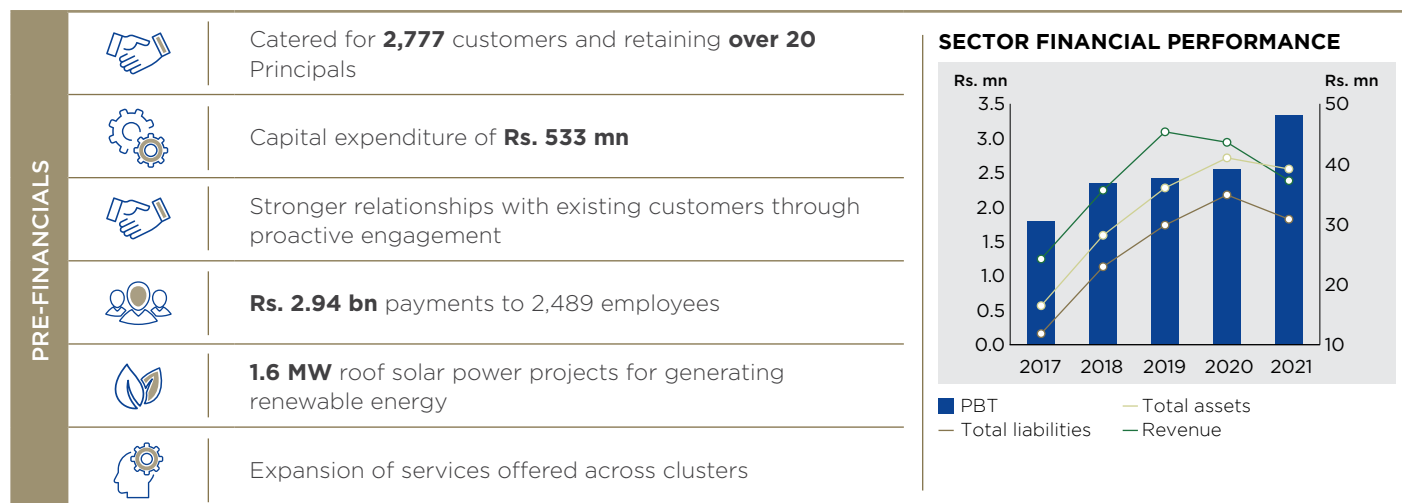
### PERFORMANCE OF SRI LANKA'S PORT SECTOR



### OUR STRATEGY

Strategic Imperatives	KPI	Target for 2021/22
<ul style="list-style-type: none"> <li>Restructured the operations of Hayleys Advantis under 5 main clusters (refer to scope of sector operations above) with the aim of providing an enhanced value proposition to customers through offering end-to-end solutions across the entire spectrum of logistics operations.</li> </ul>	<b>Rs. 37.24 bn (-15%)</b> Revenue generated	Develop cluster-based growth strategies leveraging Group synergies.
<ul style="list-style-type: none"> <li>Concerted efforts at optimising resources, driving lean initiatives and enhancing productivity resulted in considerable cost savings across the Group.</li> </ul>	<b>25% (2020: 23%)</b> GP margin  <b>11% (2020: 9%)</b> EBIT margin	Continuous efforts to drive productivity improvements including new operating models and establishing centres of excellence across functions.
<ul style="list-style-type: none"> <li>Focus on deeper relationships with existing customers through proactive engagement and acquisition of new customers across key business verticals such as Integrated Logistics and Projects &amp; Engineering.</li> </ul>	<b>80%</b> Customer satisfaction level	Further strengthen customer relationships through measuring customer satisfaction and offering innovative services.

## INTEGRATED PERFORMANCE REVIEW



## IMPLICATIONS AND RESPONSE TO COVID-19

IMPLICATIONS OF COVID-19	OUR RESPONSE
<ul style="list-style-type: none"> <li>As oil prices crashed following the global outbreak of the pandemic in March 2020, the Sector was affected by the resultant drop in value of bunker oil inventories as it was compelled to dispose stock at considerably lower prices.</li> <li>Sharp drop in demand for shipping up to the 2nd quarter of 2020, which subsequently recorded strong rebound in the 2nd half of the year. The decline in volumes, however, was offset by the significant increase in freight rates during the year.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing efforts to rationalise overheads through driving lean initiatives across the group.</li> <li>Supported the distribution of essential items across the island through the Integrated Logistics arm</li> <li>The Sector swiftly adapted to post-pandemic realities through embracing remote working solutions and are currently exploring means of adopting similar working models in the long-term.</li> </ul>

The Sector delivered a resilient performance during the year, recording a profit growth of 73%. Performance was supported by broad-based improvements across business verticals particularly towards the latter part of the year, as the Sector leveraged its relationships and wide array of services to capitalise on improving industry conditions from the 3rd quarter of 2020. Our acquisitions have recorded increasing profit contributions, attesting to the timeliness and feasibility of these investments. Sector Profitability was further supported by the sustained decline in interest rates during the year and favourable movements in the exchange rate.

The performance of International Freight Management cluster was upheld by the considerable increase in freight rates during the year, which allowed the Group to widen its profitability margins. While volumes were low during the first 2 quarters, shipping activity recorded strong rebound during the 2nd half of the year enabling good volume growth. The Sector continues to leverage on the strength of its principal relationships to drive increased penetration in this cluster.



## SECTOR REVIEW - TRANSPORTATION & LOGISTICS

In Integrated Logistics, the Sector placed strategic emphasis on supporting its customers during the pandemic, thereby playing a vital role in ensuring the continued distribution of essentials including pharmaceutical items across the country. We served several large multinational customers who stocked up inventory in view of the prevalent conditions, in turn supporting the cluster's growth. Despite numerous challenges arising from restrictions in mobility, the Sector proactively engaged with its customers and ensured continued service in warehousing and distribution. Meanwhile capacity utilisation levels in the Group's Free Zone in Katunayake also increased, supported by new customer acquisition.

The Sector's Projects & Engineering cluster has gradually expanded the breadth and depth of its services, from a relatively small engineering unit to handling large infrastructure projects. The cluster is currently

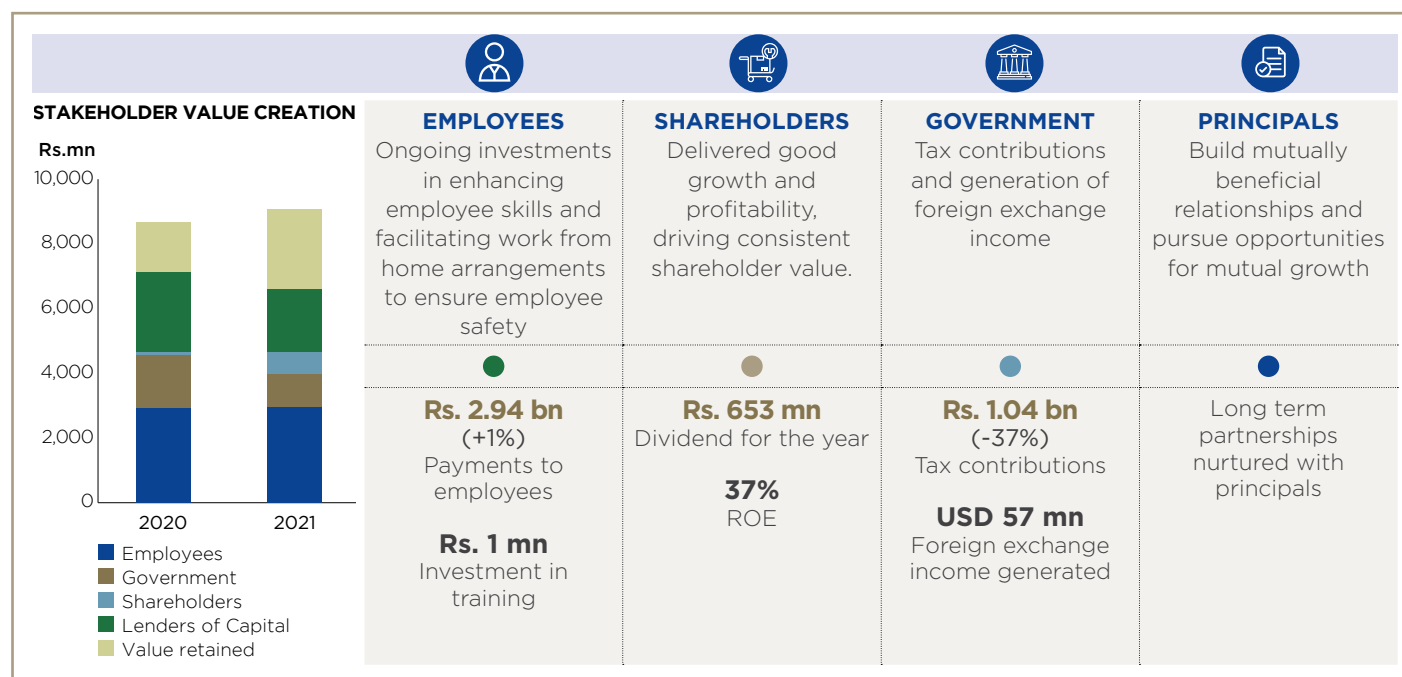
pursuing opportunities in installing pre-engineered buildings and has secured several large projects in this business line. During the year, the cluster also engaged in installing the steel infrastructure for the new Kelaniya bridge which is currently under construction. Despite losses stemming from the sharp fall in bunker prices, the Marine Services cluster also performed well during the year. Performance was supported by the healthy profit generation of Sri Lanka Shipping Company Limited which has facilitated the Sector's move into broader areas of shipping and logistics. International operations also achieved a year of record growth, supported the acquisition of new customers in Myanmar as well as strong profit performance in India, Bangladesh, Maldives and Indonesia.

Advantis has embraced the new realities of the post-pandemic workplace, facilitating work-from-home and remote working arrangements

across all key operations. Strategic emphasis was also placed on ensuring employee safety during the pandemic, and the Sector benefitted from a robust and comprehensive Occupational Health and Safety Policy and Procedure which was in place prior to the outbreak of the pandemic. The Sector has also implemented a comprehensive Business Continuity Plan which ensures uninterrupted business operations while ensuring value created to employees and other stakeholders.

The Sector's environmental impacts arise primarily from the energy intensity of its operations and we continue to drive concerted efforts towards enhancing energy efficiency. These initiatives include the commissioning of solar power plants with a collective capacity of 1.6MW and optimisation of the distribution fleet and the use of battery-operated machinery at the warehouses and facilities.

### STAKEHOLDER VALUE CREATION



## SECTOR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

	Relevant SDG	Our Contribution
		<ul style="list-style-type: none"> <li>Facilitate the efficient transportation of goods, ensuring the distribution of essential items, generating employment and wealth and supporting the development of infrastructure.</li> </ul>
		<ul style="list-style-type: none"> <li>Conducive and dynamic environment for employees offering opportunities for training and skill development, career progression and attractive reward schemes.</li> </ul>

## PLANS

We see considerable growth potential across our key clusters and will seek to direct investments to the Integrated Logistics, Marine & Energy and Projects & Engineering clusters. In Integrated Logistics we are keen to pursue growth in regional markets while enhancing efficiencies and customer value through digitalisation. In the Marine & Energy cluster, we will pursue further investments in expanding our sea-going assets further strengthening our position as the largest vessel owner and operator in Sri Lanka. We will pursue further penetration in the Projects & Engineering cluster, strengthening our position in infrastructure development and construction projects while pursuing regional growth.



Opportunities 
<ul style="list-style-type: none"> <li>Regional growth opportunities in Projects &amp; Engineering and Integrated Logistics</li> <li>Infrastructure development opportunities within Sri Lanka</li> <li>Client acquisition in new markets</li> </ul>

Risks 
<ul style="list-style-type: none"> <li>Volatility in bunker prices</li> <li>Exchange rate volatility</li> </ul>

## Financial objectives

Short-to-medium term goals	
Revenue growth	>10%
ROCE	>15%
ROE	>15%



## SECTOR REVIEW - OTHERS



### HIGHLIGHTS OF 2020/21



#### FINANCIAL PERFORMANCE

- **+13%** growth in revenue
- **+167%** growth in PBIT
- Return to profitability at PBT and PAT level **195% & 191%**
- **+2%** growth in assets



#### MARKET POSITION

- Hayleys PLC - Market capitalisation of Rs.45.60 bn
- Providing a range of B2B outsourcing solutions and shared services.
- Integrated engineering solutions through Fentons Ltd



#### VALUE

- Fentons is a key player in solar energy installation, thereby contributing towards reducing the country's dependence on fossil fuels



#### GROUP SYNERGIES

- Harnessing Group capabilities and learnings to drive organisation-wide resilience in the wake of the pandemic
- Automation of the statutory financial consolidation and MIS through the SAP Business Plan



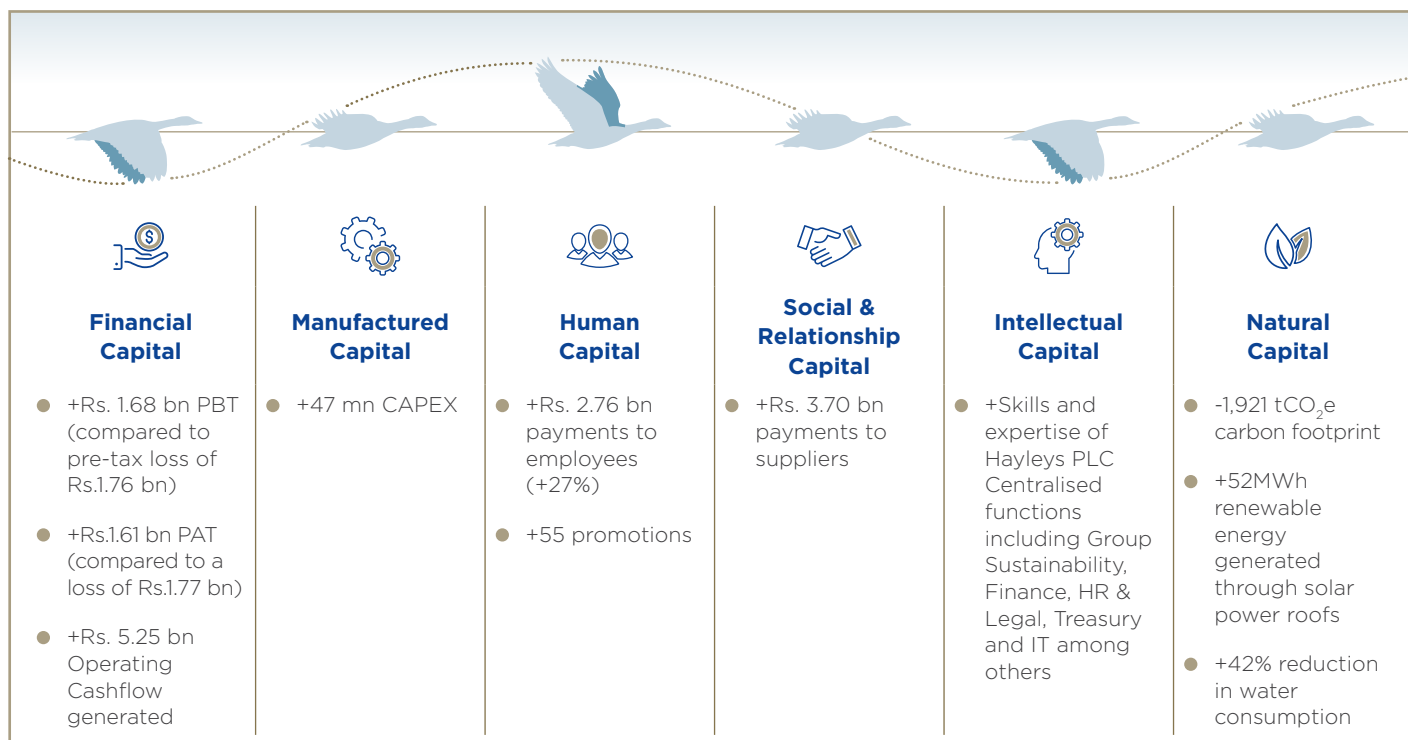
#### TECHNOLOGY

- Enhancing the Group's online visibility and social media presence
- SAP implementation across majority of the sectors
- Leveraging digital capabilities of AI and Robotics within the Hayleys Group

THE SECTOR COMPRISES THE GROUP'S BPO OPERATIONS, SHARED SERVICES, CONSTRUCTION SECTOR INVESTMENTS (UNISYST ENGINEERING PLC AND FENTONS GROUP) AND GROUP SERVICES

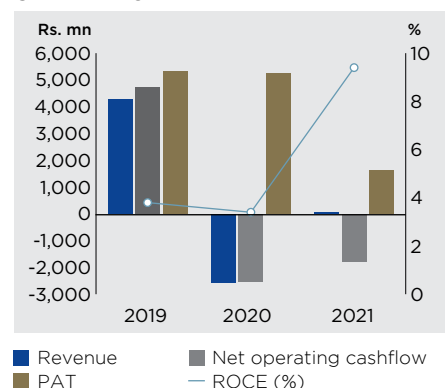


## VALUE CREATION HIGHLIGHTS



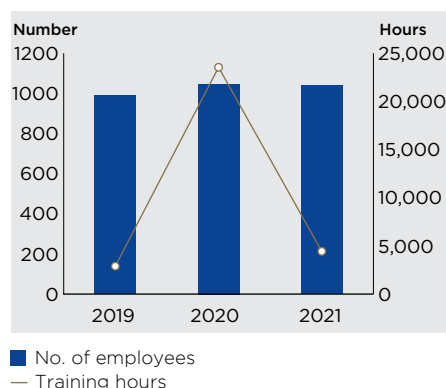
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## PROFITABILITY AND CASH FLOW GENERATION



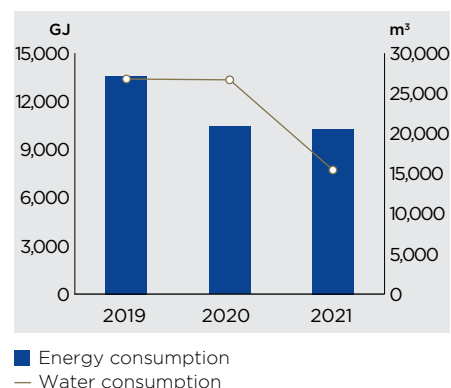
the Sector delivered record performance supported by strong dividend upstreaming to Hayleys PLC as well as improved performance of Fentons and the BPO operations.

## OUR PEOPLE



We continue to leverage the skills of our highly-capable Centre teams in driving best practices across the organisation and ensuring consistency in processes across the Group.

## ENERGY AND WATER CONSUMPTION

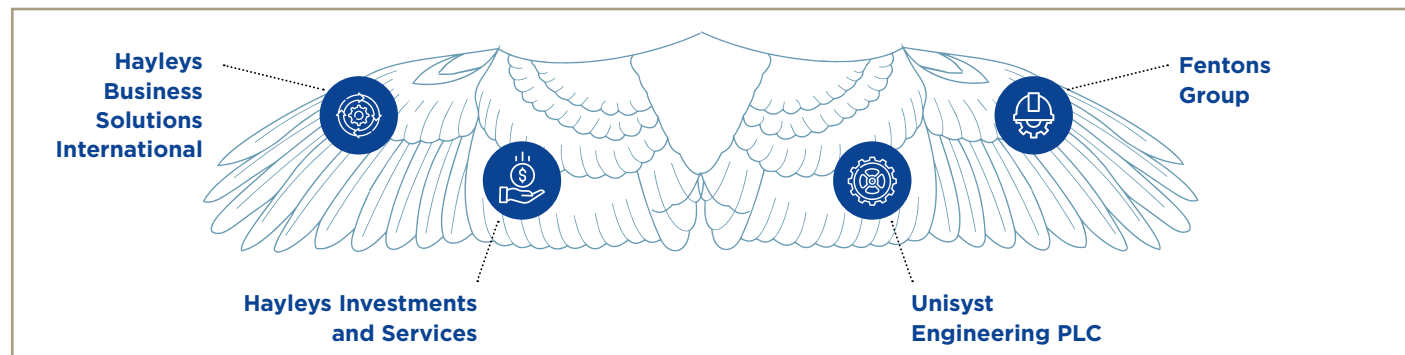


The Sector's environmental footprint reduced during the year, with energy and water consumption declining due to the shift towards remote working.



## SECTOR REVIEW - OTHERS

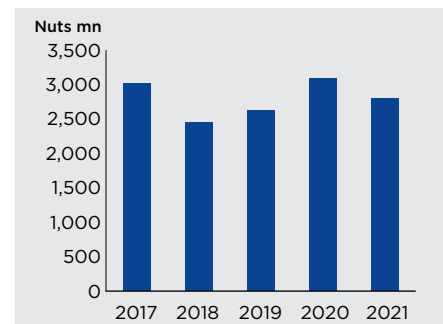
### SCOPE OF SECTOR OPERATIONS



### CONTEXT TO PERFORMANCE

<b>-13.2%</b> Sri Lanka's construction sector	Sri Lanka's construction sector recorded sharp contraction reflecting pandemic-induced disruptions and restrictions on mobility; however activity recorded a gradual rebound by the 4th quarter of the year.
<b>8%</b> growth in BPO/IT income	Sri Lanka's IT/BPO services sector recorded notable growth in 2020, with shifts to remote working boding well for the Sector.

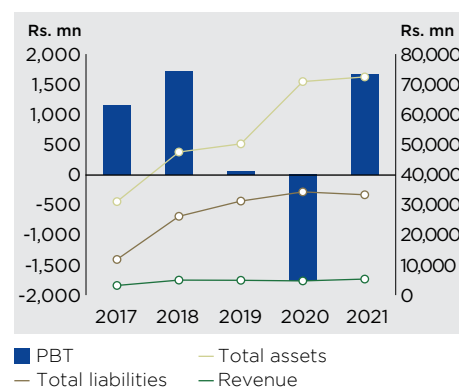
### COCONUT PRODUCTION



### INTEGRATED PERFORMANCE REVIEW

PRE-FINANCIALS		Commendable growth in the BPO and shared services segment, which recorded improved efficiencies
		Customer acquisition at Fentons Ltd.
		<b>Rs. 2.76 bn</b> payments to employees (+27%)
		<b>20%</b> reduction in finance costs supported by timely efforts to rationalise borrowings
		<b>1% and 17%</b> decrease in energy consumption and carbon footprint

### SECTOR FINANCIAL PERFORMANCE



## IMPLICATIONS AND RESPONSE TO COVID-19

IMPLICATIONS OF COVID-19	OUR RESPONSE
<ul style="list-style-type: none"> <li>● Slowdown in construction sector due to project delays and disruptions inevitably impacted S&amp;T Interiors (Pvt) Ltd, Fentons group and Unisyst Engineering PLC during the year</li> <li>● Heightened health and safety risks of employees</li> </ul>	<ul style="list-style-type: none"> <li>● We facilitated remote working arrangements for all employees, which also facilitated improved resource optimisation and cost benefits.</li> </ul>

The Others Sector recorded revenue growth of 13% while operating profit nearly tripled to Rs. 4.30 bn supported by health dividend upstreaming to Hayleys PLC as well as a commendable improvement in Fentons Group and the BPO operations. Net finance costs reduced by 20% reflecting efforts to rationalise borrowings at Hayleys PLC as well as the sustained reduction in market interest rates. Resultantly, the Sector's profit after tax surged to Rs.1.61 bn from a loss of Rs.1.77 bn the previous year.

### HAYLEYS PLC

Hayleys PLC delivered the highest profitability in its operating history, supported by strong dividend inflow from the Sectors, together with rationalisation of its borrowings which led to a considerable decline

in borrowings costs during the year. Dividend received increased over 3-fold to Rs.3.62 bn during the year, reflecting strong profit generation across key sectors. Meanwhile, proactive negotiations and timely efforts to refinance relatively high-cost borrowings with lower-interest funds enabled a near Rs.504 mn reduction in interest costs during the year. Efforts to pare down debt have also strengthened the Company's balance sheet, with borrowings declining by 4% during the year.

### HAYLEYS BUSINESS SOLUTIONS INTERNATIONAL LTD (BPO AND SHARED SERVICES)

The Group's BPO Operations recorded a year of strong growth with a pre-tax profit increasing by 152% during the year. The performance during the

year reflects the BPO team's ability to swiftly embrace new ways of working, which in turn led to considerable improvements in efficiencies. The Company has continued to widen the portfolio of services offered while pursuing client acquisition in key markets. Process efficiencies have also been driven by the use of AI and robotic technology which have strengthened our overall proposition.

### HAYLEYS FENTONS GROUP

Fentons Group is one of Sri Lanka's leading engineering solutions providers, offering a gamut of integrated solutions in electrical, fire safety, plumbing, renewable energy, security, ICT and heating, ventilation and air conditioning. With a strong track record of over nine decades, the Company has nurtured long-term client relationships with leading corporates across numerous industries, attesting to its multi-industry capabilities in offering superior solutions.

The Company delivered a strong performance during the year under review, with revenue increasing by 27% while pre-tax profits increased over 15-fold. Performance was upheld by strong contributions from solar power installation in the commercial, industrial and residential segments, including the Hayleys Group's solar power installation project in which 6.2 MW has already been installed. The Company also placed strategic focus on leveraging digital capabilities to drive cost-optimisation, process efficiencies and obtain customer feedback, which is expected to support profitability over the medium-to-long term. Following the successful acquisition of several large projects in 2020/21, Fentons has built a strong pipeline of projects and is aptly positioned to drive good earnings growth over the short-to-medium term.



## SECTOR REVIEW - OTHERS

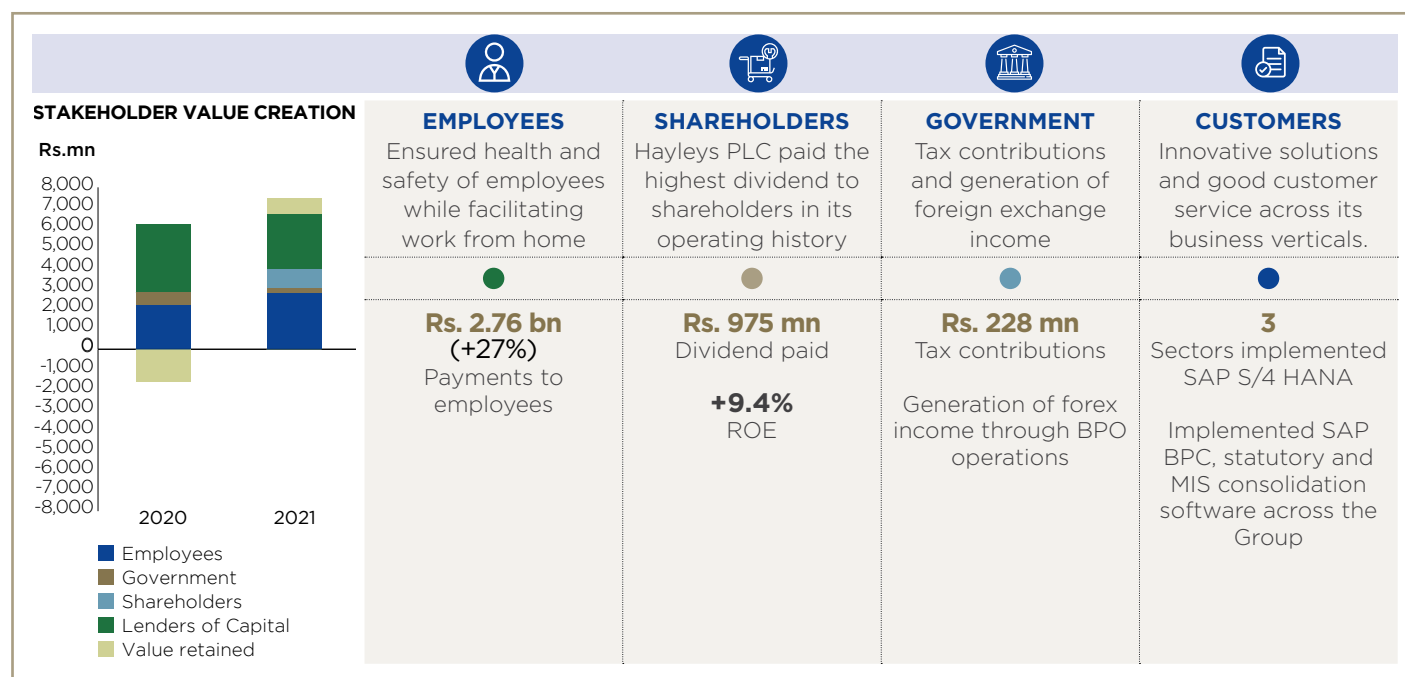
### UNISYST ENGINEERING PLC

The Company's performance weakened in view of the adverse industry conditions that prevailed, which in turn led to the delayed execution of several key projects including Colombo City Hotel and Luna Towers among others. Despite the challenges that prevailed, the Company successfully secured contracts worth of Rs.400 mn, attesting to its' capabilities and reputation in aluminium systems. During the year, the management of Unisyst was brought under Hayleys Advantis Limited, which is anticipated to increase its customer penetration through synergies with the latter's Projects and Engineering arm.

### S&T INTERIORS (PVT) LTD

S&T Interiors is an exclusive joint venture agreement with S&T, a leading Oman based interior fit-out and contracting company and Hayleys PLC. Although successfully securing several large projects, the Company's performance was impacted by pandemic-induced delays and disruptions to construction projects, which in turn impacted both revenue and bottom line.

### STAKEHOLDER VALUE CREATION




### SECTOR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

	Relevant SDG	Our Contribution
		<ul style="list-style-type: none"> <li>Generation of 6.2 MW of renewable energy across the Group</li> </ul>
		<ul style="list-style-type: none"> <li>Through the BPO operation, we empower and support the skill development of young and aspiring professionals</li> </ul>

## PLANS

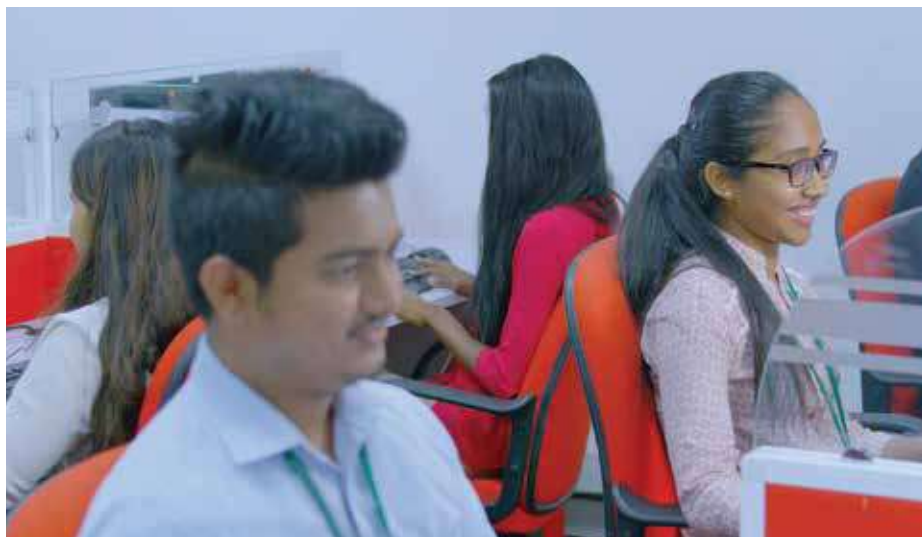
We see considerable growth opportunities for Hayleys Fentons Group, which is likely to benefit from the rebound in construction activities over the medium to long-term, as it leverages its strong stakeholder relationships and product portfolio to drive growth. Meanwhile the BPO and shared services operation intends to expand capacity with the aspiration of becoming the preferred service provider for shared services/payroll/software and website developments. In Unisyst Engineering PLC, we intend to further widen the product portfolio while seeking overseas representation.

Opportunities 
<ul style="list-style-type: none"> <li>Anticipated rebound in construction sector to support medium to long-term growth in Fentons and Unisyst</li> <li>Advent of new technology in Artificial Intelligence and robotics in the BPO operations</li> <li>Opportunities within the Hayleys Group</li> </ul>

Risks 
<ul style="list-style-type: none"> <li>Exchange rate volatility</li> <li>Potential delays in the commencement of several large-scale infrastructure projects</li> <li>Shortage of skilled labour</li> </ul>

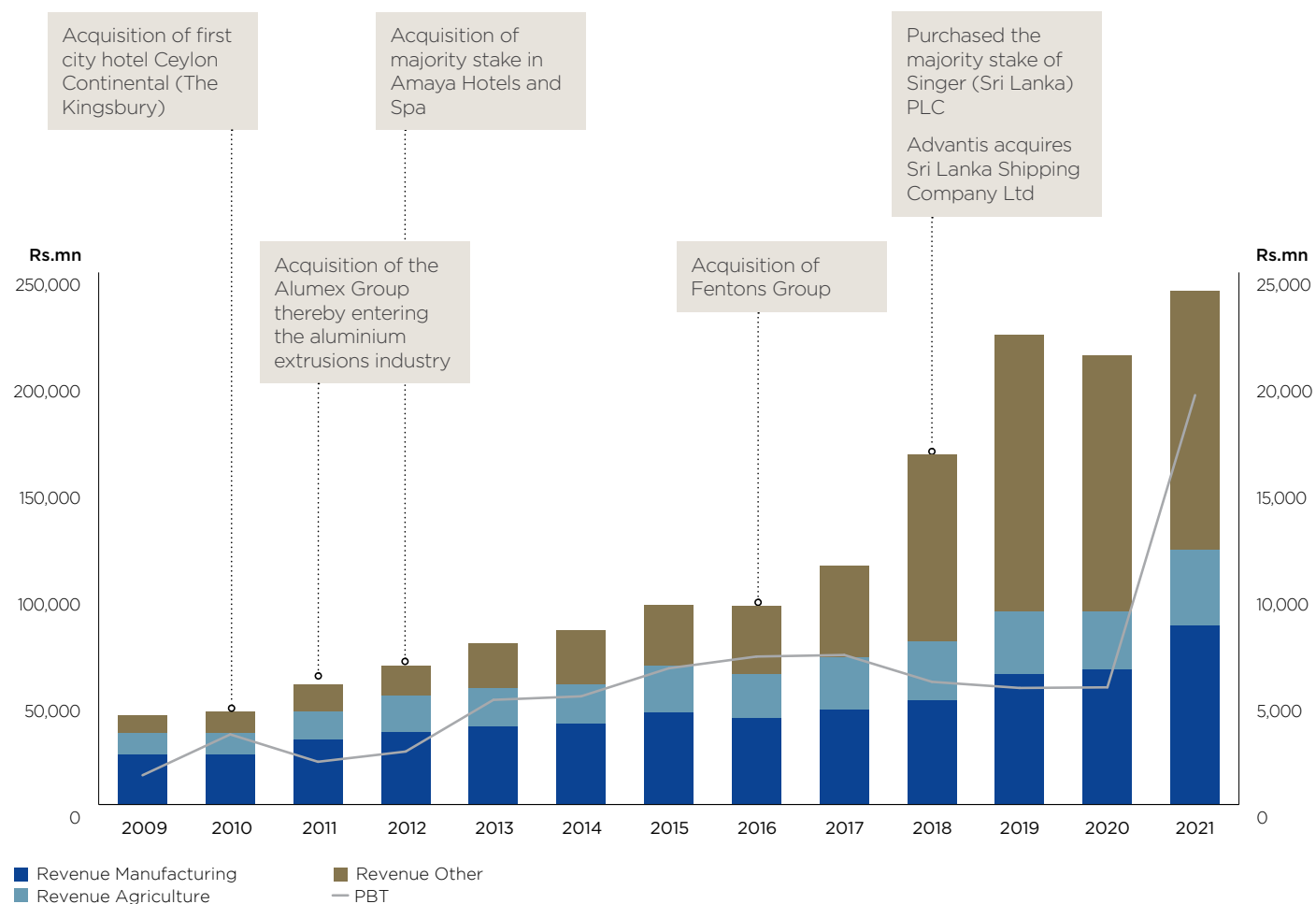
## Financial objectives

Short-to-medium term goals	
ROCE (%)	>15%
ROE (%)	>20%
Gearing	60%



## AN EVOLVING PORTFOLIO

THE GROUP'S BUSINESS PORTFOLIO HAS CONTINUED TO EVOLVE IN LINE WITH SRI LANKA'S ECONOMIC TRAJECTORY, AS WELL-TIMED INVESTMENT DECISIONS AND ORGANIC GROWTH HAS ENABLED THE GROUP TO CAPTURE EMERGING OPPORTUNITIES ACROSS KEY INDUSTRY SECTORS. OVER THE PAST DECADE OR SO, THE GROUP HAS SOUGHT AGGRESSIVE GROWTH VIA ACQUISITIONS, RESULTING IN A SHIFT IN ITS REVENUE COMPOSITION, IN ADDITION TO AN INCREASINGLY DIVERSE PORTFOLIO WHICH HAS ENABLED RESILIENCE TO EXTERNAL HEADWINDS.





## Integrated Performance

# AN EXCEPTIONAL COHESION

As a conglomerate whose influence spans across the world, Hayleys comprises countless people and partnerships that operate as a single entity with one purpose: to ensure continuous progress in the face of adversity.

This section details the integrated strength of our capitals, and how they seamlessly work in harmony to deliver a powerful performance year on year.

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*The phenomenon of murmuration is the synchronised, intricately coordinated movement of thousands of birds across the skies, often visible among flocks of starlings. This stunning display demonstrates cohesive action as a group in the face of uncertainty, and is a response to external threats as a collective entity.*



## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

		2021	Change %	2020
<b>EARNINGS HIGHLIGHTS AND RATIOS</b>				
Revenue	Rs. mn	241,276	14.73	210,307
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	Rs. mn	33,205	42.03	23,379
Results from operating activities	Rs. mn	25,954	57.55	16,473
Profit before tax	Rs. mn	19,234	249.45	5,504
Profit after tax	Rs. mn	14,046	385.18	2,895
Profit attributable to owners of the parent	Rs. mn	7,637	1950.58	372
Dividends	Rs. mn	975	-	-
Gross profit Margin	%	25.35	6.29	23.85
Operating Profit Margin	%	10.76	37.33	7.83
Net Profit Margin	%	5.82	322.91	1.38
Earnings per share (basic)*	Rs.	10.18	1950.58	0.50
Return on Assets (ROA)	%	5.03	331.22	1.17
Return on Capital Employed (ROCE)	%	13.68	54.86	8.84
Interest cover	No. of times	3.00	115.84	1.39
<b>FINANCIAL POSITION HIGHLIGHTS AND RATIOS</b>				
Total Assets	Rs. mn	279,383	12.51	248,309
Total Debt	Rs. mn	114,462	(7.36)	123,555
Equity attributable to equity holders of the parent	Rs. mn	47,618	19.93	39,705
Gearing	%	60.35	(8.95)	66.28
Debt/Equity	%	152.21	(22.56)	196.57
Equity Asset ratio	%	26.92	6.33	25.31
Net assets per share*	Rs.	63.49	19.93	52.94
Current ratio	No. of times	1.11	6.23	1.04
Quick asset ratio	No. of times	0.70	5.26	0.67
No. of Shares in issue	No. mn	750	900.00	75
<b>MARKET / SHAREHOLDER INFORMATION</b>				
Market value per share**	Rs.	60.80	(50.81)	123.60
Dividend per share*	Rs.	1.30	-	-
Company market capitalisation	Rs. mn	45,600	391.91	9,270
Group market capitalisation	Rs. mn	148,317	270.82	39,998
Price earnings ratio	No. of times	5.97	(76.01)	24.89
Dividend yield ratio	%	2.14	-	-
Dividend payout ratio	%	12.77	-	-
Dividend Cover	No. of times	7.83	-	-

		2021	Change %	2020
<b>OTHERS</b>				
Economic Value Generated	Rs. mn	68,992	18.03	58,454
Economic Value Distributed	Rs. mn	57,252	7.64	53,187
Government	Rs. mn	12,482	(0.21)	12,508
Employees	Rs. mn	30,511	12.39	27,148
Others	Rs. mn	17,260	5.39	13,531
Value Added per employee	Rs. mn	2.24	19.04	1.88
Group employment	Number	30,765	(0.85)	31,029
Average Revenue per employee	Rs. mn	7.84	15.71	6.78
Average Operating Income per employee	Rs. mn	0.84	58.91	0.53
Credit Ratings		A+ (Ika)	-	A+ (Ika)

\* Ratios have been adjusted based on post sub-division of 10 shares for every one ordinary share held.

\*\* 2021 after the sub-division of shares.

## FOUNDATION FOR FINANCIAL REPORTING



### SCOPE OF REPORTING

- 12 Business Sectors
- 181 Companies
- 149 Local Operations
- 32 Global Operations



### REPORTING PRINCIPLES

- Sri Lanka Financial Reporting Standards
- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- Requirements of the Companies Act No. 7 of 2007

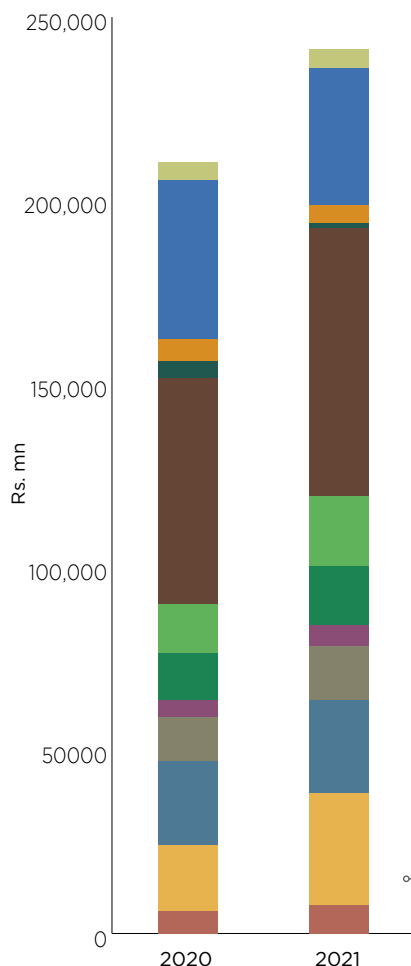


### REPORTING IMPROVEMENTS

- Automated the Financial Consolidation, and MIS through using SAP Business Plan & Consolidation ensuring increased efficiency, accuracy and reliability of the information
- Disclosures relating to the impact of COVID-19
- Introduced country-by-country reporting which comprises financial disclosures based on country of origin.



## FINANCIAL CAPITAL



	<ul style="list-style-type: none"> <li>The Hand Protection Sector delivered a year of remarkable performance recording revenue growth of 70% while PAT increased over 5 times; performance reflects the Sector's timely efforts to proactively drive an increase in capacity utilisation which enabled it to fulfill emerging demand.</li> </ul>
	<ul style="list-style-type: none"> <li>The Purification Sector delivered revenue and PAT growth of 12% and 102% respectively, reflecting recent efforts to drive increased contributions from value-added products and ongoing focus on innovation and customer acquisition.</li> </ul>
	<ul style="list-style-type: none"> <li>The Consumer &amp; Retail Sector delivered a year of transformational growth, rapidly adapting to market conditions to serve the increase in demand for digital devices and home appliances. Revenue and PAT increased by 19% and 7-fold respectively.</li> </ul>
	<ul style="list-style-type: none"> <li>Despite adverse industry conditions, the Transportation &amp; Logistics Sector delivered PAT growth of 73%, leveraging its relationships, expertise and infrastructure to drive increased penetration.</li> </ul>
	<ul style="list-style-type: none"> <li>The Plantations Sector also recorded strong profit growth of over 13-fold reflecting the increase in tea prices during the year and the Sector's efforts to ensure uninterrupted production.</li> </ul>

### REVENUE BY SECTOR

- Eco Solutions
- Hand Protection
- Purification
- Textiles
- Construction Materials
- Plantations
- Agriculture
- Consumer and Retail
- Leisure
- Industry Inputs, Power and Energy
- Transportation & Logistics
- Others

### VALUE CREATION AT A GLANCE

FOCUS AREAS	GROWTH	MARGIN MANAGEMENT AND EFFICIENCY	SHAREHOLDER RETURNS
Developments and key initiatives	Broad-based revenue growth across the Group, with the exception of Leisure, Transportation & Logistics and Industry Inputs, Power and Energy Sectors.	Increased contributions from value-added products across key Sectors.  Relentless focus on efficiencies and cost rationalisation through the "Haysmart" initiative.	Delivered superior shareholder returns, with the highest dividend payment in the Group's operating history and sharp surge in share price.
KPIs	<b>15%</b> Consolidated revenue growth to Rs. 241.28 bn	<b>58%</b> Growth in EBIT to Rs. 25.95 bn  <b>10.8% EBIT margin</b> (2020: 7.8%)  <b>5%</b> Increase in overhead expenses	<b>Rs. 975 mn</b> Dividend payments to shareholders  <b>20-fold</b> Increase in profit attributable to shareholders  <b>4-fold</b> Increase in Market capitalisation

HAYLEYS DELIVERED THE HIGHEST REVENUE AND PROFITABILITY IN ITS 143-YEAR HISTORY, REFLECTING REMARKABLE EFFORTS TO BUILD RESILIENCE IN A YEAR RIFE WITH EXTRAORDINARY CHALLENGES. VALUE TO SHAREHOLDERS REACHED A RECORD-HIGH, REFLECTED IN THE SURGE IN THE SHARE PRICE AS WELL AS THE HIGHEST DIVIDEND IN THE GROUP'S HISTORY



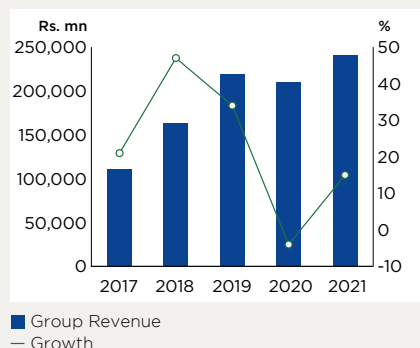
## DELIVERING GROWTH



### REVENUE GROWTH

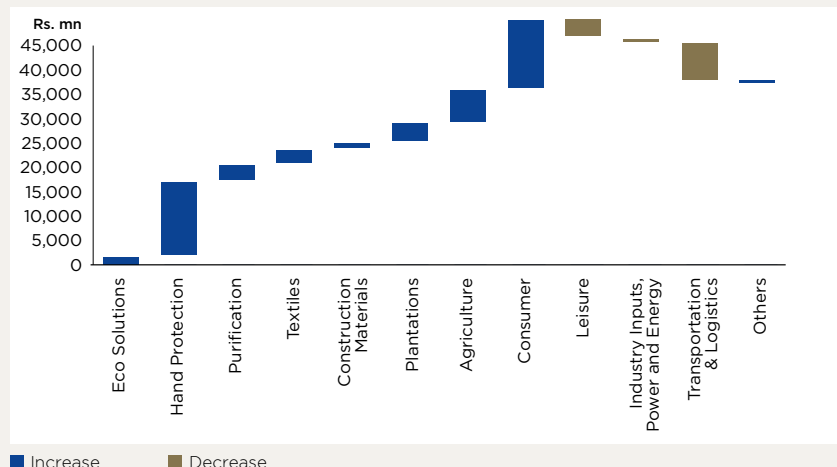
The Group recorded the highest revenue in its operating history, delivering a growth of 15% to Rs. 241.28 bn during the year, reflecting strong broad-based growth in export-oriented businesses together with resilient performance of the Group's domestic businesses. Key contributors to revenue growth included Hand Protection (+70%), Agriculture (+41%), Construction Materials (+27), Plantations (+26%), Eco Solutions (+26%), Textiles (+20%), Consumer & Retail (+19%) and Purification (+12%). Consumer & Retail, Transportation & Logistics, Hand Protection and Purification sectors remained the largest contributors to Group revenue during the year. The Group's resilient performance in a year of unprecedented challenges reflects its strategic agility and adaptability to new norms of working, which enabled the Group to effectively capitalise on emerging opportunities. Understandably, the Leisure sector saw a sharp decline in revenue reflecting the pandemic's catastrophic implications on the country's tourism sector. Geographical composition of revenue remained relatively unchanged, with the domestic market generating 51% of revenue during the year.

### REVENUE TRENDS



Sector	Growth % (y-o-y)	Contribution (%)
Eco Solutions	26%	3%
Hand Protection	70%	13%
Purification	12%	11%
Textiles	20%	6%
Construction Materials	27%	2%
Plantations	26%	7%
Agriculture	41%	8%
Consumer & Retail	19%	30%
Leisure	-70%	1%
Industry Inputs, Power and Energy	-17%	2%
Transportation & Logistics	-15%	15%
Others	13%	2%

### INCREMENTAL REVENUE



**15%**

Revenue growth to record-high of Rs. 241.28 bn

## MARGIN MANAGEMENT AND EFFICIENCY



## GROSS PROFIT

Consolidated gross profit recorded strong growth of 22% to Rs. 61.16 bn as diversity of its businesses enabled the Group to withstand considerable volatilities in input prices. Pandemic-induced disruptions to global supply chains resulted in the escalation of raw material prices across key Sectors including Hand Protection, Purification and Eco Solutions. Despite these challenges, the Group was able to widen its gross profit margin to 25.3% from 23.8% the previous year, primarily supported by increased contributions from value-added products, relentless focus on managing costs and scale efficiencies arising from the increase in volumes. The direct interest cost deducted prior to gross profit represents the funding costs of Singer Finance (Lanka) PLC.

## OPERATING COST MANAGEMENT

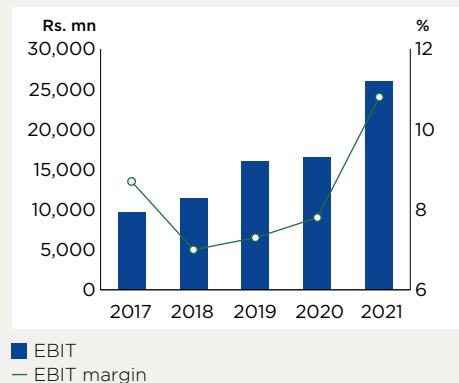
Despite the increase in operational activity across many key sectors and additional expenditure arising from costs associated with ensuring employee health and safety, the Group was able to contain the increase in overhead expenses to 5%. This achievement reflects organisation-wide efforts to rationalise costs, optimise resources and increased efficiencies through the “Haysmart” initiative, which was initiated in March 2020. Accordingly the increase in distribution expenses and administrative expenses was contained at 2% and 5% respectively. Over the past few years, several key sectors including Hand Protection and Purification implemented Total Productivity Maintenance, which have reaped rich dividends through sustained improvements in cost management. Meanwhile increased focus on digitalisation across the organisation has also driven cost efficiencies through automating processes.

## OPERATING PROFITABILITY

The Group's operating profit/earnings before interest and tax (EBIT) surged to a record-high of Rs. 25.95 bn during the year, an increase of 58% compared to 2019/20. Key Sectors demonstrated strong resilience amidst unprecedented challenges to drive significant improvements in core earnings. Growth was broad-based, with all sectors with the exception of Leisure achieving positive growth at operating profit level. Key contributors included Hand Protection (5-fold increase), Purification (+77%), Plantations (4-fold increase), Textiles (+97%) and Construction Materials (+168%). The Consolidated EBIT margin recorded a considerable improvement, widening from 7.8% to 10.8% during the year. It is noteworthy that the improvement at Operating Profit level is driven solely by recurring income and does not entail any significant one-off items and/or capital gains.

Sector	EBIT growth (y-o-y) %	Contribution to Group (%)
Eco Solutions	51%	2%
Hand Protection	404%	18%
Purification	77%	15%
Textiles	97%	3%
Construction Materials	168%	4%
Plantations	364%	6%
Agriculture	28%	7%
Consumer & Retail	29%	19%
Leisure (Negative earnings)	419%	-6%
Industry Inputs, Power and Energy	-11%	4%
Transportation & Logistics	2%	14%
Others	167%	14%

## OPERATING PROFIT TRENDS



## NET FINANCE COST

Consolidated net finance cost declined by 38% to Rs. 6.88 bn during the year, reflecting proactive efforts to rationalise the Group's borrowings and favourable interest rate movements. With the Government pursuing an accommodative monetary policy stance, market interest rates recorded a sustained reduction during the year. The Group sought to capitalise on these trends through proactively negotiating with banks and refinancing relatively high-interest rate facilities with more favourable rates. Following strong cash flow generation during the year, the Group also pared down its debt, with borrowings declining by 7% during the year. Finance income increased by 56% to Rs. 3.18 bn during the year supported by foreign exchange gains arising from proactive efforts to capitalise on movements in the exchange rates.

## EARNINGS GROWTH

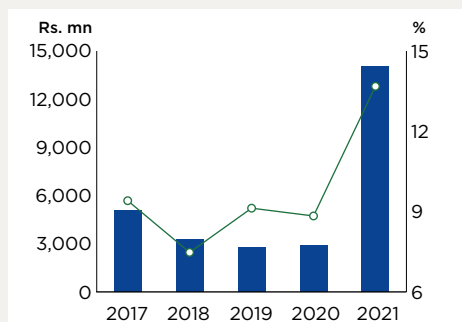


## PROFITABILITY

Robust improvements in core performance, together with the reduction in net finance costs resulted in the Group's pre-tax-profit surging over 2-fold to a record high of Rs. 19.23 bn during the year. Hand Protection emerged as the key contributor to Group profitability with a share of 24%, followed by Purification (19% share), Consumer & Retail (+17%) and Transportation & Logistics (+14%). All Sectors with the exception of the Leisure Sector recorded growth in loss, attesting to the Group's remarkable resilience in a year of extraordinary challenges.

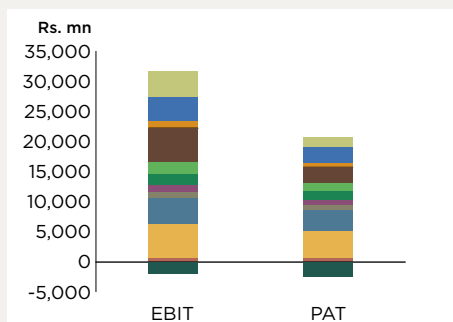
Tax contributions for the year nearly doubled to Rs. 5.19 bn reflecting strong earnings growth, while the effective tax rate declined to 27% from 50% the previous year. The Group's Profit-after-tax for the year reached the highest-level in the Group's operating history, quadrupling to reach Rs. 14.05 bn during the year. Meanwhile, at Company level Hayleys PLC delivered a strong turnaround to generate a profit-after-tax of Rs. 1.20 bn compared to a loss of Rs. 1.79 bn the previous year, upheld by dividend upstreaming of Rs. 3.62 bn and a reduction in finance cost.

## PAT TRENDS



■ Profit after tax  
— ROCE

## SECTOR PROFIT CONTRIBUTIONS\*



■ Eco Solutions  
■ Hand Protection  
■ Purification  
■ Textiles  
■ Construction Materials  
■ Plantations  
■ Agriculture  
■ Consumer and Retail  
■ Leisure  
■ Industry Inputs, Power and Energy  
■ Transportation & Logistics  
■ Others

\* Prior to consolidation adjustments

**Rs. 14.04 bn PAT**  
(4-fold increase)

## OTHER COMPREHENSIVE INCOME

Total other comprehensive income increased to Rs. 2.09 bn (from Rs. 390 mn) the previous year, primarily due to net exchange differences on translation of foreign operations. Resultantly, the Group's total comprehensive income amounted to Rs. 16.14 bn, a near quadrupling compared to the previous year.



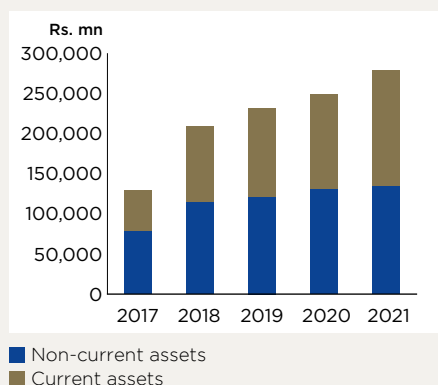
## FINANCIAL STABILITY



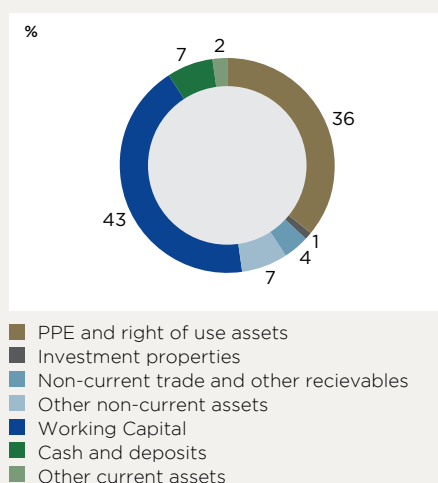
## ASSET GROWTH

Consolidated assets increased by 13% to Rs. 279.38 bn, reflecting increased investments in working capital as key Sectors saw operational activity and capacity utilisation levels increasing. Key contributors to asset growth were Hand Protection (+110%), Textiles (+25%), Purification (+23%) and Plantations (+20%). With investments in working capital increasing by 19% and stronger liquidity levels, the asset composition tilted more towards current-assets, accounting for 52% of total assets, compared to 47% the previous year. Our export-oriented sectors including Hand Protection, Purification, Eco Solutions and Textiles invested in capacity expansion during the year, which resulted in the Group's Property, Plant and Equipment (PPE) increasing by 1%, driven by capital expenditure of Rs. 5.77 bn during the year.

## ASSET GROWTH



## ASSET COMPOSITION



## Asset growth by Sector

Eco Solutions	12%
Hand Protection	110%
Purification	23%
Textiles	25%
Construction Materials	13%
Plantations	20%
Agriculture	17%
Consumer & Retail	7%
Leisure	-4%
Industry inputs, Power and Energy	-1%
Transportation & Logistics	-4%
Others	2%

13%

Growth in assets to Rs. 279.38 bn

21%

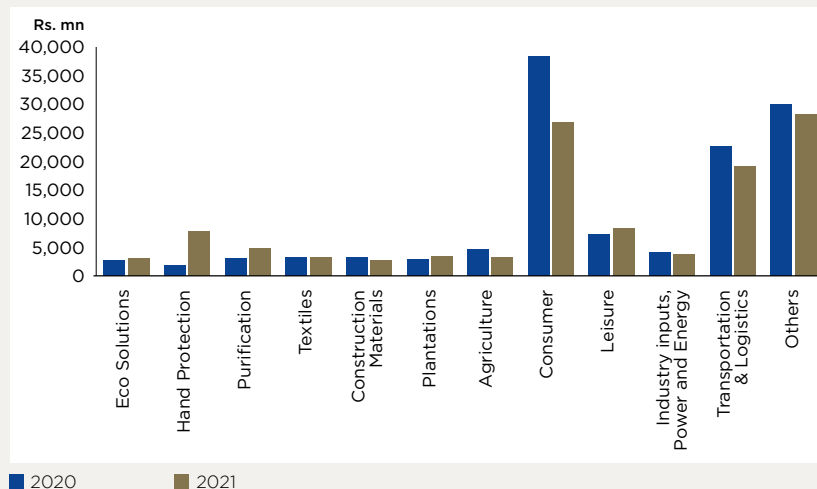
Compound annual growth rate  
(2017/2021)

## CAPITAL AND FUNDING

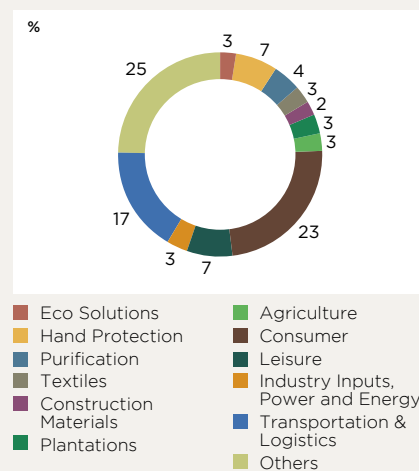
The Group's funding profile strengthened during the year, as strong profit generation boosted the equity base and proactive efforts were made to rationalise borrowings. Total equity increased by 20% to Rs. 75.20 bn during the year, funding 27% of total assets, compared to 25% in 2019/20. In the recent past the Group had adopted a debt-funded growth strategy, which had led to a consistent increase in its borrowings; however, during the year the Group sought to pare down debt supported by strong cash flow generation, resulting in total borrowings declining by 7% to Rs. 114.46 bn.

Borrowings accounted for 60% of the Group's funding profile, with Hand Protection, Consumer & Retail, Transportation & Logistics and Others (Hayleys PLC) accounting for more than 70% of total debt. The Hand Protection Sector saw borrowings increasing 4-fold during the year, mainly to fund capital expansions and working capital requirements given the significant increase in operational activity during the year. Several other key Sectors recorded decreases in borrowings. Overall, the Group's debt/equity ratio improved to 1.52 from 1.97 the previous year.

### SECTOR-WISE DEBT



### DEBT COMPOSITION



## CASH FLOW AND LIQUIDITY



The Group's cash flow and liquidity position strengthened during the year, reflecting the broad-based improvement in operational performance which increased operating cash flows. Net cash from operations increased to Rs. 32.93 bn compared to Rs. 18.85 bn the previous year, supported by strong cash flow generation supported by increased activity levels and effective working capital management. The Group curtailed major capital expansions during the year, resulting in net cash outflow from investing activities amounting to Rs. 4.49 bn from Rs. 8.06 bn the previous year; capex during the year stemmed mainly from the Hand Protection, Purification, Textiles sectors. Net cash flow from financing activities amounted to an outflow of Rs. 13.29 bn, as the Group funded dividend payments primarily through internally generated cash. Resultantly, the net change in cash and cash equivalents amounted to an inflow of Rs. 15.14 bn, recording significant improvement compared to Rs. 2.52 bn the previous year.

## FINANCIAL CAPITAL

### INVESTOR RELATIONS: SHAREHOLDER VALUE

Hayleys PLC is committed to maintaining transparent, 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

Listed, rated, senior, unsecured, redeemable debentures redeemable in July 2023

Listed, rated, senior, unsecured, redeemable debentures redeemable in August 2024

This section of the Report provides information on Hayleys PLC's ordinary shares; please refer to page 380 for information on the debentures.

### Performance of the Colombo Stock Exchange (CSE)

The CSE recorded considerable volatility in the first half of the year, reflecting pandemic-driven concerns on economic growth and earnings. As prices dropped sharply, index-based circuit breakers were activated on several instances and in mid-May the Share Price Index (ASPI) recorded its lowest point in over a decade.

However, sentiments recorded a gradual improvement in ensuing months as domestic investors returned to the equity market given the persistently low interest rate environment and the improvement in corporate earnings. Resultantly, the ASPI recorded a growth of 10.5% by end-2020 while market capitalisation increased by 3.8% to Rs. 2,960.6 bn. On the other hand, net foreign outflows continued throughout the year with Rs. 51.3 bn foreign outflows during the year, compared to Rs. 11.3 bn the previous year. Meanwhile foreign contribution to the total turnover fell to 19.8% from 36.4% in previous years.

#### THE HAYLEYS SHARE

Sub-division of shares 10:1 in February 2021

**Rs. 45.6 bn** (+4-fold increase)

Market Capitalisation

	2021	2020
EPS* (Rs)	10.18	0.50
NAVPS* (Rs)	63.49	52.94
Dividend per share* (Rs)	1.30	-
Market capitalisation (Rs. bn)	45.6	9.3

\* Ratios have been adjusted based on sub-division

### Performance of our share

The Hayleys PLC share price recorded phenomenal growth during the year, increasing over 550% from April 2020 to January 2021. The share surged to a record-high of Rs. 860 in January 2021, reaching the highest level in recent history. The surge reflected the Group's strong quarterly earnings together with the broad-based improvement in the stock market. The share strengthened further in ensuing weeks, increasing by Rs. 265 per share (63%) to mid-February 2021. Meanwhile, market capitalisation surged over 4-fold to Rs. 45.6 bn by end- March 2021.

With a view to enhancing the liquidity of the share, the Group along with its listed subsidiaries engaged in a share subdivision during the year. Accordingly, each ordinary share was split to 10 shares, resulting in the total shares issued increasing to 750 mn shares.

### Shareholder returns

The year under review was characterised by superior shareholder returns, underpinned by record profitability, highest dividend payout in the Group's history as well as the escalation in the share price. Shareholder returns as measured by earnings per share increased from Rs. 0.50 to Rs. 10.18 during the year; meanwhile net asset per share increased by 20% to Rs. 63.49 by end-March 2021, an indication of the Group's 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.

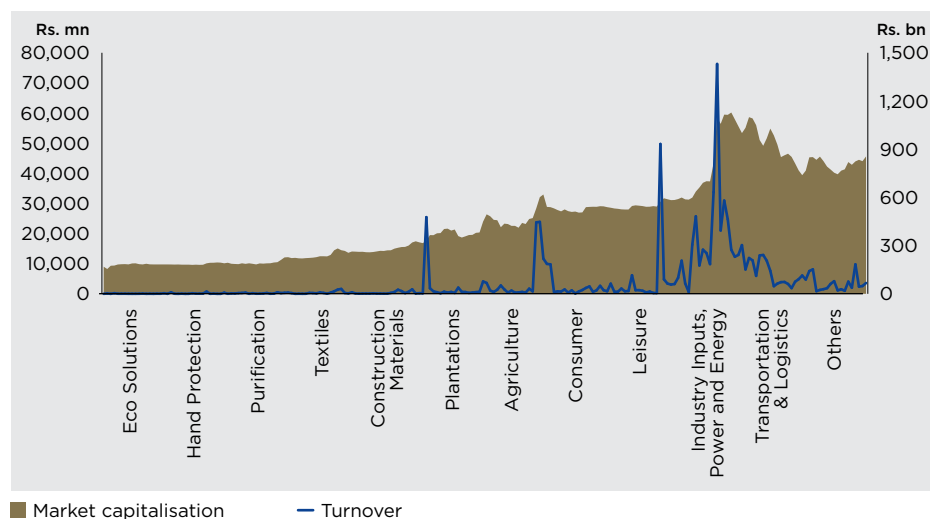
### INFORMATION WE SHARE WITH SHAREHOLDERS

- The operating environment during the year (pages 96 to 97)
- Implications of COVID-19 and our response (page 22)
- Financial performance and Sector-level performance (pages 174 to 181 & 98 to 169)
- Corporate Governance and risk management practices (pages 50 to 68 & 85 to 94)
- Our Environmental, Social and Governance (ESG) framework (pages 80 to 81)

### KEY MESSAGES OF 2020/21

- Highest revenue, operating profit, PAT and profit attributable to shareholders delivered during the year.
- Strengthened balance sheet through rationalising borrowings.
- Highest dividend to shareholders in the Group's operating history.
- Launch of 'Environment' pillar of the Group's ESG Framework.

### MARKET CAPITALISATION AND TURNOVER



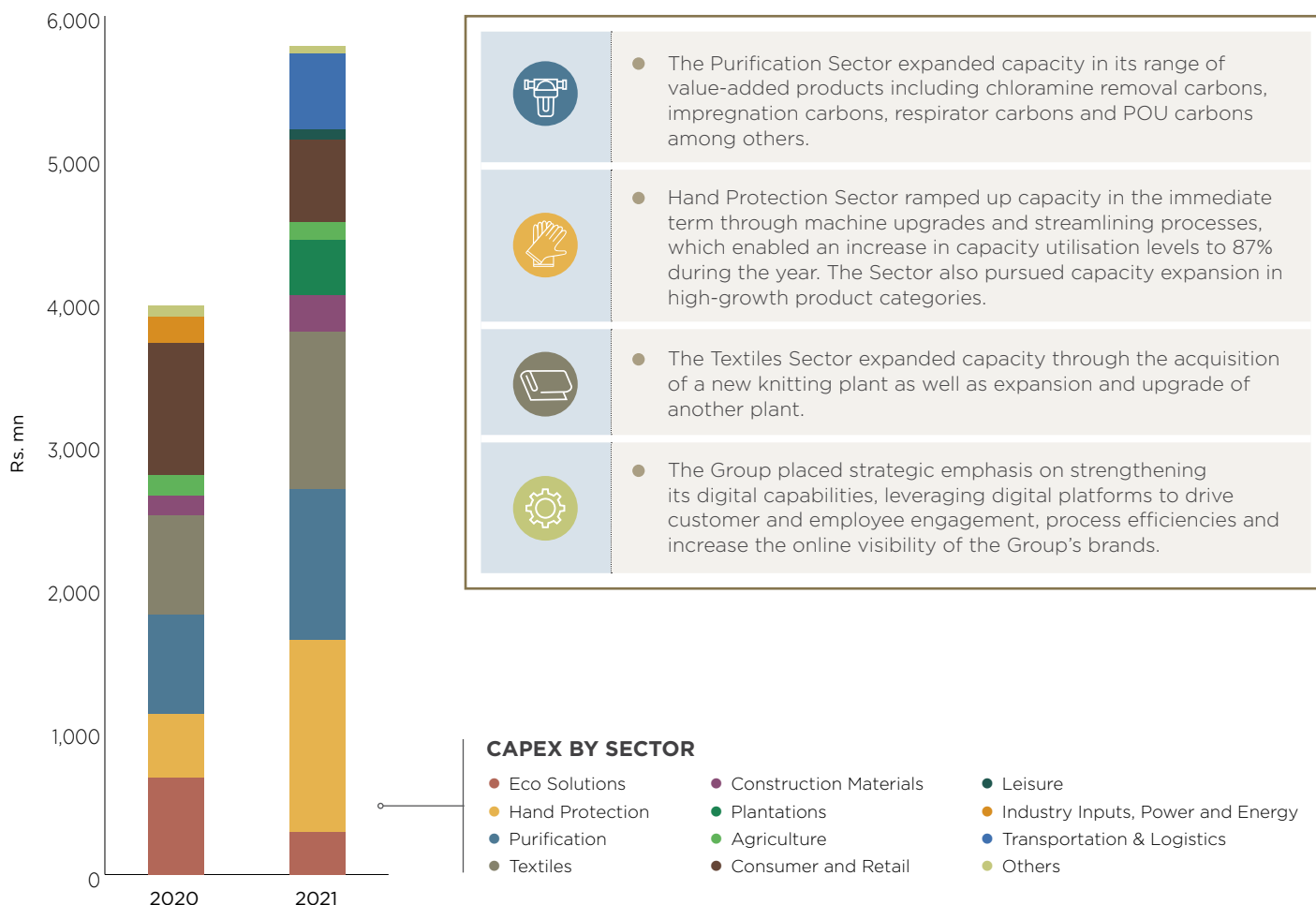
### GROUP SHARE INFORMATION

15 of the Group's subsidiaries are listed on the Colombo Stock Exchange as listed below; as at end-March 2021, the consolidated market capitalisation of these entities amounted to Rs. 148.32 bn.

Company name	Indexed price (Rs.)	Market cap (Rs.mn)
Hayleys PLC	60.80	45,600
Dipped Products PLC	46.40	27,776
Haycarb PLC	93.00	27,633
Singer (Sri Lanka) PLC	17.40	19,608
Alumex PLC	10.80	6,465
Hayleys Fabric PLC	14.10	5,858
The Kingsbury PLC	6.00	2,904
Singer Finance (Lanka) PLC	13.70	2,768
Kelani Valley Plantations PLC	37.50	2,550
Amaya Leisure PLC	17.80	1,922
Talawakelle Tea estates PLC	37.50	1,781
Hayleys Fibre PLC	47.60	1,142
Regnis (Lanka) PLC	49.10	1,107
Singer industries (Ceylon) PLC	44.70	894
Unisyst Engineering PLC	7.00	309



## MANUFACTURED CAPITAL



### VALUE CREATION AT A GLANCE

FOCUS AREAS	CAPACITY EXPANSION	DRIVING MANUFACTURING EFFICIENCIES	SUSTAINABLE MANUFACTURING
Developments and key initiatives	Capacity expansions in the Group's key export-oriented businesses including Hand Protection, Purification and Textiles	Leveraged recent investments in TPM, and lean initiatives to drive increased efficiencies in manufacturing	Ongoing investments in reducing the environmental footprint of our operations through, <ul style="list-style-type: none"> <li>1- Investing in renewable energy generation</li> <li>2- Reducing dependence on fossil fuel-based energy sources in manufacturing</li> <li>3- Upgrades to effluent treatment plants to increase recycled water quantity</li> </ul>
KPIs	<b>5%</b> capacity growth Hand Protection <b>4%</b> capacity growth Textiles <b>10%</b> capacity growth Purification	<b>3.40X</b> (2.90X-2020) Turnover/PPE ratio in manufacturing sectors	<b>64%</b> Reliance on renewable energy <b>3%</b> Reduction in furnace oil <b>11%</b> Reduction in diesel <b>0.3%</b> Reduction in water consumption

**MANUFACTURING-RELATED BUSINESSES GENERATE OVER 40% OF THE GROUP'S REVENUE, UNDERSCORING THE CRITICAL IMPORTANCE OF MANUFACTURED CAPITAL IN THE GROUP'S VALUE CREATION PROCESS. THE GROUP'S MANUFACTURED CAPITAL BASE OF RS. 50.24 BN ACCOUNTED FOR 18% OF TOTAL ASSETS AS AT END-MARCH 2021**



#### OUR MANUFACTURING CAPABILITIES

Hayleys' manufactured capital includes manufacturing facilities which extends beyond Sri Lanka, to include facilities in Thailand and Indonesia. The extensive branch network of Singer (Sri Lanka) PLC is also an important element of the Sector's Manufactured Capital, facilitating island-wide accessibility. These are listed below; please refer to note 3.5 of the Financial Statements for the accounting policy pertaining to the measurement and recognition of these assets.

Sector	No. of manufacturing and/or other facilities						Contribution to Value Creation	NBV as at end-March 2021 (Rs. mn)
	Sri Lanka	Thailand	India	Indonesia	Maldives	Bangladesh		
Eco Solutions	8		1				Manufacturer of Fibre based products	1,983
Hand Protection	4	1					Manufacturer of a spectrum of household, industrial and medical gloves.	3,271
Purification Products	2	2		2			Coconut shell based activated carbon	4,216
Textiles	2						Fabric knitting, dyeing, printing and brushing - cotton and polyester	4,764
Construction Materials	2						Aluminium extrusions	2,560
Plantations	41						Tea, rubber and tea extracts	2,066
Agriculture	12					1	Manufacturing and distribution of Agricultural produce and equipment	779
Consumer & Retail <sup>1</sup>	38						Manufacturing, financing and marketing consumer durables	3,738
Leisure <sup>2</sup>	4				1		Hotels and resorts	11,299
Industry Input & Power and Energy <sup>3</sup>	10*						Industrial inputs and renewable energy generation	4,286
Transportation & Logistics	24 vessels & 8 facilities						Warehousing and marine services	11,110
Others	2						Manufacturing facilities of aluminum fabricate and Head office	209

<sup>1</sup> Outlets

<sup>2</sup> Hotels

<sup>3</sup> Power plants



## MANUFACTURED CAPITAL

### DRIVING EFFICIENCIES IN MANUFACTURING

In recent years, several Sectors placed strategic focus on driving improvements in manufacturing efficiency, implementing initiatives such as Productivity Maintenance, Lean, and Six Sigma among others. These initiatives have enabled the Group to optimise resources, while enhancing productivity and efficiency and reducing waste.

The PPE/Turnover ratio for relevant sectors is presented below and demonstrates how several Sectors recorded improvements in turnover generation during the year.

	2021	2020
Eco Solutions	1.8	1.5
Hand Protection	6.9	4.9
Purification	4.0	4.1
Textiles	2.5	2.5
Construction Materials	1.6	1.3
Plantations	1.9	1.5
Agriculture	15.9	11.5
Consumer & Retail	10.8	9.0

### INVESTING IN OUR FUTURE

The Group's total capex for the year under review amounted to Rs. 5.77 bn and comprised mainly of capacity expansions by the Hand Protection, Purification and Textiles Sectors. The Hand Protection Sector expanded capacity in all manufacturing locations, with considerable investments directed towards strengthening the supported gloves range. Purification Sector investments were driven towards enhancing capacity and capabilities in the value-added and premium range, while the Textile Sector acquired a new knitting plant and expanded plant capacity and capabilities in Narthupana.

### DIGITAL INFRASTRUCTURE

Digitalisation is a key pillar of the Group's strategy and in recent years the Group has sought to accelerate its digital journey with the aim of driving operational efficiencies, strengthening brand visibility and generating business. With the unprecedented shift to digital during the year, the Group seamlessly transitioned to virtual platforms in engaging with both customers and employees. Key developments during the year included the following:

- Launch of the new Hayleys Corporate Website
- Implemented SAP BPC Financial Consolidation model, MIS and SAP S/4 HANA
- Investments in strengthening the Group's IT and cyber-security infrastructure
- Increased penetration through e-commerce platforms, particularly in the Consumer & Retail Sector and Leisure Sector
- Launch of advanced cloud-based HRIS system for human resource management
- The Purification Sector launched a virtual factory tour for potential customers



# CONSOLIDATED STATEMENT OF SOCIAL PERFORMANCE

		2021	Change %	2020
<b>EMPLOYEES</b>				
Employees on payroll	No.	30,765	-0.85%	31,029
Female representation	%	37	-2.63%	38
New recruits	No.	4,053	-12.86%	4,651
Investment in training	Rs. mn	18	-73.53%	68
Training hours	Hours	161,989	-27.77%	224,275
Average training hours per employee	Hours	5.27	-27.11%	7.23
Retention rate	%	86	1.18%	85
Workplace Injuries	No.	149	-22.40%	192
Lost working days	No.	1,861	-55.29%	4,162
<b>CUSTOMERS</b>				
Customers acquired	No.	1,602,712	42.74%	1,122,834
Revenue generated	Rs. mn	241,276	14.73%	210,307
<b>SUPPLIERS AND BUSINESS PARTNERS</b>				
Total number of suppliers (as at end-March)	No.	18,700	-2.73%	19,224
SME suppliers	No.	10,711	-5.33%	11,314
Payments to suppliers	Rs. mn	145,497	10.28%	131,928
Proportion of spending on local suppliers	%	47	-25.40%	63
Suppliers supported through development programs	No.	1,601	779.67%	182
<b>COMMUNITY ENGAGEMENT</b>				
Investment in CSR	Rs. mn	292	7.06%	273
Beneficiaries of CSR	No.	377,983	-9.58%	418,038
No. of new products developed	No.	349	80.83%	193
No. of products in the pipeline	No.	107	105.77%	52
Investment in R&D	Rs. mn	201	55.81%	129

## FOUNDATION FOR SOCIAL REPORTING



### SCOPE OF REPORTING

- 12 Business Sectors
- 181 Companies
- 149 Local Operations
- 32 Global Operations



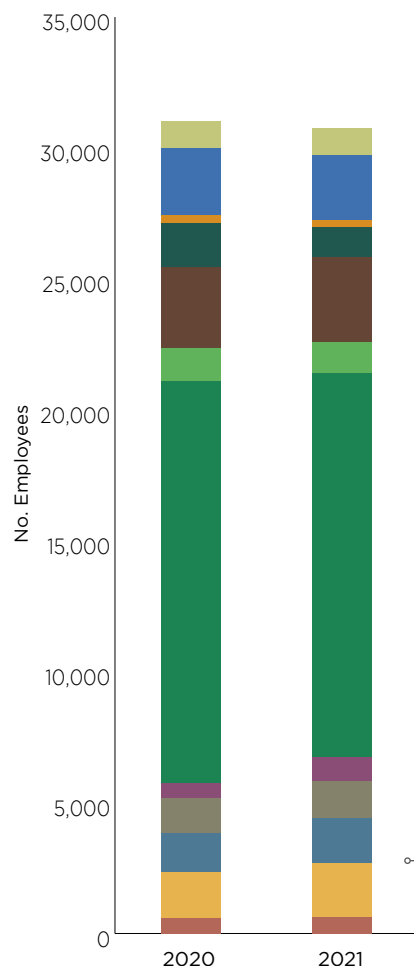
### REPORTING PRINCIPLES

- Integrated Reporting Framework
- GRI Standards
- SDG Reporting
- National Green Reporting Initiative
- Gender Parity Reporting framework of CA Sri Lanka



### REPORTING IMPROVEMENTS

- Obtained external assurance on our Integrated Reporting practices.
- Adoption of Gender Parity Reporting framework of CA Sri Lanka.
- Adoption of the updated GRI Standard on Health and Safety (GRI 403: Occupational Health and Safety 2018).



THE HAYLEYS TEAM OF 30,765 EMPLOYEES ARE OUR MOST VALUABLE ASSET, DRIVING THE GROUP FORWARD THROUGH INNOVATION, SUSTAINABILITY AND EXTRAORDINARY RESILIENCE. 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



	The Transportation Sector rolled out a comprehensive occupational health and safety policy framework, ensuring the proactive identification and management of all H&S risks
	The Plantation Sector ensured the physical and mental well-being of over 14,000 estate sector employees through considerable investments in safety, nutrition and living conditions during the year
	Construction Materials supported the educational needs of all employees' children through the distribution of 235 tabs during the year
	Despite a catastrophic year, the Leisure Sector maintained salaries of all employees, even countering the loss of service charge through providing an allowance


#### EMPLOYEES BY SECTOR

- Eco Solutions
- Hand Protection
- Purification
- Textiles
- Construction Materials
- Plantations
- Agriculture
- Consumer and Retail
- Leisure
- Industry Inputs, Power and Energy
- Transportation & Logistics
- Others

#### VALUE CREATION AT A GLANCE

FOCUS AREAS	ENSURING EMPLOYEE SAFETY	LISTENING TO OUR EMPLOYEES	DEVELOPING THE TALENT POOL
Developments and key initiatives	Implemented stringent health and safety measures across all operations to ensure safety of people	Enhanced engagement with employees to ensure we understood the concerns and challenges they faced amidst dramatic shifts in working conditions and heightened vulnerabilities to health and safety risks	Shifted all training and development initiatives to digital platforms, with emphasis on developing leadership and soft skills as well as addressing unique challenges of remote working such as stress management and work-life balance
KPIs	<p><b>&gt;11,000</b> PCR tests conducted</p> <p>Facilitated entry to Intermediate Care Centres for all COVID-19 infected employees</p> <p>Awareness sessions for all employees on COVID-19 related matters</p>	<p><b>3</b> Engagement Surveys across Sectors</p> <p><b>5</b> Group-wide sessions by the Senior Leadership on the business implications of COVID-19</p> <p><b>2</b> Group-wide online engagements/interactions</p>	<p>Conversion of conventional programmes to digital platforms</p> <p>Sourcing and finalising structured Leadership Development Programmes for Senior and Managerial levels</p> <p>Online learning content delivered at least once a week</p>

## OUR MANAGEMENT APPROACH

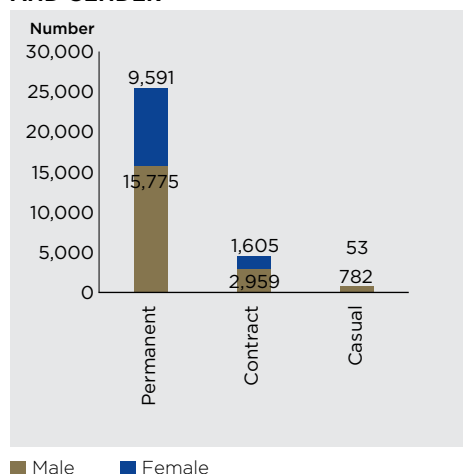
TEAM HAYLEYS 	
<ul style="list-style-type: none"> <li>Attracting and retaining a talented and diverse workforce is essential to the successful delivery of the Group's strategy. We are committed to accelerating the development of our employees through strengthening capabilities and enhancing performance.</li> </ul>	
<b>GOVERNANCE STRUCTURE</b>	<ul style="list-style-type: none"> <li>The Group's HR agenda is centrally driven by the Group HR function which plays a coordinating role in ensuring Sectors' alignment to Group strategy and practices. Given the diversity and relative independence of the sectors, many companies within the Group also operate their own Human Resource Departments while their strategies and HR practices are aligned with the vision of the Group HR function</li> </ul>
<b>OUR COMMITMENT</b>	<ul style="list-style-type: none"> <li>We listen to our people through a range of well-established engagement platforms</li> <li>We invest in developing capabilities, thereby building strong talent pipelines</li> <li>We are building a diverse and inclusive workforce which is socially and environmentally responsible</li> <li>We are committed to ensuring a safe working environment for all our employees</li> </ul>
<b>OUR POLICIES AND STANDARDS</b>	<p><b>Internal policies</b></p> <ul style="list-style-type: none"> <li>"The Hayleys Way" including Anti Corruption policies</li> <li>Recruitment: Equal opportunity employer providing a work-place free from gender or racial discrimination. There were no incidents of discrimination during the reporting period.</li> <li>Remuneration: 1:1 remuneration ratio between men and women</li> <li>Anti-sexual harassment policy</li> <li>Occupational health and safety policy: Driving towards a target of zero accidents</li> <li>Whistleblowing policy</li> </ul> <p><b>External standards/voluntary frameworks</b></p> <ul style="list-style-type: none"> <li>UN Global Compact Principles 1 to 6</li> </ul>
<b>INFORMATION SYSTEM</b>	<ul style="list-style-type: none"> <li>During the year, the Group HR function marked a key milestone by launching a state-of-the-art Oracle based Human Resource Information System for both executive and non-executive employees, covering approximately 17,500 employees. Featuring a cloud-based system for executive employees and a locally developed customised solution for non-executive employees, the new system offers easy accessibility to all employees, offering increased visibility and convenience in all HR administration related matters. The Oracle Cloud HRIS and locally developed HRIS are seamlessly integrated to enhance operational efficiency while being integrated with the Central Premises Access control system of the Group. Despite innumerable operational challenges that prevailed during the year, the Group achieved a smooth transition to the new system ensuring delivery within the stipulated timelines.</li> </ul> <p>The Group also implemented a Document Management system to digitalise the personal file management system of Group HR Shared Services Centre.</p>

## HUMAN CAPITAL

### THE HAYLEYS TEAM

We are one of the largest private sector employers in the country, with a total team of 30,765 employees who are engaged across all 9 provinces and 7 overseas locations. The Plantations sector is the largest employer within the Group, accounting for 48% of total Group employees, followed by the Consumer & Retail Sector and Transportation & Logistics. The Group does not engage employees on a part-time basis.

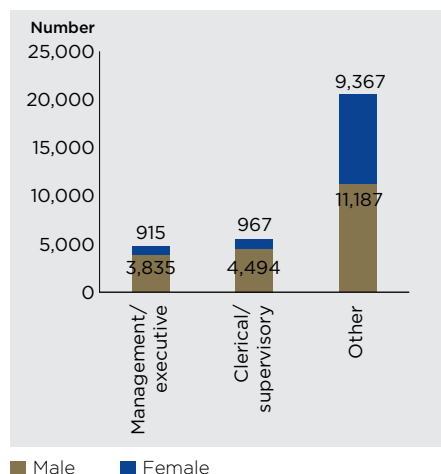
### EMPLOYEES BY CONTRACT AND GENDER



**30,765**

Direct employees

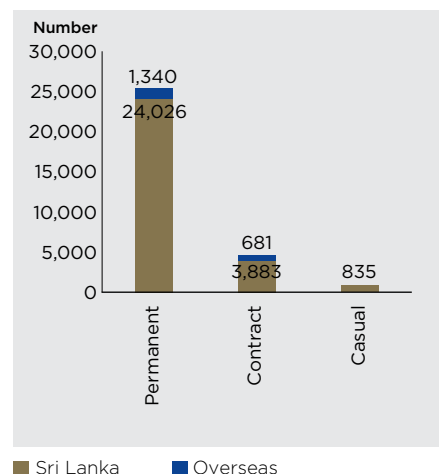
### EMPLOYEES BY CATEGORY AND GENDER



**37%**

Female representation

### EMPLOYEES BY CONTRACT AND REGION



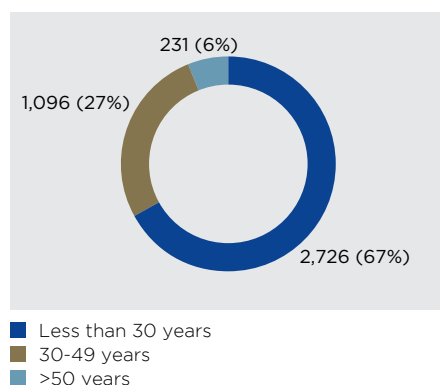
**2,021**

Overseas direct employees

### Recruitment in 2020/21

Given the conditions that prevailed during the year, the group witnessed reduced recruitments. With 24% of total recruitments, the Hand Protection sector was the largest recruiter during the year, as the significant increase in production volumes necessitated a higher headcount. All new recruits undergo a comprehensive induction and orientation program. In addition to the orientation programmes that take place at the Sectors for all new employees, the Group Orientation programmes conducted for Executives and above, were conducted virtually this year featuring interactive sessions and online activities to ensure a high-level of engagement. During these sessions, the new comers were introduced to the Hayleys family, its rich heritage and the values and ethics that govern how one goes about life at Hayleys - 'The Hayleys Way' among many other facets.

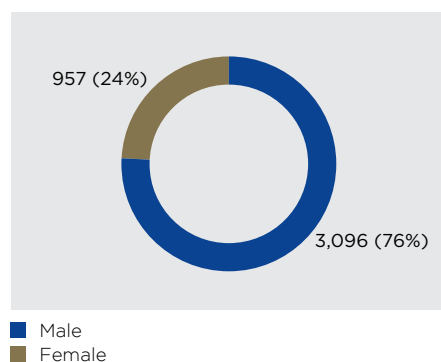
### NEW RECRUITS BY AGE



**4,053**

New recruits

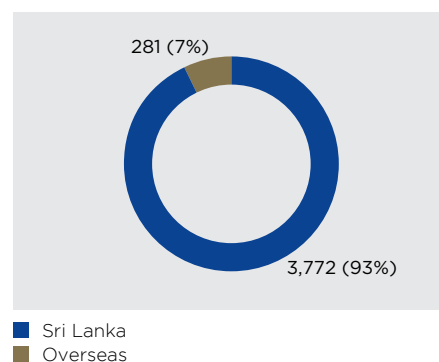
### NEW RECRUITS BY GENDER



**24%**

Female recruits

### NEW RECRUITS BY REGION



**42%**

New recruits from outside the Western Province

New recruits by Sector	
Eco Solutions	51
Hand Protection	914
Purification	431
Textiles	234
Construction Materials	575
Plantations	797

Agriculture	98
Consumer & Retail	428
Leisure	168
Industry Inputs, Power and Energy	12
Transportation & Logistics	109
Others	236

## COVID-19 RESPONSE



The pandemic has completely disrupted the conventional workplace, necessitating a migration to a new way of working to an extent which was never envisioned before. Given the diversity and breadth of the Hayleys Group, this shift required frequent engagement with all levels of employees, with the Group HR function playing a critical role in safeguarding employees while ensuring the continuity of operations.

A COVID-19 task force was established, with multi-sector representation to formulate means of ensuring continuity of business activity while safeguarding our people. The Task force was responsible for,

- 1- Collating and maintaining a database of COVID-19 infected persons
- 2- Managing Intermediate Care facilities to ensure availability of adequate accommodation
- 3- Assistance to Sectors to trace first contacts and direct them for self-quarantine

### KEY MEASURES ADOPTED BY THE GROUP INCLUDED THE FOLLOWING:

- Implemented stringent safety measures, often above and beyond what was prescribed by the health authorities. Key measures included providing necessary PPE and sanitisers, conducting over 11,000 PCR tests across the group, daily health declarations for all employees, implementing a clearly articulated procedure for infected persons including facilitating intermediate care centres and facilitating vaccines, among others.
- Facilitated work from home arrangements for all office employees through providing necessary IT infrastructure and implementing guidelines on remote working.
- Migration of all employee engagement and development programs to digital platforms, thereby ensuring collaboration and ongoing interaction
- Redeployment of employees across sectors to ensure optimisation of human capital
- Focus on employee mental well-being through conducting several digital learning sessions on stress management, work-from-home and emotional intelligence.
- Creating awareness on protocols to be adopted to contain the spread of Covid-19 and thereby ensure the safety of our employees and their families.



## HUMAN CAPITAL

### WORKFORCE ENGAGEMENT

Ensuring open engagement through which we can listen to and learn from our employees is critical in creating a conducive work culture. In a typical year, the Group conducts an array of events through the Hayleys Group Recreational Club including sports and cultural festivities at both Group and Sector levels. In 2020/21, engagement was shifted primarily to digital platforms, with special focus on ensuring that staff morale was retained and supporting them through the unique physical, mental and emotional challenges of working from home.

<b>INTERACT WITH GMC</b>	<ul style="list-style-type: none"> <li>Industry-specific, moderated discussions with relevant GMC members on the implications of COVID-19, outlook for the industries and strategies implemented. These sessions were extremely well received and contributed towards breaking down silos created due to remote working and providing clarity and assurance to employees on the future of their respective businesses. The sessions covered the majority of the Group's sectors including Hospitality, Aviation, Manufacturing, Agriculture, Transportation &amp; Logistics, Consumer, Industrial Inputs among others.</li> </ul>
<b>ONLINE LEARNING SESSIONS</b>	<ul style="list-style-type: none"> <li>Learning sessions aimed at supporting employees in adapting to the new normal, including sessions on emotional intelligence, stress management and remote working among others. We also conducted online sessions with medical doctors in raising employee awareness on the virus and vaccinations.</li> </ul>
<b>INCREASED SOCIAL MEDIA ENGAGEMENT</b>	<ul style="list-style-type: none"> <li>Active engagement through social media channels including a throwback photograph series, quotes from leaders, people management tips and mental health campaigns among others.</li> </ul>
<b>RECREATIONAL ACTIVITIES/ENGAGEMENTS</b>	<ul style="list-style-type: none"> <li>HGRC also conducted a couple of Group wide activities to promote engagement by organising the Inter Company Chess Tournament and the Inter Company Art Competition the latter of which was also open to kids of employees at various age categories. Both these were conducted online.</li> </ul>

### INDUSTRIAL RELATIONS

We understand our employees' right to freedom of association and collective bargaining with many operations having active trade unions. Approximately 57% of the Group's employees are covered by Collective Agreements. Group HR maintained proactive engagement with all trade unions during the year, successfully obtaining their co-operation and support in implementing new work practices and ensuring safety of employees. Minimum notice periods vary depending on the sector and circumstances, but relevant collective agreements ensure that a reasonable notice period is given for operational changes. With the exception of the Plantation Sector, which experienced industry-wide labour unrest due to wage negotiations and minimum wage fixation, there were no instances of industrial actions within the Group

reflecting the harmonious relations maintained between workers and management.

Sector	% of employees covered by Collective Agreements
Plantations	99%
Purification	32%
Hand Protection	24%
Agriculture	13%
Eco Solutions	17%
Consumer & Retail	38%
Textiles	50%

### INVESTING IN LEADERS

The Group is focused on attracting and nurturing the skills and capabilities that are required to drive its strategic aspirations. The talent development

agenda is driven through the Group's centralised HR function and includes on-the-job training, cross functional and cross sectoral exposure and structured training sessions. Hayleys is also an approved training partner for professional bodies such as CA Sri Lanka. The Group has also rolled out a comprehensive training catalogue outlining 52 programmes across 8 competencies, targeting all levels of employees from Junior Executives to Directors.

Given the conditions that prevailed during the year the majority of training programmes were conducted through online platforms. Employees were offered access to over 100 e-learning content including leading international publications and covering a range of competencies.

### SUMMARY OF TRAINING PROGRAMMES CONDUCTED

- A series of learning sessions on Mergers and Acquisitions with the involvement of the GMC, expert external and internal resources covering areas such as valuations, negotiations, HR aspects and culture among others. The sessions covered Hayleys' experience in M&A, given its importance in the Group's growth strategy.
- E-learning content
- Internal sessions on centralised functions such as tax, insurance, and HR among others.
- Initiated a leadership development program for specific leadership teams which will be rolled out in 2021/22

#### Average training hours by category

Managerial	10.12
Executive and Junior executive	6.69
Others	4.77

#### Average training hours by gender

Male	4.91
Female	5.88

**Rs. 18 mn**

Investment in training

**161,989**

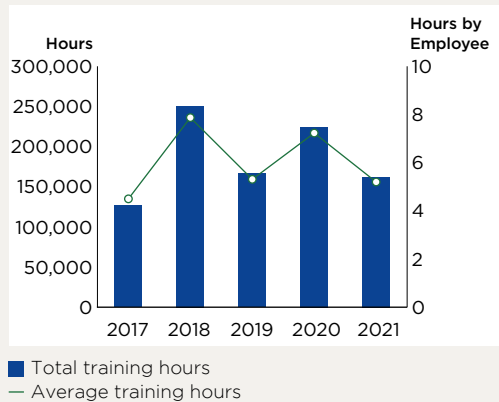
Training hours

**5.3**

Average training hours per employee

### TRAINING RECORD 2017-2021

#### TRAINING RECORD



#### Training hours by sector (2021)

Eco Solutions	384
Hand Protection	19,655
Purification	2,677
Textiles	1,547
Construction Materials	380
Plantations	81,326
Agriculture	1,591
Consumer & Retail	16,065
Leisure	17,511
Industry Inputs, Power and Energy	1,270
Transportation & Logistics	15,140
Others	4,443



## HUMAN CAPITAL

### A SAFE WORKPLACE

Health and safety emerged as the foremost employee priority during the year and the Group adopted an array of measures to safeguard our employees from the risk of cross-infection during the year (Please refer to page 189 for detailed information)

#### Health and safety management system

The Group has a comprehensive Health and Safety Management System which is founded on a Health and Safety policy and an H&S Audit Pool at Head Office which ensures high standards of safety are maintained across all sectors. The Audit Pool is represented by various sectors within the Group and comprises employees who have undergone extensive training and are identified as champions to monitor and manage their entities and surroundings. The Group's approach to H&S complies with all relevant regulations including the Factories Ordinance, BOI requirements and Labour Laws of Sri Lanka. Meanwhile several companies of Hand Protection, Agriculture, Construction Materials, Textile, Purification, Transportation & Logistics and Projects and MEP sectors also comply with the ISO 45001:2018 OSH Management system certification.

#### Hazard identification

Each Sector (particularly in the Manufacturing Sectors) operates dedicated OSH management departments, which are powered by qualified safety professionals. Hazard identification is also enabled by risk assessments relating to ISO 45000:2018. Meanwhile digitalised OSH management systems are available in the Hand Protection Sector, which allows real-time, online reporting of accident/incidents.

### H&S Services

In addition to dedicated professional OSH persons and visual communication, the Group offers emergency vehicles at sites, medical centres, dedicated nurses/ medical representatives at facilities etc.

### A culture of safety

Health and Safety initiatives are driven as organisation-wide initiatives, with the leadership of dedicated and active OSH committees (mainly in the Sectors which comply with ISO 45001: 2018). Committees are represented by members from all levels of the organisation and committee meetings are held frequently to ensure implementation of the OSH agenda. Sectors such as Transportation & Logistics have also embedded OSH related KPIs into employee performance evaluations to ensure the nurturing of a safety conscious culture. In addition ongoing safety trainings are provided to all employees based on the specific OSH risks faced by the Sectors. A sample conducted by the Transportation & Logistics Sector is presented alongside.

Health and Safety trainings
Fire fighter training
First aid training
Incident investigation training
Supervisory safety training
Behavioural training
Defensive driving training
Emergency response training



In addition to the above, employees are frequently provided suitable PPE to ensure personal hygiene and safety and periodic tests and medical check ups are carried out for selected employees to ensure their personal hygiene as well as customer health and safety. This includes testing of food handlers and lung-function testing for chemical handlers among others.

### Safety record

Health and safety indicators	2021	2020
Reported first aid cases	229	379
Occupational injuries- resulting lost days	149	192
Lost man days due to accidents/injuries	1,861	4162
Work-related fatalities	-	-

### DIVERSITY AND INCLUSION

Diversity has become increasingly important for both our commercial and social sustainability aspirations. Our commitment to inclusivity and equity is embedded through our HR processes, from recruitment and training opportunities to remuneration and promotions. In 2021 we conducted a knowledge-sharing session featuring 3 of the Group's women leaders, to inspire and provide an opportunity for other aspiring women to engage with and understand the journeys of a working woman. The Group also celebrated International Women's Day, celebrating the contribution of women to the workplace and society.

## GENDER PARITY AT HAYLEYS

### Enabling Policies

Equal opportunity employer

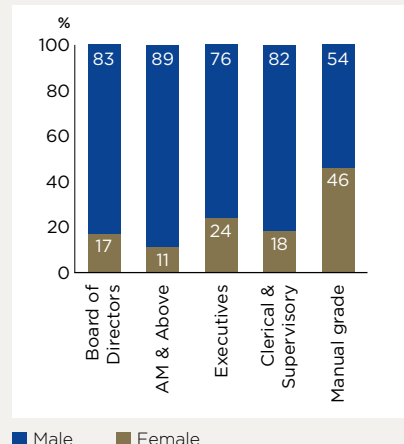
Anti-sexual harassment policy

Grievance mechanism regarding sexual harassment

### Employee Practices

The Plantation Sector offers a “Womb-To-Tomb” proposition for plantation workers, with females receiving comprehensive nutritional, healthcare and childcare support. The Sector also conducts a range of gender based awareness sessions.

### GENDER REPRESENTATION IN CATEGORIES



### Opportunities for women

Training hours	66,126 (41% of total hours)
Promotions	41 (10% of total promotions)
Recruitments	957 (24% of total)
Exits	1,373 (31% of total)

### Females in key departments

Finance	158 (33 % of total)
Marketing	93 (27 % of total)
Engineering	351 (29 % of total)
R&D	11 (19 % of total)

## A PERFORMANCE-DRIVEN CULTURE

Hayleys' remuneration policy aims to recognise, reward and retain high-performing employees thereby nurturing a performance driven culture. Remuneration is determined based on qualifications, skills and from results of bi-annual performance appraisals with reference to prevailing market rates which are assessed from time to time. All of our permanent employees undergo annual performance appraisals.

Apart from the statutory benefit plans, sectors such as Transportation, Purification, Eco Solutions, Hand Protection, Industrial Inputs, Textiles and Agriculture 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 1/2 month's pay per year of service for employees with over 35 years' service. Benefits vary from Sector to Sector, reflecting industry specific dynamics as

well as schemes retained from several of the Group's acquisitions in recent years. Further information on defined benefit plan obligations is given on page 277 of this Annual Report.

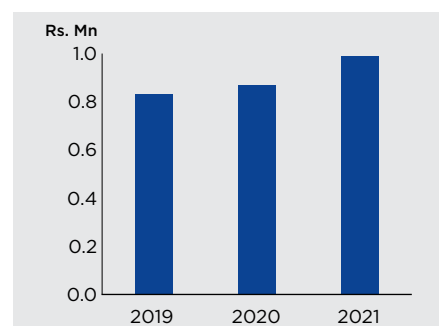
During the year, despite significant liquidity pressure and unprecedented uncertainty in the immediate aftermath of the 1st wave of infections, the Hayleys Group made a definitive

### BENEFITS OFFERED

- Annual bonuses based on performance, incentives, productivity/attendance bonus
- Medical insurance\*
- Professional member subscriptions\*
- Group discounts on Hayleys products

\* Offered to specific categories.

## REMUNERATION PER EMPLOYEE



decision to retain all employees in continuing operations at full remuneration, thereby ensuring that salary cuts were not imposed on any employee.

### Employee Productivity

At Sector and Group level, numerous efficiency and productivity initiatives were carried out during the year as the Group sought to optimise human capital across its operations. While

## HUMAN CAPITAL

productivity is measured through industry-specific indicators at Sector-level, at a Group level the standard measures of revenue per employee and net profit per employee are used to monitor productivity, allowing the Group to identify how effectively employees are contributing towards the Group's objectives.

**Rs. 7.84 mn**

Revenue per employee  
(2019/20: Rs. 6.78 mn)

**Rs. 0.99 mn**

Remuneration per employee  
(2019/20: Rs. 0.87 mn)

**Rs. 0.46 mn**

Profit per employee  
(2019/20: Rs. 0.09 mn)



### RETENTION

The Group's overall retention levels remained healthy at 86% attesting to the strength of its employee value proposition. During the year, 4,369 employees left employment with 12% from the leisure sector, reflecting industry-wide migration from the country's tourism sector due to the prevalent conditions. Details of exit employees are presented below:

Turnover by gender		Turnover by age		Turnover by region	
Male	2,996 (68%)	Less than 30	2,074 (47%)	Sri Lanka	4,116 (94%)
Female	1,373 (32%)	30-49	1,437 (33%)	Overseas	253 (6%)
		Above 50 years	858 (20%)		

### WAY FORWARD

The Group's employees will be a critical factor in ensuring continued resilience over the short-to-medium term, particularly given the outbreak of the third wave of the pandemic. We will continue to strengthen our unique value proposition while building talent pipelines through ongoing investment in developing skills and capabilities. Plans for 2021/22 include,

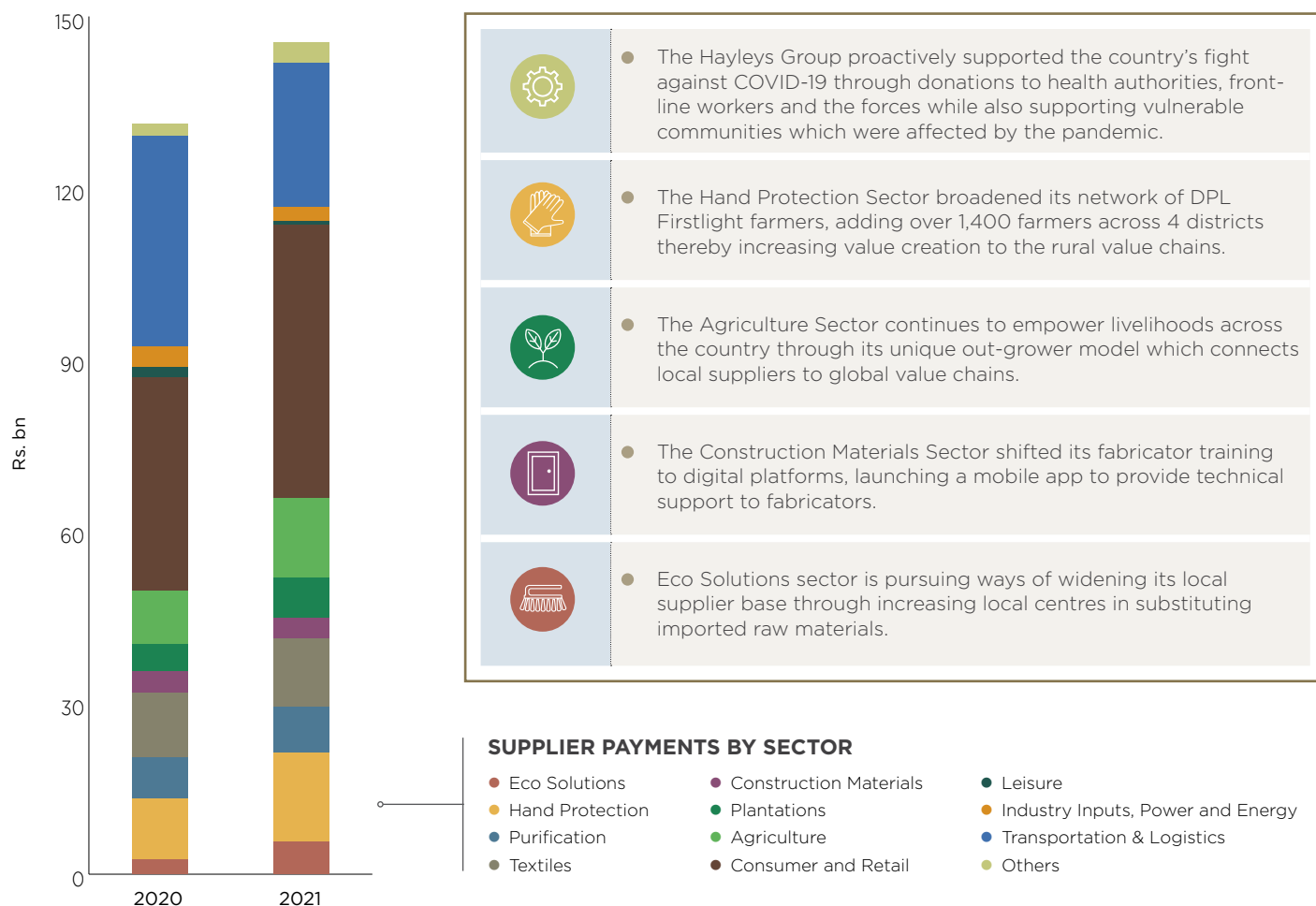
- Obtain ISO-9001:2015 Quality Management System Certification for the Group Human Resource Management
- Implementation of a HR Help Desk and a ticketing system to improve overall efficiency of Group HR Shared Service Operations team.
- Strengthen leadership capabilities through targeted Leadership Development programmes for the Senior leadership team and those at AM/Manager levels
- Expansion of shared services in playing an enhanced role in supporting Group functions







## SOCIAL AND RELATIONSHIP CAPITAL



### VALUE CREATION AT A GLANCE

FOCUS AREAS	CUSTOMER VALUE CREATION	SUPPLIER VALUE CREATION	COMMUNITY SUPPORT
Developments and key initiatives	We continued to drive customer value through innovation, responsible products and good customer service.	Several sectors increased reliance on local supply chains given the disruptions to international supply chains and increased price volatility.	Given the conditions that prevailed during the year, the Group's CSR activities were directed primarily towards supporting the national effort towards combatting COVID-19.
KPIs	<b>43%</b> Increase in customers catered  <b>349</b> New products launched	<b>Rs. 145.50 bn (+10%)</b> payments to suppliers  <b>47%</b> Local procurement	<b>Rs. 292 mn</b> Investment in CSR including <b>Rs. 44 mn</b> COVID-19 contributions  <b>&gt;3,600</b> Volunteer hours

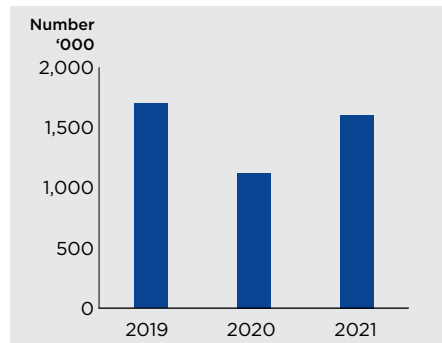


## SOCIAL AND RELATIONSHIP CAPITAL

### CUSTOMERS

We cater to a global network of retail and B2B customers across all 5 regions of the world. Our value proposition to customers centre on the pillars of innovation, customer satisfaction and product responsibility. During the year, we catered to 1.60 mn local and global customers; the bulk of the Group's customers represent Singer (Sri Lanka) PLC- which has an unmatched penetration in the consumer durables segment.

### CUSTOMERS CATERED



### CUSTOMERS IN NUMBERS

**1.60 mn**

No. of customers catered in 2020/21

**97%**

Singers (Sri Lanka) PLC customers

**43%**

y-o-y increase in customers in 2020/21

THE GROUP HAS NURTURED DEEP RELATIONSHIPS ACROSS SRI LANKA'S KEY SUPPLY CHAINS AND WITH CUSTOMERS, CREATING MUTUAL VALUE, EMPOWERING LIVELIHOODS AND DRIVING INDUSTRIES FORWARD THROUGH SHARING BEST PRACTICES



### DELIVERING OUR VALUE PROPOSITION

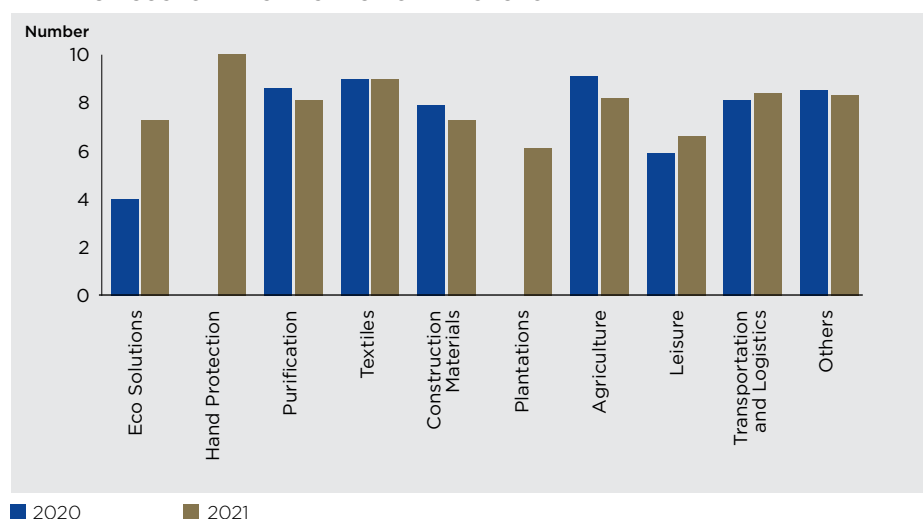
Pillar	Developments in 2020/21	KPI
<b>Innovation</b>	We drive innovation by leveraging our world-class research and development capabilities, which has enabled the Group to satisfy emerging customer needs. Several sectors made significant progress in their innovation journey during the year (refer to pages 210 to 211 for further information).	<b>349</b> New products <b>&gt;Rs. 200 mn</b> Investment in R&D
<b>Satisfied customers</b>	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.	<b>+4,000</b> Customer surveys done <b>99%</b> Customer complaints resolved
<b>Responsible production and marketing practices</b>	The Group has obtained and continues to comply with a range of domestic and international quality certifications which provide assurance to external stakeholders regarding our processes, systems and products (refer to pages 207 to 209 for further information). Given the conditions that prevailed during the year, customer health and safety emerged as a key priority and the Group's solid foundation in assessing health and safety aspects of products served.  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 prior to publication.	<b>Zero</b> Instances of non-compliance relating to customer health and safety issues  <b>Zero</b> Instances of non-compliance concerning marketing communications

### Customer health and safety

Several of our Sectors have obtained certifications which provide assurance to customers and other stakeholders regarding the health and safety aspects of our products/services. These certifications ensure that defined processes are in place to assess the quality and safety of our products.

Sector	Certifications to ensure customer health and safety
Leisure	SLTDA Safe and Secure Tourism - Certificate of Compliance for all 07 facilities
Eco Solutions	Complying with European "REACH" certification (ensure hazardous chemical free)
Hand Protection	Certified against BRC Global Standard - Consumer Products
Textiles	ZDHC comply (Zero Discharge of hazardous chemicals) STANDARD 100 by OEKO-TEX®
Agriculture and Plantations	ISO 22000: 2018 Food safety management system certification
Purification	ISO 22000: 2018 Food safety management system certification for selected food grade product ranges

### AVERAGE CUSTOMER SATISFACTION BY SECTOR



### SUPPLIERS

Our diverse and widespread supplier base consists of over 18,000 local and international suppliers through whom we procure a range of raw materials. These suppliers 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. In creating value to local suppliers, efforts are made to procure raw materials locally whenever possible and in 2020/21 this amounted to 47% of total purchases.

#### SUPPLIERS IN NUMBERS

**18,700**

Total suppliers

**Rs. 145.50 bn**

(+10%)

Payments to suppliers

**47%**

Local procurement



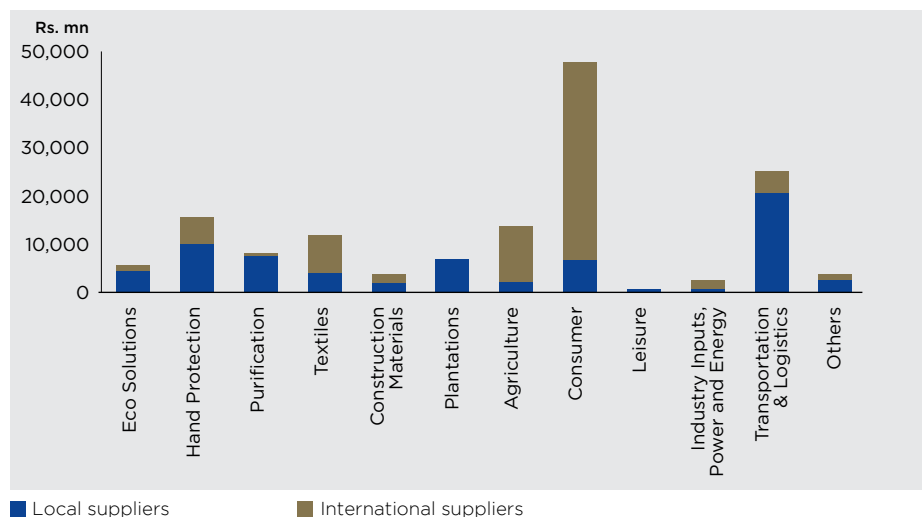
## SOCIAL AND RELATIONSHIP CAPITAL

### SUPPLIER DEVELOPMENT

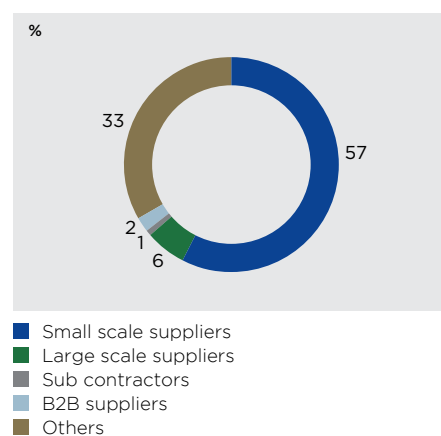
A range of ongoing supplier development programmes have supported capacity building across our supply chain while ensuring the quality of raw materials and propagation of sustainable practices. Given restrictions on mobility during the year, the Group was compelled to curtail supplier development activities. The following initiatives are conducted on an ongoing basis.

Sector	Initiative	Indicators
<b>Hand Protection</b>	<b>FIRSTLIGHT</b> 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. DPL also contributes US 0.5 dollars for every pair of gloves sold, which is utilised to fund a wide range of education, health and infrastructure projects to improve the overall quality of life of smallholders and their families.	<b>+4,500</b> Farmers island-wide  <b>1,418</b> New farmers added across 4 districts  <b>Rs. 2 mn</b> Investments in supplier development
<b>Purification</b>	<b>HARITHA ANGARA</b> 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.	<b>+6000</b> Farmers island-wide  <b>Rs. 45 mn</b> Investment in supplier development  <b>69</b> Green charcoaling pits added
<b>Agriculture</b>	<b>OUT-GROWER NETWORK</b> Cucumber project: Conducted in Vaakarai in partnership with the World Bank and Bank of Ceylon, this project supports the livelihoods of over 500 war-affected farmers through guaranteed buy back agreements, training on modern agricultural technology and financial support.  Hayleys Jeevadhara: This project aims to uplift rural communities through nutrition and sustainable agriculture development. Accordingly, 1 million moringa plants were distributed to over 100,000 outgrowers in Jaffna, Kilinochchi, Mullativu, Mannar and Vavuniya.	<b>+16,000</b> Out-growers

### GEOGRAPHICAL BREAKDOWN OF SUPPLIERS PAYMENTS



### SUPPLIER PROFILE



## COMMUNITY ENGAGEMENT

### Approach to CSR

The Group's CSR activities are governed by the Group's Sustainability and Corporate Responsibility policy, which ensures alignment to the Group's overall CSR vision and strategy. 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 Governance:** All CSR initiatives are aligned to the Group policy, but formulated and driven at Sector level;

certain significant projects are also driven by the Centre. Details pertaining to CSR activities, beneficiaries and impacts are reported to Group Sustainability on a quarterly basis. During the year, there were zero instances of non-compliance with any laws and regulations in the social and economic area.

**Developments in 2020/21:** Given the unprecedented conditions that prevailed during the year, the Group's community support agenda focused primarily on supporting health authorities in combatting

COVID-19 and supporting vulnerable communities affected by the socio-economic fallout of the pandemic. Key initiatives conducted during the year include:

### Combatting COVID-19

At Group level, employees contributed a day's salary which was matched by similar contribution from the organisation. These funds were used to donate critical health equipment to the relevant health authorities. Several initiatives were also rolled out at Sector level as summarised below:

### HAYLEYS GROUP CONTRIBUTION

Funded the donation of the following to the Karapitiya Teaching Hospital, IDH, Polonnaruwa Welikanda Hospital

- Multi-parameter monitors X 6
- Syringe pumps X 10
- Video Laryngoscope
- ICU Beds X 7
- Patient warmer
- Ventilators X 5 to the Karapitiya Hospital
- Ultrasound Scanners X

**Hayleys Advantis** partnered with the United Nations Human Settlement Program to provide a reefer container to prevent post-harvest losses faced by farmers. The reefer container has the capacity to store 15 Tons of perishable items, which would mitigate the risk of waste while also sustaining the crops for an extended time period.

### DONATION OF FABRIC TO THE SRI LANKAN ARMY

The Textile Sector donated 11,500 meters of fabric to the Sri Lankan Army.

### DONATIONS BY THE PURIFICATION SECTOR

- 14,000 masks distributed to the Army, Police and frontline workers
- Monetary donations to the IDH
- 600 packs of essential items distributed to communities
- Sanitizer cans donated to the police and villages communities

### DONATIONS BY THE HAND PROTECTION SECTOR

- 1000 rubber gloves to the Kandakadu Centre
- Donations of dry rations and food
- Donation of inspection chamber to the Homagama Hospital
- Donation of washing machines and 9 air condition units to IDH

### DONATIONS BY HAYLEYS CONSUMER

- Donation of 40,000 diapers to hospitals
- Distribution of 30,000 Gillette branded razors to the tri forces

### DONATIONS BY THE CONSTRUCTION MATERIALS SECTOR

- Donation of safety boots, goggles and protective kits to the Welisara Hospital
- Disinfected several government offices included temples, police stations, schools and children's homes.
- Donation of disinfection chemicals

## SOCIAL AND RELATIONSHIP CAPITAL

### PURITAS SATH DIYAWARA

The Hayleys Group's flagship CSR initiative, "Puritas Sath Diyawara" leverages the Group's 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. A Puritas Sath Diyawara project consists of commissioning a Reverse Osmosis (RO) water treatment plant and distribution system (through docking stations) to enable residents to obtain high quality potable water.

<b>190,000 Ltrs</b> Water purified a day	<b>&gt;43,800</b> People benefited	<b>23</b> Villages benefitted
<b>19</b> Projects	<b>Rs. 82 mn</b> Cumulative investment	<b>275</b> Direct job opportunities

### Puritas Sath Diyawara- Going beyond

An extension of "Puritas Sath Diyawara", 'Going Beyond' strives to address the broader socio-economic needs of the people living in CKD affected villages. 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.

<b>6th</b> Consecutive year	<b>12</b> Schools	<b>2,821</b> Children	<b>Rs. 24 mn</b> Cumulative investment
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### HOME FOR EVERY PLANTATION WORKER

A long-term, multi-dimensional community engagement initiative carried out by the Plantation Sector, 'A Home for Every Plantation Worker' is a unique and holistic program targeted at uplifting the living standards of employees and estate community amounting to nearly 150,000 individuals. The project is structured around four focus areas;

### CAPACITY BUILDING AND SKILL DEVELOPMENT

#### Singer Business School and Fashion Academy

The Singer Business School continues to empower youth by providing opportunities for skill development through 6 fashion academies, 8 computer academies and 3 vocational academies. The School aims to provide future fashion entrepreneurs an understanding of the scope and

opportunities available in the field of fashion design. The workshops are uniquely tailored to involve both conceptual and trend driven design work through experimentation with creative cutting techniques, traditional pattern cutting, textiles, research, illustration, conceptualisation and visualisation techniques, sketching, colour study and understanding the use of different fabrics. This was done in line with the "13 year guaranteed education program" initiated by the



Living Environment	Health & Nutrition	Community Capacity Building	Youth Empowerment
<b>KELANI VALLEY PLANTATIONS PLC</b>			
<ul style="list-style-type: none"> <li>● New housing units: 73</li> <li>● Land granted: 104 perches</li> <li>● Re-roofing: 14</li> <li>● Access roads: 103 km</li> <li>● Houses electrified: 95</li> <li>● New toilets: 33</li> <li>● Community Centres: 1</li> <li>● Play grounds: 4</li> </ul>	<ul style="list-style-type: none"> <li>● Dental clinics: 6</li> <li>● Dengue Awareness: 109</li> <li>● Eye clinics: 14</li> <li>● AIDS Awareness programmes: 14</li> <li>● Spectacles provided: 71</li> <li>● Cataract removal surgeries: 60</li> <li>● Oral cancer programmes: 6</li> </ul>	<ul style="list-style-type: none"> <li>● Street drama: 12</li> <li>● Alcohol prevention programs: 69</li> <li>● Micro financing: Rs. 48 mn</li> </ul>	<ul style="list-style-type: none"> <li>● Training for small business: 114</li> <li>● Home gardening programmes: 269</li> <li>● English classes: 200</li> <li>● Computer classes: 74</li> <li>● Vocational training: 80</li> <li>● COVID-19 programmes: 691</li> </ul>
<b>TALAWAKELLE TEA ESTATES PLC</b>			
<ul style="list-style-type: none"> <li>● Housing, water, infrastructure, sanitation, recreation and learning facilities</li> <li>● Investment of Rs. 57 mn benefitting the entire estate community</li> <li>● 70 new houses</li> </ul>	<ul style="list-style-type: none"> <li>● Immunisation, Auxiliary medical services, antenatal clinics, nutrition campaigns and post-natal care provided to 223,079 beneficiaries</li> <li>● Zero anaemia in children aged less than 5 years</li> </ul>	<ul style="list-style-type: none"> <li>● Rs. 32 million investment in Housing loan schemes and training on household finance management, micro finance and home gardening etc.</li> </ul>	<ul style="list-style-type: none"> <li>● Provide vocational training and other youth engagement initiatives, raising awareness on social issues to 32,145 youth during the year.</li> </ul>

## CAPACITY BUILDING AND SKILL DEVELOPMENT

<b>+5,000</b> enrolled at Singer Business School	<b>339</b> fabricators trained by Alumex PLC	<b>6</b> training sessions with 300 participants by the Agriculture Training School
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Ministry of Education where the students were offered 26 vocational subjects after their ordinary level examinations. Fashion Designing is one of the 26 subjects offered under the above program and Singer Business School offered their support in conducting awareness program for selected principals of government schools well.

### Fabricator Training by Alumex

Alumex continues to build capacity in the aluminium extrusions industry, providing practical insights into the application and usage of Aluminium profiles, components, new products and new technologies through multi-faceted training programmes. 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.

Given the conditions that prevailed during the year, Alumex was compelled to curtail face-to-face interaction, instead focusing on digital platforms to deliver training sessions. During the year, 339 fabricators were trained through such programmes, while a mobile app was also launched to provide comprehensive technical support to fabricators.

### Agriculture Training School

The Hayleys Agriculture Training school conducts training programs for a range of stakeholders including teachers, industry practitioners and commercial operators. While supporting our financial objectives this initiative also aims to enhance the agricultural skill base in Sri Lanka, given the shortage of skilled labour in the industry. During

the year, the School conducted 6 training sessions (including 3 webinars, with a total participant base of over 300, engaging industry experts to share their insights.

### PRINCIPAL RELATIONSHIPS

The Group represents an array of globally renowned principals in Sri Lanka, mainly through the Agriculture, Transportation & Logistics, Industrial Inputs, Construction Materials and Consumer & Retail sectors. These relationships are a vital element of our Social and Relationship Capital, enabling us to benefit from the transfer of knowledge, strong brands and international market insights of our principals. The Group's ability to attract and retain these principals in an increasingly competitive environment attests to the strong value proposition it offers to its principals.



## CONNECTING COMMUNITIES TO GLOBAL SUPPLY CHAINS



## HAYLEYS BUSINESS CONNECTS RURAL COMMUNITIES TO GLOBAL SUPPLY CHAINS THROUGH ITS ISLAND-WIDE PROGRAMMES THAT SUPPORT LIVELIHOODS OF OVER 25,000 PEOPLE



### DEVELOPING LOCAL PALMYRAH PROCESSING

The Eco Solutions Sector is the largest consumer of palmyrah fibre in Sri Lanka, exporting value-added fibre-based products across the world. The Sector initiated a project to source palmyrah from centres in Jaffna, which is expected to create around 50-60 direct job opportunities in vulnerable areas in the Jaffna peninsula. The project will also drive business opportunities for small scale raw material suppliers for sheaths and transporters.



### OUT-GROWER PROJECTS

Through a range of out-grower projects, the Agriculture Sector connects rural farmers to global supply chains, providing the necessary infrastructure, financial support and training. These initiatives typically involve propagation of knowledge on sustainable agricultural practices, thereby contributing towards the development of ecologically sustainable agriculture models.

To date, the Sector has conducted numerous such projects including gherkin, seaweed, moringa, pineapple and seed paddy, among others.



### CONNECTING FABRICATORS TO GLOBAL SYSTEMS

The Construction Materials sector provides the opportunity for local fabricators to manufacture globally renowned proprietary systems, facilitating training from international principals to fabricators- thereby driving skill development.



### EMPOWERING RUBBER FARMERS

Through a unique initiative, the Hand Protection Sector empowers over 4,500 farmers island-wide through the DPL Firstlight program, which provides a platform for farmers to sell their natural latex produce at a fair price. The initiative also involves provision of agricultural input material, capacity building and community engagement aspects.



#### **GREEN CHARCOALING THROUGH HARITHA ANGARA**

Through the Haritha Angara initiative, the Purification Sector provides skill development and the required infrastructure to engage in environmentally friendly charcoaling. To date the Sector has aided the establishment of over 300 such green charcoaling pits.



#### **VALUE INJECTION ACROSS SCRAP COLLECTORS**

With the construction materials sector increasing reliance on recycled aluminium, the Sector has sought to develop the supply chain through educating scrap collectors on the recyclability of aluminium waste and ensuring a sustainable source of income to them.



#### **EMPOWERING WOMEN THROUGH THE SINGER BUSINESS SCHOOL**

Through the Business School, Singer provides capacity building in fashion designing to the country's youth at an affordable price. The School offers over 20 courses validated by the Chartered Society of Designing, UK and offers content on sewing, fashion design and colouring. The courses offer a stepping-stone for aspiring women who intend to pursue a dressmaking/ fashion designing as a hobby or a means of livelihood.



#### **EMPOWERING TEA SMALLHOLDERS AND ESTATE COMMUNITIES**

The Plantation Sector operates several productivity-linked revenue models within their estates, empowering and providing an opportunity for estate workers to increase their income through higher crops and better product quality. The Sector also engages over 1500 tea smallholders who are developed through the propagation of sustainability practices and support in obtaining the Rainforest Alliance certification.

## OUR CONTRIBUTION TOWARDS ENSURING FOOD SECURITY

## PLANTING MATERIALS



## CONTEXT:

- Unavailability of high-quality planting material
- Requirements for faster maturity in short season crops

## OUR CONTRIBUTION

- Research on varieties that can be cultivated in non-traditional areas
- Offering high yielding, disease and pest tolerant, drought resistant varieties

## CROP NUTRITION



## CONTEXT:

- High dependency on 1st generation basic straight fertilizer
- Limited use of organic fertilizer

## OUR CONTRIBUTION

- Crop specific customised fertilizer blends to improve yields
- Research into complex specialty fertilizers secondary and micro nutrients and organic and bio fertilizers to improve soil health.

## CROP PROTECTION



## CONTEXT:

- Misuse and overuse of agrochemicals
- Limited use of integrated pest management and organic products

## OUR CONTRIBUTION

- High efficacy agro chemicals to reduce dosage
- Introduction of low toxicity safer chemistries
- Products with low post harvest interval
- Research into effective organic pesticides

## TECHNOLOGY &amp; KNOWLEDGE



## CONTEXT:

- Limited knowledge on safe and proper use of agro chemicals
- Low resource utilisation, Lack of mechanisation and farm productivity

## OUR CONTRIBUTION

- Dedicated islandwide extension network to educate farmers
- Train farmers on use of Personal Protective Equipment
- Education on integrated pest and nutrient management systems
- Climate smart irrigation and protected agriculture technologies
- Mechanisation for field preparation and crop management

## QUALITY &amp; STANDARDS



## CONTEXT:

- Non-adherence to good agriculture practices
- Poor post-harvest management

## OUR CONTRIBUTION

- Dedicated island-wide quality assurance teams working with outgrower farmers

## EXPORTS



## CONTEXT:

- Products not aligned to market expectations
- Various intermediaries across the supply chain

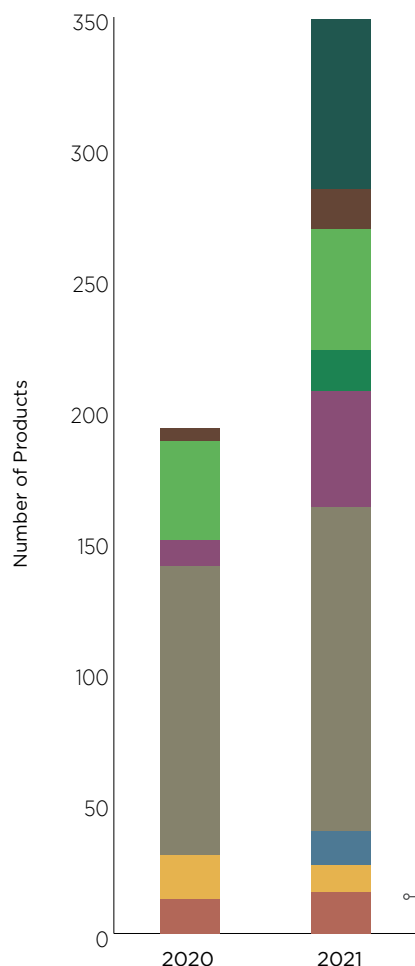
## OUR CONTRIBUTION

- Research, introduction and promotion of crop varieties demanded by export markets
- Linking farmer produce directly to overseas markets based on confirmed export orders





## INTELLECTUAL CAPITAL



THE GROUP'S REMARKABLE AGILITY AND ADAPTABILITY DURING THE YEAR ATTESTS TO THE STRENGTH OF ITS UNIQUE INTANGIBLE ASSETS WHICH INCLUDE CULTURE, ORGANISATIONAL CAPITAL AND RELENTLESS DRIVE FOR PRODUCT AND PROCESS INNOVATION



	Hand Protection Sector launched 10 new products, with increased focus on specialised gloves such as electrician gloves
	The Purification Sector continued to invest in the development of value-added carbon ranges and has a strong pipeline of products
	Textiles has seen strong growth from its INNO range and developed several customised variants during the year under review
	As Sri Lanka's leading exporter of processed fruits and vegetables, the Agriculture Sector developed several wellness drinks and a jack fruit based meat alternative for the export markets.

### NEW PRODUCTS BY SECTOR

- Eco Solutions
- Hand Protection
- Purification
- Textiles
- Construction Materials
- Plantations
- Agriculture
- Consumer and Retail
- Leisure
- Industry Inputs, Power and Energy
- Transportation & Logistics
- Others

### VALUE CREATION AT A GLANCE

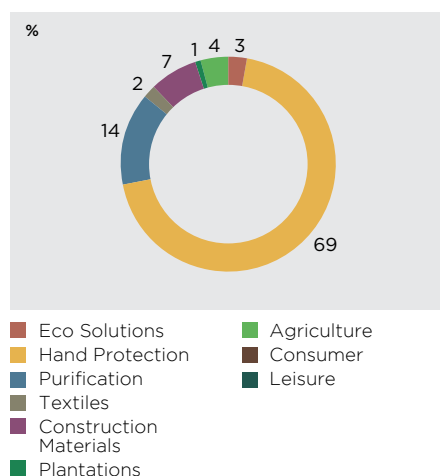
FOCUS AREAS	DRIVING INNOVATION	STRENGTHENING SYSTEMS AND PROCESSES
Developments and key initiatives	Ongoing focus on new product development and innovation across Sectors to capitalise on shifts in demand and emerging opportunities	Through continued compliance to an array of environmental, social and product-related certifications, Sectors have sought to strengthen systems while pursuing entry into new market segments.
KPIs	<b>349</b> New products developed  <b>107</b> Products in the pipeline	<b>+90</b> Certifications across the Group

## INTELLECTUAL CAPITAL

### INNOVATION

In several sectors, the Group's competitive edge stems from its capabilities in innovation, which has enabled the Group to pioneer a range of products/initiatives thereby driving industries to new heights. Research and development capabilities are nurtured dedicated R&D facilities and propagated across the organisation through a learning culture which stimulates innovation and knowledge sharing. The Group also collaborates with leading research institutions and universities in developing and commercialising research that facilitates innovation.

### R&D INVESTMENT BY SECTOR

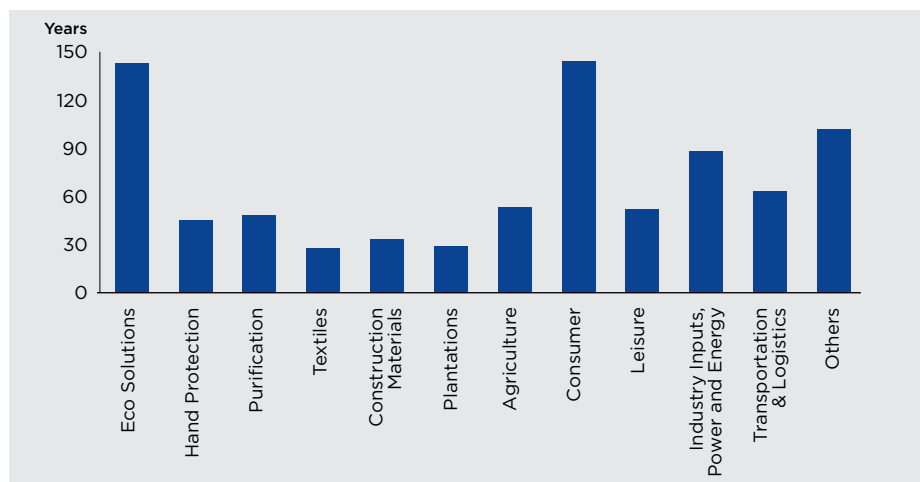


### ORGANISATIONAL CAPITAL

Industry insights gained over an established track record of over 143 years has sharpened the Group's competitive edge and enabled it to nurture a unique base of intellectual capital. With Sectors consistently increasing the depth and breadth of its operations both organically and through acquisitions, this unique base of intellectual capital has deepened, facilitating a high level of adaptability to market conditions, which has in turn enabled resilience in challenging conditions. The Sectors also harness cross-industry expertise in driving solutions and value creation, with successful initiatives being replicated in other sectors or across the organisation.

Sector	No. of new products	Description of innovations
Hand Protection	10	New products in both the supported and unsupported glove range including magnetically detectable glove, arctic glove, Interface Elasto-featuring unique surface texture and a bio-degradable glove among others.
Purification	13	Several varieties of value-added gloves in impregnation carbons Chloramine carbon series, Room air impregnation carbons, POU carbon and new face mask series among others.
Textiles	124	Customised variants of INNO for new customers
Consumer & Retail	15	New categories including agricultural equipment and home surveillance systems
Agriculture	46	Organic virgin coconut oil and jack-fruit based meat substitute
Plantations	16	Hot water and cold water soluble instant black tea powder
Construction Materials	44	A series of Aluminium based products such as ladders and kitchen cabinets
Industry Inputs, Power & Energy	65	Sustainable innovation through the introduction of bio degradable organic additive for plastic industry
Eco solutions	16	Latex backed tufted coir mats with rapid biodegrading qualities

### INDUSTRY PRESENCE IN YEARS



Meanwhile, the Hayleys PLC Corporate Management Services drive excellence across the organisation extending support to Sectors in the management of critical aspects. These services include Group Finance and Sustainability, HR and Legal, Strategic Business Development Unit, Corporate Communications, Digital Marketing, Corporate Premises Management, among others. During the year, the Group also established a Central Procurement Unit to drive organisation-wide efficiencies in procurement by leveraging Group-wide synergies.

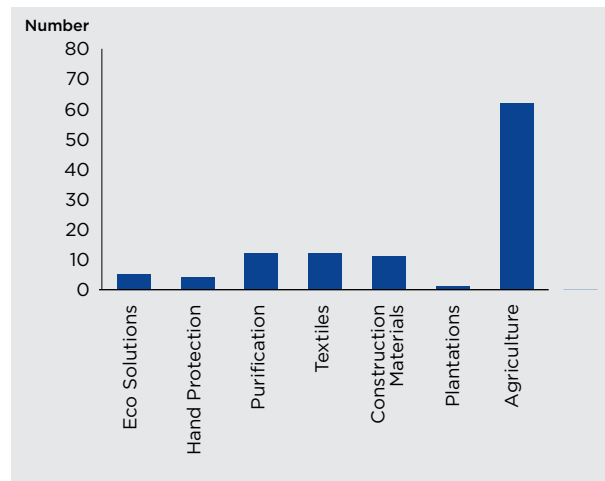
### INDUSTRY THOUGHT LEADERSHIP

As a dominant player in several of its industries, the Group is an active contributor to industry forums and associations, engaging with stakeholders and the government and providing input in creating an enabling industry and regulatory environment. The Group holds memberships in the following industry associations:

### MEMBERSHIP OF ASSOCIATIONS

- The Ceylon Chamber of Commerce
- Ceylon Association of Shipping Agents
- Lanka Business Coalition for HIV-AIDS
- National Agribusiness Council
- National Chamber of Exporters of Sri Lanka
- Sri Lanka Institute of Nanotechnology
- Planters Association of Ceylon
- Sri Lanka Freight Forwarders Association
- Sri Lanka Association for Software and Service Companies (SLASSCOM)
- American Chamber of Commerce

### PRODUCTS IN THE PIPELINE



### SYSTEMS, PROCESSES AND CERTIFICATIONS


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 key certifications are listed below, kindly note that this is not an exhaustive list.

 <b>Eco Solutions</b>	BSCI- Business Social compliance Initiative
	GOLS-Global Organic Latex Standard
	SMETA- Sedex Members Ethical Trade Audit
	ISO 9001 : 2015 Quality Management Systems
	ISO 14001:2015 Environmental Management Systems
	SA 8000 - Social Accountability Certification
	British Retail Consortium certificate
 <b>Hand Protection</b>	ISO 9001 : 2015 Quality Management Systems
	ISO 13485:2003 Medical devices — Quality management systems
	Forest Stewardship Council Certification
	ISO 14001:2015 Environmental Management Systems
	ISO 17025: 2005 Laboratory accreditation certification
	British Retail Consortium Certification Safety and Quality certification for consumer products
	UN Global Compact Signatory to the implementation of universal sustainability principles
	ISO 45001:2018 Occupational Health and Safety Management Systems
	ISO 22000: 2005 Food Safety Management Systems, HACCP - Hazard Analysis Critical Control Point & TASF-SGS - Food Safety Management Systems
	Global Good Agricultural Practice Certificate - GAP
 <b>Construction materials</b>	Rainforest Alliance Assurance
	'Qualicoat' certifications
	'Qualanod' certification
	ISO 9001 : 2015 Quality Management Systems
	UKAS accreditation
	SLS 1411:2011



## INTELLECTUAL CAPITAL

 <b>Purification</b>	ISO 9001 : 2015 Quality Management Systems
	ISO 14001:2015 Environmental Management Systems
	ISO 22000: 2005 Food Safety Management Systems
	Good Manufacturing Practices (GMC)
	Water Quality Association Sustainability Certification
	NSF 42
	NSF 61
	Prop 61 Compliance
	Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Compliance
	Food Chemical Codex (FCC) Compliance
	Halal Certification
	Kosher Certification
 <b>Agriculture</b>	ISO 9001 : 2015 Quality Management Systems
	ISO 14001:2015 Environmental Management Systems
	SA 8000 - Social Accountability Certification
	ISO 22000: 2005 Food Safety Management Systems
	Registered training institute under The Tertiary and Vocational Training Education Commission - Hayleys Agriculture Training School
	ISO 45001:2018 Occupational Health and Safety Management Systems
	AQIS Accredited Tissue Culture Lab
	Seed Handler Registration Certificate
	BRC Global standard for food safety (Issue 08)
	Food and Drug Administration (FDA) approval
	SEDEX - Supplier Ethical Data Exchange
	Certificate for Social compliance Ethical Trading Initiative
	Halal certification
	Kosher certification
	Non - GMO certification
	Gluten free certification
	International Featured Standard Certification - IFS
	Fairtrade - Certification
	Organic EU
	Organic NOP
	Organic JAS
	Customer Accreditations - Burger King / Kerry ingredients / Mc Donalds
	Global Good Agricultural Practice Certificate - GAP
	Hazard Analysis Critical Control Point system certification - HACCP
	Good Manufacturing Practice (GMP)
 <b>Leisure</b>	SLTDA Safe and Secure Tourism - Certificate of Compliance
 <b>Others</b>	ISO 45001:2018 Occupational Health and Safety Management Systems
 <b>Consumer &amp; Retail</b>	ISO 9001 : 2015 Quality Management Systems
	The Ceylon Chamber of Commerce
	Sri Lanka-China Business Council
	Import Section of The Ceylon Chamber of Commerce
	Sri Lanka-Canada Business Council
	The Employers' Federation of Ceylon
	CSR Lanka Guarantee Limited
	The Industrial Association of Sri Lanka - (IASL)

 <b>Textiles</b>	CERTIFICATE OF OEKO- TEX STANDARD 100(ORGANIC)
	CERTIFICATE OF OEKO- TEX STANDARD 100(COTTON)
	Marks & Spencer-Premier Accreditation Scheme
	Official Supplier of 'Cotton made in Africa' Yarns , Fabrics or the final product, produced in compliance with the chain custody guideline issued by the Aid by trade foundation.
	ISO 14001:2015 Environmental Management Systems
	Carbon Conscious Certificate
	Water Conscious Certificate
	Global Organic Textile Standard (GOTS)
	Organic Content Standard (OCS)
	Better Cotton Initiative (BCI) Membership
	Zero Discharge of Hazardous Chemicals (ZDHC) Joint Road Map
	Higg FEM 3.0 Membership
	Clean Chain Chemical Inventory Management Tool
	Nike Sustainable Water Program - Green Certification
	ISO 45001:2018 Occupational Health and Safety Management Systems
	SEDEX Membership - Supplier Ethical Data Exchange
 <b>Transportation</b>	Disney Facility & Merchandising Authorization (FAMA) Approvals
	George / Walmart Responsible Sourcing Program
	United Nation's Global Compact (UNGC) Membership
	ISO 9001 : 2015 Quality Management Systems
	ISO 45001:2018 Occupational Health and Safety Management Systems
 <b>Plantations</b>	ISO 14001:2015 Environmental Management Systems
	C-TPAT
	Carbon Conscious Certificate
	CIDA- Grade C-4 (Civil Construction)
	ISO 22000: 2005 Food Safety Management Systems
	Halal Certificate - 2021
	Hygiene Control Management System Certification
	British Retail Consortium (BRC) Certification
	ISO 50001:2011 - Energy Management Systems
	Rain Forest Alliance license agreement
	ISO 14001:2015 Environmental Management Systems
	ISO 9001 : 2015 Quality Management Systems
	ISO 14064 2018 GHG Emission Reporting Certification



## SUSTAINABLE INNOVATION



**A BROAD PRESENCE ACROSS DIVERSE INDUSTRIES THAT ADD VALUE TO COMMODITIES, OUR SUCCESS RELIES ON RELEVANT INNOVATION. A DEEP UNDERSTANDING OF ENVIRONMENTAL AND SOCIAL SUSTAINABILITY NURTURED OVER THE YEARS, ENSURES THAT OUR INNOVATIONS ARE SUSTAINABLE AND SUPPORT CONSUMER CONSCIOUSNESS OF SUSTAINABILITY ISSUES**

**CIRCULARITY IN TEXTILES****SUSTAINABILITEA**

Hayleys Fabrics pioneered SustainabiliTea- a natural dye produced from waste tea, as a sustainable alternative to synthetic dyes and treatments. The tea dye is tested to ensure it is completely free of hazardous chemicals and safe for the wearer and the environment. Tea waste is sourced from the Group's plantation sector, thereby driving industrial symbiosis within the Hayleys Group.

**PET PLASTIC WASTE**

The Sector also collects PET waste, which is subsequently sent to a third party for manufacturing recycled yarn and used as an input for fabric production. The Sector has also developed an app enabling traceability of the yarn.

**CLIMATE SMART AGRICULTURE SOLUTIONS**

The Agriculture Sector has continued to drive Climate Smart Agriculture solutions including pivot irrigation systems and drought resistant planting material thereby propagating sustainable agriculture practices.

The Sector has leveraged its research capabilities to develop specialty organic fertilizers as well as safer weedicides and pesticides which feature high levels of efficacy and relatively lower toxicity.

**SAFE PRODUCE****CHEMICAL-FREE TEA FIELDS**

The Group's Plantation Sector piloted a program to establish chemical-free fields in high grown estates, thereby offering sustainable and safe tea to the customer.

**ORGANIC RUBBER**

KVPL is a certified manufacturer of organic centrifuge latex which entails zero agro chemicals and zero emissions. The Company manufactures 420 MT of organic latex per annum through 6 organic rubber estates, 675 hectares of organic rubber fields and 1 organic latex processing plant.

**ECO-FRIENDLY PRODUCTS****ECO-FRIENDLY GLOVE**

The Hand Protection Sector has introduced several eco-friendly gloves including a bio-degradable supported glove and a glove manufactured with knitted liner of recycled PET polyester yarn

**BIODEGRADABLE MAT**

The Eco Solutions Sector launched an eco-friendly latex back tufted coir mat, featuring biodegradable properties which enables the responsible disposal of the product. A key R&D focus during the year, 70% of the product biodegrades within 90 days of disposal, thereby reducing the adverse environmental impacts of the product.



### ENERGY EFFICIENT CONSUMER DURABLE PRODUCTS

The Singer Group's subsidiary Regnis (Lanka) PLC introduced a range of digital inverter, large capacity refrigerators to the market which is significantly more energy efficient than conventional products. These products are on par with international brands on energy efficiency and performance.



### SUSTAINABLE FOOD

The Agriculture Sector, in partnerships with the Consumer Sector launched an organic virgin coconut oil for the local market.

The Sector also launched a jack-fruit based substitute for meat for the export industry. The meat industry is considered to have a significant carbon footprint.



### EROSION CONTROL PRODUCTS

The Group's Eco Solutions Sector manufactures a range of erosion control products which contribute towards preserving soil quality through minimising erosion.



### ORGANIC ADDITIVES

Industrial Inputs, Power and Energy Sector acquired an agency for an organic additive which enhances the biodegradation process in plastics, reducing landfill waste.



### DISTRIBUTION OF BIOZONE AIR PURIFIERS

Fentons partnered with Biozone Scientific International for the distribution of Biozone air purifiers in Sri Lanka. The series of air purifiers leads to significantly better indoor air quality through eliminating airborne and surface micro-organisms and contaminants, remove harmful chemical gases, while minimising any unpleasant odors which may arise.



### URBAN AND HOME GARDENING PRODUCTS

The Agriculture sector has launched a range of home gardening solutions, targeting urban areas and vertical living spaces, thereby encouraging increased cultivation within relatively small spaces. Meanwhile, the Eco Solutions product portfolio includes a range of growing media solutions.

## CONSOLIDATED STATEMENT OF ENVIRONMENTAL PERFORMANCE

		2021	Change %	2020
Total Energy consumption	GJ mn	4.03	9.51%	3.68
Renewable energy consumption	GJ mn	2.60	11.09%	2.34
Non-renewable energy consumption	GJ mn	1.44	7.29%	1.34
% Renewable energy consumption	%	64	1.26%	64
Renewable energy generated	MWh	151,647	63.87%	92,540
Renewable energy generation %				
Out of total energy consumed	%	14	55.56%	9
Out of total electricity consumed	%	102	50.00%	68
Total Carbon footprint (GHG emission)	tCO <sub>2</sub> e	204,501	8.90%	187,784
Scope 01 emissions	tCO <sub>2</sub> e	91,187	7.00%	85,224
Scope 02 emissions	tCO <sub>2</sub> e	92,031	9.03%	84,408
Scope 03 emissions	tCO <sub>2</sub> e	21,283	17.25%	18,152
Biogenic emissions	tCO <sub>2</sub> e	291,054	11.11%	261,956
Total water usage	m <sup>3</sup> mn	5.33	-0.19%	5.34
Rain water harvested	m <sup>3</sup>	21,157	34.88%	15,686
Recycled water usage	%	9	12.50%	8
Solid waste	MT	16,521	-68.26%	52,051
Effluents discharged	m <sup>3</sup> mn	3.92	-0.25%	3.93
Waste water treated through internal treatment plants	%	59	5.36%	56
Energy Intensity (energy per revenue)	MJ / Rs. mn	16,719	-6.52%	17,885
Emission intensity (emission per revenue)	KgCO <sub>2</sub> e / Rs. mn	848	-7.20%	913
Water intensity (water withdrawal per revenue)	L / Rs. mn	22,072	-15.01%	25,970

### FOUNDATION FOR ENVIRONMENTAL REPORTING



#### SCOPE OF REPORTING

- 12 Business Sectors
- 181 Companies
- 149 Local Operations
- 32 Global Operations



#### REPORTING PRINCIPLES

- Integrated Reporting Framework
- GRI Standards
- UN Global Compact
- National Green Reporting Standards
- Greenhouse Gas Protocol by World Resource Institute and World Business Council for Sustainable Development
- SDG Reporting

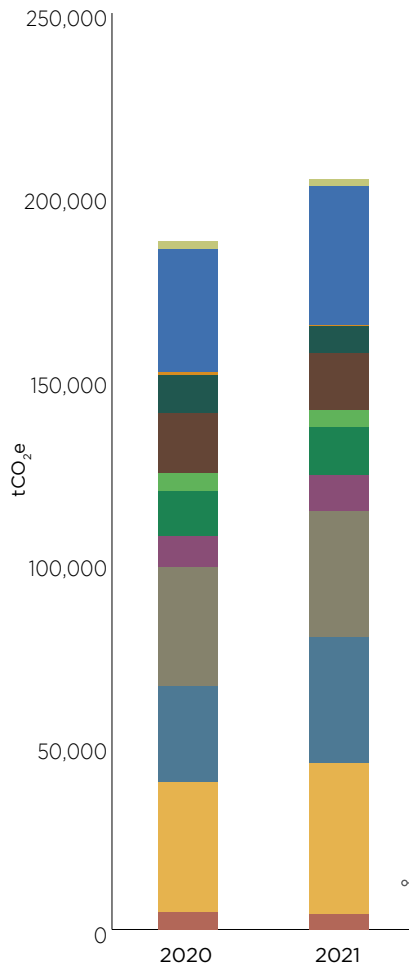


#### REPORTING IMPROVEMENTS

- Refined the computation methodology for emissions, by considering the greenhouse gases (other than CO<sub>2</sub>) arising from the burning of biomass.



## NATURAL CAPITAL



	<ul style="list-style-type: none"> <li>The Textiles Sector committed to Science Based Target Initiative (SBTi) for driving sustained reductions in its carbon footprint</li> </ul>
	<ul style="list-style-type: none"> <li>Group-wide rooftop solar power drive, with 44,700 m<sup>2</sup> of roof space installed with solar with a combined generation capacity of 6.7 MW</li> </ul>
	<ul style="list-style-type: none"> <li>The Hand Protection Sector introduced a wetland for wastewater treatment using a nature-based solution at its Hanwella factory</li> </ul>
	<ul style="list-style-type: none"> <li>Implementation of bio-diversity corridors by the Plantations Sector and a reforestation initiative at st. Clairs water fall catchment areas.</li> </ul>
	<ul style="list-style-type: none"> <li>The Textile sector has designated and identified land area from their factory premises as a wetland and continuation of wetland conservation</li> </ul>
	<ul style="list-style-type: none"> <li>The Construction Materials sector increased use of recycled aluminium thereby reducing reliance on virgin aluminium and therefore non-renewable materials</li> </ul>

### EMISSIONS BY SECTOR

- Eco Solutions
- Hand Protection
- Purification
- Textiles
- Construction Materials
- Plantations
- Agriculture
- Consumer and Retail
- Leisure
- Industry Inputs, Power and Energy
- Transportation & Logistics
- Others

### VALUE CREATION AT A GLANCE


FOCUS AREAS	RENEWABLE ENERGY	REDUCING WATER WITHDRAWAL	BIODIVERSITY PRESERVATION
Developments and key initiatives	<p>Group-wide solar roof project launched during the year</p> <p>Efforts by key sectors such as Hand Protection, Textiles and Plantations to increase renewable energy continued during the year</p>	<p>Multi-sector focus on reducing water withdrawal through rainwater harvesting and increasing re-cycled/re-used water</p>	<p>Group-wide tree-planting efforts in addition to several sectors including Plantations and Textiles engaging in specific forestation and bio-diversity preservation initiatives</p>
KPIs	<p><b>64%</b> of total energy consumed through renewable sources</p> <p><b>102%</b> Renewable energy generated as a % of electricity consumed</p>	<p><b>0.3%</b> reduction in water withdrawal</p> <p><b>9%</b> of total water obtained through sustainable sources</p> <p><b>59%</b> waste water generations treated internally</p>	<p><b>&gt;44,500</b> Trees planted</p>

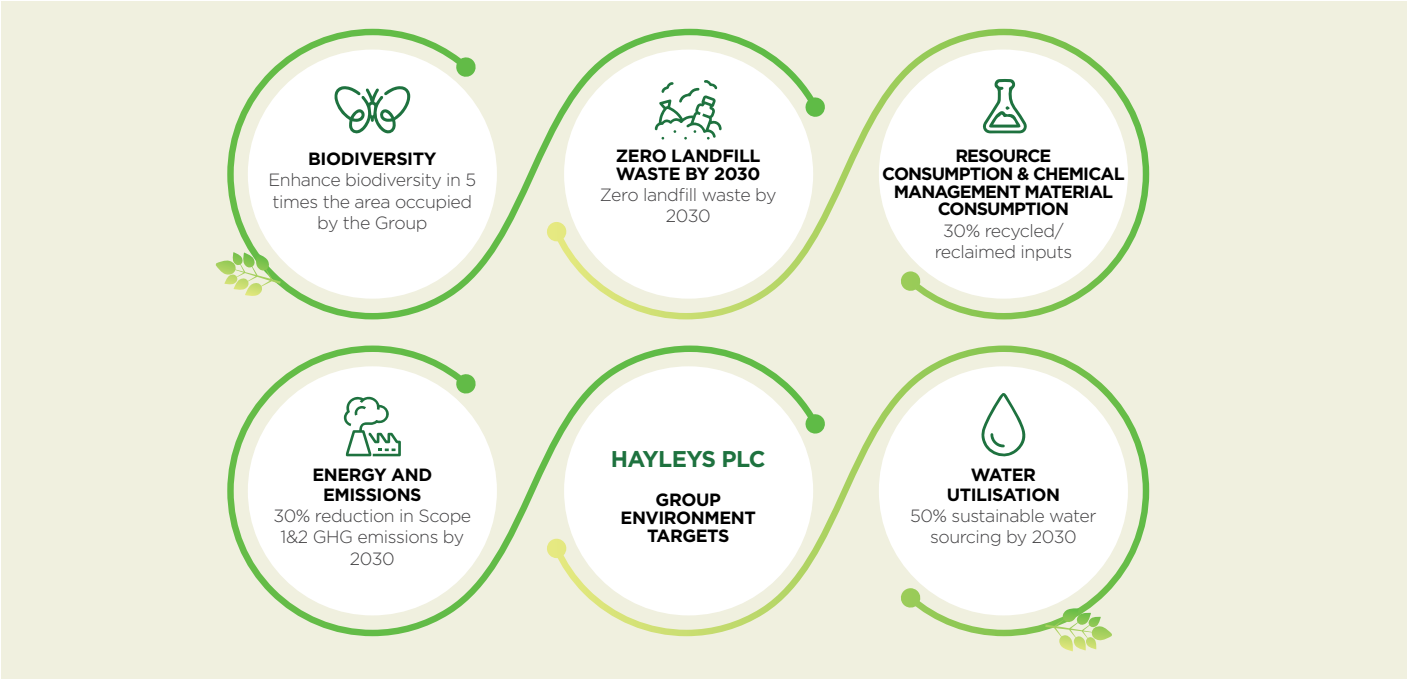


AS A GROUP WITH SIGNIFICANT MANUFACTURING INTERESTS, WE ARE HEAVILY DEPENDENT ON NATURAL RESOURCES TO DRIVE OUR VALUE CREATION. WE ARE ALSO COGNIZANT OF THE ROLE WE CAN PLAY IN GENERATING POSITIVE ENVIRONMENTAL IMPACT AND MINIMISING OUR FOOTPRINT THROUGH INNOVATION AND ALLOCATION OF NECESSARY RESOURCES



## OUR MANAGEMENT APPROACH

OUR PLANETARY COMMITMENT 	
	<ul style="list-style-type: none"> <li>Natural resources are a vital input to our value creation process and we are committed to optimising the use of these valuable resources while mitigating our adverse environmental impacts.</li> </ul>
GOVERNANCE STRUCTURE	<ul style="list-style-type: none"> <li>The Group Sustainability Unit is responsible for driving the Group's ESG agenda across the organisation. At Sector level, Sustainability Champions ensure the implementation of relevant projects in line with the Group's aspirations and are responsible for the regular reporting of environmental performance indicators to Group Sustainability. This information is presented to the Group Management Committee on a quarterly basis, ensuring that environmental related risks are identified, mitigated and managed on a consistent basis. During the year, there were zero instances of non-compliance to any environmental laws or regulations.</li> </ul>
OUR COMMITMENT	<ul style="list-style-type: none"> <li>We are committed to the optimisation of energy usage by driving increased energy efficiency and increasing reliance on clean energy sources.</li> <li>We strive to implement a water management strategy aligning with the CEO's water mandate by UNGC.</li> <li>We are committed to ensuring full compliance to all environmental regulations and during the year, there were zero instances of non-compliance against environmental laws/regulations.</li> <li>We are committed to mainstreaming the concept of biodiversity across value chains and adopting initiatives for sustainable management of biodiversity.</li> <li>Optimising and managing material consumptions through best business applications while minimizing waste generation and effectively managing the waste generated through sustainable disposal methods.</li> </ul>
OUR POLICIES AND STANDARDS	<p><b>Internal policies</b></p> <p>The Environmental Pillar of the Group ESG Framework provides a clear blueprint for achieving Group-wide environment targets and includes the following policies:</p> <ul style="list-style-type: none"> <li>Energy and emission management</li> <li>Water management</li> <li>Material and Waste management policy</li> <li>Chemical management policy</li> <li>Bio-diversity conservation policy</li> </ul> <p><b>External standards/voluntary frameworks</b></p> <ul style="list-style-type: none"> <li>CEO's Water Mandate- Hayleys PLC is a signatory to the UNGC-CEO's Water Mandate committing to the pillars of Direct Operations, Supply Chain and Watershed Management, Collective Action, Public Policy, Community Engagement, Transparency - through individual and collective efforts.</li> <li>Member of the Lanka Responsible Care Council</li> </ul>
MEASURING OUR IMPACTS	<ul style="list-style-type: none"> <li>Environmental impacts pertaining to raw materials, energy, water, waste and effluents and carbon footprint are collated and tracked through a tailor-made information system, Hayleys Cube- 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 207 to 209.</li> </ul>



**30%**

Reduce water intensity

**50%**

sustainable water sourcing

Progress in 2020/21	
Water withdrawal	0.2% reduction
Water intensity	15% reduction
Sustainable water sourcing	+9% increase
Contribution of sustainable water sourcing	10%

**WATER**

Several of the Group’s sectors such as Textiles, Hand Protection and Purification and relatively water intensive and the Group is committed to gradually reducing the quantum of water withdrawn for its operations. Mechanisms are in place to continuously monitor water consumption trends and identify areas for improving water efficiency. In recent years, focus has been placed on re-using water, through treating water discharged from these processes.

**Consumption:** The Textiles and Hand Protection sectors are the Group’s largest consumers of water, collectively accounting for nearly 75% of the Group’s water consumption. The Group’s total water consumption declined marginally during the year, despite a significant increase in operating activity; resultantly the Group’s water intensity (defined as Litres/Revenue mn) declined by 15% during the year.



## NATURAL CAPITAL

Key water related initiatives during 2020/21 and projects carried out on an ongoing basis are given below:

PROJECTS LAUNCHED IN 2020/21		ONGOING PROJECTS	
<ul style="list-style-type: none"> <li><b>Rainwater harvesting by the Hand Protection sector</b> The Hand Protection sector enhanced the capacity of storage for harvested rain water in several manufacturing locations.  This has allowed the sector to increase reliance on sustainable water sources while reducing the water withdrawals.</li> </ul>	<ul style="list-style-type: none"> <li><b>Water recycling at Textiles Sector</b> The Sector launched an initiative to recycle the water used for machine cooling, thereby reducing dependence on ground water. This was expanded to the Dye House II during the year  1st phase: 16% water saving capacity 2nd phase: 25% water saving capacity</li> </ul>	Sector	Initiative
		Plantations	Integrated Water Management inclusive of chemical free buffer zones and live fences around water sources.
		Construction materials	Water efficient manufacturing processes and facility
		Leisure, Purification and Plantations	Rainwater harvesting / water efficient agriculture technologies (sprinklers / pivot irrigation etc.) / 100% waste-water recycling and reusing by Leisure sector / 100% waste water treatments at industries

WATER WITHDRAWAL BY SOURCE			
(Litres)	2021	2020	Change y-o-y (%)
Surface water	3,260,751,824	3,276,481,053	-0.5%
Ground water	296,000,551	377,220,189	-27.4%
Rainwater	21,156,876	15,685,814	+25.8%
Municipal lines	1,179,484,898	1,151,449,520	+2.4%
Waste water or other	103,404,180	93,375,961	+9.7%
Recycled Water	464,535,455	424,963,485	+8.5%
<b>Total</b>	<b>5,325,333,784</b>	<b>5,339,176,022</b>	<b>-0.2%</b>

WATER WITHDRAWAL BY SOURCE		WATER WITHDRAWAL BY SECTOR		WATER INTENSITY	
<p>69% Surface water, 25% Rainwater, 6% Ground water, 0% Municipal lines</p>		<p>35% Agriculture, 9% Consumer, 39% Industry Inputs, Power and Energy, 1% Transportation &amp; Logistics, 3% Others, 3% Leisure, 1% Hand Protection, 1% Eco Solutions, 1% Textiles, 1% Purification</p>		<p>2019: ~21,500, 2020: ~25,500, 2021: ~22,500</p>	

## ENERGY

The Group relies primarily on electricity from the national grid, fossil fuels and renewable energy for energy requirement. Given the energy-intensive nature of some of our businesses we drive concerted efforts towards reducing reliance on fossil fuels through Group-wide and sector-specific initiatives targeted towards generation of renewable energy.

### Commitment to reduce dependence on fossil fuels

Through organisation-wide solar and bio-mass projects, the Group has gradually reduced dependence on fossil fuels with sustainable and renewable energy sources now accounting for 64% of the Group's energy consumption. In addition to large-scale wind, solar and mini hydro projects operated by the Group's Industry Inputs, Power & Energy Sector, other energy-intensive sectors such as Hand Protection, Plantations, Eco Solutions and Textiles have increasingly moved towards renewable energy in recent years.

The Group marked a key milestone in its renewable energy journey during the year, through the launch of a Group-wide rooftop solar installation project in 2020, the details of which are set out below. Our aspiration is to install a solar project on the roofs of all the Group's factories.



**30%**

Reduce energy intensity

**90%**

Sustainable and renewable energy applications by 2030

Progress in 2020/21	
Energy consumption	10% increase
Energy intensity	7% reduction
Renewable energy consumption as a % of total energy consumption	64%
Total renewable electricity generated	152 GWh
Renewable energy generated as a % of electricity consumed	102%

## ROOFTOP SOLAR POWER INITIATIVES



**44,700 m<sup>2</sup>**

of roof area converted



**6.7 MW**

of generation capacity



Annual reduction of  
**8,068 tCO<sub>2</sub>e**



**Rs. 750 mn**

Total investment



Payback of  
**3.8 years**

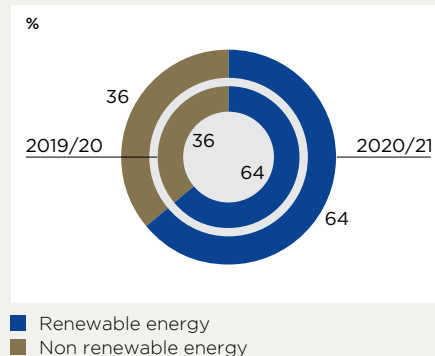
### HAYLEYS PLC RENEWABLE ENERGY DRIVE

Installed capacity of over 50MW of renewable energy through the Power & Energy Sector	Conversion to bio-mass energy sourcing ( Hand Protection, Eco Solutions, Plantations, Textiles)	Waste heat recovery to produce energy (Purification)	Rooftop solar project by Hayleys group
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In addition to the above, all Sectors strive to use energy efficient technology and equipment, lighting and cooling solutions and optimise the usage through heat load reducing applications etc.

## ENERGY CONSUMPTION IN 2020/21

## ENERGY CONSUMPTION

**64%**

Reliance on renewable energy at Group level

**6.7%**

Reduction in use of diesel, petrol and furnace oil sources

	2021	2020
<b>Non-renewable energy consumption (MJ)</b>		
Diesel	146,325,718	164,217,720
Liquefied Petroleum Gas	177,515,055	145,050,911
Petrol	5,382,608	3,945,317
Kerosene	49,137	135,384
Furnace oil	236,065,120	243,374,372
Natural gas	4,197,984	5,270,488
Intermediate Fuel Oil	79,979,090	146,988,967
Marine Gas Oil	220,161,200	102,806,655
Electricity	533,283,131	489,110,808
Owned vehicle fuel (Diesel & Petrol)	32,734,597	37,190,313
<b>Total non-renewable</b>	<b>1,435,693,639</b>	<b>1,338,090,936</b>
<b>Renewable energy consumption (MJ)</b>		
Firewood	356,785,978	946,726,954
Saw dust	522,623,447	475,127,359
Other biomass sources	1,718,804,471	917,039,565
<b>Total renewable</b>	<b>2,598,213,895</b>	<b>2,338,893,878</b>
<b>Total energy consumption</b>	<b>4,033,907,535</b>	<b>3,676,984,814</b>

## CARBON FOOTPRINT

Group-wide efforts to increase reliance on renewable energy, reduce energy consumption and reduce dependence on fossil fuel have led to sustained improvements in the Group's carbon footprint. During the year, we further refined the carbon footprint computation through the consideration of the greenhouse gases such as CH<sub>4</sub> and NO<sub>2</sub> which arise from the burning of biomasses, which had previously been considered as zero GHG emission. This has resulted in the re-statement of emissions across the Group. The Group measures its carbon footprint in line with the WBCSD/ WRI Greenhouse Gas (GHG) Protocol Corporate Standard, and ISO 14064: 2018.

**30%**

Reduce in scope 1 & 2 carbon emissions

**10%**

Reduction in scope 3 carbon emissions by 2030

## Progress in 2021

Total carbon footprint	204,501 tCO <sub>2</sub> e
Carbon emission	9% increase
Emission intensity	7% decrease
Emissions offset by renewable energy generations	41%

### TALAWAKELLE PLANTATIONS PLC

Obtained the ISO14,064:2018 certification ensuring 100% accurate reporting of carbon emissions

### HAYLEYS FABRICS PLC

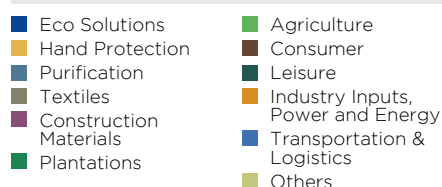
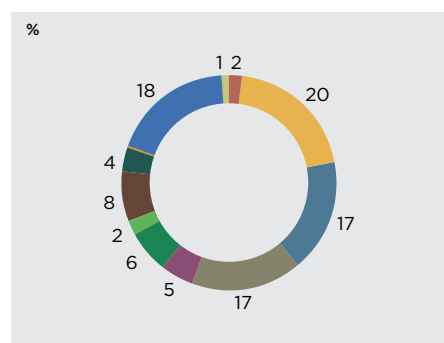
Sri Lanka's first textile manufacturer to commit to Science-based Targets Initiative (SBTI) on emission reduction

### CARBON FOOTPRINT IN 2020/21

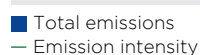
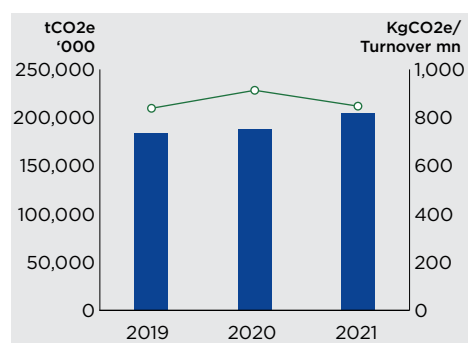
Despite a significant increase in operational activity, the increase in carbon footprint was contained at 9% during the year, while emission intensity declined by 7%.

Sector	Scope 1	Scope 2	Scope 3	Sector Total (2021)	% Share by sector (2021)	Sector Total (2020)
<b>MANUFACTURING</b>						
Eco Solutions	937,197	3,013,391	231,934	4,182,523	2	4,760,605
Hand Protection	18,561,687	18,992,504	3,498,302	41,052,493	20	35,322,418
Purification	11,028,648	22,777,559	603,618	34,409,825	17	26,367,660
Textiles	20,156,840	13,058,958	1,287,476	34,503,274	17	32,308,296
Construction Materials	4,583,848	4,760,413	440,861	9,785,122	5	8,654,759
<b>AGRICULTURE AND PLANTATIONS</b>						
Agriculture	1,580,357	1,132,995	1,943,598	4,656,950	2	4,971,804
Plantations	4,616,480	8,223,711	244,355	13,084,546	6	12,096,726
<b>SERVICES</b>						
Transportation & Logistics	27,386,983	2,743,293	7,583,915	37,714,191	18	33,507,568
Consumer & Retail	105,720	10,710,716	4,726,423	15,542,858	8	16,258,068
Leisure	2,045,545	5,195,039	77,920	7,318,505	4	10,633,861
Industry Inputs, Power & Energy	2,666	76,805	251,622	331,094	0	589,801
Others	181,439	1,345,219	393,166	1,919,824	1	2,312,347
<b>Total by Scope</b>	<b>91,187,409</b>	<b>92,030,603</b>	<b>21,283,191</b>	<b>204,501,204</b>	<b>100</b>	<b>187,783,914</b>

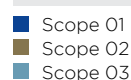
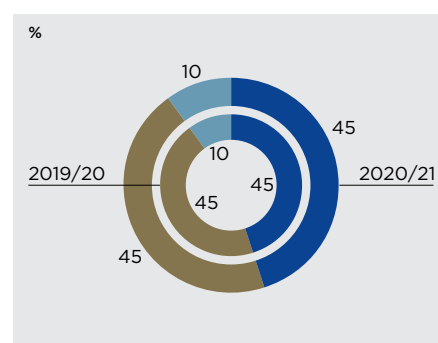
### EMISSIONS BY SECTOR 2020/21



### CARBON FOOTPRINT AND INTENSITY



### EMISSIONS BY SCOPE





## NATURAL CAPITAL

### WASTE AND EFFLUENTS

We are committed to achieving zero landfill waste by 2030 and 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 are checked on a regular basis by independent assessors to ensure it meets compliance levels.



**75%**

Waste water recycled and reclaimed

**Zero**

Landfill by 2030

**30%**

Reduction in water intensity

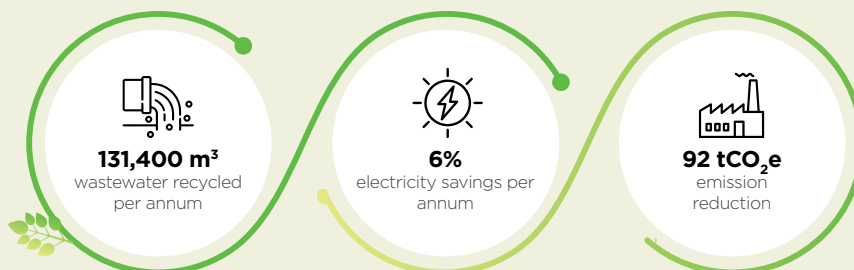
#### Progress in 2021

Total waste	16,521 MT
Recycled & Reused waste	68%
Land filling waste	25%
Waste water discharged	3,915,686 m <sup>3</sup>
Waste water internally treated	59%



### Developments in 2020/21

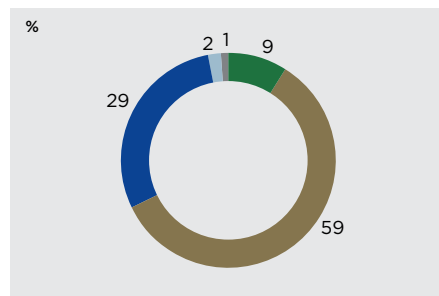
During the year, the Hand Protection Sector commissioned a wetland for wastewater treatment using a nature-based solution at its Hanwella Factory. In addition to the 100% reuse of recycled wastewater, this initiative also leads to considerable reductions in energy usage.



	INITIATIVES	SECTOR/S
Effluent management initiatives	<ul style="list-style-type: none"> <li>Waste water is treated at effluent treatment plants and monitored to ensure compliance with water quality standards. Hand Protection and Textiles sectors allow the public to check the quality of discharged water.</li> </ul>	Hand Protection, Construction Materials, Textiles, Purification
	<ul style="list-style-type: none"> <li>Factory and domestic wastewater purification systems</li> </ul>	Plantations
	<ul style="list-style-type: none"> <li>Waste water is recycled and used for gardening and organic farming.</li> </ul>	Leisure, Plantations
Solid waste management	Integrated Waste Management programs comprising, <ul style="list-style-type: none"> <li>Bio-degradable waste used to produce compost</li> <li>Metal, glass, plastic, polythene, paper and E-waste are segregated, and sent for recycling</li> <li>Incineration is prohibited</li> </ul>	Plantations, Consumer & Retail
	E-waste is collected from customers (including old CRT screens) and sent to approved 3rd party recyclers	
	Spent carbons undergo regeneration in the Thailand factory eliminating the need for incineration or landfill disposal generation of hazardous waste	Purification
	Waste yarn and fabric is provided to villagers who engage in cottage industries.(household entrepreneurs)	Textiles
	Solid waste is classified and, <ul style="list-style-type: none"> <li>Recyclable solid waste (plastic and paper) is sent to approved third party recyclers.</li> <li>Hazardous solid waste is sent to INSEE Ecocycle and other CEA approved hazardous waste collectors for sustainably disposing.</li> </ul>	Hand Protection, Leisure  Agriculture, Textiles Construction Material

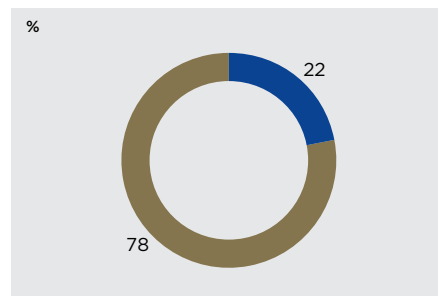
## WASTE MANAGEMENT IN 2021

### WASTE WATER DISCHARGE BY DESTINATION



- Municipality sewerage, drainage lines
- Recycled through ETPs
- Discharge to water body under required Environmental guidelines
- To ground through soakage pit
- Other

### SOLID WASTE BY CATEGORY



- Hazardous Waste
- Non-hazardous Waste

### WASTE BY METHOD OF DISPOSABLE

MT	2021	
	Hazardous	Non-hazardous
Reuse	7.9	3,051.1
Recycling	249.0	4,416.8
Composting	53.0	705.6
Recovery	-	59.8
Incineration	2,731.5	346.3
Landfill	-	3,038.8
On-site storage	10.4	732.7
Other	246.5	922.2
<b>TOTAL</b>	<b>3,298.3</b>	<b>13,273.4</b>

Sector	Land extent (Acres)	Use
Eco solutions	58.26	Comprises 13 properties on which factories, warehouses and offices are located
Hand protection	39.00	4 properties including 1 in Thailand where our manufacturing facilities are located
Purification	127.80	8 properties including 4 in Indonesia and Thailand which house our manufacturing facilities, warehouses and offices
Textiles	54.30	1 property where our factory is located
Construction materials	15.48	4 properties where our manufacturing facility, warehouse and offices are located
Plantations	1.94	Factory and office complex of tea process
Agriculture	25.96	8 properties including 1 in Dhaka which mainly comprise of cultivated land
Consumer	18.05	44 properties, mainly including Singer's branch network, manufacturing facility and offices
Leisure	12.91	2 properties which include our hotels and bare land
Industry inputs, Power and Energy	11.05	2 properties in which mini-hydro plants are located
Transportation & Logistics	35.64	8 properties where warehouses and offices are located
Others	32.18	6 properties which include the corporate head office and several bare lands.
<b>Total</b>	<b>428.58</b>	

## LAND AND BIOLOGICAL ASSETS

The Group has a considerable land bank of 503.61 hectares as presented below; the purification sector dominates the free-hold land profile as the largest owner, while on the leasehold land the Plantation Sector has a total extended of over 19,000 hectares.

## PRESERVING BIODIVERSITY

Traditionally, the Plantation Sector has been the key driver of the Group's biodiversity preservation agenda; however, during the year under review, other sectors joined this cause while a tree planting initiative was launched by Hayleys PLC, with over 44,500 trees planted during the year.

### Green belt and Wetland Biodiversity Zone at Hayleys Fabrics

During the year, the Textile Sector reserved 20 acres and 9 acres of land adjoining the factory as a Green Belt and Wetland Biodiversity Zone respectively. Conducted under the guidance of the Central Environment Authority, the initiative included a biodiversity survey by the Environmental Ministry Secretariat, which identified 146 plant species belonging to 63 families and 149 animal species, including 2 endemic plant species and 18 endemic animal species.

## NATURAL CAPITAL



Increase bio-diversity enhancing program to cover 5 times the area occupied by the Company

### Progress in 2021

Trees planted	>44,500
---------------	---------

### HAYLEYS PLC TREE PLANTING INITIATIVE

Conducted as an ongoing, organisation-wide initiative the Group planted over 44,500 trees during the year, including for the purpose of sourcing sustainable biomass.

### Trees planted during the year

<b>43,481</b>	<b>330</b>	<b>283</b>
Plantations	Textiles	Agriculture

### BIODIVERSITY CORRIDORS BY HAYLEYS PLANTATIONS

The Plantation Sector's tea and rubber estates in the hill country and low country wet zones are rich in biodiversity and we are committed to preserving the natural habitats and ecosystems in these areas. The Sector has obtained and complies with Rainforest Alliance while both our plantations are also part of Biodiversity Sri Lanka, a national platform established to promote strong engagement of the corporate sector in biodiversity and environmental conservation in Sri Lanka. During the year, the Sector progressed on this agenda by establishing biodiversity corridors. The Sector also promoted forest reforestation and preservation of biodiversity through an eco-system restoration project at St. Clair Falls which included a self-sustaining business model.

244 hectares with rich biodiversity

Watershed and catchment areas feeding national rivers Nilwala, Gin, Kotmale Oya and Nanu Oya

Great Western, Radella and Holyrood estates are located near Kikiliyamana Natural Forest Reserve

Calsay estate, Nanuoya borders the Conical Hill National Forest, Agrabopaththalawa

Conservation Status	Number of species
Globally threatened	-
Critically endangered	6
Endangered	44
Vulnerable	37
Near threatened	26
Other	113

The two Plantation Sector companies invested Rs. 259 mn in replanting of tea and rubber during the year.



## MATERIAL AND CHEMICAL MANAGEMENT

In recent years, the Group has sought to embed the principle of circularity in its material management process, by increasing reliance on recycled material. Other aspects of the Group's material management includes minimising chemical usage, use of eco-friendly raw material and responsible sourcing. Refer below for further details on the use of recycled raw materials.



**30%**

Recycled/reclaimed material usage by 2030

**40%**

of supply chain with best chemical management practices

### Progress in 2020/21

Recycled input materials	16,521 MT
Construction Materials (Recycled aluminum -Kg)	4,810,000
Textiles (Recycled PET yarn - Kg)	748,113
Hand Protections (Recycled PET yarn - Kg)	28,333

The Group's material consumption during the year is as follows:

Sector	Metric	2021
<b>RENEWABLE MATERIALS</b>		
Purification	Coconut charcoal (MT)	89,626
	Coconut Shells (MT)	29,321
Hand Protection	Latex (MT)	11,297
Plantations	Green Leaf (MT)	44,582
	Latex (m <sup>3</sup> )	3,303
Eco Solutions	Coconut fibre (MT)	401,386
	Fibre pith (MT)	1,467,674
Textiles	Grieg (Kg)	1,375
	Yarn (Kg)	4,238
Agriculture	Fertilizer (Kg)	400,315
<b>NON-RENEWABLE MATERIALS</b>		
Construction Materials	Aluminium billets (MT)	6,141
Plantations	Agro-chemicals (Litres)	9,306
	Agro-chemicals (Kg)	1,674
Textiles	Yarn (recycled)	713
	Yarn (non-renewable and other than recycled) (Kg)	2,599
	Grieg (Kg)	1,879
	Dyes and Chemicals (Kg)	6,515



GREENING OUR BUSINESS



A TARGET DRIVEN APPROACH TO SUSTAINABILITY ENSURES THAT OUR BUSINESSES CONTINUALLY SEEK WAYS TO BECOME MORE RESPONSIBLE IN CONSUMPTION OF RAW MATERIALS, ENERGY AND WATER WHILE MINIMIZING IMPACTS ON THE ENVIRONMENT THROUGH RE-USE, RECYCLING AND SAFE DISPOSAL/DISCHARGE OF WASTE, EFFLUENTS AND EMISSIONS.



RENEWABLE ENERGY

In addition to the Group’s biomass initiatives and renewable power generation by the Renewable Energy Sector, Hayleys launched a Group-wide rooftop solar initiative with the assistance of Fentons. Accordingly, 8 factories within the Group have installed solar panels on the roof tops with a generation capacity of 6.57 MW during the year. The installed capacity of the Group is as follows:

Sector	Capacity	Type of renewable energy
Hayleys Fabrics	4,200 KW	Rooftop solar
Purification	1,000 KW	Waste to heat recovery
Plantations	4,000KW	Mini hydro and roof solar
Transportation & Logistics	1,575 KW	Rooftop solar
Construction materials	350 KW	Rooftop solar
Hayleys Head Office	60KW	Rooftop solar
Industry Inputs Power and Energy	49,800KW	Mini hydro, solar and wind



USE OF RECYCLED INPUT MATERIALS IN CONSTRUCTION MATERIALS SECTOR

The Construction Material Sector increased reliance on recycled aluminium during the year, which in turn enabled it to reduce dependence on virgin aluminium which is a non-renewable material while reducing waste to land fill.



COMMITMENT TO REDUCE CARBON EMISSIONS

The Textile Sector and Plantations Sector committed to the sustained reduction of the carbon footprint through committing to The Science-Based Targets initiative (SBTi), a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) which drives ambitious climate action in the private sector.



CIRCULARITY THROUGH GROUP SYNERGIES

- The waste woodchips generated from the Singer factories are used as a biomass fuel source for the Textiles Sector, reflecting industrial symbiosis between the two Sectors.
- Waste tea from the Plantations Sector is utilised by the Textile Sector, which has formulated a natural dye produced from waste tea, as a sustainable alternative to synthetic dyes and treatments



SUSTAINABLE PACKAGING MATERIAL IN THE CONSUMER & RETAIL SECTOR

Singer successfully introduced biodegradable packaging for several key products, thereby replacing Styrofoam packaging with paper-based packaging. The Group has successfully propagated this consciousness across its packaging suppliers, who now increasingly manufacture paper-based packaging.





### INCREASED WATER RECYCLING IN HAND PROTECTION

The Hand Protection Sector commissioned a wetland for wastewater treatment using a nature-based, chemical-free solution at its Hanwella Factory. In addition to the 100% reuse of recycled wastewater, this initiative also leads to considerable reductions in energy usage

**100%**  
REUSE OF RECYCLED  
WASTEWATER

**131,400 M3**  
WASTEWATER RECYCLED  
PER ANNUM

**10,392 litres**  
OF CHEMICAL  
CONSUMPTION REDUCED  
WASTEWATER

**92 tCO<sub>2</sub>e GHG**  
EMISSIONS  
REDUCTIONS PER  
ANNUM



### BIODIVERSITY PRESERVATION

The Plantations Sector engaged in a eco-system restoration project at St.Clair Falls with a self-sustaining model for forest restoration and ecosystem protection.

In addition to the above, the Sector directs considerable investments every year in rejuvenating the land and replanting.

Textile sector also Textile Sector reserved 20 acres and 9 acres of land adjoining the factory as a Green Belt and Wetland Biodiversity Zone



### SUSTAINABLE DISPOSAL OF E-WASTE

Singer Sri Lanka engages in the sustainable disposal of e-waste across the country through collecting the -waste at their outlets, recovering certain components for re-use and disposing. Recycled quantities are,

**25,344**  
TELEVISIONS

**4,145**  
WASHING MACHINES

**6,116**  
REFRIGERATORS



### TREE PLANTING

Several sectors within the Group engaged in tree planting activities with over 44,500 trees planted during the year. The Plantation has implemented a self-sustaining model for eco-system restoration through connecting the agriculture land with the natural forest through biological corridors. Over the long-term this is expected to enhance bio-diversity and enhance the quality of the soil.



## CONSOLIDATED STATEMENT OF ECONOMIC PERFORMANCE

		2021	Change %	2020
Foreign exchange income earned	USD mn	600	8.3%	554
Indirect employment	No.	5,960	11.5%	5,343
Supplier reach	No.	18,700	-2.73%	19,224
<b>CAPACITY BUILDING</b>				
Construction materials	No.	339	-91%	3,768
Consumer & Retail	No.	5,000	8.6%	4,605
Job creation outside the Western Province	No.	1,694	-18.8%	2,085
Tax paid	Rs.mn	12,482	-0.2%	12,508
Innovations (total new products introduced)	No	349	44.7%	193
Renewable energy generated	MWh	151,647	63.9%	92,540

Hayleys is one of Sri Lanka's most economically impactful organisations underpinned by the depth and diversity of its operations, supply chains and distribution channels. We are committed to creating shared value across our stakeholder universe, nurturing mutually beneficial relationships and contributing towards sustainable value creation.

During the year, the Group's Economic Value Creation increased by 18% to a record high of Rs.68.99 bn.

	2020/21	2019/20	2018/19	2017/18	2016/17
<b>VALUE CREATED (RS.MN)</b>					
Revenue	241,276	210,307	219,182	163,249	111,383
Other income	1,468	1,673	2,496	909	1,024
<b>VALUE DISTRIBUTED (RS.MN)</b>					
To employees as remuneration	30,511	27,148	25,828	20,434	15,207
To Government Revenue					
- Of Sri Lanka	11,258	11,698	6,664	4,692	2,126
- Overseas	1,224	819	370	466	263
To shareholders as dividend	975	-	375	375	563
To lenders of capital					
- Interest on borrowings	6,875	11,009	10,512	5,932	3,112
- Non-controlling interest	6,409	2,522	2,485	2,249	2,264
<b>VALUE RETAINED FOR EXPANSION AND GROWTH (RS.MN)</b>					
Depreciation	5,330	5,159	4,811	3,927	2,998
Profit retained	6,410	108	(286)	422	2,008

## TO EMPLOYEES



Value creation to employees increased by 12% during the year and amounted to 30% of the total value added by the Group. The Group's employee value proposition includes opportunities for skill and career development in an inclusive and dynamic work environment.

**Rs. 27,148 mn**  
2020

**Rs. 30,511 mn**  
2021

## TO SUPPLIERS



Value creation to suppliers increased by 10% to Rs.145.50 bn during the year, as we increased raw material sourcing in line with the increase in business volumes across key Sectors. Suppliers were also supported through ongoing opportunities for development and capacity building.

**Rs. 131,928 mn**  
2020

**Rs. 145,497 mn**  
2021

## TO LENDERS



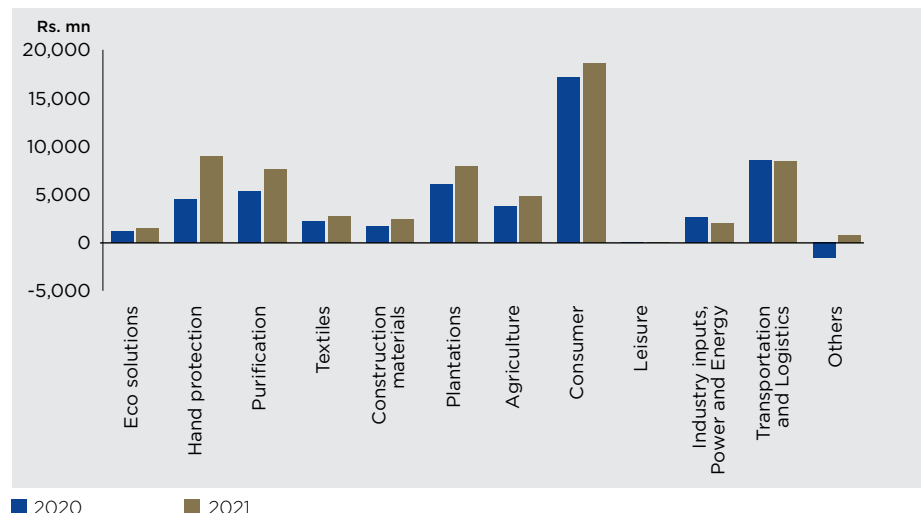
Interest payments to Banks and non-controlling interests declined by 2% during the year, mainly in view of the sustained decline in interest rates during the year.

**Rs. 13,531 mn**  
2020

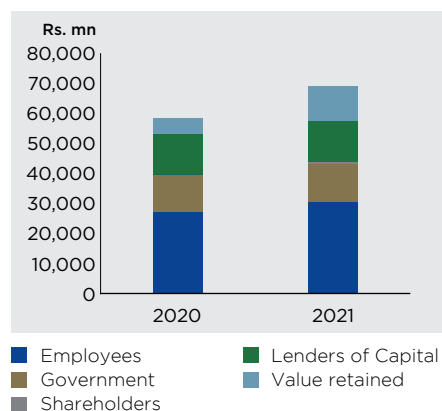
**Rs. 13,284 mn**  
2021

**ALL SECTORS WITHIN THE HAYLEYS GROUP INCREASED THE VALUE ADDED TO THE ECONOMY DURING THE YEAR EXCEPT FOR TOURISM WHICH WAS BADLY AFFECTED BY THE PANDEMIC. THIS IS A SUMMARY OF HOW WE ADDED AND DISTRIBUTED VALUE IN THE FINANCIAL YEAR UNDER REVIEW.**

## ECONOMIC VALUE CREATION BY SECTOR



## ECONOMIC VALUE CREATION



## TO GOVERNMENT



## TAXES

**Rs. 12,508 mn**  
2020

**Rs. 12,482 mn**  
2021

## FOREX INCOME GENERATED

**Rs. 99,802 mn**  
2020

**Rs. 113,332 mn**  
2021

## TO SHAREHOLDERS



## EARNINGS PER SHARE

**Rs. 0.5**  
2020

**Rs. 10.18**  
2021

**30,765**  
DIRECT  
EMPLOYEES

**5,960**  
INDIRECT  
EMPLOYEES

**>18,500**  
SUPPLIERS

**1,975**  
JOBS OUTSIDE  
WESTERN PROVINCE

# 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 2021. 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 Principal 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 385 to 386.

The Principal activities of the Group are categorised into different business sectors. i.e. Eco Solutions, Hand Protection, Purification Products, Textiles, Construction Materials, Agriculture, Plantations, Transportation & Logistics, Consumer & Retail, Power & Energy, Leisure and Others. The main activities of the sectors are described in the Portfolio Review pages 98 to 169 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 30 to 39) Portfolio review (pages 98 to 169) 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/disposal activities during the year include the following;

- Subdivision of shares of the Company- The ordinary shares of the company were subdivided by splitting each issued ordinary share into 10 ordinary shares from 10th February 2021. Consequently the total number of existing issued Ordinary Shares were increased from 75,000,000 to 750,000,000 without changing the Stated Capital of the Company which remains at Rs.1,575,000,000/-
- Sub Division of shares in Haycarb PLC – 20,125,103 ordinary shares held by Hayleys PLC were increased to 201,251,030, as a result of the subdivision of shares made on 10th February 2021 by splitting each ordinary share into 10 ordinary shares.
- Sub Division of shares in Dipped Products PLC – 25,210,938 ordinary shares held by Hayleys PLC were increased to 252,109,380, as a result of the subdivision of shares made on 10th February 2021 by splitting each ordinary share into 10 ordinary shares.
- Sub Division of shares in Hayleys Fibre PLC – 5,200,000 ordinary shares held by Hayleys PLC were increased to 15,600,000 as a result of the subdivision of shares made on 10th February 2021 by splitting each ordinary share into 3 ordinary shares.
- Sub Division of shares in Kelani Valley Plantations PLC – 24,626,900 ordinary shares held by DPL Plantations (Private) Limited were increased to 49,253,800 as a result of the subdivision of shares made on 10th February 2021 by splitting each ordinary share into 2 ordinary shares.
- Sub Division of shares in Talawakelle Tea Estates PLC – 17,750,000 ordinary shares held by Hayleys Plantation Services (Private) Limited were increased to 35,500,000 as a result of the subdivision of shares made on 10th February 2021 by splitting each ordinary share into 2 ordinary shares.
- Sub Division of shares in Hayleys Fabric PLC – 122,487,023 ordinary shares held by Hayleys PLC were increased to 244,974,046 as a result of the subdivision of shares made on 10th February 2021 by splitting each ordinary share into 2 ordinary shares.
- Sub Division of shares in The Kingsbury PLC – 87,307,057 ordinary shares held by Hayleys PLC were increased to 174,614,114 as a result of the subdivision of shares made on 3rd March 2021 by splitting each ordinary share into 2 ordinary shares.
- Sub Division of shares in Alumex PLC – 157,413,032 ordinary shares held by Hayleys PLC were increased to 314,826,064 as a result of the subdivision of shares made on 3rd March 2021 by splitting each ordinary share into 2 ordinary shares.
- Sub Division of shares in Amaya Leisure PLC – 21,769,457 ordinary shares held by Hayleys PLC were increased to 43,538,914 as a result of the subdivision of shares made on 10th February 2021 by splitting each ordinary share into 2 ordinary shares.
- Sub Division of shares in Unisyst Engineering PLC – 13,790,178 ordinary shares held by Hayleys PLC were increased to 27,580,356 as a result of the subdivision of shares made on 4th March 2021 by splitting each ordinary share into 2 ordinary shares.
- Sub Division of shares in Singer (Sri Lanka) PLC – 261,267,037 ordinary shares held by Hayleys PLC were increased to 783,801,111 as a result of the subdivision of shares made on 4th March 2021 by splitting each ordinary share into 3 ordinary shares.
- Sub Division of shares in Singer Industries (Ceylon) PLC – 8,772,314 ordinary shares held by Singer (Sri Lanka) PLC were increased to 17,544,628 as a result of the subdivision of shares made on 4th March 2021 by splitting each ordinary share into 2 ordinary shares.

- Sub Division of shares in Regnis (Lanka) PLC – 6,568,577 ordinary shares held by Singer (Sri Lanka) PLC were increased to 13,137,154 ordinary shares as a result of the subdivision of shares made on 4th March 2021 by splitting each ordinary share into 2 ordinary shares.
- Ordinary Shares of Hayleys Advantis Limited- 1,647,028 ordinary shares held by Hayleys PLC under the ESOP scheme, were transferred to the eligible employees under ESOP of Hayleys Advantis Limited at Rs.131.25
- Repurchase of shares in Sojitz Kelanitissa (Private) Limited – 2,673,865 ordinary shares held by Hayleys PLC were repurchased by Sojitz Kelanitissa (Private) Limited.

### 2.3 Financial Statements of the Company and the Group

The Financial Statements of the Company and the Group are given on pages 250 to 369 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 246 to 249.

### 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 261 to 286. 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 interests register of the Company and those subsidiaries which have not

dispensed with the requirement to maintain interests 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 38 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 followings.

- 5,200 shares were purchased and disposed during the financial year by Ms.J.Dharmasena, a Director of Hayleys PLC.
- 1,586 shares were purchased during the financial year by Mr.S.C.Ganegoda, a Director of Hayleys PLC

#### Dipped Products PLC

- 330,085 shares were purchased during the year by Mr.H.S.R.Kariyawasan, Mr.H.S.R.Kariyawasan is a Common Director for Hayleys PLC and Dipped Products PLC
- 25,000 shares were purchased during the year by Mr.S.C.Ganegoda, Mr.S.C.Ganegda is a Common Director for Hayleys PLC and Dipped Products PLC
- 15,000 shares were purchased during the year by Mr.N.A.R.R.S.Nanayakkara, a Director of Dipped Products PLC

#### Unisyst Engineering PLC

- 1,000 shares were purchased during the year by Advantis Projects & Engineering (Private) Limited, Hayleys PLC is a Parent Company of Unisyst Engineering PLC and ultimate Parent Company of Advantis Projects & Engineering (Private) Limited. Messrs A.M.Pandithage, S.C.Ganegoda and L.R.V.Waidyaratne Common Directors for Hayleys PLC, Unisyst Engineering PLC and Advantis Projects & Engineering (Private) Limited.
- 2,000 shares were purchased and disposed during the year by Mrs.R.D.Jayawardena, Spouse of Mr.S.Munaweera, an Independent Non-Executive Director of Unisyst Engineering PLC
- 2,000 shares were purchased and disposed during the year by Mr.S.Munaweera, an Independent Non-Executive Director of Unisyst Engineering PLC

#### Haycarb PLC

- 131,000 shares were purchased during the year by Mr.H.S.R.Kariyawasan, Mr.H.S.R.Kariyawasan is a Common Director for Hayleys PLC and Haycarb PLC

#### Alumex PLC

- 97,061 shares were purchased during the year by Mr.S.C.Ganegoda, Mr.S.C.Ganegda is a Common Director for Hayleys PLC and Alumex PLC.
- 100,000 shares were sold during the year by Mr. T. Akbarally, Alternate Director to Mr. A. Akbarally, a Non-executive Director of Alumex PLC.
- 533,082 shares were sold during the year by Akbar Brother (Private) Limited. Mr. A. A. Akbarally is a Director of Alumex PLC and Mr. T.Akbarally, Alternate Director to Mr. A.A.Akbarally is also a Director of Akbar Brothers (Private) Limited and has controlling interest in Akbar Brothers (Private) Limited.

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

- 17,000 shares were purchased and 7,000 shares were disposed during the year by Mrs. R.D. Jayawardana, spouse of Mr. S. Munaweera, an Independent Non-executive Director of Alumex PLC.
- 264,365 shares were purchased and 8,385,000 shares were disposed during the year by Rosewood (Private) Limited. Mr. R.P. Pathirana is a Director of Alumex PLC and Mr. A.J. Hirdaramani, Alternate Director to Mr. R.P. Pathirana is also a Director of Rosewood (Private) Limited and has controlling interest in Rosewood (Private) Limited.

### Singer (Sri Lanka) PLC

- 50,000 shares were purchased and 15,000 shares were disposed during the year by Ms. M.W.D.T.I. Wijewardene, spouse of spouse of Mr. M.H. Wijewardene, the Chief Executive Officer/Executive Director of Singer (Sri Lanka) PLC

### Kelani Valley Plantations PLC

- 1,000 shares were purchased during the year by Mr.W.G.R.Rajadurai, Managing Director of Kelani Valley Plantations PLC.

### Amaya Leisure PLC

- 4,968,643 shares were sold during the year by Mr.L.T.Samarawickrama, Non-Executive Director of Amaya Leisure PLC (resigned with effect from 18th January 2021)
- 363,606 shares were sold by Elles (Pvt) Ltd (Mr. L.T. Samarawickrama, Non-Executive Director of Amaya Leisure PLC has the controlling interest in Elles (Pvt) Ltd.

### Hayleys Fabric PLC

- 190,000 shares were purchased during the year by Mr.S.C.Ganegoda, Mr.S.C.Ganegda is a Common Director for Hayleys PLC and Hayleys Fabric PLC.
- 20,000 shares were purchased during the year by Mr.I.B.R.R.Bandara, an Executive Director of Hayleys Fabric PLC

- 1,000 shares were purchased during the year by Mr.K.P.C.P.K.Pathirana, an Executive Director of Hayleys Fabric PLC.
- 500 shares were purchased and disposed during the year by Mrs.J.P.Jayathileka, spouse of Mr.A.S.Jayathileka an Independent Non Executive Director of Hayleys Fabric PLC.

### Talawakelle Tea Estates PLC

- 1,000 shares were purchased during the year by Mr.W.G.R.Rajadurai, Managing Director of Talawakelle Tea Estates PLC

### Hayleys Advantis Limited

- The following Ordinary shares were allotted to the Directors from the ESOP made by Hayleys Advantis Limited during the financial year.

Name of the Director	No. of Shares
Mr. A.M. Pandithage	303,163
Mr. S.C. Ganegoda	37,659
Mr. L.R.V. Waidyaratne	89,393
Ms. E.M.C.S. Gamage	67,198
Mr. T.U.K. Peiris	51,014
Mr. A.B. Ratnayake	59,468

### 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 2021, 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 2021, 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 Directors and Officers Liability insurance from a reputed insurance company in Sri Lanka providing worldwide cover to indemnify all past, present

### 2.7 Directors' remuneration

Directors' remuneration, in respect of the Company for the financial year 2020/2021 is Rs. 412.2 mn (Rs. 381.4 mn) consisting of Rs. 396.7 mn for Executive Directors and Rs. 15.5 mn for Non-Executive Directors.

Directors' remuneration in respect of the Company's Subsidiaries for the financial year 2020/2021 is Rs. 1,502.1 mn (Rs. 1,437.9 mn) consisting of Rs. 1,440.0 mn for Executive Directors and Rs. 62.1 mn for Non-Executive

### 2.8 Corporate Donations

Donations by the Company amounted to Rs. 318,329 (Rs. 262,910) which includes a sum of Rs. 67,000 (Rs. 42,000) made to Government approved charities.

Donations by the Subsidiaries amounted to Rs. 34.8 mn (Rs. 24.0 mn).

## 3. FUTURE DEVELOPMENTS

Future developments are discussed in the Chairman's message (pages 30 to 39), Portfolio review (pages 98 to 169) of this Report.

## 4. GROUP REVENUE AND INTERNATIONAL TRADE

The revenue of the Group was Rs 241.3 bn (Rs. 210.3 bn) in the year under review. A detailed analysis of the Group's revenue, profit and asset allocation relating to different segments of the Group's businesses is given in Note 40 to the Financial Statements.

The Group's exports from Sri Lanka, amounted to Rs. 80.1 bn (Rs. 69.1 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. 117.4 bn (Rs. 99.8 bn) in the year under review.

Trade between Group companies is conducted at fair market prices.

## 5. PERFORMANCE AND RESERVES

### a. Performance

The Group's profit before taxation amounted to Rs. 19.2 bn (Rs. 5.5 bn). After deducting Rs.5.19 bn (Rs. 2.61 bn) for taxation the profit was Rs. 14.05 bn (Rs. 2.89 bn). When an amount of Rs. 6.41 bn (Rs. 2.52 bn) for non- controlling interests was deducted, the Group profit attributable to owners of the Parent for the year was Rs 7.64 bn (Rs. 372.4 mn).

### 5.2 Reserves

Total Group Reserves at 31st March 2021 amounts to Rs. 47.6 bn (Rs. 39.7 bn) comprising Capital Reserves of Rs. 0.69 bn (Rs. 0.68 bn), Other components of equity of Rs. 24.7 bn (Rs. 23.6 bn) and Revenue Reserves of Rs. 20.6 bn (Rs. 13.8 bn). The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

## 6. PROPERTY, PLANT AND EQUIPMENT

Capital expenditure during the year, on Property, Plant & Equipment (including capital work-in- progress), Biological assets, Intangible assets and Right-of-use asset by the Group and the Company amounted to Rs. 6.1 bn (Rs. 8.5 bn) and Rs. 45 mn (Rs. 57.5 mn) respectively.

Details relating to capital expenditure on Property, Plant & Equipment (including capital work-in-progress), Right-of-use asset, Biological assets, Investment properties, Intangible assets, are given in Notes 13, 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 374 to 377.

## 7. MARKET VALUE OF FREEHOLD

The freehold land of the Group has in general been subjected to routine revaluation by independent qualified valuers. The most recent revaluations of the lands were carried out as at 31st March 2019. Details of revaluations, carrying values and market values are provided in Note 13 to the Financial Statements. The Statement on Value of Real Estate on pages 374 to 377 gives details of freehold land held

## 8. ISSUE OF SHARES AND DEBENTURES

### 8.1 Issue of Shares and Debentures by the Company

The Company did not issue any shares or Debenture during the year ended 31st March 2021.

**Subdivision of shares** - The ordinary shares of the company were subdivided by splitting each issued ordinary share into 10 ordinary shares from 10th February 2021. Consequently the total number of existing issued Ordinary Shares were increased from 75,000,000 to 750,000,000 without changing the Stated Capital of the Company which will remain at Rs. 1,575,000,000/-.

### 8.2 Stated Capital and Debentures

The stated capital of the Company, consisting of 750,000,000 ordinary shares, amounts to Rs.1,575 mn as at 31st March 2021. There was no change in stated capital during the year.

The debentures of the Company consist of the following:

- Thirty five million two hundred and sixty eight thousand two hundred (35,268,200 listed rated senior unsecured redeemable five year (2018/23) debentures amounting to Rs.3.5bn.
- Thirty Million (30,000,000) listed rated senior unsecured redeemable five year (2019/2024) debentures amounting to Rs.3bn.

## 9. SHARE INFORMATION

Information relating to earnings, dividend, net assets, market value per share, share trading and distribution of shareholding is given on page 379.

## 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 379.

### 10.2 Public Holding

There were 9,442 (6,271) registered shareholders as at 31st March 2021. The percentage of shares held by the public, as per the Colombo Stock Exchange rules being 37.09% (37.10%) representing 9,433 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 45.

### Executive Directors

- Mr. A.M. Pandithage (Chairman & Chief Executive)
- Mr. S.C. Ganegoda
- Mr. H.S.R. Kariyawasan
- Mr. L.R.V. Waidyaratne
- Mrs. J. Dharmasena
- Mr. R.J. Karunarahah

### Non-Executive Directors

- Mr. K.D.D. Perera - (Co-Chairman)
- Ms. A.A.K. Amarasinghe - Alternate Director to Mr. K.D.D. Perera

### Independent Non-Executive Directors

- Dr. H. Cabral, PC
- Mr. M.H. Jamaldeen
- Mr. M.Y.A. Perera
- Mr. K.D.G. Gunaratne



## ANNUAL REPORT OF THE BOARD OF DIRECTORS

The basis on which Directors are classified as Independent Non-Executive Directors is discussed in the Corporate Governance Report.

Mr. S.C.Ganegoda, Mr. L.R.V.Waidyaratne and Mr.H.S.R.Kariyawasan retire by rotation and being eligible offer themselves for re-election.

Pursuant to section 211 of the Companies Act No.07 of 2007 ordinary Resolution will be put before the shareholders for the reappointment of Mr.A.M.Pandithage notwithstanding the age limit of seventy years stipulated by section 210 of the Companies Act.

### 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
D.K.De S Wijeyeratne	T. G.Thoradeniya	L.Uralagamage	Ms.M.Hirai
C.D. Weiland	A. Venugopal	A.R.K.Jayawardena	Ms. M. Shiraishi
M.I.L.Perera	J. A. M. V. D. Hout	T.Fukushima	S.Fukushima
Ms. I. Weiland	Dr.T.K.D.A.P.Samarasinghe	L.A.K.I.Kodytuakku	M.C.Sampath
W.A.K.Kumara	H.C.S Mendis	G. Chapman - Alternate	(Ms. A.M.C. Holder - Vermunt)
(K.S.Padiwita)	(Dr. P.C. Vermunt)		
Hand Protection			
A.M.Pandithage	K.D.D. Perera	S.C.Ganegoda	Ng Soon Huat
H.S.R.Kariyawasan	R.H.P.Janadheera	N. A. R. R. S. Nanayakkara	S. Rajapakse
F. Mohideen	K.D.G.Gunaratne	S.P. Peiris	T.G.Thoradeniya
M. Orlando	K. M. D. I. Prasad	M. Bottino	B.A.D.H.C.Mahipala
B.K.C.R.Ratnasiri	Dr. R M U N. Ratnayake	M.U.A.Fonseka	G.Molinari
D.P.P.Mendis	Ms.Y.Bhaskaran - Alternate	(A. Muthukuda)	(B.A. Mahipala)
(K K D P Senanayake)	(A.Orlando)	(K.S.Padiwita)	
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	Ms.H.N.N.S.Gunawardana
P.Karnchanabatr	B.Karnchanabatr	Ms. C. Karnchanabatr	T. Karnchanabatr
Y.P.A.S.Pathiratna	A.A.M.Caderbhoy	G.B.M.H.Dourdin	R.K.A.Karim
R.Bittel	M.Marques	J.Yurai	E.Senduk
W.Y.Fei	E.Srinivasulu	I.A.S.L.Athukorala	Ms. S.R.Singh
L. Teague	Ms.Y.Bhaskaran -Alternate	(Ms.J.J.J.Lerche)	(A.Kaur)
Textiles			
A.M.Pandithage	K.D.D Perera	E.R.P.Goonetilleke	S.C. Ganegoda
R.N. Somaratne	Dr.N.S.J.Nawaratne	A.S. Jayatilleke	H Somashantha
H.B.R.R.Bandara	M .H. Jayasinghe	K.P.C.P.K.Pathirana	Ms. Y. Baskaran-Alternate
Construction Materials			
A.M.Pandithage	D.W.P.N.Dediwela	S.C. Ganegoda	R.P.P.K.Rajapaksha
R.P.Pathirana	A.A.Akbarally	Dr. H. Cabral, PC	S. Munaweera
A.J.Hirdaramani -Alternate	T.Akbarally -Alternate		

Plantations			
A.M.Pandithage	Dr. W.G.R. Rajadurai	A.Weerakoon	S.C.Ganegoda
S.B.Alawattagama	M.H.Jamaldeen	C.V. Cabraal	Merrill J Fernando
Malik J Fernando	S.L.Athukorala	L.N.De S Wijeyeratne	Ms. M.D.A. Perera
N T Bogahalanda	F. Mohideen	N.R.Ranatunge	M.F.M. Ismail
Ng Soon Huat	N A R R S Nanayakkara	M.Kariyapperuma	C.Perera
J.A.G. Anandarajah	Tomokatsu Ishida	Takashi Ishida	R.J. Karunarajah
T. M. L. J. Peris	L.G. Perera	R. S. Samarasinghe	S.C.Hikkaduwege
P.A.L.Fernando	D.C.Fernando -Alternate	(R.M.Hanwella)	
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.N.K. Perera
S.Kodama	Ms. D.G.Talpahewa	M.A.S.Mallawaarachchi	M.A.Rajap
S.I.H.M.Musfiquir	M.Yamahara	K.D.S.Kiriwaththuduwege	
Consumer & Retail			
A.M.Pandithage	K.D.D.Perera	S.C. Ganegoda	J. A. M. W. Jayasekera
M.H.Wijewardene	M.Y.A.Perera	M.H.Jamaldeen	J. M. J. Perera
S.L.Athukorala	D.K.de S.Wijeyeratne	D. Sooriyaarachchi	K.D.J.M.Perera
Ms. D. G. Talpahewa	K.D.Kospelawatta	D.H.Fernando	A.K. Halambaarachchige
N.L.S.Joseph	K.D.G.Gunaratne	Ms.H.M.G.De Alwis	R.De Silva
L. S. S. Perera	M. P. A. Salgado	Ms. W.A.I.Sugathadasa	C De Silva
N.M.P.Fernando	T. A. Amarasuriya	A.C.M.Irzan - Alternate	H.P.S.Perera -Alternate
Ms.A.A.K. Amarasinghe -Alternate	(K.K.L.P.Yatiwella)	(J. A. Setukavalar)	(V.G.K.Vidyaratne)
Leisure			
A.M.Pandithage	K.D.D. Perera	R.J. Karunarajah	S.C.Ganegoda
M H Jamaldeen	Ms.W.D. De Costa	L.N.De.S.Wijeyeratne	Ms.R.N.Ponnambalam
C J Wickramasingha	J P Van Twest	R.S.Tissanayagam	K.T.M. De Soysa
S.J.Wijesinghe	D.L.C.Fernando	Ms. I. Jamaldeen	S Senaratne
P.N.R.Dias	S H Amarasekera	Capt. J.L.C.Fernando	N.J.De S. Deva-Aditya
Ms.A.A.K.Amarasinghe -Alternate	(L.T.Samarawickrama)	(K.A.Y.P.Sumanapala)	(T.W.De Silva)
Industry Inputs and Power & Energy			
A.M.Pandithage	S.C.Ganegoda	H.S.R. Kariyawasan	J.A.W.M.Jayasekera
M.Y.A.Perera	A.R.De Zilva	C.Kapugeekiyana	Malik J Fernando
S.M.H C. Jayasiri	M.B.C.M.K. Gunasekara	D.Rangalle	H.Akbarally
M.Najmudeen	Dr. W.G.R.Rajadurai	D.S.Arangala	Merill J Fernando
K.B.M.I.Perera	H. A. Wijayananda	B.Balaratnarajah	Ms.W.A.I.Sugathadasa
M.B.C.M.Gunasekara	(V.K.Hirdaramani)	(R.P.Pathirana -Alternate)	(L.J.C.De Silva)

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

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	I.A.M.Gahazali	D.Rangalle	A.R. Jowhershah
R.W.P.Polonowita	K.L.C.Fernando	P Jayanetti	C.James
F.S.Abeygoonnewardena	S.J Wijesinghe	R.Angkriwan	C.I.J. Charles
M.S.M.Rizan	Z.Feng	J.R.Hill	Capt. P.L Cumaratunga
J C Anandappa	H A H Rodrigo	R.Hassan	A.A.Djohan
M.S.M.Ibrahim	L.B.M.Calrino	S.N.Wickremesooriya	H.Schmidl
M.A.J.Ranatunge	A.Saa'id	S.Mahadeva	C.K.de Zoysa
R.A.Perera	W.D.K.de Silva	J.Mathew	W.Y.Fei
M. Haijiao	M.A. Muttalib	T. S. D. Peiris	C.R.K.Bandara
K.M.A.Fernando	T.Hanajima	S.Djohan	W.W.J.L.Fernando
A.B.Barnet	M.Nabeel	L.Senanayake	Ms.Z.Yinghui
T A S R Fernando	Y.Sasada	Mrs. I.Shaheen	S.E.J.Abeysundere
A V A Perera	D.M. Jayawardana	M G I Ahamed	R. L. Karunartne
C.N.J.Gunawardena	S.K.J. Wijayasinghe	J. Law	K. Celly
K.S.R.Abrew	K.Abeywickrama	Ms. S.S. Jayawardana	M.M.Hossain
D.A.A.Mon	J.R.U. De Silva	S.I.S.M.H. Sharaf	J.D.F.Peries
E.J.Pietersz	R.E. Lisapaly	J.G.Victoria	Ms.V.Jayasundera
T. Vaseeharan	M.S.Thin	D.J.A.Wijesinghe	Ms. D.S. Ediriweera
U.L.J.Perera - Alternate	U. I. B. Dunuwilla	I.A.V.A. Perera -Alternate	H.Ishizaki -Alternate
L.B Culas	H.T.N.Perera	D.H.Lee	M.F.L. Bourdon
P.J.Ng	M.P. Kurukulasuriya	V.V.P Daluwatte	R.J.N. Romonet
A.L.Weerasinghe	C.P De Souza	R S Ramakrishnan	N.P. Samarasinghe
S.I. Ramakrishnan	T.Kato.	K.O.I.C Fernando - Alternate	(D.N.W.Y.Min)
(M.G. Gomez)	(M.C.J.Friedberg)	(P.S Gunawardana)	(U.C.H. Vincent)
(M.R.S.M.S.R.C. Samaratunge)	(M.A.A.Irfan)	(See Han E Hans)	(D.M.Jayawardana -Alternate)
Others			
A.M.Pandithage	S.C.Ganegoda	M.H.Jamaldeen	Dr.H.Cabral, PC
H.C.Prematillake	M.Y.A.Perera	S.Munaweera	A.S.Jayatilleke
P.J.Jayanetti	E.R.P.Goonetilleke	S.A.S.De Silva	S.Karunaratne
Ms.S.Abeytunge	Ms.D.G.Talpahewa	J.Sheriff	M. S. Mohamed
C.De Silva	H.P.G.S.E.M.De Alwis	G.J.W. De Silva	R.S.S.Perera
R.Joseph	N.J.C.De Mel	N.M.P.Fernando	D.Rangalle
T.M.Hewagama	T.G.Thoradeniya	(Ms. M.P.Abeysekera)	(Dr.A.Sivagananathan)
(R.W.Abhayaratne)			

## 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 380.

None of the Directors hold debentures in Hayleys PLC.

## 13. EMPLOYEE SHARE OWNERSHIP PLANS

The Company 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

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

## 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 213 to 225.

## 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 241.

## 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 354.

## 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 for the year 2021/2022.

## 22. AUDITORS' REMUNERATION AND INTEREST IN CONTRACTS

A resolution proposing the Directors be authorised to determine their remuneration will be submitted at the Annual General Meeting.

The Auditors, Messrs Ernst & Young were paid Rs. 1.9 mn (Rs. 1.9 mn), and Rs. 52.2 mn (Rs. 52.8 mn) as audit fees by the Company and its Subsidiaries respectively. In addition, they were paid Rs. 1.6 mn (Rs. 1.1 mn) and Rs. 33.4 mn (Rs. 34.3 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. 36.5 mn (Rs. 31.3 mn) and Rs. 13.3 mn (Rs. 10.3 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 on page 380 of this Report.

## 24. EMPLOYEES & INDUSTRIAL RELATIONS

The Group has a structure and a culture that recognises 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 30,765 (31,029).

## 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

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

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.

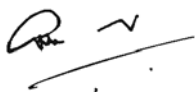
### 27. CORPORATE GOVERNANCE

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 50 to 68 discusses this further.

### 28. ANNUAL GENERAL MEETING

The Annual General Meeting will be on Tuesday, 29th June 2021 at 4.00 p.m via online meeting platform. The Notice of the Annual General Meeting appears on page 401.

For and on behalf of the Board



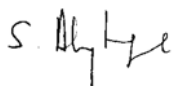
**A. M. Pandithage**

Chairman & Chief Executive



**S. C. Ganegoda**

Director



Hayleys Group Services (Pvt) Ltd.  
Secretaries

19th May 2021

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 2021 are prepared and presented in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by CA 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;
- Code of Best Practice on Corporate Governance 2017 issued by CA 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 recognised in weighing the assurances provided by any system of internal controls and accounting.

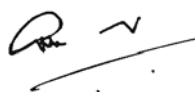
The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits and to discuss auditing, internal control and financial reporting issues. The Independent Auditors and the Internal Auditors have full and free access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

The Financial Statements were audited by independent external auditors, Messers Ernst & Young, Chartered Accountants. Their report is given on pages 246 to 249 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 do not impair their independence.

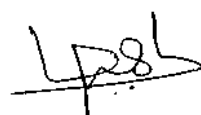
We confirm that,

- the Company and its subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- there are no material non-compliances; and
- there are no material litigations that are pending against the Group other than those disclosed in the Note 32 to the Financial Statements in this Annual Report.



**A.M. Pandithage**

Chairman & Chief Executive



**Choliya De Silva**

Group Chief Financial Officer

19th May 2021



## DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The following statement fulfils the requirement to publish the Directors' Statement on internal control as per the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

The Board of Directors is responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and Group. This process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The Board has implemented the following to obtain reasonable assurance that proper systems of internal controls are in place:

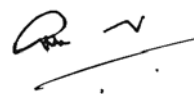
- Instituted various committees to assist the Board in ensuring the effectiveness of Company's operations and the operations are in accordance with the corporate strategies and annual budget.
- The Management Audit and System Review Division (MA & SRD) to review and report on the internal control environment in the Company and Group. Audits are carried out on all subsidiaries in accordance with the annual audit plan approved by the Audit Committee. Findings are submitted to the Audit Committee for review at their periodic meetings.

- The Audit Committee reviews internal control issues identified by MA & SRD and management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Audit Committee meetings are tabled at the Board meetings of Hayleys PLC.
- The adoption of new Sri Lanka Accounting Standards comprising LKAS and SLFRS in 2013, processes that are required to comply with new requirements of recognition, measurement, presentation and disclosures were introduced and implemented. Continuous monitoring is in progress to ensure effective implementation of the required processes.
- The comments made by External Auditors in connection with the internal control system during the financial year 2019/20 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.



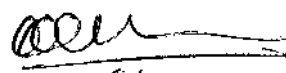
**A.M. Pandithage**

Chairman & Chief Executive



**Sarath Ganegoda**

Director



**Aravinda Perera**

Chairman, Audit Committee

19th May 2021

# 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

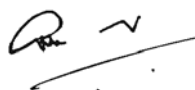
(Refer to pages 40 to 45 for a brief profile of the Directors)

## Attendance at Committee Meetings

Director	Attendance
A. M. Pandithage	1/1
K.D.D. Perera	1/1
Dr. H. Cabral PC	1/1

## 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.
- The Committee has recommended based on the performance and the contribution made to achieve the objectives of the Board to re-elect 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 2021.
- The Committee has recommended to reappoint Mr. A.M. Pandithage who retires having attained the age of seventy years



**A.M. Pandithage**

Chairman

Nomination Committee

19th May 2021

## REMUNERATION COMMITTEE REPORT

The Chairman & Chief Executive assists the Committee by providing relevant information and participating in its analysis and deliberations, except when his own compensation package is reviewed.

### Composition

- Dr. H. Cabral, PC (IND/NED) - Chairman
- K.D.D. Perera (NED)
- M.Y.A. Perera (IND/NED)
- M.H. Jamaldeen (IND/NED)

NED - Non-Executive Director  
IND/NED - Independent Non-Executive Director

(Refer to pages 40 to 45 for a brief profile of the Directors)

### Attendance at Committee Meetings

Director	Attendance
Dr. H. Cabral, PC	1/1
K.D.D. Perera	1/1
M.Y.A. Perera	1/1
M.H. Jamaldeen	1/1

### 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 and address succession planning.
- Approving annual salary increments and 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 2020/21

- 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

19th May 2021

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible under sections 150 (1), 151, 152 (1), and 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 and 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.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the first and second interim dividends paid and A solvency certificate was obtained from the Auditors in respect of the said interim dividends paid.

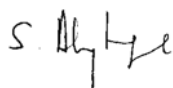
The external Auditors, Messrs Ernst & Young who were deemed re-appointed in terms of Section 158 of the Companies Act No. 7 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, shown on pages 246 to 249 sets out their responsibilities in relation to the Financial Statements.

### Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its Subsidiaries as at the Balance Sheet date have been paid or where relevant, provided for.

By order of the Board

**HAYLEYS GROUP SERVICES (PVT) LTD.**



**Secretaries**

19th May 2021

## 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 45 for a brief profile of the Directors)

### Attendance at Committee Meetings

The Committee met Four (04) times during the Financial year 2020/2021 and Meetings held on 15th June 2020, 11th August 2020, 6th November 2020 and 10th February 2021.

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

### 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 2020/21

- 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 reviewed the process recognised the adequacy of the content and quality of the information forwarded to its members by the management.

**Dr. Harsha Cabral, PC.**

Chairman

Related Party Transactions Review Committee

17th May 2021

# AUDIT COMMITTEE REPORT

## Composition

- Mr. M.Y.A. Perera (Chairman) : (IND/ NED)
- Dr. H. Cabral : (IND/NED)
- Mr. M.H. Jamaldeen : (IND/NED)
- Mr. G. Gunaratne : (IND/NED) (Appointed on 17th June 2020)

IND/NED - Independent Non-Executive Director

(Refer to pages 40 to 45 for a brief profile of the Directors)

## Attendees,

- Chairman & Chief Executive
- Group Chief Financial Officer
- Head- Corporate Affairs Unit
- 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.

## Attendance at Committee Meetings

Director	Attendance
Mr. M.Y.A. Perera	4/4
Dr. H. Cabral	4/4
Mr. M.H. Jamaldeen	4/4
Mr. G. Gunaratne	3/3

## 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 2018. The terms of reference of the Committee are clearly defined in the Charter of the Audit Committee.

'In the beginning' under listing rules of the Colombo Stock Exchange on corporate governance, 'Code of Best Practice on Corporate Governance' issued by CA 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.

## Activities in 2020/21

### Financial Reporting System

The Committee reviewed the financial reporting system adopted by the Group in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards. The methodology included obtaining statements of compliance from Heads of Finance and Directors-in-charge of operating units. The Committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system, also recognised the adequacy of the content and quality of routine management information reports forwarded to its members.

### Internal Audits

The Committee reviewed the process to assess the effectiveness of the

Internal Financial Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and 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 the Group annual audit plan.

### Annual Audit Plan

649 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.

Selected entities' internal audits were outsourced in 2020/21 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.



## AUDIT COMMITTEE REPORT

The COSO Enterprise Risk Reporting Process is used 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

12 listed subsidiaries and 5 unlisted subsidiaries have appointed their own Audit Committees comprising Independent Non- Executive Directors and have met minimum four times each during the year 2020/21. 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 2021 after evaluating the scope, delivery of audit resources and the quality of the assurance initiatives taken during the year 2020/21.

### 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 Human Resource and Legal regarding compliance matters.

### Ethics and Good Governance

The committee continuously emphasised on upholding ethical values of the staff members. In this regard, Code of Ethics and Whistle-Blowers Policies were put in place and followed educating and encouraging all members of the staff. All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistle-Blowing or identified through other means. The Whistle- Blower Policy guarantees strict confidentiality of the identity of the Whistle-Blowers.

### Sri Lanka Accounting Standards

The Committee 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.

### Audit Committee Report

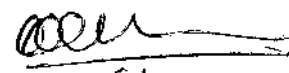
The Committee will continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regular intervals. The committee has pursued the support of Messers Ernst and Young to assess and review the existing SLFRS policies and procedures adopted by the Group.

### 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

17th May 2021



## Financial Statements

# AN EXCEPTIONAL PERFORMANCE

The powerful performance we displayed this year exceeded expectations in more ways than one – far surpassing the results recorded in our 143-year history, while establishing our dominance even amidst a challenging year.

This section details the results of our achievements during the year under review, and expands on the strength and precision of our model of value.

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*The peregrine falcon is commonly known as the fastest member of the animal kingdom, possessing the ability to reach speeds of over 320 km/h. The wide-ranging species' impressive prowess, versatility and agility have earned a reputation for power, nobility and incredible courage across the ages*

Financial Calendar 2020/21	
1st Quarter Report	14th August 2020
2nd Quarter Report	10th November 2020
3rd Quarter Report	15th February 2021
4th Quarter Report	19th May 2021
Annual Report 2020/21	4th June 2021
70th Annual General Meeting	29th June 2021
1st Interim Dividend	17th August 2020
2nd Interim Dividend	20th April 2021

# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

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eysl@lk.ey.com  
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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 2021, 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 2021, 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	How our audit addressed the key audit matter
<p><b>Revenue</b></p> <p>The Group derived its revenue of Rs. 241.3 billion from diverse industry specific sales arrangements for products and services as disclosed in Notes 3.22 and 6 in the financial statements.</p> <p><b>Revenue was a key audit matter due to;</b></p> <ul style="list-style-type: none"> <li>the significance of the account balance coupled with the significant net increase (15%) in revenue recorded by the Group during the year;</li> <li>the high volume of transactions, particularly relating to export sales and the presence of various shipping terms agreed with different customers; and</li> <li>the number and type of estimation uncertainties that may occur over the course of a contract life, leading to complex and judgmental revenue recognition particularly relating to construction and installation contracts undertaken by the Group.</li> </ul>	<p>We identified industry segments with significant revenue streams and performed procedures including the following to address specific risks identified in relation to revenue, involving component auditors as relevant;</p> <ul style="list-style-type: none"> <li>evaluating the design and testing the operating effectiveness of relevant controls relating to sales arrangements,</li> <li>performing inquiries and substantive analytical procedures to understand reasons contributing to the significant increase in net revenue recognised during the year,</li> <li>testing the appropriateness of revenue recognised during the year, particularly at year end on a sample basis to relevant supporting documentation including invoices, approved price lists, delivery confirmations and shipping documentation; and</li> <li>for construction and installation contracts, assessing the reasonableness of stage of completion for contract revenue, testing documentation supporting physical activities completed.</li> </ul> <p>We also assessed the adequacy of the disclosures in respect of revenue in Notes 3.22 and 6 to the financial statements.</p>

Key audit matter	How our audit addressed the key audit matter
<p><b>Carrying value of inventories</b></p> <p>As of the reporting date, the Group carried inventories amounting to Rs. 53.1 billion as disclosed in Note 21.</p> <p><b>The carrying value of inventories was a key audit matter due to:</b></p> <ul style="list-style-type: none"> <li>the existence of diverse industry specific types/forms of inventories and the magnitude of the inventory balance (represented 19% of the Group's total assets),</li> <li>the use of significant management judgement over identifying inventories requiring write down to NRV, including consideration of product life cycles, nature of inventories, future inventory demand and quality/grading assessments, and</li> <li>the existence of significant management estimates applied in the determination of NRV, considering expected sales prices and allowance policies based on historical sales.</li> </ul>	<p>We performed the following procedures to address specific risks identified in determining the carrying value of inventories, involving component auditors as relevant;</p> <ul style="list-style-type: none"> <li>obtaining an understanding of the types and form of inventories maintained by industry segments, together with key processes and controls relating to the recording and measurement of inventories,</li> <li>assessing the reasonableness of judgements applied in the identification and recording of inventories at NRV, including allowances recorded considering among others, the age of inventories, historical sales trends, subsequent prices secured, product life cycles and the outlook of the industry segments; and</li> <li>testing the accuracy and completeness of inventory ageing reports used in the estimation of allowances.</li> </ul> <p>We also assessed the adequacy of disclosures made in relation to the valuation of inventories in Notes 5.6 and 21 to the financial statements.</p>
<p><b>Annual impairment assessment of goodwill</b></p> <p>The Group's financial statements includes an amount of Rs. 12.09 billion relating to goodwill acquired on business combinations.</p> <p><b>Annual Impairment assessment of goodwill was a key audit matter due to the following:</b></p> <ul style="list-style-type: none"> <li>The methodology in the models applied by management for the impairment assessment is dependent on various assumptions, both short term and long term in nature, which are subject to estimation uncertainty derived from a combination of management's judgement, and market data. Assumptions applied included forecasts based on business plans developed by CGUs, long term growth rates and discount rates.</li> <li>Further, the impact of the Covid-19 pandemic has resulted in unprecedented economic conditions, impacting the performance and the outlook of the leisure segment which contributes 18% of the group's goodwill.</li> </ul>	<p>Our audit procedures focused on assessing the reasonableness of key assumptions used by management in conducting the impairment assessment.</p> <p>These procedures included:</p> <ul style="list-style-type: none"> <li>engaging an internal specialist to assist us in assessing the appropriateness of the valuation methodology, independently developing the discount rates, terminal growth rates and comparing those with assumptions used by management;</li> <li>assessing the reasonableness of cash flow forecasts used, compared to current and historical market performance and expectations of future changes in the market;</li> <li>particularly, we considered the reasonableness of assumptions made by management on the impact of the COVID-19 outbreak on the leisure segment CGUs, taking into account industry expectations; and</li> <li>performing sensitivity analysis around key assumptions applied.</li> </ul> <p>We also assessed the adequacy of the disclosure in Note 17 to the financial statements.</p>

## INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment allowance for current and non-current trade and other receivables in the Consumer &amp; Retail segment of the Group</b></p> <p>Trade and Other Receivables of the Group consists of hire debtors amounting to Rs. 7.5 billion, lease rental receivable of Rs. 14.3 billion and loan debtors amounting to Rs. 7.9 billion as disclosed in note 22 in the financial statements. These amounts are derived from the Consumer and Retail segment of the Group for which an impairment allowance of Rs. 1.4 billion has been recorded.</p> <p><b>The impairment allowance for hire debtors, lease rental receivables and loan debtors in the Consumer &amp; Retail segment of the group was a key audit matter due to;</b></p> <ul style="list-style-type: none"> <li>the materiality of the amounts reported and impairment allowance thereof; and</li> <li>the degree of assumptions, judgements and estimation uncertainty associated with the determination of customer classification categories and the involvement of complex spread sheet based calculations.</li> </ul> <p>Key areas of significant judgements, estimates and assumptions used by management in the assessment of the impairment allowance included the following;</p> <ul style="list-style-type: none"> <li>the probable impacts of COVID-19 and related industry responses (e.g. government stimulus packages and debt moratorium relief measures granted); and</li> <li>forward-looking macroeconomic factors, including developing and incorporating macroeconomic scenarios, given the wide range of potential economic outcomes and probable impacts from COVID-19 that may impact future expected credit losses.</li> </ul>	<p>We evaluated the competence and independence of the firm of chartered accountants performing the component audit of the Consumer and Retail segment.</p> <p>We thereon assessed the adequacy and appropriateness of audit procedures performed and evidence retained by the component auditor in assessing the alignment of the segment's expected credit loss computations and underlying methodology with the requirements of SLFRS 9 with consideration of COVID-19 impacts and related industry responses based on the best available information up to the date of our report. Our audit procedures included amongst others the following:</p> <ul style="list-style-type: none"> <li>identifying and testing relevant controls and evaluating the completeness, accuracy and relevance of data used in expected credit loss computations;</li> <li>evaluating the appropriateness of the assumptions used based on the knowledge and information of the segment and its industry, assessing whether macro-economic factors have been used with the latest available information;</li> <li>as relevant, assessing the reasonableness of the basis for and data used by management to determine overlays in considering probable effects of the COVID-19 pandemic including particular focus on high risk industries and implications arising from government stimulus packages and debt moratorium relief measures; and</li> <li>evaluating and testing the mathematical accuracy of models applied and post model adjustments.</li> </ul> <p>In addition, we assessed the adequacy of the disclosures required by SLFRS 9, as disclosed in Notes 3.9.1.4 and 22 to the financial statements.</p>

### Other information included in the 2020/21 Annual Report

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other

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

### Responsibilities of management and those charged with governance

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management

determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



### Auditor's responsibilities for the audit of the financial statements

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

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

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

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

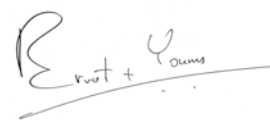
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and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

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

### Report on other legal and regulatory requirements

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

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



19 May 2021

Colombo

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA 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 LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA  
Principals: G B Goudian ACA 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	Notes	Consolidated		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Revenue</b>	6	241,275,661	210,307,003	422,634	400,102
Cost of sales		(178,244,709)	(158,324,525)	(368,700)	(173,195)
Direct interest cost		(1,872,405)	(1,829,082)	-	-
<b>Gross profit</b>		61,158,547	50,153,396	53,934	226,907
Group dividend		-	-	3,618,236	1,021,949
Other income	7	1,467,771	1,672,923	153,209	15,705
Distribution expenses		(10,949,210)	(10,687,848)	-	-
Administrative expenses		(25,561,250)	(24,247,578)	132,199	13,952
Other expenses	8	(162,060)	(418,013)	-	-
<b>Results from operating activities</b>		25,953,798	16,472,880	3,957,578	1,278,513
Finance income	9	3,175,954	2,038,444	32,755	31,841
Finance cost	9	(10,051,725)	(13,047,348)	(2,587,774)	(3,092,129)
<b>Net finance cost</b>		(6,875,771)	(11,008,904)	(2,555,019)	(3,060,288)
Change in fair value of investment properties	15	195,638	86,882	3,700	5,550
Share of profit of equity accounted investees (net of tax)	18	252,611	264,061	-	-
Value added tax on financial services		(292,487)	(310,867)	-	-
<b>Profit/(loss) before tax</b>	10	19,233,789	5,504,052	1,406,259	(1,776,225)
Tax expense	11	(5,187,582)	(2,609,260)	(207,625)	(8,959)
<b>Profit/(loss) for the year</b>		14,046,207	2,894,792	1,198,634	(1,785,184)
<b>Profit/(loss) for the period attributable to:</b>					
Owners of the parent		7,637,231	372,432	1,198,634	(1,785,184)
Non-controlling interest		6,408,976	2,522,360	-	-
<b>Profit/(loss) for the year</b>		14,046,207	2,894,792	1,198,634	(1,785,184)
<b>Earnings per share</b>					
Basic - (Rs.)	12	10.18	0.50	1.60	(2.38)
Diluted - (Rs.)	12	10.18	0.50	1.60	(2.38)
<b>Dividend per share (Rs.)</b>	12			1.30	0.00

Notes from pages 261 to 369 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Notes	Consolidated		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Profit/(loss) for the year		14,046,207	2,894,792	1,198,634	(1,785,184)
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified subsequently to the Statement of Profit or Loss</b>					
Actuarial gain/(loss) on employee benefit obligations	28	189,862	(63,113)	(12,818)	(24,857)
Net change on equity instruments designated at fair value through other comprehensive income		117,880	(2,446)	-	-
Tax on other comprehensive income	11	333,557	149,411	(1,571)	1,879
<b>Items that will be reclassified subsequently to the Statement of Profit or Loss</b>					
Net exchange differences on translation of foreign operations		1,573,609	601,790	-	-
Net loss on cash flow hedges		(121,511)	(294,433)	-	-
Share of other comprehensive income of equity accounted investees		(684)	(858)	-	-
<b>Total Other comprehensive income for the year, net of tax</b>		2,092,713	390,351	(14,389)	(22,978)
<b>Total comprehensive income for the year, net of tax</b>		16,138,920	3,285,143	1,184,245	(1,808,162)
<b>Total comprehensive income for the year attributable to:</b>					
Owners of the parent		8,818,695	553,340	1,184,245	(1,808,162)
Non-controlling interest		7,320,225	2,731,803	-	-
		16,138,920	3,285,143	1,184,245	(1,808,162)

Notes from pages 261 to 369 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

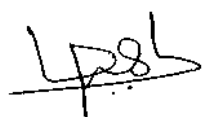
## STATEMENT OF FINANCIAL POSITION

As at 31st March	Notes	Consolidated		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant & equipment	13	89,685,742	88,485,496	137,225	178,930
Right-of-use assets	14	9,934,309	9,613,729	255,329	-
Investment properties	15	2,824,180	2,719,260	79,600	75,900
Biological assets	16	530,543	505,240	-	-
Intangible assets	17	13,272,669	13,293,849	58,698	35,229
Investments in subsidiaries	18	-	-	39,070,361	39,144,873
Investments in equity accounted investees	18	2,097,766	2,113,980	1,504,863	1,504,863
Other non-current financial assets	19	248,805	252,027	64,687	77,597
Non-current trade and other receivables	22	11,912,418	11,333,929	-	-
Other non-current assets	20	1,007,322	1,119,034	-	-
Deferred tax assets	27	2,311,501	1,241,800	24,525	71,215
Amounts due from subsidiaries	38	-	-	610,000	-
<b>Total non-current assets</b>		<b>133,825,255</b>	<b>130,678,344</b>	<b>41,805,288</b>	<b>41,088,607</b>
<b>Current assets</b>					
Inventories	21	53,100,096	42,225,729	1,739	1,775
Amounts due from subsidiaries	38	-	-	2,509,908	3,187,550
Amounts due from equity accounted investees	38	318,905	150,137	90,985	40,239
Trade and other receivables	22	67,226,195	59,115,893	39,391	44,177
Other current assets	20	2,893,143	2,318,473	19,716	8,613
Income tax recoverable	30	764,443	1,497,885	-	62,917
Other current financial assets	19	463,524	412,536	8,002	5,110
Short term deposits		7,876,500	3,495,891	241,719	-
Cash in hand and at bank		12,912,378	8,411,179	85,613	313,293
Assets classified as held for sale	39	3,021	3,021	-	-
<b>Total current assets</b>		<b>145,558,205</b>	<b>117,630,744</b>	<b>2,997,073</b>	<b>3,663,674</b>
<b>Total assets</b>		<b>279,383,460</b>	<b>248,309,088</b>	<b>44,802,361</b>	<b>44,752,281</b>
<b>Equity and liabilities</b>					
Stated capital	23	1,575,000	1,575,000	1,575,000	1,575,000
Capital reserves		688,411	676,104	13,226	13,226
Other components of equity		24,734,483	23,644,932	-	-
Revenue reserves		20,620,432	13,808,523	14,518,971	14,309,726
<b>Total equity attributable to equity holders of the company</b>		<b>47,618,326</b>	<b>39,704,559</b>	<b>16,107,197</b>	<b>15,897,952</b>
Non-controlling interest		27,580,255	23,151,943	-	-
<b>Total equity</b>		<b>75,198,581</b>	<b>62,856,502</b>	<b>16,107,197</b>	<b>15,897,952</b>

As at 31st March	Notes	Consolidated		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Non-current liabilities</b>					
Interest-bearing borrowings	25	51,503,754	52,239,814	19,205,466	17,969,123
Grants	26	836,618	787,993	-	-
Deferred tax liabilities	27	5,357,821	5,120,949	-	-
Security deposits	24	1,366,565	1,394,611	-	-
Other non-current liabilities	29	1,666,017	1,730,000	-	-
Other non-current financial liabilities	19	2,091,132	1,979,089	-	-
Employee benefit obligations	28	9,777,004	9,240,100	1,055,971	952,633
<b>Total non-current liabilities</b>		<b>72,598,911</b>	<b>72,492,556</b>	<b>20,261,437</b>	<b>18,921,756</b>
<b>Current liabilities</b>					
Trade and other payables	29	52,983,547	32,019,839	1,147,119	474,980
Other current liabilities	29	3,897,687	3,447,003	17,185	6,248
Deferred revenue	29	492,080	383,218	-	-
Other current financial liabilities	19	8,374,066	5,035,956	-	-
Amounts due to subsidiaries	38	-	-	224,881	69,312
Amounts due to equity accounted investees	38	8,036	3,152	3,152	3,152
Income tax payable	30	2,871,625	754,952	84,485	-
Current portion of long term interest-bearing borrowings	25	24,677,856	26,774,764	4,945,176	3,847,776
Short-term interest-bearing borrowings	31	38,280,739	44,540,814	2,011,729	5,531,105
Liabilities directly associated with assets classified as held for sale	39	332	332	-	-
<b>Total current liabilities</b>		<b>131,585,968</b>	<b>112,960,030</b>	<b>8,433,727</b>	<b>9,932,573</b>
<b>Total liabilities</b>		<b>204,184,879</b>	<b>185,452,586</b>	<b>28,695,164</b>	<b>28,854,329</b>
<b>Total equity and liabilities</b>		<b>279,383,460</b>	<b>248,309,088</b>	<b>44,802,361</b>	<b>44,752,281</b>

Notes from pages 261 to 369 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

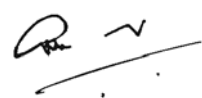
These Financial Statements have been prepared in compliance with the requirements of Companies Act No. 7 of 2007.



**Choliya 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



**Sarath Ganegoda**

Director

19th May 2021

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2021	Attributable to equity					
		Capital Reserves		Other Components		
	Stated capital	Reserve on scrip issue	Other capital reserve	Revaluation reserve	Fair value reserve of financial assets at FVOCI	
Consolidated	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Balance as at 1st April 2020	1,575,000	176,795	499,309	21,518,151	1,785	
Profit for the year	-	-	-	-	-	
<b>Other comprehensive income</b>						
Net exchange differences on translation of foreign operations	-	-	-	-	-	
Share of other comprehensive income of equity accounted investees	-	-	-	-	-	
Net loss on cash flow hedges	-	-	-	-	-	
Net change on equity instruments designated at fair value through other comprehensive income	-	-	-	-	78,374	
Realised gain on timber	-	-	-	-	-	
Actuarial gain on employee benefit obligations	-	-	-	-	-	
Income tax on other comprehensive income	-	-	-	279,892	(1,700)	
<b>Total other comprehensive income</b>	-	-	-	279,892	76,674	
<b>Total comprehensive income for the year</b>	-	-	-	279,892	76,674	
<b>Transactions with owners, recorded directly in equity</b>						
Dividends to equity holders	-	-	-	-	-	
Transfers	-	-	14,640	-	(1,180)	
<b>Total contributions by and distributions to owners</b>	-	-	14,640	-	(1,180)	
<b>Changes in ownership interests in subsidiaries</b>						
Adjustment on changes to non-controlling interest in subsidiaries	-	(1,363)	(970)	(89,136)	(808)	
Transfer from equity accounted investee to subsidiary	-	-	-	-	-	
<b>Total changes in ownership interests in subsidiaries</b>	-	(1,363)	(970)	(89,136)	(808)	
<b>Total transactions with owners</b>	-	(1,363)	13,670	(89,136)	(1,988)	
Balance as at 31st March 2021	1,575,000	175,432	512,979	21,708,907	76,471	

**Revaluation reserve** relates to the revaluation of land

Details of the other **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.

holders of the Company									
of Equity			Revenue Reserves				Shareholders' funds	Non-controlling interest	Total equity
	Cash flow hedge reserve	Foreign currency translation reserve	General reserve	Timber reserve	Bearer Biological reserve	Retained earnings			
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	(750,405)	2,875,401	2,290,444	111,714	3,482	11,402,883	39,704,559	23,151,943	62,856,502
	-	-	-	3,455	6,533	7,627,243	7,637,231	6,408,976	14,046,207
	-	934,593	-	-	-	-	934,593	639,016	1,573,609
	-	-	-	-	-	(654)	(654)	(30)	(684)
	(130,999)	-	-	-	-	-	(130,999)	9,488	(121,511)
	-	-	-	-	-	-	78,374	39,506	117,880
	-	-	-	(595)	-	595	-	-	-
	-	-	-	-	-	29,912	29,912	159,950	189,862
	-	-	-	-	-	(7,954)	270,238	63,319	333,557
	(130,999)	934,593	-	(595)	-	21,899	1,181,464	911,249	2,092,713
	(130,999)	934,593	-	2,860	6,533	7,649,142	8,818,695	7,320,225	16,138,920
	-	-	-	-	-	(975,000)	(975,000)	(3,103,476)	(4,078,476)
	-	-	366	-	-	(13,826)	-	-	-
	-	-	366	-	-	(968,210)	(975,000)	(3,103,476)	(4,078,476)
	32,306	(11,791)	(11,096)	-	-	152,930	70,072	80,923	150,995
	-	-	-	-	-	-	-	130,640	130,640
	32,306	(11,791)	(11,096)	-	-	152,930	70,072	211,563	281,635
	32,306	(11,791)	(10,730)	-	-	(835,896)	(904,928)	(2,891,913)	(3,796,841)
	(849,098)	3,798,203	2,279,714	114,574	10,015	18,216,129	47,618,326	27,580,255	75,198,581

**Fair value reserve of financial assets at FVOCI** relates to change in fair value of financial assets at FVOCI.

**Timber reserve** relates to change in fair value of managed trees which include commercial timber plantations cultivated on estates.

**Cash flow hedge reserve** relates to effective portion of the gain or loss on the hedging instruments. Details are given in Note 23.1.4 to the financial statements.

Notes from pages 261 to 369 form an integral part of these Financial Statements. Figures in brackets indicate deductions.



## STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2020	Attributable to equity					
		Capital Reserves		Other Components		
	Stated capital	Reserve on scrip issue	Other capital reserve	Revaluation reserve	Fair value reserve of financial assets at FVOCI	
Consolidated	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Balance as at 1st April 2019	1,575,000	161,499	474,540	21,088,371	3,554	
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 loss on cash flow hedges	-	-	-	-	-	
Net change on equity instruments designated at fair value through other comprehensive income	-	-	-	-	(1,816)	
Realised gain on timber	-	-	-	-	-	
Actuarial loss on employee benefit obligations	-	-	-	-	-	
Income tax on other comprehensive income	-	-	-	86,084	-	
Total other comprehensive income	-	-	-	86,084	(1,816)	
Total comprehensive income for the year	-	-	-	86,084	(1,816)	
Transactions with owners, recorded directly in equity						
Dividends to equity holders	-	-	-	-	-	
Unclaimed dividend-write-back	-	-	-	-	-	
Change in fair value of investment properties	-	-	-	-	-	
Transfers	-	-	23,832	-	-	
Total contributions by and distributions to owners	-	-	23,832	-	-	
Changes in ownership interests in subsidiaries						
Adjustment on changes to non-controlling interest in subsidiaries	-	15,296	937	343,696	47	
Total changes in ownership interests in subsidiaries	-	15,296	937	343,696	47	
Total transactions with owners	-	15,296	24,769	343,696	47	
Balance as at 31st March 2020	1,575,000	176,795	499,309	21,518,151	1,785	

holders of the Company									
of Equity			Revenue Reserves				Shareholders' funds	Non-controlling interest	Total equity
	Cash flow hedge reserve	Foreign currency translation reserve	General reserve	Timber reserve	Bearer Biological reserve	Retained earnings			
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	(480,373)	2,460,481	2,244,906	102,166	8,992	12,060,162	39,699,298	21,694,556	61,393,854
	-	-	-	13,790	(5,512)	364,154	372,432	2,522,360	2,894,792
	-	413,815	-	-	-	-	413,815	187,975	601,790
	-	-	-	-	-	(820)	(820)	(38)	(858)
	(263,307)	-	-	-	-	-	(263,307)	(31,126)	(294,433)
	-	-	-	-	-	-	(1,816)	(630)	(2,446)
	-	-	-	(4,264)	-	4,264	-	-	-
	-	-	-	-	-	(52,628)	(52,628)	(10,485)	(63,113)
	-	-	-	-	-	(420)	85,664	63,747	149,411
	(263,307)	413,815	-	(4,264)	-	(49,604)	180,908	209,443	390,351
	(263,307)	413,815	-	9,526	(5,512)	314,550	553,340	2,731,803	3,285,143
	-	-	-	-	-	(375,000)	(375,000)	(1,534,733)	(1,909,733)
	-	-	-	-	-	922	922	734	1,656
	-	-	-	-	-	94,112	94,112	7,127	101,239
	-	-	(1,679)	-	-	(22,153)	-	-	-
	-	-	(1,679)	-	-	(302,119)	(279,966)	(1,526,872)	(1,806,838)
	(6,725)	1,105	47,217	22	2	(669,710)	(268,113)	252,456	(15,657)
	(6,725)	1,105	47,217	22	2	(669,710)	(268,113)	252,456	(15,657)
	(6,725)	1,105	45,538	22	2	(971,829)	(548,079)	(1,274,416)	(1,822,495)
	(750,405)	2,875,401	2,290,444	111,714	3,482	11,402,883	39,704,559	23,151,943	62,856,502

Notes from pages 261 to 369 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March		Capital Reserve	Revenue Reserve		Total
	Stated capital	Other capital reserve	General reserve	Retained earnings	
Company	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Balance as at 1st April, 2020</b>	1,575,000	13,226	382,087	13,927,639	15,897,952
Profit for the year	-	-	-	1,198,634	1,198,634
<b>Other comprehensive income</b>					
Actuarial loss on employee benefit obligations	-	-	-	(12,818)	(12,818)
Income tax on other comprehensive income	-	-	-	(1,571)	(1,571)
<b>Total other comprehensive income</b>	-	-	-	(14,389)	(14,389)
<b>Total Comprehensive income for the year</b>	-	-	-	1,184,245	1,184,245
<b>Transactions with owners, recorded directly in equity</b>					
Dividends to equity holders	-	-	-	(975,000)	(975,000)
<b>Total contributions by and distributions to owners</b>	-	-	-	(975,000)	(975,000)
<b>Total transactions with owners</b>	-	-	-	(975,000)	(975,000)
<b>Balance as at 31st March 2021</b>	1,575,000	13,226	382,087	14,136,884	16,107,197
<b>Balance as at 1st April, 2019</b>	1,575,000	13,226	382,087	16,110,801	18,081,114
Loss for the year	-	-	-	(1,785,184)	(1,785,184)
<b>Other Comprehensive income</b>					
Actuarial loss on employee benefit obligations	-	-	-	(24,857)	(24,857)
Income tax on other comprehensive income	-	-	-	1,879	1,879
<b>Total other comprehensive income</b>	-	-	-	(22,978)	(22,978)
<b>Total comprehensive income for the year</b>	-	-	-	(1,808,162)	(1,808,162)
<b>Transactions with owners, recorded directly in equity</b>					
Dividends to equity holders	-	-	-	(375,000)	(375,000)
<b>Total contributions by and distributions to owners</b>	-	-	-	(375,000)	(375,000)
<b>Total transactions with owners</b>	-	-	-	(375,000)	(375,000)
<b>Balance as at 31st March 2020</b>	1,575,000	13,226	382,087	13,927,639	15,897,952

Notes from pages 261 to 369 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

# STATEMENT OF CASH FLOWS

For the year ended 31st March	Notes	Consolidated		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	A	36,719,920	22,834,854	4,093,091	951,466
Employee benefit paid	28	(851,217)	(810,401)	(47,443)	(87,704)
Income tax paid	30	(2,940,271)	(3,176,145)	(15,104)	(98,327)
<b>Net cash inflow from operating activities</b>		<b>32,928,432</b>	<b>18,848,308</b>	<b>4,030,544</b>	<b>765,435</b>
<b>Cash flows from investing activities</b>					
Purchase and construction of property, plant & equipment		(5,768,264)	(8,290,039)	(44,957)	(57,572)
Investments in other non-current assets		(79,263)	(677,903)	-	-
Investments in other current financial assets		(2,569,859)	(4,483,323)	(227)	(64)
Development of biological assets	16	(15,192)	183	-	-
Grants received - capital	26	82,779	38,095	-	-
Improvements to investment property	15	(2,282)	(13,600)	-	-
Proceeds from disposal of property, plant & equipment		280,672	488,555	356	62
Proceeds from disposal of intangible assets		93,984	5,340	-	-
Proceeds from disposal of current financial assets		2,567,831	4,281,574	-	-
Proceeds from disposal of investment properties		93,000	-	-	-
Proceeds from disposal of assets held for sale		-	51,900	-	-
Purchase of intangible assets		(270,932)	(236,905)	-	-
Long term investments in group companies and others		-	-	(23,667)	(669,443)
Proceeds from disposal of subsidiary shares		-	-	215,989	-
Proceeds from disposal of non-current financial assets		170,056	-	39,420	-
Cash inflow from transfer of equity accounted investee to subsidiary		94,678	-	-	-
Interest received		579,391	543,634	19,086	21,955
Net movement in deferred revenue		108,864	109,246	-	-
Dividends received from equity accounted investees		137,500	116,632	-	-
Dividends received from non-group companies		4,417	4,094	319	456
<b>Net cash used in investing activities</b>		<b>(4,492,620)</b>	<b>(8,062,517)</b>	<b>206,319</b>	<b>(704,606)</b>
<b>Net cash inflow before financing</b>		<b>28,435,812</b>	<b>10,785,791</b>	<b>4,236,863</b>	<b>60,829</b>
<b>Cash flows from financing activities</b>					
Capital payment on finance lease		(2,121,159)	(1,987,712)	-	-
Interest paid (including interest capitalised)		(7,683,560)	(10,997,452)	(2,525,448)	(3,054,139)
Dividend paid to non-controlling interest		(3,103,476)	(359,353)	-	-
Proceeds from interest-bearing borrowings		37,333,408	52,136,197	11,200,000	10,500,000
Repayment of interest-bearing borrowings		(41,086,784)	(46,168,149)	(9,150,000)	(7,010,338)
Long term loan facility fee		7,610	-	(3,000)	(2,000)
Net movement in financial liabilities		3,450,153	1,013,921	-	-
Net movement in security deposits		(28,046)	6,177	-	-
Acquisition of non-controlling interest		150,995	(1,533,999)	-	-
Debenture issue fee		11,930	-	-	(15,244)
Dividends paid to equity holders of parent		(225,000)	(375,000)	(225,000)	(375,000)
<b>Net cash inflow / (outflow) from financing activities</b>		<b>(13,293,929)</b>	<b>(8,265,370)</b>	<b>(703,448)</b>	<b>43,279</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>15,141,883</b>	<b>2,520,421</b>	<b>3,533,415</b>	<b>104,108</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>(32,632,629)</b>	<b>(35,153,050)</b>	<b>(5,217,812)</b>	<b>(5,321,920)</b>
<b>Cash and cash equivalents at end of the year</b>	B	<b>(17,490,746)</b>	<b>(32,632,629)</b>	<b>(1,684,397)</b>	<b>(5,217,812)</b>

Notes from pages 261 to 369 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

## STATEMENT OF CASH FLOWS

For the year ended 31st March	Notes	Consolidated		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>A. Cash generated from operations</b>					
Profit/(loss) before tax		19,233,789	5,504,052	1,406,259	(1,776,225)
<b>Adjustments for:</b>					
Net finance costs	9	6,875,771	11,008,904	2,555,019	3,060,288
Share of profits from equity accounted investees	18	(252,611)	(264,061)	-	-
Depreciation on property, plant & equipment	13	5,330,155	5,159,375	62,978	70,583
Impairment of property, plant & equipment	13	5,000	79,870	-	-
Depreciation of right-of-use assets	14	1,715,456	1,442,333	63,832	-
Derecognition of property, plant & equipment	13	-	110,462	-	-
Change in fair value of Investment properties	15	(195,638)	(86,882)	(3,700)	(5,550)
Change in fair value of agricultural produce on bearer biological assets		(21,897)	14,944	-	-
Change in fair value of biological assets	16	(10,111)	(39,650)	-	-
Gain on the disposal of property, plant & equipment	7/8	(55,645)	(56,545)	(141)	(62)
Gain on disposal of non-current financial assets		(35,075)	-	(35,075)	-
Gain on disposal of subsidiary shares		-	-	(117,993)	-
Gain on deemed disposal of subsidiary		-	-	-	(15,643)
Amortisation of intangible assets	17	205,984	193,974	-	-
Net gains on translation of foreign currency		2,165,334	711,428	-	-
Impairment of trade & other receivables	22	902,758	940,203	-	-
Provision for unrealised profit and write-down of inventories		442,703	361,581	-	-
Impairment/amortisation of other non-current assets		33,798	(173,310)	-	-
Provision for post employee benefit obligations	28	1,511,196	1,484,181	138,045	132,416
Grants amortised	7	(34,154)	(27,952)	-	-
		37,816,813	26,362,907	4,069,224	1,465,807
(Increase)/decrease in trade and other receivables and other current assets		(10,384,252)	(4,248,022)	19,432	(534,997)
(Increase)/decrease in inventories		(11,218,090)	(2,859,741)	36	(867)
Increase in trade and other payables		20,505,449	3,579,710	4,399	21,523
		36,719,920	22,834,854	4,093,091	951,466
<b>B. Analysis of cash and cash equivalents</b>					
Cash in hand and at bank *		12,913,493	8,412,294	85,613	313,293
Short-term deposits		7,876,500	3,495,891	241,719	-
		20,789,993	11,908,185	327,332	313,293
Short-term interest-bearing borrowings	31	(38,280,739)	(44,540,814)	(2,011,729)	(5,531,105)
<b>Cash and cash equivalents</b>		(17,490,746)	(32,632,629)	(1,684,397)	(5,217,812)

\* 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. Corporate information, the address of the Company's registered office and the principal place of business are given on page 400 in this Annual Report.

### 1.2 Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2021 comprise "the Company" referring to Hayleys PLC as the holding Company and the "Group" referring to companies that have been consolidated therein together with the group's Interests in Equity Accounted Investees.

### 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 400 and on pages 385 to 386 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 31 March 2021 were authorised for issue by the Directors on 19 May 2021.

### 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 on initial recognition and subsequently carried at fair value
- Land and buildings which are recognised as investment property which are measured at cost on initial recognition 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 fair value through other comprehensive income (OCI) which are measured at fair value.
- Consumable biological assets and agricultural produce from bearer biological assets which are measured at fair value, less costs to sell.

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 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.

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, a retrospective restatement, or a reclassification of items in financial statements.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1. Basis of Consolidation

The consolidated financial statements encompass the Company, its subsidiaries (together referred to as the "Group") and the Group's interest in equity accounted investees (Associates and Joint Ventures).

Subsidiaries and equity accounted investees are disclosed in Note 18 to the Financial Statements.

#### 3.1.1 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



## NOTES TO THE FINANCIAL STATEMENTS

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, including:

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

Profit or Loss and each component of Other Comprehensive Income are attributed to equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's

accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### 3.1.2 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 31 March.

Most subsidiaries with 31 December financial year ends prepare for consolidation purposes, additional financial information as of the same date as the financial statements of the parent.

Subsidiaries which are unable to prepare additional financial information then the parent uses the most recent financial statements of the subsidiaries and is 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.

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 within '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.

### 3.2 Business Combination and Goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce

with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the Statement of Profit or Loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in 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 non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate

consideration transferred, then the gain is recognised in 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 from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

### 3.3 Foreign Currency

#### 3.3.1 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 recognised in Statement of Profit or Loss. Tax charges and credit attributable to exchange differences on those monetary items are also recognised in other comprehensive income.

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 of which fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

#### 3.3.2 Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Sri Lanka Rupees at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to 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

## NOTES TO THE FINANCIAL STATEMENTS

### 3.3.3 Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

### 3.4 Fair Value Measurement

The Group measures financial instruments such as investments which are designated as fair value through other comprehensive income (OCI) financial assets at 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 is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

**Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

**Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

**Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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 13.
- Investment properties - Note 15.
- Financial instruments (including those carried at amortised cost) - Note 19.
- Biological assets (Consumable and agricultural produce) - Note 16.

### 3.5 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.

### 3.5.1 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.

### 3.5.2 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.

### 3.5.3 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.

### 3.5.4 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.

### 3.5.5 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 impairment 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.

### 3.5.6 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.

### 3.5.7 Depreciation

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

### 3.5.8 Leases

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

#### 3.5.8.1 Group as a lessee

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

##### 3.5.8.1.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities

## NOTES TO THE FINANCIAL STATEMENTS

recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Description	Period
Land	02-50 years
Buildings	02-16 years
Machinery & store Equipment	20 years
Motor vehicles Furniture, fittings & office equipment	02-05 years
Vessels	01-02 years
Mature/Immature plantation	20-33 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment as more fully described in Note 3.13 Impairment of non financial assets.

### 3.5.8.1.2 Lease liabilities

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

period in which the event or condition that triggers the payment occurs.

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

The Group's lease liabilities are included in Interest-bearing loans and borrowings in Note 28 to the Financial Statements.

### 3.5.8.1.3 Short-term leases and leases of low-value assets

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

### 3.5.8.2 Group as a lessor

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

## 3.6 Investment Property

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 annually 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 recognised 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.

## 3.7 Intangible Assets

### 3.7.1 Basis of recognition

An Intangible asset is recognised if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

### 3.7.2 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.

### 3.7.3 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 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.

### 3.7.4 Derecognition of intangible assets

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

net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss.

### 3.7.5 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.

### 3.7.6 Brand name

Brands acquired as part of a business combination, are capitalised 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.

### 3.7.7 Customer list

The present value of the income anticipated 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 lists recognised at the acquisition date are 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.

### 3.7.8 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.

### 3.7.9 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.

### 3.7.10 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

### 3.7.11 Amortisation

Amortisation of intangible assets with a finite life is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, 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



## NOTES TO THE FINANCIAL STATEMENTS

### 3.8 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 include tea and rubber trees, being biological assets that are not intended to be sold or harvested, but are used to grow for purpose of 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.

#### 3.8.1 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.

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.

#### 3.8.2 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.

#### 3.8.3 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.

#### 3.8.4 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.

### 3.9 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.

### 3.9.1 Financial assets

#### 3.9.1.1 Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured

at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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.

#### Business model assessment in the context of Financial Services within the Consumer & Retail Sector

In relation to entities in the Group engaged in financial services, the Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior

periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### Assessment whether contractual cash flows is solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

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A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

### 3.9.1.2 Subsequent measurement

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

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

#### Financial assets at amortised cost (debt instruments)

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

The Group's financial assets at amortised cost includes trade receivables, and loan to an associate and non-current trade and other receivables.

#### Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non- current financial assets.

#### Financial assets designated at fair value through OCI (equity instruments)

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

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

This category includes listed and non-listed equity instruments under this category.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in 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.

### 3.9.1.3 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.

#### 3.9.1.4 Impairment of financial assets

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

ECLs are recognised in two stages. For credit exposures which are determined to have low credit risk at the reporting date and for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected

over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

##### 3.9.1.4.1 Impairment model for segments other than the Consumer & Retail sector

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

##### 3.9.1.4.2 Impairment model for the Consumer & Retail sector (Excluding financial services)

The group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

#### Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default in payments
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

## NOTES TO THE FINANCIAL STATEMENTS

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

### Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

### 3.9.1.4.3 Impairment model for the Financial Services within the Consumer & Retail sector;

The Company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease & loan receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and

- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL is the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

### Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The key inputs used for measurement of ECL are likely to be the term structures of the following variables:

### Probability of Default (PD)

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using various categories based on homogeneous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. The Group forecast PD by incorporating forward looking economic variables (unemployment, GDP growth, inflation, interest rate and using lag effect of these variables).

### Loss Given Default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

### Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

The Group has used these parameters from internally-developed statistical models using historical data. All inputs were adjusted to reflect forward-looking information and future economic scenarios.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as man adjustment of the financial asset's gross carrying value.



The mechanics of the ECL method are summarised below:

- **Stage 1 :** The 12 month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12 month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
- **Stage 2 :** When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- **Stage 3 :** For loans considered credit-impaired the Group recognises the lifetime expected credit losses. The method is similar to that of Stage 2 assets, with the PD set at 100%.

#### Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the

final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset

#### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 180 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-

impaired, the Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

#### Presentation of allowance for ECL in the statement of financial position.

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn components presented as a provision;



## NOTES TO THE FINANCIAL STATEMENTS

and

- Debt instruments measured at FVOCI, no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

### Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

### 3.9.2 Financial liabilities

#### 3.9.2.1 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.

#### 3.9.2.2 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 also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. 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 SLFRS 9 are satisfied. The group has not designated any financial liability at fair value through profit or loss.

#### Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

#### Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

#### 3.9.2.3 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.

#### 3.9.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if,

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

#### 3.9.4 Derivative financial instruments and hedge accounting

##### 3.9.4.1 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.

For the purpose of hedge accounting, hedges are classified as Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

### Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised as other expense.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain

in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

### 3.10 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.

### 3.11 Non-Current Assets held for Sale and Discontinued Operations

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.

## NOTES TO THE FINANCIAL STATEMENTS

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 sell 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.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

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.

Additional disclosures are provided in Note 39. All other notes to the Financial Statements include amounts for continuing operations, unless indicated otherwise.

### 3.12 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 work-in-progress are measured at weighted average factory cost which includes all direct expenditure and appropriate share of production overhead based on normal operating capacity but excluding borrowing costs.

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

#### 3.12.1 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.

### 3.13 Impairment of Non-Financial Assets

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

its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last

impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

### 3.14 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.

## 3.15 Employee Benefits

### 3.15.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

### 3.15.2 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. Actuarial gains or losses are recognised in full in the Other Comprehensive Income.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefits. 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. The settlement of the liability is based on legal liability method or the following basis as applied by the respective entities.

Length of each service (Years) No. of month's salary for completed year of service.

Length of each service (Years)	No. of months 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

### 3.15.3 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

## 3.16 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.17 Grants and Subsidies

Grants and subsidies are recognised where there is a reasonable assurance that the grant / subsidy will be received and all attaching conditions, if any, will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Grants and subsidies related to assets, including non-monetary grants at fair value are deferred in the Statement Financial Position and credited to the Statement of Profit or Loss over the useful life of the asset).

### 3.18 Warranties

The Group provides warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognised when the product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

### 3.19 Contingent Liabilities Recognised 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 recognised in accordance with the requirements for revenue recognition.

### 3.20 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.

### 3.21 Regulatory Provisions

#### 3.21.1 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

#### 3.21.2 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.

#### 3.21.3 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.

### 3.22 Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has several operating segments which are described in Note 41 to these financial statements. In all operating segments, the Group has generally concluded that it is the principal in its revenue arrangements, except for agency services described in 3.22.2.3 below, because it typically controls the goods or services before transferring them to the customer.

#### 3.22.1 Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects



of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

### 3.22.1.1 Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

### 3.22.1.2 Significant financing component

The Group receives short-term advances from its customers. Using the practical expedient for short term advances in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. Where long-term advances are received from customers, the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

### 3.22.1.3 Warranty Obligations

In several sectors, the Group provides warranties for general repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Group also provides a warranty beyond fixing defects that existed at the time of sale in several sectors. These service-type warranties are sold either separately or bundled together with the sale of goods. Contracts for bundled sales of goods

and a service-type warranty comprise two performance obligations because the promises to transfer the equipment and to provide the service-type warranty are capable of being distinct. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognised as a contract liability. Revenue is recognised over the period in which the service-type warranty is provided based on the time elapsed.

### 3.22.1.4 Loyalty points programme

The Group has loyalty point programmes, in several sectors, which allows customers to accumulate points that can be redeemed against subsequent purchases. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed on a quarterly basis and any adjustments to the contract liability balance are charged against revenue.

### 3.22.1.5 Non Cash Considerations

Certain sectors of the Group have arrangements where customers are offered a scheme where new goods could be acquired through part exchange of old goods.

The Group estimates the fair value of the non-cash consideration by reference to its market price. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price of the goods sold.

### 3.22.1.6 Consignment Arrangements

Certain Sectors engage in business which includes the delivery of goods to another party but retain control of the goods. Examples of such arrangements may include the delivery of a good to a dealer or a distributor for sale to an end customer of the Group. Revenue on such arrangements are recognised at the point of sale to an end customer net of commission expenses incurred.

### 3.22.2 Rendering of services

Several entities within the Group engage in the provision of services to its customers. The Group recognises revenue from services over time, applying methods to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

#### 3.22.2.1 Hospitality revenue

Accommodation 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.

#### 3.22.2.2 Maintenance Services

Certain sectors within the group provide customers with complementary servicing of consumer durable goods sold by the Group within a defined period. Such servicing arrangements are identified as separate performance obligations and revenue is recognised when the complementary services are provided to the customer.

#### 3.22.2.3 Agency Services

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount that it retains for its agency services.

### 3.22.3 Construction and Installation Contracts

In relation to contracts which involve the construction and installation of assets on behalf of its customers, the Group assesses the nature of the respective



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contracts as to whether such is reflective of goods or services transferred at a point in time or satisfied over a period of time.

The Group determines that arrangements include transfers of a good or service over time when any of the following criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The entity's performance creates or enhances an asset (e.g., work in progress) that the customer controls as the asset is created or enhanced
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

When either of the above criteria is met, the Group recognises revenue on the respective contracts similar to the rendering of services. If an entity is unable to demonstrate that control transfers over time, the presumption is that control transfers at a point in time, and revenue is recognised similar to the sale of goods.

### 3.22.4 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

### 3.22.5 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is

recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

### 3.22.6 Assets and liabilities arising from rights of return

#### 3.22.6.1 Right of return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

#### 3.22.6.2 Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

#### 3.22.6.3 Cost to obtain a contract

In several sectors, the Group pays sales commission to its employees and third party representative for sales carried out. The Group applies the optional practical expedient to immediately expense costs to obtain a contract if the amortisation period of the asset that would have been recognised is one year or less. As such, sales commissions are immediately recognised as an expense.

### 3.23 Income relating to Financial Services in Consumer and Retail Sector

#### 3.23.1 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 costs 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.

#### 3.23.2 Hire purchase, lease, loans and advances

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.

##### 3.23.2.1 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.

#### 3.23.3 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.

### 3.24 Other Income

#### 3.24.1 Dividends

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.

#### 3.24.2 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.

#### 3.24.3 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.

#### 3.24.5 Other income

Other income is recognised on an accrual basis.

### 3.25 Expenses

Expenses are recognised 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. For the purpose of presentation of the Statement of Profit or Loss, the function of expenses method is adopted.

Repairs and renewals are charged to profit or loss in the year in which the expenditure is incurred.

#### 3.25.1 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.

#### 3.26 Finance Income

Finance income comprises interest income on funds invested, dividend income, 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.

#### 3.27 Finance Cost

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.

#### 3.28 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 combinations, or items recognised directly in Equity or in Other Comprehensive Income.

##### 3.28.1 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.

##### 3.28.2 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 arrangements, 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

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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 arrangements, 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.

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.

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

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.

### 3.28.3 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 on Financial Services is the accounting profit before income tax adjusted for the economic depreciation and emolument of employees computed on prescribed rate.

### 3.28.4 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.

### 3.28.5 Sales tax

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

### 3.28.6 Debt Repayment Levy (DRL)

As per the Finance Act No. 35 of 2018, with effect from October 1, 2018, DRL of 7% was introduced on the value addition attributable to the supply of financial services by each financial institution. DRL is chargeable on the same base used for calculation of VAT on financial services as explained in Note 3.28.3 above.

## 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 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

#### 4.5.1 New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2020. The Group has not early adopted any other

standard, interpretation or amendment that has been issued but is not yet effective.

#### 4.5.1.1 Amendments to SLFRS 3: Definition of a Business

The amendment to SLFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

#### 4.5.2 Amendments to LKAS 1 and LKAS 8: Definition of Material

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

#### 4.5.3 Amendments to references to the conceptual framework in SLFRS standards

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The

purpose of the Conceptual Framework is to assist in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

### 4.6 Standards Issued but not yet Effective

The new and amended 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 new and amended standards and interpretations, if applicable, when they become effective.

#### 4.6.1 SLFRS 17 - Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace IFRS 4 Insurance Contracts (SLFRS 4). SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

The amendments are effective for reporting periods beginning on or after 1 January 2023, with early application permitted. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable

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### 4.6.2 Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cashflows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2021. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable.

### 4.6.3 Amendments to SLFRS 16 – COVID – 19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from Covid-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 01 June 2020. This amendment is not expected to have a material impact on the Financial Statements of the Group in the foreseeable future.

### 4.6.4 Amendments to SLFRS 3

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

### 4.6.7 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16

In March 2021, the ICASL adopted amendments to LKAS16-Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first

applies the amendment. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable

### 4.6.8 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to LKAS 37

In March 2021, the ICASL adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

### 4.6.9 Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021, ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification



The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable

## 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. The assessment includes the existing and anticipated effects of the COVID-19 pandemic on the significant assumptions that are sensitive or susceptible to change or are inconsistent with historical trends. As the economic effects of COVID-19 continue to evolve, management considered

a range of scenarios to determine the potential impact on underlying performance and future funding requirements. 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 3.13. The basis of determining the recoverable amounts of cash generating units and key assumptions used are given in Note 17 to the Financial Statements.

### 5.3 Taxation

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

The Group has Rs. 9,896 mn (2020: Rs. 9,626 mn) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

On this basis, the Group has determined that it cannot recognise deferred tax assets on tax losses carried forward and described in Note 11 to the Financial Statements.

### 5.4 Measurement of the Employee Benefit Obligations

The present value of the employee benefit obligations is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates. Further details about employee benefit obligation are provided in Note 28 to the Financial Statements.

### 5.5 Revaluation of property, plant and equipment and investment properties

The Group measures the freehold land (classified as property, plant and equipment) at revalued amounts, with changes in fair value being recognised in OCI. The freehold lands were valued by reference to transactions involving properties of a similar nature, location and condition. In addition, the Group carries its investment properties at fair value, with changes in fair value being recognised in the profit or loss. For investment properties, valuation methodologies such as market approach, and income approach (the discounted cash flow (DCF) model) for properties lacked comparable market data were used.



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The Group engaged a valuation specialist to assess fair values as at 31 March 2019 for the freehold lands and at 31 March 2020 for the investment properties. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Notes 13 and 15 to the Financial Statements.

### 5.6 Valuation of Inventories

The Group has applied judgment in the determination of impairment in relation to inventories that are slow moving or obsolete. The Group's impairment assessment in relation to such inventories take into account factors such as the use of significant judgement over identifying inventories requiring write down to NRV, including consideration of product life cycles, nature of inventories, future inventory demand and quality/grading assessments, and the existence of significant estimates applied in the determination of NRV, considering expected sales prices and allowance policies based on historical sales.

### 5.7 Impairment allowance for current and non-current trade and other receivables in the Consumer & Retail segment of the Group

The Group uses a provision matrix to calculate ECLs for loans and trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast

economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the relevant sectors, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's loans and trade receivables is disclosed in Note 22 to the Financial Statements.

## 6. REVENUE

### 6.1 Industry Segment Revenue

For the year ended 31st March	Consolidated							
	Revenue from contract with customers		Interest Income	Total Revenue 2021	Revenue from contract with customers		Interest Income	Total Revenue 2020
	Sale of goods Rs.'000	Rendering of services Rs.'000			Sale of goods Rs.'000	Rendering of services Rs.'000		
Eco solutions	7,827,005	-	-	7,827,005	6,216,160	-	-	6,216,160
Hand protection	30,396,579	-	-	30,396,579	17,870,232	-	-	17,870,232
Purification	25,484,567	-	-	25,484,567	22,822,743	-	-	22,822,743
Textiles	14,575,487	-	-	14,575,487	12,099,878	-	-	12,099,878
Construction materials	5,892,089	-	-	5,892,089	4,644,728	-	-	4,644,728
Plantations	15,930,341	-	-	15,930,341	12,643,867	-	-	12,643,867
Agriculture	19,232,968	-	-	19,232,968	13,631,015	-	-	13,631,015
Consumer & retail	65,348,850	748,055	6,925,754	73,022,659	53,611,807	726,647	7,226,079	61,564,533
Leisure	-	1,345,876	-	1,345,876	-	4,481,442	-	4,481,442
Industry inputs	3,694,900	-	-	3,694,900	4,414,328	-	-	4,414,328
Power & energy	-	1,310,591	-	1,310,591	-	1,600,072	-	1,600,072
Transportation & logistics	-	37,240,564	-	37,240,564	-	43,604,357	-	43,604,357
Others	4,067,137	1,254,898	-	5,322,035	3,544,648	1,169,000	-	4,713,648
	192,449,923	41,899,984	6,925,754	241,275,661	151,499,406	51,581,518	7,226,079	210,307,003

### 6.2 Geographical Segment Revenue

For the year ended 31st March	Consolidated	
	2021 Rs.'000	2020 Rs.'000
Asia (excluding Sri Lanka)	42,894,856	43,734,661
Australia	2,879,111	2,453,475
Europe	29,813,570	18,586,999
United States of America	14,971,521	10,762,614
Africa	3,019,511	2,106,574
Indirect exports	23,777,300	22,157,310
Sri Lanka	123,919,792	110,505,370
	241,275,661	210,307,003

## NOTES TO THE FINANCIAL STATEMENTS

### 6.3 Gross Revenue

For the year ended 31st March	Company	
	2021 Rs.'000	2020 Rs.'000
Rent and building related income	422,634	400,102
	422,634	400,102

### 6.4 Contract Balances

For the year ended 31st March	Notes	Consolidated	
		2021 Rs.'000	2020 Rs.'000
<b>Contract Assets</b>			
Retention receivables		178,679	232,742
		178,679	232,742
<b>Contract Liabilities</b>			
Advances received	29.3	3,330,301	2,878,647
Deferred revenue	29.4	492,080	383,218
Maintenance warranties	29.1	265,636	327,964
		4,088,017	3,589,829

### 7. OTHER INCOME

For the year ended 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Grants amortised*	34,154	27,952	-	-
Gain on disposal of property, plant & equipment	76,421	123,122	141	62
Change in fair value of biological assets	32,008	24,706	-	-
Gain on deemed disposal of subsidiary	-	-	-	15,643
Gain on disposal of subsidiary shares	-	-	117,993	-
Sundry Income/Scrap sales	604,366	938,401	-	-
Rent income	153,535	99,363	-	-
Gain on disposal of non-current financial assets	35,075	-	35,075	-
Income from financial services	253,073	222,765	-	-
Indent commission	279,139	236,614	-	-
	1,467,771	1,672,923	153,209	15,705

\* Details of the grants are given in Note 26 to the Financial Statements.

## 8. OTHER EXPENSES

For the year ended 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Loss on disposal of property, plant & equipment	20,776	66,577	-	-
Derecognition of property, plant & equipment	-	110,462	-	-
Impairment/write-off of property, plant & equipment	5,000	79,870	-	-
Impairment of inventory	-	8,981	-	-
Amortisation of intangible assets	136,284	152,123	-	-
	162,060	418,013	-	-

## 9. NET FINANCE COST

### 9.1 Finance Income

For the year ended 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Interest income on loans and receivables	202,399	217,452	19,086	17,223
Interest income on bank deposits/ unit trust income	375,281	326,182	-	4,785
Guarantee income	1,599	-	53	-
Dividend income from equity instruments	4,417	4,094	544	456
Change in fair value of financial assets at fair value through profit or loss	49,725	30,001	2,666	-
Foreign exchange gain	2,542,533	1,460,715	10,406	9,377
	3,175,954	2,038,444	32,755	31,841

### 9.2 Finance Cost

For the year ended 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Interest on long term loans	4,425,883	5,974,460	2,147,088	2,586,788
Interest on short term loans	3,309,713	4,968,983	394,960	477,969
Finance charges payable under leases	913,500	905,220	37,150	-
Change in fair value of financial assets at fair value through profit or loss	1,072	2,973	-	1,601
Impairment of financial assets	8,565	8,900	8,565	8,900
Foreign exchange loss	1,392,992	1,186,812	11	16,871
	10,051,725	13,047,348	2,587,774	3,092,129
<b>Net finance cost</b>	<b>6,875,771</b>	<b>11,008,904</b>	<b>2,555,019</b>	<b>3,060,288</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 10. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is stated after charging all expenses including the following.

For the year ended 31st March	Notes	Consolidated		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Directors' emoluments		1,914,255	1,819,290	412,193	381,363
<b>Auditors' fees (includes overseas subsidiaries)</b>					
<b>Audit services</b>					
Ernst & Young		54,145	54,749	1,940	1,945
Other auditors		36,504	31,260	-	-
<b>Non audit services</b>					
Ernst & Young		35,385	35,336	1,570	1,016
Other auditors		13,218	10,309	-	-
Depreciation on property, plant & equipment	13	5,330,155	5,159,375	62,978	70,583
Donations		35,134	24,222	318	263
Impairment for bad trade and other receivables	22	902,758	940,203	-	-
Provision for unrealised profit and write-down of inventories		442,703	361,581	-	-
<b>Staff cost</b>					
Defined contribution plan cost		2,444,724	2,396,826	119,820	116,343
Employee benefit plan cost	28	1,511,196	1,484,181	138,045	132,416
Other Staff cost (excluding defined contributions & defined benefits)		26,556,016	23,267,346	1,224,880	1,038,289
Staff training and development cost		69,261	127,171	1,335	5,398
Legal fees		67,777	65,755	-	-
Research and development cost		67,224	55,068	-	-

### 11. TAXATION

#### 11.1 Tax Expense

For the year ended 31st March	Consolidated	
	2021 Rs.'000	2020 Rs.'000
<b>Consolidated Statement of Profit or Loss</b>		
<b>Current income tax</b>		
Income tax on current year profits		
Parent	162,506	-
Subsidiaries	5,427,814	2,349,625
	5,590,320	2,349,625
Under/(over) provision in respect of previous years	31,461	(16,887)
Provision/(reversal of provision) on Economic Service Charge recoverable	(8,557)	67,552
	5,613,224	2,400,290
<b>Deferred tax expense</b>		
Origination of temporary differences		
Parent	45,119	(69,336)
Subsidiaries	(555,537)	37,641
	(510,418)	(31,695)
Tax on dividend income	84,776	240,665
<b>Tax expense reported in the Statement of Profit or Loss</b>	<b>5,187,582</b>	<b>2,609,260</b>

## 11.2 Consolidated Statement of Other Comprehensive Income

For the year ended 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Deferred tax related to items charged or credited directly to other comprehensive income during the year :</b>				
Actuarial gain/(loss) on defined benefit plans	29,077	(149,411)	1,571	(1,879)
Impact to revaluation reserve on tax rate changes	(364,537)	-	-	-
Net change on equity instruments designated at fair value through other comprehensive income	1,903	-	-	-
<b>Tax charged directly to other comprehensive income</b>	<b>(333,557)</b>	<b>(149,411)</b>	<b>1,571</b>	<b>(1,879)</b>

## 11.3 Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Profit/(loss) before tax	19,233,789	5,504,052	1,406,259	(1,776,225)
Share of profit of equity accounted investees	(252,611)	(264,061)	-	-
Intra-group adjustments	5,322,881	1,806,172	-	-
	24,304,059	7,046,163	1,406,259	(1,776,225)
Disallowable expenses	17,831,912	16,420,013	1,450,540	404,162
Tax deductible expenses	(12,609,075)	(12,974,936)	(180,327)	(124,571)
Tax exempt income	(5,296,568)	(2,291,281)	(1,647,496)	(607,193)
Tax loss b/f	(9,625,618)	(6,381,687)	(2,302,528)	(198,701)
Adjustment for tax loss b/f	(475,386)	-	(460,682)	-
Tax loss c/f	9,895,797	9,625,618	2,725,145	2,302,528
Taxable income	24,025,121	11,443,890	990,911	-
Income tax @ 28%	-	731,274	-	-
Income tax @ 24%	2,774,553	362,001	57,068	-
Income tax @ 20%	423,644	83,645	-	-
Income tax @ 15%	56,484	164,211	-	-
Income tax @ 14%	1,582,994	603,523	105,438	-
Income tax @ 12%	-	25,408	-	-
Income tax at other tax rates	752,645	379,563	-	-
Income tax on current year profit	5,590,320	2,349,625	162,506	-
Under / (Over) provision in respect of previous years	31,461	(16,887)	-	78,295
Provision/(reversal of provision) on Economic service charge recoverable	(8,557)	67,552	-	-
	5,613,224	2,400,290	162,506	78,295
Origination of temporary differences	(510,418)	(31,695)	45,119	(69,336)
Tax on dividend income	84,776	240,665	-	-
Tax expense	5,187,582	2,609,260	207,625	8,959
<b>Effective tax rate</b>	<b>27%</b>	<b>50%</b>	<b>15%</b>	<b>1%</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 11.4 General Provisions

Corporate Income Taxes of companies resident in Sri Lanka have been computed in accordance with the Inland Revenue Act No. 24 of 2017 as amended.

Resident companies in the Group, excluding those which enjoy a tax holiday or concessionary tax rates, were liable to income tax during the year of assessment 2020/21 at the rate of 24% (Y/A 2019/20 - 28% for the 9 months ending 31.12.2019 and 24% for the 3 months ending 31.03.2020).

Irrecoverable Economic Service Charge has been charged to the Statement of Profit or Loss.

Corporate Taxes of non-resident companies in the Group have been computed in keeping with the domestic statutes in their respective countries.

### 11.5 Tax Exemptions

#### 11.5.1 In terms of the Inland Revenue Act

Solar One Ceylon (Pvt) Ltd is entitled for a 10 year income tax holiday. Tax holiday period has commenced during the Y/A 2016/17.

Kelani Valley Plantations PLC is entitled for an income tax exemption for period of 5 years for its undertaking associated with farming of agricultural produce. The tax holiday period has commenced during the Y/A 2019/20.

Talawakelle Tea Estates PLC is entitled for an income tax exemption for period of 5 years for its undertaking associated with farming of agricultural produce. The tax holiday period has commenced during the Y/A 2019/20.

Hayleys Agro Bio Tech (Pvt) Ltd is entitled for an income tax exemption for period of 5 years for its undertaking associated with farming of agricultural produce. The tax holiday period has commenced during the Y/A 2019/20.

Quality Seeds (Pvt) Ltd is entitled for an income tax exemption for period of 5 years for its undertaking associated with farming of agricultural produce. The tax holiday period has commenced during the Y/A 2019/20.

Hayleys Business Solutions International (Pvt) Ltd is entitled for an income tax exemption as a company providing information technology and enabled services. The tax holiday period has commenced during the Y/A 2019/20 (From 01.01.2020.).

Following resident companies in Sri Lanka are enjoying an income tax exemption on profits earned from qualifying service income:

- Civaro International Ltd.
- Hayleys Energy Services Ltd.
- Sharaf Shipping Agency (Pvt) Ltd
- Sri Lanka Shipping Company Ltd.
- Intermerc Marine (Pvt) Ltd.

Following resident companies are entitled for an income tax exemption to the extent that the profits derived from qualifying foreign source:

- Bonterra Ltd.
- Chas P Hayley & Company (Pvt) Ltd.

### 11.5.2 In terms of BOI Agreements

Companies enjoying Tax Holidays under BOI Law are as follows;

Hayleys Neluwa Hydro Power (Pvt) Ltd.	5 Year tax holiday ending August 2022
Martin Bauer Hayleys (Pvt) Ltd.	10 year tax holiday ending March 31, 2028
Sun Tan Beach Resorts Ltd.	15 year tax holiday ending March 31, 2030
Hayleys Free Zone Ltd.	Indefinitely

### 11.5.3 Investment Income

#### Dividend Income

Many resident companies in Sri Lanka receiving dividend income enjoy the tax exemption on qualifying quantum of such dividend based on the following exemptions:

- (a) A dividend paid by a resident company to a member to the extent that dividend payment is attributable to, or derived from, another dividend received by that resident company or another resident company;
- (b) Dividend receipt from non-resident person;
- (c) A dividend paid by a resident company which is engaged in offshore business and entrepot trade.

#### Interest accrued on foreign currency deposits

Many resident companies in Sri Lanka are enjoying income tax exemption on interest income accruing or deriving on moneys lying to its credit in foreign currency in any foreign currency account opened by him or on his behalf, in any commercial bank or in any specialised bank, with the approval of the Central Bank of Sri Lanka.

### 11.6 Concessionary Tax Rates

#### 11.6.1 In terms of the Inland Revenue Act No.24 of 2017

In terms of the Inland Revenue Act No. 24 of 2017, the profits/losses of companies listed below are subject to the income tax concessionary rates of 14% / 18%\* for the mentioned undertaking:

Sunfrost (Pvt) Ltd.	Agro processing
Hayleys Agriculture Holdings Ltd.	Manufacturing of goods
Hayleys Agro Farms (Pvt) Ltd.	Agro processing
Hayleys Agro Fertilizers (Pvt) Ltd.	Manufacturing of goods
Quality Seeds (Pvt) Ltd.	Agro processing
HJS Condiments Ltd.	Agro processing
Kelani Valley Plantations PLC	Agro processing
Talawakelle Tea Estates PLC	Agro processing
Haycolour (Pvt) Ltd.	Export of goods / Manufacturing of goods
Haycarb PLC	Export of goods
Haycarb Value Added products (Pvt) Ltd.	Export of goods
Recogen (Pvt) Ltd.	Operating project for renewable energy / Manufacturing of goods
Puritas (Pvt) Ltd.	Construction / Manufacturing of goods
Ultracarb (Pvt) Ltd.	Export of goods
Mabroc Teas (Pvt ) Ltd.	Export of goods / Manufacturing of goods
Meridian Exports (Pvt) Ltd.	Export of goods
Blue Mountain Tea Exports (Pvt) Ltd.	Export of goods
Hayleys Fabric PLC	Export of goods
Hayleys Fibre PLC	Export of goods / Manufacturing of goods
Ravi Industries Ltd.	Export of goods

## NOTES TO THE FINANCIAL STATEMENTS

### 11.6.1 In terms of the Inland Revenue Act No.24 of 2017 (Contd.)

Rileys (Pvt) Ltd.	Export of goods
Haymat (Pvt) Ltd.	Export of goods
Toyo Cushion Lanka (Pvt) Ltd.	Export of goods
Chas P Hayley & Co (Pvt) Ltd.	Export of goods
Bonterra Ltd.	Export of goods / Manufacturing of goods
Hanwella Rubber Products Ltd.	Export of goods / Manufacturing of goods
Dipped Products PLC.	Export of goods / Manufacturing of goods
DPL Universal Gloves Limited	Export of goods
Creative Polymats (Pvt) Ltd.	Manufacturing of goods
Hayleys Tours (Pvt) Ltd.	Promotion of tourism
Kelani Valley Resorts (Pvt) Ltd.	Promotion of tourism
The Kingsbury PLC	Promotion of tourism
Culture Club Resorts (Pvt) Ltd.	Promotion of tourism
Neluwa Cascade Hydro Power (Pvt) Ltd.	Operating project for renewable energy
Bhagya Hydro (Pvt) Ltd.	Operating project for renewable energy
Kalupahana Power Company (Pvt) Ltd.	Operating project for renewable energy
Nirmalapura Wind Power (Pvt) Ltd.	Operating project for renewable energy
TTEL Somerset Hydro Power (Pvt) Ltd.	Operating project for renewable energy
TTEL Hydro Power Company (Pvt) Ltd.	Operating project for renewable energy
Regnis Appliances (Pvt) Ltd.	Manufacturing of goods
Regnis Lanka PLC	Manufacturing of goods
Singer Industries (Ceylon) PLC	Manufacturing of goods
Alco Industries (Pvt) Ltd.	Export of goods / Manufacturing of goods
Alumex PLC	Export of goods / Manufacturing of goods
Star Lanka Shipping (Pvt) Ltd.	Qualifying services provided as a shipping agent / Transshipment operations
Sharaf Shipping Agency (Pvt) Ltd.	Qualifying services provided as a shipping agent
Advantis Freight (Pvt) Ltd.	Freight forwarding
Agility Logistics (Pvt) Ltd.	Freight forwarding
CEVA Logistics Lanka (Pvt) Ltd.	Freight forwarding
CMA CGM Lanka (Pvt) Ltd.	Qualifying services provided as a shipping agent
Cosco Shipping Lines Lanka (Pvt) Ltd.	Qualifying services provided as a shipping agent
Expelogix (Pvt) Ltd.	Freight forwarding
Hayleys Energy Services (Pvt) Ltd.	Qualifying services provided as a shipping agent / Freight forwarding
Logistic International Ltd.	Refurbishment of containers
MIT Cargo (Pvt.) Ltd.	Freight forwarding
Mountain Hawk (Pvt) Ltd.	Freight forwarding
NYK Lanka (Pvt) Ltd.	Qualifying services provided as a shipping agent / Transshipment operations
Yusen Logistics & Kusuvara Lanka (Pvt) Ltd.	Freight forwarding
Advantis Projects & Engineering (Pvt) Ltd.	Construction / Manufacturing of goods / Export of goods
Sri Lanka Shipping Company Ltd.	Qualifying services provided as a shipping agent
Ocean Network Express Lanka (Pvt) Ltd.	Qualifying services provided as a shipping agent
Unisyst Engineering PLC	Manufacturing of goods
Diamond Shipping Services (Pvt) Ltd.	Qualifying services provided as a shipping agent
Intermarc Marine (Pvt) Ltd.	Other specified undertakings

\* 18% rate is applicable for manufacturing, whilst 14% would apply for all other detailed undertakings above

### 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 the following concessionary tax rates. Periods indicated below:

Kandyan Resorts (Pvt) Ltd.	02% on turnover for 15 years up to Y/A 2026/27
Lanka Bunkering Services (Pvt) Ltd.	15% indefinitely
Hayleylines Ltd.	15% Indefinitely
Moceti International Pvt Ltd.	15% Indefinitely

### 11.6.3 Non Resident Companies

Corporate income tax rates of non-resident companies are:

Company	Income tax rate
Haychem (Bangladesh) Ltd.	32.5%
PT Mapalus Makawanua Charcoal Industry.	25%
Haycarb USA Inc	21%
Logiwiz Logistics India (Pvt) Ltd.	25%
Eurocarb Products Ltd.	19%
Haycarb Holding Australia (Pty) Ltd.	27.5%
Carbokarn Co. Ltd.	20%
ICOGUANTI S.p.A.	27.9%
CK Regen Systems Co.Ltd.	20%
Haylex Ltd.	19%
Haylex BV	16.5%
Haylex Japan	34%
Charles Fibre (Pvt) Ltd.	25%
PT Haycarb Palu Mitra	25%
Haycarb Activated Carbon (Pvt) Ltd.	25%
Dipped Products (Thailand) Ltd.	20%
Total Transport Solutions Maldives (Pvt) Ltd.	15%
Nautical Maldives (Pvt) Ltd.	15%
One World Logistics Maldives (Pvt) Ltd.	15%
Advantis Kusahara Sedate Myanmar (Pvt) Ltd.	25%
Advantis Sedate Myanmar (Pvt) 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%
Shizuka Co.Ltd.	20%
Puricarb Pte. Limited	17%
Luxury Resorts (Pvt) Ltd.	15%

## NOTES TO THE FINANCIAL STATEMENTS

### 12.1 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 earnings per share calculated as follows;

For the year ended 31st March	Consolidated		Company	
	2021	(Restated) 2020	2021	(Restated) 2020
Profit attributable to equity holders of the Parent (Rs.'000)	7,637,231	372,432	1,198,634	(1,785,184)
Weighted average number of ordinary shares of the parent (No.)	750,000,000	750,000,000	750,000,000	750,000,000
Basic/diluted earnings per share (Rs.)	10.18	0.50	1.60	(2.38)

Weighted average number of ordinary shares in 2020 has been adjusted in accordance with "LKAS 33 - Earnings per share" consequent to the post sub-division of 10 shares for every one ordinary share effected on 10 February 2021.

### 12.2 Dividends

For the year ended 31st March	Company	
	2021	2020
Interim/final dividend (Rs'000)	975,000	-
Dividend per ordinary share (Rs.)	1.30	-

### 13 PROPERTY, PLANT & EQUIPMENT

#### 13.1 Consolidated

As at 31st March	Freehold Land	Mature/ immature plantations	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Vessels	Total 2021	Total 2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost or valuation:</b>									
Gross book value									
<b>At the beginning of the year</b>	31,089,083	7,325,146	27,870,053	42,589,722	1,806,496	6,600,775	7,217,551	124,498,826	118,886,482
Effect from transfer of equity accounted investee to subsidiary	-	-	-	67,849	-	1,143	-	68,992	-
Additions	42,744	237,462	721,587	2,877,499	209,634	719,294	107,703	4,915,923	8,683,662
Transfer to investment properties	-	-	-	-	-	-	-	-	(511,014)
Derecognition of property, plant & equipment	-	-	-	-	-	-	-	-	(121,593)
Transfer to right-of-use assets	-	-	-	-	-	-	-	-	(1,699,643)
Transfer to intangible assets	-	-	-	-	-	(13,207)	-	(13,207)	(125,370)
Disposals	-	-	(2,015)	(419,579)	(138,787)	(114,053)	(307,927)	(982,361)	(1,654,087)
Transfer to biological assets	-	-	-	-	-	-	-	-	(15,847)
Effect of movements in exchange rates	101,341	-	480,069	1,221,924	22,936	60,390	54,293	1,940,953	1,056,236
<b>At the end of the year</b>	31,233,168	7,562,608	29,069,694	46,337,415	1,900,279	7,254,342	7,071,620	130,429,126	124,498,826
<b>Depreciation:</b>									
<b>At the beginning of the year</b>	122,482	1,781,942	6,240,453	22,850,407	978,731	4,117,647	1,354,071	37,445,733	33,862,511
Effect from transfer of equity accounted investee to subsidiary	-	-	-	29,083	-	551	-	29,634	-
Derecognition of property, plant & equipment	-	-	-	-	-	-	-	-	(11,131)
Depreciation for the year	420	191,532	1,005,973	2,770,625	198,977	637,837	524,791	5,330,155	5,159,375
Transfer to right-of-use assets	-	-	-	-	-	-	-	-	(957,927)
Transfer to intangible assets	-	-	-	-	-	(10,897)	-	(10,897)	(47,692)
Disposals	-	-	-	(287,924)	(90,931)	(81,120)	(237,281)	(697,256)	(1,174,686)
Effect of movements in exchange rates	-	-	118,794	800,550	11,945	53,386	28,617	1,013,292	615,283
<b>At the end of the year</b>	122,902	1,973,474	7,365,220	26,162,741	1,098,722	4,717,404	1,670,198	43,110,661	37,445,733
<b>Impairment :</b>									
<b>At the beginning of the year</b>	2,260	-	67,082	128,536	-	4,307	-	202,185	166,448
Effect of movements in exchange rates	-	-	-	(331)	-	-	-	(331)	3,259
Disposals	-	-	-	(60,078)	-	-	-	(60,078)	(47,391)
Impairment for the year	-	-	-	5,000	-	-	-	5,000	79,870
<b>At the end of the year</b>	2,260	-	67,082	73,127	-	4,307	-	146,776	202,186
<b>Net book value as at 31st March</b>	31,108,006	5,589,134	21,637,392	20,101,547	801,557	2,532,631	5,401,422	87,171,689	86,850,907
Capital work-in progress								2,514,053	1,634,589
<b>Carrying amount as at 31st March</b>								89,685,742	88,485,496



## NOTES TO THE FINANCIAL STATEMENTS

## 13.2 Company

As at 31st March	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Total 2021	Total 2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost or valuation:</b>						
<b>At the beginning of the year</b>	226,410	46,063	139,485	328,122	740,080	756,210
Additions	-	275	-	29,789	30,064	16,195
Disposals	-	(35)	-	(1,915)	(1,950)	(32,325)
<b>At the end of the year</b>	226,410	46,303	139,485	355,996	768,194	740,080
<b>Depreciation:</b>						
<b>At the beginning of the year</b>	178,860	43,869	66,094	282,008	570,831	532,573
Depreciation for the year	11,624	516	28,680	22,158	62,978	70,583
Disposals	-	(35)	-	(1,699)	(1,734)	(32,325)
<b>At the end of the year</b>	190,484	44,350	94,774	302,467	632,075	570,831
<b>Net book value as at 31st March</b>	35,926	1,953	44,711	53,529	136,119	169,249
Capital work-in progress					1,106	9,681
<b>Carrying amount as at 31st March</b>					137,225	178,930

## 13.3 Carrying Value

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At cost	65,384,185	64,183,939	137,225	178,930
At valuation	24,301,557	24,301,557	-	-
	89,685,742	88,485,496	137,225	178,930

## 13.4 Includes Capitalisation of Borrowing Costs

Subsidiary	2021 Rs.'000	2020 Rs.'000
The Kingsbury PLC	-	68,907
Hayleys Fabric PLC	-	24,260
	-	93,167

**13.5** Group Property, plant & equipment includes buildings on leasehold lands. The carrying amount of these assets are:

As at 31st March	Consolidated			
	Cost Rs.'000	Accumulated depreciation/ amortisation Rs.'000	Carrying value 2021 Rs.'000	Carrying value 2020 Rs.'000
Buildings	6,154,344	1,395,192	4,759,152	4,668,162
<b>Total</b>	<b>6,154,344</b>	<b>1,395,192</b>	<b>4,759,152</b>	<b>4,668,162</b>

**13.6** Amounts by which values have been increased in respect of land revalued by independent qualified valuers are indicated below,

As at 31st March Company	Location	Revaluation surplus	
		2021 Rs.'000	2020 Rs.'000
Darley Property Holdings (Pvt) Ltd. / Hayleys PLC	Colombo (31.03.2019)	2,618,471	2,618,471
World Export Center Ltd.	Colombo (31.03.2019)	12,698,466	12,698,466
Volanka (Pvt) Ltd.	Katana (31.03.2019)	318,831	318,831
	Galle (31.03.2019)	226,452	226,452
Chas P. Hayley & Co. (Pvt) Ltd.	Galle (31.03.2019)	949,630	949,630
Dipped Products PLC	Kottawa (31.03.2019)	206,591	206,591
	Weliveriya (31.03.2013) **	70,973	70,973
Venigros (Pvt) Ltd.	Weliveriya (31.03.2013) **	50,925	50,925
Alumex PLC	Gonawala (31.03.2019)	77,799	77,799
	Ekala (31.03.2019)	61,460	61,460
	Makola (31.03.2019)	354,191	354,191
Alco Industries (Pvt) Ltd.	Makola (31.03.2019)	10,525	10,525
Haycarb PLC	Badalgama & Madampe (31.03.2019)	221,082	221,082
	Wewalduwa (31.03.2019)	265,773	265,773
Recogen (Pvt) Ltd.	Badalgama (31.03.2019)	78,981	78,981
Carbokarn Co. Ltd.	Thailand (31.03.2019)	90,941	90,941
Shizuka Co. Ltd.	Ratchaburi (31.03.2019)	35,298	35,298
PT Mapalus Makawanua	Bitung (31.03.2019)	84,545	84,545
PT Haycarb Palu Mitra	Palu City (31.03.2019)	34,002	34,002
Lignocell (Pvt) Ltd.	Kuliyapitiya (31.03.2019)	36,233	36,233
	Madampe (31.03.2019)	41,239	41,239
Hayleys Agriculture Holdings Ltd.	Dambulla (31.03.2019)	5,549	5,549
	Kottawa (31.03.2019)	127,014	127,014
Haychem (Bangladesh) Ltd.	Mymensingh (31.03.2019)	47,636	47,636
Hayleys Aventura (Pvt) Ltd.	Malabe (31.03.2019)	262,785	262,785
Haycolour (Pvt) Ltd.	Kalutara (31.03.2019)	57,736	57,736
Hayleys Fibre PLC	Kuliyapitiya (31.03.2019)	203,019	203,019
Hayleys Advantis Ltd.	Welisara/Kelaniya/Seeduwa/Sedawatte (31.03.2019)	2,443,088	2,443,088
	Kotugoda (31.03.2019)	1,024,531	1,024,531
Singer (Sri Lanka) PLC	Ambalantota (31.03.2019)	3,300	3,300
	Balangoda (31.03.2019)	1,550	1,550
	Bandarawela (31.03.2019)	1,948	1,948

## NOTES TO THE FINANCIAL STATEMENTS

As at 31st March Company	Location	Revaluation surplus	
		2021 Rs.'000	2020 Rs.'000
	Borella (31.03.2019)	11,600	11,600
	Chilaw (31.03.2019)	1,913	1,913
	Colpetty (31.03.2019)	6,700	6,700
	Eheliyagoda (31.03.2019)	1,146	1,146
	Gampaha (31.03.2019)	8,935	8,935
	Hikkaduwa (31.03.2019)	2,185	2,185
	Katugastota (31.03.2019)	919	919
	Kiridiwella (31.03.2019)	2,025	2,025
	Middeniya (31.03.2019)	413	413
	Mount Lavinia (31.03.2019)	3,750	3,750
	Mount Lavinia-Mega (31.03.2019)	9,235	9,235
	Negombo (31.03.2019)	3,000	3,000
	Pussellawa (31.03.2019)	2,486	2,486
	Trincomalee (31.03.2019)	2,790	2,790
	Wellawatta (31.03.2019)	9,200	9,200
Singer Industries (Ceylon) PLC	Ratmalana (31.03.2019)	25,750	25,750
Ravi Industries (Pvt) Ltd.	Ekala (31.03.2019)	396,000	396,000
Volanka Exports (Pvt) Ltd.	Welipanna (31.03.2019)	43,843	43,843
Rileys Ltd.	Ekala (31.03.2019)	408,838	408,838
Toyo Cushion Lanka (Pvt) Ltd.	Katana (31.03.2013) **	48,174	48,174
Sunfrost (Pvt) Ltd.	Allawwa (31.03.2019)	33,204	33,204
	Padiyatalawa (31.03.2019)	21,174	21,174
Bhagya Hydro (Pvt) Ltd.	Gomala Oya (31.03.2019)	1,293	1,293
Neluwa Cascade Hydro Power (Pvt) Ltd.	Neluwa (31.03.2019)	1,925	1,925
Hayleys Neluwa Hydro Power Pvt (Ltd).	Mawanana (31.03.2019)	342	342
Hayleys Fabric PLC	Neboda (31.03.2019)	94,306	94,306
Unisyst Engineering PLC	Kotugoda (31.03.2019)	17,250	17,250
Kandyan Resorts (Pvt) Ltd.	Kandy (31.03.2019)	431,319	431,319
Culture Club Resorts (Pvt) Ltd.	Dambulla (31.03.2019)	1,280	1,280
		24,301,557	24,301,557
Revaluation reserve attributable to Non-controlling interest		(1,180,524)	(1,180,524)
Income tax on revaluation		(1,693,352)	(1,973,244)
		21,427,681	21,147,789
Acquisition of non-controlling interest in subsidiaries		281,226	370,362
		21,708,907	21,518,151

\*\* Investment properties

**13.7** Land owned by the Group was revalued as at 31st March 2019 by an independent Chartered Valuation Surveyor. The fair value of the land was determined based on transaction observed in the market, appropriately adjusted for differences in the nature, location or condition of the specific property.

Directors believe that there are no significant differences in the market value compared to last year.

**13.8** Lands owned by the Group other than that mentioned above have been stated at cost as the appreciation in value is insignificant. Further information is provided on page 374 to 377.

**13.9** There has been an impairment of property, plant & equipment amounting to Rs. 5.0 mn (2020- 79.8 mn). Details are as follows.

	Rs.'000
Machinery & stores equipment	5,000

The impairment losses recognised in the Alumex PLC, in respect of obsolete machineries.

**13.10** Property, plant & equipment with a carrying value of Rs. 18,988 mn (2020 - Rs. 20,440 mn) and Rs. Nil (2020 - 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.

**13.11** The carrying value of revalued lands given above, had the said lands been included at cost, would amount to Rs. 6,932 mn (2020 - Rs. 6,788 mn) for the Group and Rs Nil (2020 - Nil) to the Company.

**13.12** 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	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Buildings	869,046	491,804	-	-
Machinery and store equipment	9,426,760	6,127,484	39,122	39,122
Furniture, fittings and office equipment	3,306,204	1,951,163	250,991	209,223
Motor vehicles	1,006,223	1,143,105	12,007	-
	14,608,233	9,713,556	302,120	248,345

### 13.13 Capital Expenditure Commitments

The approximate amounts of capital expenditure approved by the Directors as at 31st March, 2021 were: Capital expenditure contracted for which no provision is made in the Financial Statements for the Group - Rs. 1,505 mn (2020 - Rs. 377 mn) and for the Company Rs. Nil (2020 - Nil). Capital expenditure approved by the Directors but not contracted for the Group Rs. 2,946 mn (2020 - Rs. 2,312 mn) and for the Company Rs. Nil (2020- Nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 13.14 Unobservable Inputs used in Measuring Fair Value

The table below sets out information about significant unobservable inputs used in measuring fair value of land as of 31 March 2021 and 31 March 2020.

Category	District	Valuation Technique	Significant Unobservable Input	Range of Estimate (Weighted Average) for Unobservable Input Rs'000	Fair Value Measurement Sensitivity to Unobservable Input
Freehold land	Matale	Open market basis	Land - Rate per perch	4 to 22	Significant increases / (decreases) in estimated price per perch in isolation would result in a significantly higher / (lower) fair value.
	Ampara			9 to 13	
	Kurunegala			35 to 75	
	Kalutara			75 to 150	
	Kegalle			80 to 100	
	Puttalam			30 to 4,500	
	Gampaha			35 to 5,000	
	Colombo			100 to 21,000	
	Kandy			200 to 4,000	
	Hambantota			500 to 3,000	
	Badulla			500 to 3,500	
	Ratnapura			500 to 4,000	
	Galle			1000 to 3500	
	Trincomalee			1000 to 4,500	

## 14 RIGHT-OF-USE ASSETS

### 14.1 Consolidated

As at 31st March	Land	Mature/ Immature Plantations	Buildings	Machinery & stores equipment	Motor vehicles	Furniture, fittings & office equipment	Vessels	Total 2021	Total 2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>At the beginning of the year</b>	4,052,607	120,142	5,012,541	57,180	49,666	39,557	282,036	<b>9,613,729</b>	5,647,973
Transfers (SLFRS 16 initial recognition)	-	-	-	-	-	-	-	-	2,906,682
Increase to recognised assets	74,835	-	-	-	-	-	-	<b>74,835</b>	-
Additions	287,576	-	1,503,923	-	125,764	13,620	-	<b>1,930,883</b>	2,423,605
Derecognition	-	-	(34,099)	(57,180)	-	-	-	<b>(91,279)</b>	-
Depreciation for the period	(192,232)	(14,791)	(1,184,847)	-	(99,217)	(19,249)	(205,120)	<b>(1,715,456)</b>	(1,442,333)
Effect of movements in exchange rates	116,263	-	3,071	-	2,263	-	-	<b>121,597</b>	77,802
<b>At the end of the year</b>	<b>4,339,049</b>	<b>105,351</b>	<b>5,300,589</b>	<b>-</b>	<b>78,476</b>	<b>33,928</b>	<b>76,916</b>	<b>9,934,309</b>	<b>9,613,729</b>

## 14.2 Company

As at 31st March	Buildings Rs.'000	Total 2021 Rs.'000	Total 2020 Rs.'000
At the beginning of the year	-	-	-
Additions	319,161	319,161	-
Depreciation for the period	(63,832)	(63,832)	-
At the end of the year	255,329	255,329	-

## 15. INVESTMENT PROPERTIES

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Carrying value :				
At the beginning of the year	2,719,260	2,006,528	75,900	70,350
Additions	2,282	13,600	-	-
Transfer from property plant & equipment	-	511,014	-	-
Reserve adjustment due to transfer from property plant & equipment	-	101,236	-	-
Disposals	(93,000)	-	-	-
Change in fair value during the year	195,638	86,882	3,700	5,550
At the end of the year	2,824,180	2,719,260	79,600	75,900

### 15.1 Rental Income

For the year ended 31st March	2021 Rs.'000	2020 Rs.'000
Rental income derived from investment properties	123,063	110,574
Direct operating expenses generating rental income	(7,631)	(5,930)
Net profit arising from investment properties	115,432	104,644

#### 15.1.1 The Group as a lessor

The Group has entered into operating leases on its investment property portfolio consisting of certain office and manufacturing buildings. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 31st March are as follows;

For the year ended 31st March	2021 Rs.'000	2020 Rs.'000
Within one year	115,432	104,644
After one year but not more than five years	461,728	418,576



## NOTES TO THE FINANCIAL STATEMENTS

### 15.1.2 The Company as a lessor

The Company has entered into operating leases on its building rented as office space to other related and non-related companies. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions

Rental income recognised by the Company during the year is Rs. 342 mn (2020: Rs. 316 mn)

Future minimum rentals receivable under non-cancellable operating leases as at 31st March are as follows;

For the year ended 31st March	2021 Rs.'000	2020 Rs.'000
Within one year	341,505	315,961
After one year but not more than five years	1,366,020	1,263,844

**15.2** Investment properties are stated at fair value. The fair values of investment properties as at 31st March, 2021 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 as follows;

Company	Location	Building area (Sq Ft)	Land in acres	Value of building Rs.'000	Value of land Rs.'000	Total 2021 Rs.'000
Eastern Hotels (Pvt) Ltd.	Nilakarai Estate, Nilaweli, Trincomalee	600	23.47	1,380	751,200	752,580
Hayleys Advantis Group	No. 46/12, Sayuru Sevana, Nawam Mawatha, Colombo 2	45,980	0.24	290,000	474,795	764,795
Dipped Products PLC	Nadungamuwa, Weliweriya	-	8.19	-	188,280	188,280
Venigros (Pvt) Ltd.	Nadungamuwa, Weliweriya	55,381	7.09	62,454	141,888	204,342
Rileys (Pvt) Ltd.	131, Minuwangoda Road, Ekala	91,582	3.80	189,591	485,992	675,583
Toyo Cushion Lanka (Pvt) Ltd.	105, Thimbirigaskatuwa road, Katana	25,703	3.40	24,200	134,800	159,000
Hayleys PLC	Kaluwamodara, Bentota	-	0.28	-	79,600	79,600
				567,625	2,256,555	2,824,180

Company	District	Valuation Technique	Range of Estimate for Unobservable Input Rs'000 2021	Range of Estimate for Unobservable Input Rs'000 2020
Freehold land	Colombo	Open market basis (Land Rate per perch)	10,000 to 12,500	10,000 to 12,500
	Gampaha		600 to 800	500 to 800
	Kalutara		1,500 to 2,000	1,500 to 2,500
	Trincomalee		175 to 200	150 to 200

**15.3** The Group has no restriction on the realisability of its investment properties and has no contractual obligations to purchase, construct or develop its investment properties or for maintenance and enhancement.

## 16. BIOLOGICAL ASSETS

As at 31st March	Consolidated	
	2021 Rs.'000	2020 Rs.'000
<b>At the beginning of the year</b>	505,240	449,926
Increase due to development	17,339	15,197
Change in fair value of biological assets	10,111	39,650
Decrease due to harvest	(2,147)	(15,380)
Transfer from/(to) immature/mature plantation	-	15,847
<b>At the end of the year</b>	<b>530,543</b>	<b>505,240</b>

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

### Talawakelle Tea Estates PLC

The fair value of matured managed trees were ascertained in accordance with SLFRS 13. The valuation was carried by Messer's FRT Valuation Services (Pvt) Ltd, 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.

### Kelani Valley Plantations PLC

The fair value of managed trees was ascertained in accordance with SLFRS 13. The valuation was carried out by FRT Valuation Services (Pvt) Ltd, using Market Approach. In ascertaining the fair value of timber, a physical verification was carried out covering the estates on sample basis.

## 16.1 Information about Fair Value Measurements using Significant Unobservable Inputs (Level 3)

### Talawakelle Tea Estates PLC

Non Financial Asset	Valuation technique	Unobservable inputs	Range of unobservable inputs (Probability weighted average.)		Relationship of Unobservable Inputs to Fair Value
			2021	2020	
Consumable managed biological assets	Discounted cash flows	Discounting Rate	13.6%	17.5%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	20-25 Years	25-35 Years	Lower the rotation period, the higher the fair value
		Volume at rotation	25-140 cu.ft	25-85 cu.ft	The higher the volume, the higher the fair value
		Price per cu.ft.	Rs.50/- to Rs.2,864/-	Rs.50/- to Rs.2,900/-	The higher the price per cu. ft., the higher the fair value

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 16.1 Information about Fair Value Measurements using Significant Unobservable Inputs (Level 3)(Contd.)

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. The Board of Directors is of the opinion that the sensitivity analysis regarding selling price and discount rate variations are as follows;

It does, nevertheless, concern the directors that no estimate of fair value can ever be completely accurate. Moreover, in the case of the group's biological assets, small differences in valuation assumptions can have a quite disproportionate effect on results. Another concern is that, as shown from an international benchmark, there is currently no uniform approach within the plantation sector when it comes to defining the major variables, such as selling price and/or discount rates, in the DCF models resulting in the LKAS 41 values.

The carrying amount of biological assets pledged as securities for liabilities as at the date of the statement of Financial Position is Rs. nil. (2020 - Rs. nil).

#### Kelani Valley Plantations PLC

Non Financial Asset	Valuation technique	Unobservable inputs	Range of unobservable inputs (Probability weighted average.)		Relationship of Unobservable Inputs to Fair Value
			2021	2020	
Consumable managed biological assets	Market Approach	Discounting Rate	13.6%	15.0%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	20-25 Years	20-25 Years	Lower the rotation period, the higher the fair value
		Volume at rotation	23-95 cu.ft	23-95 cu.ft	The higher the price per cu. dcm., the higher the fair value
		Price per cu.ft.	Rs.140/- to Rs.2,800/-	Rs.50/- to Rs.3,000/-	The higher the price per cu. ft., the higher the fair value

#### Other key assumptions used in valuation

1. It is assume that the felling of trees will be undertaken at maturity for the period not covered under the Forestry Management Plan. Majority of the timber trees which have reached their maturity at the date of valuation are valued using the adjusted market prices based on the location and accessibility. Remaining timber trees which have not come up to a harvestable age are valued considering their future incremental growth in the coming years and discounting the future value of such trees by appropriate present value discount ratio, which is assumed as the Expected Rate of Return (ERR) of a rationale investor, i.e. 13.6%.
2. The price adopted could vary based on the species and the girth of the respective species and are on the spare net of expenditure.
3. Though the replanting is a condition precedent for harvesting, yet the cost are not taken in to consideration.
4. Pre commercial stand are valued on cost approach and 15 years is taken as per merchantable depending on the growth.
5. Contiguous area of trees with trees a similar specie silviculture and other characteristics.

The valuations, as presented in the external valuation models based on market values, take into account the possible market conditions and long-term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the active market prices and other variables, their carrying value may differ from their realisable value. The Board of Directors retains their view that commodity markets are inherently volatile and that active market price projections are highly unpredictable. The sensitivity analysis regarding selling price and discount rate variations are as follows,

## 16.2 Sensitivity Analysis

### Sensitivity variation sales price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

Sales Price fluctuation Managed Timber	+10% Rs.'000	-10% Rs.'000
<b>Talawakelle Tea Estates PLC</b>		
<b>As at 31 March 2021</b>	<b>32,637</b>	<b>(32,637)</b>
As at 31 March 2020	21,443	(21,861)
<b>Kelani Valley Plantations PLC</b>		
<b>As at 31 March 2021</b>	<b>20,418</b>	<b>(20,418)</b>
As at 31 March 2020	18,304	(18,304)

### 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 Managed Timber	+1.5% Rs.'000	-1.5% Rs.'000
<b>Talawakelle Tea Estates PLC</b>		
<b>As at 31 March 2021</b>	<b>(890)</b>	<b>991</b>
As at 31 March 2020	(2,048)	1,995
<b>Kelani Valley Plantations PLC</b>		
<b>As at 31 March 2021</b>	<b>(808)</b>	<b>863</b>
As at 31 March 2020	(1,053)	1,114

## NOTES TO THE FINANCIAL STATEMENTS

## 17. INTANGIBLE ASSETS

As at 31st March	Consolidated						
	Right to generate Hydro/solar power/development cost	Goodwill	ERP system	Brand name/trade mark	Customer list	Total 2021	Total 2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost :</b>							
<b>At the beginning of the year</b>	237,231	12,232,347	1,943,428	320,128	152,420	14,885,554	15,684,000
Additions	-	-	247,694	-	-	247,694	239,874
Transferred from property plant & equipment	-	-	13,207	-	-	13,207	125,370
Transferred to right-of-use assets	-	-	-	-	-	-	(1,177,111)
Disposals	-	-	(97,414)	-	-	(97,414)	(18,723)
Effect of movements in exchange rates	-	-	30,975	-	-	30,975	32,144
<b>At the end of the year</b>	237,231	12,232,347	2,137,890	320,128	152,420	15,080,016	14,885,554
<b>Amortisation :</b>							
<b>At the beginning of the year</b>	85,660	145,959	1,213,491	32,000	152,420	1,629,530	1,550,680
Amortisation for the year	12,432	-	193,552	-	-	205,984	193,974
Transferred from property plant & equipment	-	-	10,897	-	-	10,897	47,692
Transferred to right-of-use assets	-	-	-	-	-	-	(177,011)
Disposals	-	-	(3,430)	-	-	(3,430)	(13,383)
Effect of movements in exchange rates	-	-	25,429	-	-	25,429	27,578
<b>At the end of the year</b>	98,092	145,959	1,439,939	32,000	152,420	1,868,410	1,629,530
<b>Net book value</b>	139,139	12,086,388	697,951	288,128	-	13,211,606	13,256,024
Capital work-in progress						61,063	37,825
<b>Carrying amount</b>						13,272,669	13,293,849

As at 31st March	Company		
	ERP system	Total 2021	Total 2020
	Rs.'000	Rs.'000	Rs.'000
Capital work-in progress	58,698	58,698	35,229
<b>Carrying amount</b>	58,698	58,698	35,229

17.1 There has been no impairment of intangible assets.

## 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 amortisation period	2021 Rs.'000	2020 Rs.'000
Bhagya Hydro (Pvt) Ltd.	Hydro power	1 years	93	653
Neluwa Cascade Hydro Power (Pvt) Ltd.	Hydro power	2 years	408	642
TTEL Somerset Hydro Power (Pvt) Ltd.	Hydro power	2 years	2,200	3,080
TTEL Hydro Power Company (Pvt) Ltd.	Hydro power	2 years	2,200	3,163
Nirmalapura Wind Power (Pvt) Ltd.	Development cost	10 years	29,658	32,483
Solar One Ceylon (Pvt) Ltd.	Solar power	15 years	104,580	111,550
			139,139	151,571

## 17.3 Goodwill

Carrying amount of goodwill allocated to each of the CGUs;

As at 31st March	2021 Rs. mn	2020 Rs. mn	Recoverable amount is based on
Dipped Products PLC	97	97	FVLCD**
Dipped Products' Group Companies	33	33	VIU*
Advantis Group Companies	538	538	VIU*
Haycarb Group Companies	202	202	VIU*
The Kingsbury PLC	633	633	VIU*
Hayleys Plantation Services (Pvt) Ltd.	220	220	VIU*
Alumex PLC	1,052	1,052	FVLCD**
Amaya Group Companies	1,553	1,553	VIU*
Unisyst Engineering PLC	20	20	VIU*
Fentons Group Companies	532	532	VIU*
Singer (Sri Lanka) PLC	7,205	7,205	VIU*
	12,086	12,086	

\*Value in use (VIU)

\*\*Fair value less cost to disposal (FVLCD)

### 17.3.1 CGUs in which the carrying amount of goodwill is 'significant' in comparison with the entity's total carrying amount:

	2021		2020	
	Discount Rate	Terminal Growth Rate	Discount Rate	Terminal Growth Rate
Singer (Sri Lanka) PLC	13.1%	2.0%	12.8%	2.0%
Amaya Group Companies	11.5%	3.0%	15.0%	2.0%
The Kingsbury PLC	11.8%	2.0%	15.0%	2.0%



## NOTES TO THE FINANCIAL STATEMENTS

**17.3.2** CGUs in which the carrying amount of goodwill is not 'significant' individually in comparison with the entity's total carrying amount:

	2021	2020
Discount rate	10% - 15%	15% - 20%
Terminal growth rate	2% - 4%	2% - 4%

### Projected adjusted EBITDA

Projected adjusted EBITDA has been based on past experience adjusted for the following:

- In the Leisure sector, revenue is impacted from possible limitations of the incremental growth in the ensuing year as implications from COVID-19 pandemic. Thereon it is expected to continue to grow from increased services sold to customers.
- In others CGUs, revenue is expected to continue to grow as increase in market share along with higher margins, and new products and services are introduced.
- Margins are expected to be impacted by negative factors such as the cost of acquiring and retaining customers in increasingly competitive markets and by positive factors such as the efficiencies expected from the implementation of Group initiatives.

### Terminal growth rate

For the purposes of the Group's value in use calculations, a long-term growth rate into perpetuity is applied immediately at the end of the five year forecast period and is based on the lower of:

- the nominal GDP growth rate forecasts for the country of operation; and
- the long-term compound annual growth rate in adjusted EBITDA as estimated by management.

Long-term compound annual growth rates determined by management may be lower than forecast nominal GDP growth rates due to the following market-specific factors: competitive intensity levels, maturity of business, regulatory environment or sector-specific inflation expectations.

### Discount rates

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

## 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

The company had acquired the “SISIL” trade mark in December 2000, amounting to Rs. 55 mn. 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 are made to test for any impairment as at 31st March 2021:

Annual sales growth for next five years	10%
Gross margin	27%
Discount rate	8%
Indefinite growth rate after year 2025/2026	2%

### UNIC trademark

The company had acquired the ‘UNIC’ Trade mark in 2006 amounting Rs. 39 mn. 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 are made to test for impairment as at 31st March 2021:

Annual sales growth for next five years	10%
Gross margin	24%
Discount rate	8%
Indefinite growth rate after year 2025/2026	2%

### SONY distribution rights

The company had acquired the distribution rights of brand ‘SONY’ in 2014 amounting Rs. 46 mn. This assets are now carried at cost subject to annual impairment test and carrying amount as at 31st December 2015 is Rs. 46 mn. This distribution right also considered to have an indefinite useful life due to the factors mentioned in the preceding paragraph accordingly, the carrying amount of this trademark is determined after testing for impairment annually. Following assumptions are made to test for impairment as at 31st March 2021.

Annual sales growth for next five years	10%
Gross margin	22%
Discount rate	8%
Indefinite growth rate after year 2025/2026	2%

## 17.6 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 18 INVESTMENTS

#### 18.1 Company Investment in Subsidiaries

As at 31st March	% Holding		No. of Shares				Value		
	2021	2020	2021	Effect due to Share Split	Addition/ Disposal	2020	2021 Rs.'000	Movement Rs.'000	2020 Rs.'000
<b>Investee</b>									
Quoted investments*									
Haycarb PLC (Rs. 18,716 mn)	68	68	201,251,030	181,125,927	-	20,125,103	47,204	-	47,204
Hayleys Fibre PLC (Rs. 743 mn)	65	65	15,600,000	10,400,000	-	5,200,000	3,575	-	3,575
Dipped Products PLC (Rs. 11,698 mn)	42	42	252,109,380	226,898,442	-	25,210,938	408,490	-	408,490
Hayleys Fabric PLC (Rs. 3,454 mn)	59	59	244,974,046	122,487,023	-	122,487,023	1,355,791	-	1,355,791
Amaya Leisure PLC (Rs. 775 mn)	40	40	43,538,914	21,769,457	-	21,769,457	2,238,341	-	2,238,341
Alumex PLC (Rs.3,400 mn)	53	53	314,826,064	157,413,032	-	157,413,032	1,381,879	-	1,381,879
Unisyst Engineering PLC (Rs. 193 mn)	63	63	27,580,356	13,790,178	-	13,790,178	236,809	-	236,809
Singer (Sri Lanka) PLC (Rs. 13,638 mn )	70	70	783,801,111	522,534,074	-	261,267,037	12,375,298	-	12,375,298
The Kingsbury PLC (Rs. 1,048 mn)	36	36	174,614,114	87,307,057	-	87,307,057	1,449,123	-	1,449,123
			2,058,295,015	1,343,725,190	-	714,569,825	19,496,510	-	19,496,510
<b>Unquoted Investments</b>									
Chas P. Hayley & Company (Pvt) Ltd.	100	100	999,920	-	-	999,920	698	-	698
Ravi Industries Ltd.	86	86	10,847,260	-	3,706	10,843,554	18,204	99	18,105
Hayleys Group Services Ltd.	100	100	10,000	-	-	10,000	100	-	100
Hayleys Electronics Ltd.	98	98	951,855	-	-	951,855	95,687	-	95,687
Dean Foster (Pvt) Ltd.	98	98	11,764,704	-	-	11,764,704	104,620	-	104,620
Hayleys Advantis Ltd.	90	95	32,761,116	-	(1,576,873)	34,337,989	300,397	(89,146)	389,543
Volanka Exports (Pvt) Ltd.	4	4	128,899	-	-	128,899	2,104	-	2,104
Sunfrost (Pvt) Ltd.	5	5	423,300	-	-	423,300	4,233	-	4,233
Rileys (Pvt) Ltd.	4	4	5,000,000	-	-	5,000,000	10,333	-	10,333
Volanka (Pvt) Ltd.	62	62	6,440	-	-	6,440	23,107	-	23,107
Toyo Cushion Lanka (Pvt) Ltd.	18	18	1,238,111	-	-	1,238,111	13,994	-	13,994
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.	10	10	1,266,264	-	-	1,266,264	19,127	-	19,127
Hayleys Agriculture Holdings Ltd.	98	97	23,202,835	-	89,935	23,112,900	771,662	14,457	757,205
Hayleys Consumer Products Ltd.	99	99	19,489,736	-	4,752	19,484,984	252,707	78	252,629
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
Nirmalapura Wind Power (Pvt) Ltd.	30	30	29,900,000	-	-	29,900,000	154,204	-	154,204
Fentons Ltd.	100	100	59,442,630	-	-	59,442,630	810,953	-	810,953
Hayleys Tours (Pvt) Ltd.	100	100	500,000	-	-	500,000	5,000	-	5,000
Luxury Resort (Pvt) Ltd.	100	100	18,349,800	-	-	18,349,800	1,780,934	-	1,780,934
World Export Center Ltd.	100	100	1,055,641,701	-	-	1,055,641,701	10,556,417	-	10,556,417
Hayleys Fabric Solutions Ltd.	100	100	6	-	-	6	-	-	-
Haylex BV	100	100	1,000	-	-	1,000	25,734	-	25,734
Darley Property Holdings (Pvt) Ltd.	100	100	394,630,388	-	-	394,630,388	3,946,303	-	3,946,303
			1,748,133,134	-	(1,478,480)	1,749,611,614	19,744,538	(74,512)	19,819,050
<b>Company investment in subsidiaries (at cost)</b>			3,806,428,149	1,343,725,190	(1,478,480)	2,464,181,439	39,241,048	(74,512)	39,315,560
<b>Provision for fall in value of investment made by the company</b>									
Hayleys Electronics (Pvt) Ltd.							(95,687)	-	(95,687)
Hayleys Business Solutions International (Pvt) Ltd.							(75,000)	-	(75,000)
<b>Company investment in subsidiaries</b>							39,070,361	(74,512)	39,144,873

\* 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		Consolidated							
		% Holding		No. of Shares			Value Rs.'000		
		Investor	Investee	2021	2020	2021	Movement	2020	2021
Hayleys Advantis Group	Yusen Logistics & Kusuvara (Pvt) Ltd.	30	30	195,000	-	195,000	1,950	-	1,950
Hayleys Fibre PLC	Bonnera Ltd. *	-	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 Projects (Pvt) Ltd.	S & T Interiors (Pvt) Ltd.	30	30	780,000	-	780,000	7,800	-	7,800
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
Kelani Valley Plantations PLC	Martin Bauer Hayleys (Pvt) Ltd.	10	10	39,091,550	-	39,091,550	390,920	-	390,920
Hayleys PLC	Martin Bauer Hayleys (Pvt) Ltd.	39	39	150,484,550	-	150,484,550	1,504,863	-	1,504,863
Group investments in equity accounted investees (at cost)							2,455,033	(8,034)	2,463,067

As at 31st March		Company									
		% Holding		No. of Shares			Value Rs.'000				
		Investor	Investee	2021	2020	2021	Movement	2020	2021	Movement	2020
Unquoted Investments											
Hayleys PLC	Martin Bauer Hayleys (Pvt) Ltd.	39	39	150,484,550	-	150,484,550	1,504,863	-	1,504,863		
Company Investment in equity accounted investees (at cost)							1,504,863	-	1,504,863		

### 18.2.1 Net assets of Equity Accounted Investees as follows

As at 31st March	Consolidated									
	Investment at Cost		Profit/(Loss)		Others		Transfer to Subsidiary		Net Assets	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Yusen Logistics & Kusuvara (Pvt) Ltd.	1,950	1,950	6,520	5,336	(329)	-	-	-	17,626	11,435
Bonnera Ltd.*	-	8,034	-	81,061	-	-	(130,640)	-	-	130,640
S & T Interiors (Pvt) Ltd.	7,800	7,800	2,129	2,015	(32)	-	-	-	14,945	12,848
Lakdiyatha (Pvt) Ltd.	24,500	24,500	(14,187)	(15,643)	-	-	-	-	64,348	78,535
Joule Power (Pvt) Ltd.	262,500	262,500	100,853	96,893	(50,000)	(40,000)	-	-	507,863	457,010
Beta Power (Pvt) Ltd.	262,500	262,500	109,054	101,872	(87,500)	(47,500)	-	-	486,259	464,705
Martin Bauer Hayleys (Pvt) Ltd.	1,895,783	1,895,783	48,242	(7,473)	(324)	-	-	-	1,006,725	958,807
<b>Group Investments in equity accounted investees</b>	<b>2,455,033</b>	<b>2,463,067</b>	<b>252,611</b>	<b>264,061</b>	<b>(138,185)</b>	<b>(87,500)</b>	<b>(130,640)</b>	<b>-</b>	<b>2,097,766</b>	<b>2,113,980</b>

\* Bonterra Ltd was accounted as an equity accounted investee upto 2019/20 and from 1st of April 2020 onwards, it is considered as a subsidiary due to the establishment of control.

## NOTES TO THE FINANCIAL STATEMENTS

### 18.2.2 Summarised financial information of equity accounted investees which has not been adjusted for the Group's share.

As at 31st March	Consolidated	
	2021 Rs.'000	2020 Rs.'000
<b>Assets and liabilities</b>		
Current Assets	3,099,319	2,497,892
Non-current Assets	6,199,017	6,390,468
Current Liabilities	2,536,227	1,839,434
Non-current Liabilities	1,284,052	1,433,370
For the year ended 31st March	Consolidated	
	2021 Rs.'000	2020 Rs.'000
<b>Revenue and profit</b>		
Revenue from contracts with customers	3,599,127	4,456,915
Profit after tax	951,774	932,367
Total comprehensive income	1,846,342	964,202
<b>Cash flows</b>		
Cash flows from operating activities	933,596	959,002
Cash flows from Investing activities	(246,532)	(86,846)
Cash flows from financing activities	(561,987)	(874,834)

**18.2.3** The Company has neither contingent liabilities nor capital commitments in respect of its equity accounted investees.

### 18.3 Countries of Incorporation of Overseas Subsidiaries and Equity Accounted Investees

Countries of incorporation of companies incorporated outside Sri Lanka are stated below,

Sector	Company	Countries of Incorporation
Eco solutions	Charles Fibre (Pvt) Ltd.	India
	Haylex USA	USA
Hand protection	Dipped Products (Thailand) Ltd.	Thailand
	ICOQUANTI 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 Co. Ltd.	Thailand
	Shizuka Co. Ltd.	Thailand
	CK Regen Systems Co.Ltd.	Thailand
	PT Haycarb Palu Mitra	Indonesia
	Puricarb Pte. Ltd.	Singapore
	Haycarb Activated Carbon (Pvt) Ltd.	India
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 Kusuvara Sedate Myanmar (Pvt) Ltd.	Myanmar
	Advantis Sedate Myanmar (Pvt) Ltd.	Myanmar
	PT. Advantis Akaza Indonesia	Indonesia
	Advantis Intasl Bangladesh (Pvt) Ltd.	Bangladesh
Leisure	Luxury Resort (Pvt) Ltd.	Maldives
Others	Haylex BV	Netherlands
	Haylex Japan	Japan
	Haylex Ltd.	UK



## NOTES TO THE FINANCIAL STATEMENTS

### 18.4 Inter-Company Shareholdings

Investor As at 31st March	Investee	% Holding		No. of Shares	
		2021	2020	2021	2020
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
	Charles Fibre (Pvt) Ltd.	50	50	10,000	10,000
	Hayleys Electronics (Pvt) Ltd.	2	2	14,975	14,975
	Lignocell (Pvt) Ltd.	100	100	12,000,000	12,000,000
Lignocell (Pvt) Ltd.	Charles Fibre (Pvt) Ltd.	50	50	10,000	10,000
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.	0	0	80	80
	Alumex PLC*	5	5	28,427,800	14,213,900
	Amaya Leisure PLC*	21	21	23,049,088	11,524,544
Dipped Products PLC	Palma Ltd.	100	100	4,000,000	4,000,000
	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
	Dipped Products (Thailand) Ltd.(100 Bhat)	99	99	4,516,250	4,516,250
	Texnil (Pvt) Ltd.	100	100	29,000,000	7,500,000
	ICOQUANTI 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	125,000,000	125,000,000
	D P L International Ltd.	100	100	1	1
DPL Plantations Ltd.	Kelani Valley Plantations PLC*	72	72	49,253,800	24,626,900
	Hayleys Plantation Services (Pvt) Ltd.	67	67	13,400,000	13,400,000
Haycarb PLC	Dipped Products PLC***	7	7	40,687,460	4,068,746
	Eurocarb Products Ltd. (UK) (£1 - each)	100	100	100,000	100,000
	Haycarb Value Added Products (Pvt) Ltd.	100	100	40,000,000	40,000,000
	Haycarb Holdings Australia (Pty) Ltd. (Aus \$1 - each)	100	100	150,000	150,000
	Carbotels (Pvt) Ltd.	25	25	9,290,341	9,290,341
	Carbokarn Co. Ltd.(100 Bhat, 100% paid-up)	50	50	250,000	250,000
	Puritas (Pvt) Ltd.	100	100	700,000	700,000
	Recogen (Pvt) Ltd.	100	100	37,000,000	37,000,000
	Haycarb USA Inc.	100	100	1,285,000	1,285,000
	Haycarb Holdings Bitung Ltd. (\$1 - each)	100	100	1,400,000	1,400,000
	PT Mapalus Makawanua Charcoal Industry (IDR 1,000,000)	2	2	707	707
	Ultracarb (Pvt) Ltd.	100	100	25,000,000	25,000,000
	Quality Seed Company (Pvt) Ltd.	6	6	147,000	147,000
	PT Haycarb Palu Mitra	60	60	1,290,000	1,290,000

Investor As at 31st March	Investee	% Holding		No. of Shares	
		2021	2020	2021	2020
Carbokarn Co. Ltd.	CK Regen Systems Co. Ltd.	100	100	75,000	75,000
	Shizuka Co. Ltd.	100	100	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 Makawanua 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	6,944,514	3,472,257
	Aquagri (Pvt) Ltd.	51	51	1,275,000	1,275,000
	Singer (Sri Lanka) PLC**	3	3	28,404,255	9,468,085
	Quality Seed Company (Pvt) Ltd.	94	94	2,378,000	2,378,000
Hayleys Fibre PLC	Toyo Cushion Lanka (Pvt) Ltd.	16	16	1,015,602	1,015,602
	Bonterra Ltd.	50	50	803,394	803,394
	Creative Polymats (Pvt) Ltd.	74	74	22,500,001	22,500,001
	Rileys (Pvt) Ltd.	12	12	15,500,000	15,500,000
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	3	31,595,745	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	35,500,000	17,750,000
Talawakelle Tea Estates PLC	TTEL Hydro Power Company (Pvt) Ltd.	51	51	3,519,000	3,519,000
	TTEL Somerset 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	10	111,382,980	37,127,660
	Hayleys Fabric PLC*	2	2	10,073,700	5,036,850
	Unisyst Engineering PLC*	0	-	2,000	-
Ravi Industries Ltd.	Rileys (Pvt) Ltd.	19	19	24,500,000	24,500,000
	Dipped Products PLC***	1	1	5,670,000	567,000
	Ravi Marketing Services (Pvt) Ltd.	100	100	9,994	9,994

## NOTES TO THE FINANCIAL STATEMENTS

Investor As at 31st March	Investee	% Holding		No. of Shares	
		2021	2020	2021	2020
Rileys (Pvt) Ltd.	Haymat (Pvt) Ltd.	54	54	215,998	215,998
	Creative Polymats (Pvt) Ltd.	26	26	8,034,098	8,034,098
Toyo Cushion Lanka (Pvt) Ltd.	Dean Foster (Pvt) Ltd.	2	2	235,294	235,294
	Amaya Leisure PLC*	2	2	1,835,420	917,710
Volanka (Pvt) Ltd.	Dipped Products PLC***	8	8	48,736,400	4,873,640
	Toyo Cushion Lanka (Pvt) Ltd.	22	22	1,455,832	1,455,832
	Volanka Exports Ltd.	100	100	2,899,994	2,899,994
	Volanka Insurance Brokers (Pvt) Ltd.	100	100	58,994	58,994
	Singer (Sri Lanka) PLC**	3	3	34,787,235	11,595,745
	Ravi Industries Limited	14	-	1,732,720	-
	Rileys (Pvt) Ltd.	65	65	85,000,000	85,000,000
Carbotels (Pvt) Ltd.	Eastern Hotel (Pvt) Ltd.	96	96	894,304	894,304
	Singer (Sri Lanka) PLC**	3	3	29,042,553	9,680,851
	The Kingsbury PLC*	23	23	113,250,000	56,625,000
Volanka Exports Ltd.	O E Techniques Ltd.	100	100	9,993	9,993
	Amaya Leisure PLC*	1	1	1,445,358	722,679
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
	Kelani Valley Resorts (Pvt) Ltd.	100	100	5,000,000	5,000,000
	Martin Bauer Hayleys (Pvt) Ltd.	10	10	39,091,550	39,091,550
Hayleys Aviation and Projects (Pvt) Ltd.	Air Global (Pvt) Ltd.	100	100	999,995	999,995
	Millennium Transportation (Pvt) Ltd.	100	100	99,999	99,999
	North South Lines (Pvt) Ltd.	100	100	134,999	134,999
	Hayleys Travels (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
Hayleys Electronics Limited	Global Consumer Brands (Pvt) Ltd.	100	100	17,599,999	17,599,999
	Hayleys Electronics Manufacturing (Pvt) Limited	100	100	499,999	499,999
Hayleys Consumer Products Ltd.	International Consumer Brands (Pvt) Ltd.	100	100	3,000,000	3,000,000
	Hayleys Electronics Lighting (Pvt) Ltd.	100	100	599,999	599,999
Amaya Leisure PLC	Kandyan Resorts (Pvt) Ltd.	100	100	23,215,547	23,215,547
	Culture Club Resorts (Pvt) Ltd.	100	100	23,822,393	23,822,393
	Connaissance Air Travels Ltd.	100	100	100,003	100,003
	Sun Tan Beach Resorts Ltd.	82	56	366,734,905	99,815,153
	Connaissance Hotel Management (Pvt) Ltd.	100	100	1,200,002	1,200,002
	C D C Conversions (Pvt) Ltd.	100	100	1,000,002	1,000,002
	Lake Lodge Resort Ltd.	80	80	816,000	816,000

Investor As at 31st March	Investee	% Holding		No. of Shares	
		2021	2020	2021	2020
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
	TTEL Summerset Hydro Power (Pvt) Ltd.	49	49	2,940,000	2,940,000
	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
Fentons Ltd.	Fentons Smart Facilities (Pvt) Ltd.	100	100	1	1
	Energynet (Pvt) Ltd.	100	100	10,900,344	10,900,344
	Nex-Gen Asia (Pvt) Ltd.	100	100	100	100
Singer (Sri Lanka) PLC	Singer Finance (Lanka) PLC	80	80	161,513,035	161,513,035
	Singer Industries (Ceylon) PLC*	88	88	17,544,628	8,772,314
	Regnis (Lanka) PLC*	58	58	13,137,154	6,568,577
	Singer Digital Media (Pvt) Ltd	100	100	500,000	500,000
	Singer Business School (Pvt) Ltd	100	100	1,000,000	1,000,000
	Reality Lanka Limited	60	60	11,015,083	11,015,081
	Domus Lanka (Pvt) Ltd	100	100	1	1
Singer Industries (Ceylon) PLC	Reality Lanka Limited	30	30	5,400,000	5,400,000
Regnis (Lanka) PLC	Reality Lanka Limited	10	10	1,800,000	1,800,000
	Regnis Appliances (Pvt) Ltd	100	100	15,000,000	15,000,000

\* Sub division of shares - 1 share in to 2 shares

\*\* Sub division of shares - 1 share in to 3 shares

\*\*\* Sub division of shares - 1 share in to 10 shares

## 19. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 19.1. Other Non-Current Financial Assets

As at 31st March	Consolidated					Company		
	Fair value through OCI		Amortised cost	Total 2021	Total 2020	Fair value through OCI	Total 2021	Total 2020
	Unquoted equity shares Rs.'000	Quoted equity shares Rs.'000	Treasury Bonds Rs.'000	Rs.'000	Rs.'000	Unquoted shares Rs.'000	Rs.'000	Rs.'000
<b>At the beginning of the year</b>	111,872	43,959	96,196	252,027	259,195	77,597	77,597	86,497
Additions	-	-	-	-	4,189	-	-	-
Impairment/Impairment reversal for the year	13,828	-	-	13,828	(8,900)	(8,565)	(8,565)	(8,900)
Disposals	(26,738)	(12,047)	(96,196)	(134,981)	-	(4,345)	(4,345)	-
Effect of movement in exchange rate	51	-	-	51	(11)	-	-	-
Change in fair value	10,808	107,072	-	117,880	(2,446)	-	-	-
<b>At the end of the year</b>	109,821	138,984	-	248,805	252,027	64,687	64,687	77,597

## NOTES TO THE FINANCIAL STATEMENTS

## 19.1.1 Investment Details

As at 31st March		No. of Shares		Value	
Investor	Investee	2021	2020	2021 Rs.'000	2020 Rs.'000
<b>Unquoted equity shares - at fair value through OCI</b>					
Hayleys PLC	Sojitz Kelanitissa (Pvt) Ltd.	15,125,103	17,798,968	22,687	35,598
	Sri Lanka Institute of Nanotechnology (Pvt) Ltd.	4,200,000	4,200,000	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 PLC	Barrik Gold Corporation	3,456	3,456	235	181
Hayleys Advantis Ltd.	SLAFFA Cargo Services Ltd.	40,901	40,901	16,384	13,508
	CMA Ships Lanka (Pvt) Ltd.	2	2	25	25
Singer (Sri Lanka) PLC	Equity Investment Lanka Limited.	1,665,000	1,665,000	24,949	17,020
	Credit Information Bureau of Sri Lanka	100	100	41	41
				109,821	111,872
<b>Quoted equity shares - at fair value through OCI</b>					
Dipped Product PLC	Royal Ceramic Lanka PLC	220	220	57	12
Hayleys Advantis Ltd.	Ceybank Unit Trust	-	200,000	-	3,184
	Pyramid Unit Trust	-	200,000	-	7,668
	Comtrust Equity Fund	200,000	200,000	3,490	2,752
	Union Bank PLC	100,000	100,000	1,040	840
Amaya Leisure PLC	Royal Ceramic Lanka PLC	521,600	521,600	134,052	29,157
Fentons Ltd.	Hotel Sigiriya PLC	5,500	5,500	345	345
				138,984	43,959
<b>Amortised cost/Held to Maturity</b>					
Singer (Sri Lanka) PLC	Treasury Bonds			-	96,196

## 19.2 Other Current Financial Assets

As at 31st March	Consolidated					Company			
	Fair value through profit or loss			Amortised cost	Total 2021	Total 2020	Financial instruments at fair value through profit or loss	Total 2021	Total 2020
	Foreign exchange forward contract Rs.'000	Quoted equity shares Rs.'000	Unit trust Rs.'000	Treasury bills Rs.'000	Rs.'000	Rs.'000	Quoted equity shares Rs.'000	Rs.'000	Rs.'000
<b>At the beginning of the year</b>	27,088	28,486	211,852	145,110	412,536	187,948	5,110	5,110	6,647
Additions	3,000	42,819	2,424,804	99,236	2,569,859	4,479,134	227	227	64
Disposals	(27,088)	(82,803)	(2,312,830)	(145,110)	(2,567,831)	(4,281,573)	-	-	-
Change in fair value	-	24,522	24,438	-	48,960	27,027	2,665	2,665	(1,601)
<b>At the end of the year</b>	3,000	13,024	348,264	99,236	463,524	412,536	8,002	8,002	5,110

## 19.2.1 Investment Detail

As at 31st March		No. of Shares		Value	
Investor	Investee	2021	2020	2021 Rs.'000	2020 Rs.'000
<b>Foreign exchange forward contract - Fair value through profit or loss</b>					
Singer (Sri Lanka) PLC				-	27,088
Creative Polymats (Pvt) Ltd.				3,000	-
				3,000	27,088
<b>Quoted equity shares - Fair value through profit or loss</b>					
Hayleys PLC	Central Industries PLC	16,662	15,914	1,716	522
	Kelani Tyres PLC	17,200	17,200	1,342	569
	Lanka Orix Leasing Company PLC	1,404	1,404	410	127
	National Development Bank PLC	24,573	23,429	1,985	1,551
	Three Acre Farms PLC	1,840	1,840	367	147
	Hatton National Bank PLC - Non Voting	22,442	21,870	2,181	2,194
Dean Foster (Pvt) Ltd.	ACL Cables PLC	16,480	8,240	592	258
	Blue Diamonds Jewellery Worldwide PLC	13	13	0	0
	Lanka Orix Leasing Company PLC	3,280	3,280	958	298
	Three Acre Farms PLC	2,000	2,000	399	160



## NOTES TO THE FINANCIAL STATEMENTS

### 19.2.1 Investment Detail (Contd.)

As at 31st March		No. of Shares		Value	
Investor	Investee	2021	2020	2021 Rs.'000	2020 Rs.'000
Hayleys Advantis Ltd.	DFCC Bank PLC	8,007	7,600	477	461
	Hatton National Bank PLC	8,475	8,169	1,068	871
	National Development Bank PLC	2,900	2,900	233	192
	Beruwala Resort PLC	344,474	344,474	274	207
	Union Bank PLC	400	400	4	7
Amaya Leisure PLC	The Fortress Resorts PLC	90,075	90,075	1,009	703
	LB Finance PLC	40	40	8	5
	Free Lanka Capital Holdings PLC	-	5,320,000	-	20,216
				13,024	28,487
<b>Unit trust - Fair value through profit or loss</b>					
Carbotels (Pvt) Ltd.	NDB Wealth Management Ltd.				
	NDB Wealth Money Fund	179,678	179,678	3,740	3,489
	NDB Wealth Money plus Fund	5,119,440	4,640,139	121,802	102,233
Hayleys Tours (Pvt) Ltd.	NDB Wealth Management Ltd.				
	NDB Wealth Money Fund	142	4,134,938	5,368	91,102
Hayleys Advantis Ltd.	NDB Wealth Management Ltd.				
	NDB Wealth Money Fund	8,230,784	1,572,141	217,354	15,028
				348,264	211,852
<b>Amortised cost</b>					
Singer (Sri Lanka) PLC	Treasury bills			99,236	145,110

### 19.3 Other Financial Liabilities

As at 31st March	Consolidated				Company	
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total 2021	Total 2020	Total 2021	Total 2020
	Foreign exchange forward contract Rs.'000	Deposit Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>At beginning of the year</b>	906	7,014,139	7,015,045	6,001,124	-	33,452
Incurred	-	6,217,753	6,217,753	4,647,692	-	10,798
Settlements	(906)	(3,116,852)	(3,117,758)	(4,021,233)	-	(44,250)
Charge/capitalisation of interest	-	350,158	350,158	387,462	-	-
<b>At end of the year</b>	-	10,465,198	10,465,198	7,015,045	-	-
<b>Other Current Financial Liabilities</b>			8,374,066	5,035,956	-	-
<b>Other Non-Current Financial Liabilities</b>			2,091,132	1,979,089	-	-

### 19.3.1 Deposit Classification

	Consolidated	
	2021 Rs.'000	2020 Rs.'000
Fixed deposits	10,345,539	6,916,804
Savings deposits	119,659	98,241
	10,465,198	7,015,045

### 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 2021, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

#### Assets measured at fair value

As at 31st March	Notes	2021 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
<b>Fair value through OCI</b>					
Quoted equity shares	19.1/19.2	138,984	138,984	-	-
<b>Financial assets at fair value through profit or loss:</b>					
Foreign exchange forward contract	19.2	3,000	-	3,000	-
Quoted equity shares	19.2	13,024	13,024	-	-
Unit trust	19.2	348,264	348,264	-	-
<b>Amortised cost</b>					
Treasury Bills	19.2	99,236	-	99,236	-
<b>Property, plant &amp; equipment</b>					
Freehold land	13	31,108,006	-	-	31,108,006
<b>Investment Properties</b>					
Land and buildings	15	2,824,180	-	-	2,824,180
<b>Financial liabilities at amortised cost</b>					
Deposit	19.3	10,465,198	-	10,465,198	-

During the reporting period ended 31 March 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

## NOTES TO THE FINANCIAL STATEMENTS

### Fair Values

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

As at 31st March	Notes	Consolidated		Company	
		Carrying value	Fair value	Carrying value	Fair value
		2021		2021	
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Financial Assets</b>					
Other non-current financial assets					
Fair value through OCI	19.1	248,805	248,805	64,687	64,687
Non-current trade and other receivables	22	11,912,418	11,912,418	-	-
Other current financial assets					
Fair value through OCI	19.2	99,236	99,236	-	-
Financial instruments at fair value through profit or loss	19.2	364,288	364,288	8,002	8,002
Trade and other receivables	22	67,226,195	67,226,195	39,391	39,391
Amounts due from subsidiaries	38	-	-	3,119,908	3,119,908
Amounts due from equity accounted investees	38	318,905	318,905	90,985	90,985
Short term deposits		7,876,500	7,876,500	241,719	241,719
Cash and cash equivalents		12,912,378	12,912,378	85,613	85,613
		100,958,725	100,958,725	3,650,305	3,650,305
<b>Financial Liabilities</b>					
Interest-bearing borrowings*	25	76,181,610	76,196,648	24,150,642	24,151,173
Other financial liabilities					
Financial liabilities at amortised cost	19.3	10,465,198	10,465,198	-	-
Trade and other payables	29	52,983,547	52,983,547	1,147,119	1,147,119
Amounts due to subsidiaries	38	-	-	224,881	224,881
Amounts due to equity accounted investees	38	8,036	8,036	3,152	3,152
Short-term interest-bearing borrowings	31	38,280,739	38,280,739	2,011,729	2,011,729
		177,919,130	177,934,168	27,537,523	27,538,054

\* 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 instruments at fair value through OCI and financial instruments at fair value through profit or loss at fair value.
- Cash and cash equivalents, short term deposits, trade and other, 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 financial assets at amortised cost and financial liabilities at amortised cost is not significantly different from the value based on amortised cost methodology.

## 20. OTHER NON CURRENT ASSETS

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Prepayments	2,330,826	2,302,287	19,716	8,613
Formers	806,704	738,471	-	-
Pre paid staff benefit	161,160	141,944	-	-
VAT receivable	746,005	527,929	-	-
Other tax receivables	316,243	153,551	-	-
Provision for amortisation/impairment	(460,473)	(426,675)	-	-
	3,900,465	3,437,507	19,716	8,613
<b>Other Current Assets</b>	2,893,143	2,318,473	19,716	8,613
<b>Other Non-Current Assets</b>	1,007,322	1,119,034	-	-

## 21. INVENTORIES

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Raw materials & consumables	17,480,281	13,359,008	1,739	1,775
Produce stocks	731,531	622,784	-	-
Produce on bearer biological assets	31,907	10,010	-	-
Nurseries	22,024	23,737	-	-
Work-in-progress	4,421,396	4,242,932	-	-
Finished goods	31,009,047	23,776,472	-	-
Goods-in-transit	2,600,341	2,944,514	-	-
	56,296,527	44,979,457	1,739	1,775
Provision for write-down of inventories	(2,590,148)	(2,368,411)	-	-
Provision for unrealised profit and write- down of inventories	(606,283)	(385,317)	-	-
	53,100,096	42,225,729	1,739	1,775

**21.1** Carrying amount of inventories pledged as security for bank facilities obtained amounted to Rs. 3,087 mn (2020 - Rs. 4,038 mn).

**21.2** Inventory carried at net realisable value as at 31st March 2021 Rs. 656 mn (2020 - Rs. 2,129 mn).

## NOTES TO THE FINANCIAL STATEMENTS

### 22. TRADE AND OTHER RECEIVABLES

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Trade receivables	34,060,707	30,438,433	-	-
Bills receivables	6,523,197	3,993,554	-	-
Hire debtors	7,488,689	8,018,561	-	-
Lease rental receivable	14,344,832	15,309,969	-	-
Loan debtors	7,925,770	5,606,465	-	-
	70,343,195	63,366,982	-	-
Payment in advance, deposits and other receivables	13,844,771	11,245,987	69,732	73,860
Duty rebate receivable	109,286	118,161	-	-
Employee loans	529,600	504,173	1,841	2,499
Provision for impairment	(5,688,239)	(4,785,481)	(32,182)	(32,182)
	79,138,613	70,449,822	39,391	44,177
<b>Current Trade and Other Receivables</b>	<b>67,226,195</b>	<b>59,115,893</b>	<b>39,391</b>	<b>44,177</b>
<b>Non-Current Trade and Other Receivables</b>	<b>11,912,418</b>	<b>11,333,929</b>	<b>-</b>	<b>-</b>

#### 22.1. Movement in the Provision for Impairment

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	(4,785,481)	(3,845,278)	(32,182)	(32,182)
Charge for the year	(902,758)	(940,203)	-	-
At the end of the year	(5,688,239)	(4,785,481)	(32,182)	(32,182)

#### 22.2 The Aging Analysis of Trade and Bills Receivable is as follows,

As at 31st March	Total	Neither past due nor impaired	0-60 days	61-120 days	121-180 days	181-365 days	1-2 years	2-5 years
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31st March 2021	70,342,195	19,513,536	17,220,541	4,666,311	3,609,200	12,077,491	6,221,604	6,983,512
Balance as at 31st March 2020	63,366,982	10,762,747	16,686,349	6,491,409	4,064,555	12,933,693	6,582,087	5,846,142

### 22.3 Currency-wise Analysis of Trade and Other Receivables

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Sri Lankan Rupees	55,920,075	52,825,047	39,391	44,177
Australian Dollars	296,427	307,292	-	-
Pounds Sterling	191,080	182,353	-	-
United States Dollars	12,233,398	10,902,196	-	-
Euro	6,177,105	3,196,368	-	-
Thai Baht	514,291	226,683	-	-
Indian Rupees	138,134	98,446	-	-
Maldivian Rufiyaa	493,394	641,670	-	-
Bangladesh Taka	1,487,842	1,192,194	-	-
Others	1,686,867	877,573	-	-
	79,138,613	70,449,822	39,391	44,177

### 23. STATED CAPITAL

As at 31st March			Company	
			2021 Rs.'000	2020 Rs.'000
<b>Issued &amp; fully paid - ordinary shares</b>				
At the beginning of the year	-75,000,000	(1st April 2020 - 75,000,000)	1,575,000	1,575,000
<b>At the end of the year</b>	<b>-750,000,000</b>	<b>(31st March 2021 - 750,000,000)</b>	<b>1,575,000</b>	<b>1,575,000</b>

The ordinary shares of the company, subdivided by splitting each issued ordinary share into 10 ordinary shares from 10th February 2021. Consequently, the total number of existing issued ordinary shares will be increased from 75,000,000 to 750,000,000 without changing the Stated Capital of the Company which remains at Rs. 1,575,000,000/-.



## NOTES TO THE FINANCIAL STATEMENTS

### 23.1 Other Capital Reserves & Retained Earnings

#### 23.1.1 Other Capital Reserves

As at 31st March	Capital profit on redemption of debentures	Fixed asset replacement reserve	Capital reserve on sale of property, plant & equipment	Capital redemption reserve fund	Statutory reserve fund	Debenture redemption reserve fund	Reserve on amalgamation	Total
Consolidated	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Balance as at 1st April 2019</b>	109	11,750	30,772	69,043	44,219	1,047	317,600	474,540
Acquisition of non-controlling interest in subsidiaries	-	-	17	-	-	-	920	937
Transfers	-	-	6,374	-	17,458	-	-	23,832
<b>Balance as at 31st March 2020</b>	109	11,750	37,163	69,043	61,677	1,047	318,520	499,309
Acquisition of non-controlling interest in subsidiaries	-	-	(125)	-	(317)	-	(528)	(970)
Transfers	-	-	-	-	14,640	-	-	14,640
<b>Balance as at 31st March 2021</b>	109	11,750	37,038	69,043	76,000	1,047	317,992	512,979

As at 31st March	Capital profit on redemption of debentures	Fixed asset replacement reserve	Capital reserve on sale of property, plant & equipment	Debenture redemption reserve fund	Total
Company	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31st March 2020	109	11,750	320	1,047	13,226
<b>Balance as at 31st March 2021</b>	109	11,750	320	1,047	13,226

#### 23.1.2 Statutory Reserves

As at 31st March	Notes	Consolidated	
		2021 Rs.'000	2020 Rs.'000
Reserve Fund	23.1.2.1	76,000	61,677

##### 23.1.2.1 Reserve Fund

As at 31st March	Consolidated	
	2021 Rs.'000	2020 Rs.'000
<b>Balance as at the beginning of the year</b>	61,677	44,219
Transfer made during the year	14,640	17,458
Statutory reserve attributable to non-controlling interest	(317)	-
<b>Balance as at the end of the year</b>	76,000	61,677

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) issued 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	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Balance as at the beginning of the year</b>	11,402,883	12,060,162	13,927,639	16,110,801
Profit/(loss) for the year	7,627,243	364,154	1,198,634	(1,785,184)
Total other comprehensive income	21,899	(49,604)	(14,389)	(22,978)
Dividends to equity holders	(975,000)	(375,000)	(975,000)	(375,000)
Unclaimed dividend-write back	-	922	-	-
Change in fair value of investment properties	-	94,112	-	-
Transfers	(13,826)	(22,153)	-	-
Acquisition of non-controlling interest in subsidiaries	152,930	(669,710)	-	-
<b>Balance as at the end of the year</b>	<b>18,216,129</b>	<b>11,402,883</b>	<b>14,136,884</b>	<b>13,927,639</b>

### 23.1.4 Cash Flow Hedge Reserve

As at 31st March	Consolidated	
	2021 Rs.'000	2020 Rs.'000
<b>Balance as at the beginning of the year</b>	(750,405)	(480,373)
Net loss on cash flow hedge	(244,191)	(405,159)
Adjustment on changes to non-controlling interest in subsidiaries	32,306	(6,725)
Transfer from cash flow hedge reserve to revenue	113,192	141,852
<b>Balance as at the end of the year</b>	<b>(849,098)</b>	<b>(750,405)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 23.1.4 Cash Flow Hedge Reserve (Contd.)

Several entities within the Group have borrowings in foreign currencies, the settlements of which are naturally hedged against foreign currency remittances through sales generated by the respective entities.

Subsidiaries in the sectors detail below elected to use their USD remittances to mitigate the exchange risk and have treated the said transaction as a "Cash flow Hedge" in the Financial Statements of the Group.

Sector	Borrowings hedged USD'000	Year of final repayment	Amount deferred as at 31 March 2021 Rs.'000
Transportation and Logistics	35,369	2026	817,156
Eco Solutions	3,198	2024	31,942

### 24. SECURITY DEPOSITS

As at 31st March	Consolidated	
	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	1,394,611	1,388,434
Contribution during the year	232,397	180,775
Interest charges	149,496	161,885
Shortages recovered	(209,046)	(193,402)
Security deposit releases during the year	(200,893)	(143,081)
<b>At the end of the year</b>	<b>1,366,565</b>	<b>1,394,611</b>

### 25. INTEREST BEARING BORROWINGS

#### 25.1 Total Non-Current Portion of Interest Bearing Borrowings

As at 31st March	Notes	Consolidated		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Lease obligations	25.3	6,954,141	6,628,200	198,966	-
Debentures	25.5	7,517,531	7,160,343	6,509,531	6,503,543
Long-term loans	25.8	37,032,082	38,451,271	12,496,969	11,465,580
<b>Total non-current interest-bearing borrowings</b>		<b>51,503,754</b>	<b>52,239,814</b>	<b>19,205,466</b>	<b>17,969,123</b>

## 25.2 Current Portion of Long Term Interest Bearing Borrowings

As at 31st March	Notes	Consolidated		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Lease obligations	25.3	1,148,165	1,057,621	71,179	-
Debentures	25.5	755,575	1,561,561	-	-
Long term loans	25.8	22,774,116	24,155,582	4,873,997	3,847,776
<b>Total current interest-bearing borrowings</b>		<b>24,677,856</b>	<b>26,774,764</b>	<b>4,945,176</b>	<b>3,847,776</b>

## 25.3 Lease Obligations

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>At the beginning of the year</b>	7,685,821	669,393	-	-
New leases obtained	1,514,365	2,326,229	319,161	-
Interest charged	988,040	972,280	37,150	-
Effect of transition to SLFRS 16	-	5,749,898	-	-
Increase to recognised assets	88,551	-	-	-
Effect of movement of exchange rate	(18,699)	11,381	-	-
Derecognitions	(34,613)	-	-	-
Repayments during the year	(2,121,159)	(2,043,360)	(86,166)	-
<b>At end of the year</b>	<b>8,102,306</b>	<b>7,685,821</b>	<b>270,145</b>	<b>-</b>
Repayable within one year	1,148,165	1,057,621	71,179	-
Repayable after one year	6,954,141	6,628,200	198,966	-

## 25.4 Currency wise Analysis of Lease Obligations

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Sri Lankan Rupees	7,297,925	7,107,188	270,145	-
United States Dollars	679,586	469,942	-	-
Maldivian Rufiyaa	15,519	24,971	-	-
Bangladesh Taka	79,313	67,054	-	-
Other	29,963	16,666	-	-
	<b>8,102,306</b>	<b>7,685,821</b>	<b>270,145</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 25.5 Debentures

As at 31st March	Notes	Consolidated		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>At the beginning of the year</b>		8,721,904	9,345,391	6,503,543	7,013,938
Issued during the year		1,008,000	3,000,000	-	3,000,000
Repayments during the year		(1,468,728)	(3,615,222)	-	(3,502,130)
<b>At the end of the year</b>		8,261,176	8,730,169	6,503,543	6,511,808
Amortisation of debenture issue expense		11,930	(8,265)	5,988	(8,265)
<b>Net Debenture</b>		8,273,106	8,721,904	6,509,531	6,503,543
Repayable within one year		755,575	1,561,561	-	-
Repayable after one year		7,517,531	7,160,343	6,509,531	6,503,543

#### 25.5.1 Details of the debentures

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Listed, rated, senior, unsecured, redeemable, debentures, Type A- Fixed rate at 12.50% p.a. payable semi annually redeemable on 31st July 2023 Type B- Floating rate AWPLR+1% p.a. payable semi annually redeemable on 31st July 2023	3,519,952	3,517,010	3,519,952	3,517,010
Listed, rated, senior, unsecured, redeemable, debentures, Type A- Fixed rate at 13.00% p.a. payable semi annually redeemable on 26th August 2024 Type B- Floating rate AWPLR+2% p.a. payable semiannually redeemable on 26th August 2024	2,989,579	2,986,533	2,989,579	2,986,533
Listed, rated, senior, unsecured, redeemable, debentures at 12% p.a. redeemable on 28th September, 2021	656,800	656,800	-	-
Listed, rated, senior, secured, redeemable, debentures at 9.95% p.a. redeemable on 16th June, 2020	-	1,504,967	-	-
Listed, rated, senior, secured, redeemable, debentures at 12% p.a. redeemable on 6th April, 2020	-	592,338	-	-
Listed, rated, senior, unsecured, redeemable, debentures at 13% p.a. redeemable on 9th April, 2023	843,457	-	-	-
Listed, rated, senior, unsecured, redeemable, debentures at 6 Months T-Bill+3.75% redeemable on 9th April, 2023	257,774	-	-	-
Listed, rated, senior, unsecured, redeemable, debentures at 13.25% p.a. redeemable on 19th May, 2025	5,544	-	-	-
Less : Investment in debenture in subsidiary	-	(535,744)	-	-
	8,273,106	8,721,904	6,509,531	6,503,543

\*Details regarding the listed debentures are given in page 380 to the Financial Statements.

## 25.6 Currency wise Analysis of Debentures

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Sri Lankan Rupees	8,273,106	8,721,904	6,509,531	6,503,543
	8,273,106	8,721,904	6,509,531	6,503,543

## 25.7 Analysis of Debentures by Year of Repayment

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Long term loans repayable between 1 and 2 years from year-end	6,509,531	656,800	6,509,531	-
Long term loans repayable between 2 and 5 years from year-end	1,008,000	6,503,543	-	6,503,543
	7,517,531	7,160,343	6,509,531	6,503,543

## 25.8 Long Term Borrowings

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>At the beginning of the year</b>	62,606,853	55,458,837	15,313,356	11,273,683
Effect of movements in exchange rates	484,383	563,107	-	46,242
Adjustment for loan facility fee	7,610	1,639	7,610	1,639
New loans obtained *	36,325,408	49,136,197	11,200,000	7,500,000
	99,424,254	105,159,780	26,520,966	18,821,564
Repayments	(39,618,056)	(42,552,927)	(9,150,000)	(3,508,208)
<b>At the end of the year</b>	59,806,198	62,606,853	17,370,966	15,313,356
Repayable within one year	22,774,116	24,155,582	4,873,997	3,847,776
Repayable after one year	37,032,082	38,451,271	12,496,969	11,465,580

\*Consist of loan obtained for Consumer & Retails sector and Other sector during the year amounting to Rs. 21,109 mn and Rs. 11,500 mn respectively.

## 25.9 Currency wise Analysis of Long Term Borrowings

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Sri Lankan Rupees	47,768,306	51,263,956	17,370,966	15,313,356
United States Dollars	11,961,152	11,265,290	-	-
Euro	76,740	77,607	-	-
	59,806,198	62,606,853	17,370,966	15,313,356



## NOTES TO THE FINANCIAL STATEMENTS

## 25.10 Analysis of Long Term Borrowings by Year of Repayment

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Long term loans repayable between 1 and 2 years from year-end	14,683,470	19,231,623	4,298,997	6,570,550
Long term loans repayable between 2 and 5 years from year-end	21,027,452	17,944,006	8,197,972	4,895,029
Long term loans repayable later than 5 years from year-end	1,321,160	1,275,642	-	-
	37,032,082	38,451,271	12,496,969	11,465,579

## 25.11 Long Term Borrowings Repayable After One Year

As at 31st March	Notes	Consolidated		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Long term loans	25.11.1	35,419,590	37,302,291	12,496,969	11,465,580
Syndication loans	25.11.2	794,708	228,500	-	-
Securitization loans	25.11.3	817,784	920,480	-	-
		37,032,082	38,451,271	12,496,969	11,465,580

## 25.11.1 Long term loans

Company	Lender/rate of interest (p.a.)	2021 Rs.'000	2020 Rs.'000	Repayment	Security
Hayleys PLC.	People's Bank (AWPLR +2%)	-	2,245,929	Bi annually in equal installments of Rs. 250 mn	None
	National Savings Bank (AWPLR +2%)	-	2,245,929	Bi annually in equal installments of Rs. 250 mn	None
	Sampath Bank PLC (AWPLR+ 1%)	300,000	600,000	Quarterly in equal installments of Rs. 75 mn	None
	DFCC Bank PLC (4 Week AWPLR +1 %)	200,000	400,000	Quarterly in equal installments of Rs. 50 mn	None
	Bank of Ceylon (AWPLR + 1%)	800,000	1,200,000	Bi annually in equal installments of Rs. 200 mn	None
	Hatton National Bank PLC (AWPLR + 0.75%)	-	375,000	Bi annually in equal installments of Rs. 375 Mn	None
	Sampath Bank PLC (AWPLR+1.5%)	999,124	1,398,722	Bi annually in equal installments of Rs. 200 mn	None
	Commercial Bank of Ceylon PLC (Fixed 8.5%)	1,000,000	1,400,000	Bi annually in equal installments of Rs. 200 mn	None
	Bank of Ceylon (AWPLR + 0.75%)	1,200,000	1,600,000	Bi annually in equal installments of Rs. 200 mn	None
	Commercial Bank of Ceylon PLC (Fixed-7.85%)	2,100,000	-	Bi annually in equal installments of Rs. 300 mn	None
	Hatton National Bank PLC (AWPLR)	3,500,000	-	Bi annually in equal installments of Rs. 500 mn	None
	Sampath Bank PLC- (AWPLR)	2,397,847	-	Bi annually in equal installments of Rs. 300 mn	None
ICOQUANTI S.p.A	Alessandria Financing 1.95% (Euro 1,000,000)	59,860	63,626	Repayment over 2 years	None
Hanwella Rubber Products Ltd.	Standard Chartered Bank (1 month LIBOR +0 .4% till 31.12.2021 and 1 month LIBOR +2.85% from 01.01.2022 (USD 2 million)	266,440	-	27 monthly installments	None
DPL Premier Gloves Ltd.	Standard Chartered Bank (1 month LIBOR +0 .4% till 31.12.2021 and 1 month LIBOR +2.85% from 01.01.2022 (USD 1.6 million))	191,837	-	30 monthly installments	None
Mabroc Teas (Pvt) Ltd.	Sampath Bank PLC (AWPLR + 1%)	148,650	225,000	48 monthly installments	None
	Sampath Bank PLC (Fixed 4%)	3,800	-	15 monthly installments	None
Kelani Valley Resorts (Pvt) Ltd	Pan Asia Banking Corporation PLC (4%)	1,458	-	24 monthly installments	None

## NOTES TO THE FINANCIAL STATEMENTS

## 25.11.1 Long term loans (Contd.)

Company	Lender/rate of interest (p.a.)	2021 Rs.'000	2020 Rs.'000	Repayment	Security
Kelani Valley Plantations PLC	Amana Bank PLC (SLIBOR with a cap of 14% and floor of 7.25%)	2,725	10,010	60 monthly installments	None
	Amana Bank PLC (SLIBOR +3.25%)	10,501	18,933	60 monthly installments	None
	National Development Bank PLC (Fixed 6.3%)	10,003	13,641	72 monthly installments	Primary mortgage over the leasehold rights, buildings, plant & machinery of three estates.
	National Development Bank PLC (Fixed 6.3%)	2,372	3,234	72 monthly installments	
	National Development Bank PLC (Fixed 4%)	5,400	-	18 monthly installments	
	National Development Bank PLC (Fixed 4%)	8,200	-	18 monthly installments	
Haycarb PLC	Standard Chartered Bank (3M LIBOR + 0.5%)	-	7,912	60 monthly installments	None
	Standard Chartered Bank (1M LIBOR + 3%)	112,840	142,428	60 monthly installments	None
	Standard Chartered Bank (1M LIBOR + 0.5%)	49,958	-	6 quarterly installments	None
	Hatton National Bank PLC (AWPLR)	294,000	-	60 monthly installments	None
	National Development Bank PLC (Fixed 4%)	5,400	-	18 monthly installments	None
Puritas (Pvt) Ltd	National Development Bank PLC (Fixed 4%)	5,400	-	18 monthly installments	None
Hayleys Agriculture Holdings Ltd.	Sampath Bank PLC (AWPLR + 1%)	433,000	643,000	48 monthly installments	None
Sunfrost (Pvt) Ltd.	National Development Bank PLC (Fixed 4%)	5,000	-	15 monthly installments	None
	National Development Bank PLC (Fixed 4%)	8,200	-	18 monthly installments	None
HJS Condiments Limited	DFCC Bank PLC (Fixed 4%)	4,444	-	24 monthly installments	None
Hayleys Advantis Ltd.	The Hongkong & Shanghai Banking Corporation Ltd (1 Month HSBC Bank cost of funds + 2.25%)	600,000	800,000	20 quarterly installments	None
	Commercial Bank of Ceylon PLC (AWPLR + 0.75%)	500,000	700,000	10 bi annual Installments	None
	Commercial Bank of Ceylon PLC (AWPLR+0.5%)	1,200,000	1,600,000	10 bi annual Installments	None
Expelogix (Pvt) Ltd	National Development Bank PLC (Fixed 4%)	25,000	-	18 monthly installments	None

Company	Lender/rate of interest (p.a.)	2021 Rs.'000	2020 Rs.'000	Repayment	Security
Logiwiz (Pvt) Ltd.	National Development Bank PLC (Fixed 4%)	22,000	-	15 monthly installments	None
	National Development Bank PLC (6.15%)	-	2,539	48 monthly installments	None
	National Development Bank PLC (6.15%)	-	554	48 monthly installments	None
	National Development Bank PLC (15.75%)	-	1,326	48 monthly installments	None
	People's Bank (AWPLR)	1,370,126	1,437,736	72 monthly installments	Mortgage over project assets including Land and Building.
	People's Bank (1M LIBOR+ 2.25%)	1,087,255	1,098,348	72 monthly installments	
	Commercial Bank of Ceylon PLC (AWPLR+1%)	550,379	600,286	72 monthly installments	None
Hayleys Free Zone Limited	The Hongkong & Shanghai Banking Corporation Ltd (LIBOR + 2.75%)	4,167	995,505	39 monthly installments	None
Logistic International Ltd.	The Hongkong & Shanghai Banking Corporation Ltd (LIBOR + 2%)	36,635	69,634	48 monthly installments	Corporate guarantee from Advantis Ltd.
Maritime Agencies (Private) Limited	National Development Bank PLC (Fixed 4%)	24,400	-	18 monthly installments	None
Clarion Shipping (Private) Limited	National Development Bank PLC (Fixed 4%)	25,000	-	18 monthly installments	None
Advantis Freight (Private) Limited	The Hongkong & Shanghai Banking Corporation Ltd (Fixed 4%)	16,667	-	18 monthly installments	None
Sri Lanka Shipping Company Limited	DFCC Bank PLC (3 M LIBOR + 4.25%)	-	34,184	60 monthly installments	Vessel
	DFCC Bank PLC ( 3 M LIBOR + 4.25%)	-	13,286	60 monthly installments	Vessel
	DFCC Bank PLC ( 3 M LIBOR + 4.25%)	783,546	893,581	96 monthly installments	Vessel
	Bank of Ceylon (LIBOR +4.25%)	766,134	877,033	96 monthly installments	Vessel
	Commercial Bank of Ceylon PLC (3 months LIBOR + 3.5%)	239,796	313,352	60 monthly installments	Vessel
Total transport Solutions Maldives (Pvt) Ltd.	Sampath Bank PLC - ( 6.5%)	49,037	57,683	60 monthly installments	Two landing crafts
Ceylon Ocean Lines Ltd.	National Development Bank PLC (6.73%)	691	1,445	60 monthly installments	None

## NOTES TO THE FINANCIAL STATEMENTS

## 25.11.1 Long term loans (Contd.)

Company	Lender/rate of interest (p.a.)	2021 Rs.'000	2020 Rs.'000	Repayment	Security
PT Advantis Akaza Indonesia	Sampath Bank PLC - (3M LIBOR+5.75%)	-	18,581	60 monthly installments	Corporate guarantee from Hayleys Advantis Ltd.
Advantis Projects & Engineering (Pvt) Ltd	The Hongkong & Shanghai Banking Corporation Ltd (3 M LIBOR + 2.75%)	137,387	158,258	36 monthly installments	Corporate guarantee from Hayleys Advantis Ltd.
Hayleys Aventura (Pvt) Ltd.	Bank of Ceylon (AWPLR+1.25%)	112,500	150,000	20 Quarterly installments	Negative pledge over Stocks and book debts and Letter of Comfort from Hayleys PLC
	Commercial Bank of Ceylon PLC (AWPLR + 1% )	309,100	358,900	60 monthly installments	None
Haycolour (Pvt) Ltd.	Hatton National Bank PLC (Fixed 4%)	4,000	-	18 monthly installments	None
Hayleys Fabric PLC	People's Bank (6 Month LIBOR +3.25%)		1,139	Monthly installments ending 2021.	Mortgage over machinery
	Sampath Bank PLC (3 M LIBOR +3.80%)	241,429	131,922	60 monthly installments	Mortgage over machinery
	Sampath Bank PLC - 3 M LIBOR+3.8% (Floor rate 4,.25%)	55,501	-	48 monthly installments	Mortgage over machinery and building
	Standard Chartered Bank- (3 months LIBOR+2.9%)	356,384	-	48 monthly installments	Mortgage over machinery
	Seylan Bank PLC- (Fixed 4%)	4,998		24 installments ending in March 2022	None
Talawakelle Tea Estates PLC	National Development Bank PLC (6.3%)	9,604	13,096	72 monthly installments	Fixed deposits of Rs. 24 mn.
	Commercial Bank of Ceylon PLC (Fixed 4%)	4,150	-	18 monthly installments	None
Hayleys Fibre PLC	Hatton National Bank PLC (Fixed 4%)	9,715	-	17 monthly installments	None
Bonterra Limited	The Hongkong & Shanghai Banking Corporation Ltd (3 Months LIBOR + 3.95%)	77,426	-	24 monthly installments	Primary mortgage over machinery
Ravi Industries (Pvt) Ltd.	Standard Chartered Bank (1M LIBOR + 2.75%)	48,709	64,807	60 monthly installments	Primary Mortgage of USD 585,000 over an allotment of land and building
	Standard Chartered Bank (AWPLR+ 0.5%)	41,667	58,332	60 monthly installments	Primary Mortgage of LKR 100,000,000 over an allotment of land and building
	Seylan Bank PLC (Fixed 4%)	6,055	-	24 monthly instalments	None

Company	Lender/rate of interest (p.a.)	2021 Rs.'000	2020 Rs.'000	Repayment	Security
Chas P. Hayley & Co. (Pvt) Ltd.	Hatton National Bank PLC- (AWPLR+1.5% )	60,000	87,500	60 monthly installments	Corporate guarantee for Rs.150 mn from Volanka Ltd.
	Commercial Bank of Ceylon PLC (Fixed 4%)	13,337	-	18 monthly installments	None
Volanka Limited	Hatton National Bank PLC- (Fixed 4%)	3,750	-	18 monthly installments	None
Toyo Cushion Lanka Pvt Ltd.	The Hongkong & Shanghai Banking Corporation Ltd (3 M LIBOR + 3.6%)	106,160	141,246	48 monthly installments	Primary mortgage over Land and building at Thimbirigaskatuwa and machinery
	Hatton National Bank PLC (Fixed 4%)	6,886	-	17 monthly installments	None
Rileys (Pvt) Ltd.	Hatton National Bank PLC- (AWPLR+1.5%)	70,000	85,000	60 monthly installments	Corporate guarantee from Volanka Ltd.
	The Hongkong & Shanghai Banking Corporation Ltd (3 M LIBOR +3.6%)	106,176	141,246	48 monthly installments	Corporate guarantee from Hayleys Fibre PLC
	Commercial Bank of Ceylon PLC (Fixed 4%)	4,164	-	24 monthly instalments	None
Haymat (Pvt) Ltd.	Hatton National Bank PLC (Fixed 4%)	1,777	-	24 monthly instalments	None
Creative Ploymats (Pvt) Ltd.	Seylan Bank PLC (Fixed 4%)	6,280	-	18 monthly installments	None
Alumex PLC	Standard Chartered Bank (AWPLR + 0.25%)	66,667	400,000	48 monthly installments	None
	People's Bank (AWPLR +1%)	12,500	31,250	49 monthly installments	None
	DFCC Bank PLC (AWPLR+ 1.25%)	150,000	240,000	60 monthly installments	None
	Commercial Bank of Ceylon PLC (AWPLR + 1%)	588,108	682,700	60 monthly installments	None
	Sampath Bank PLC (Fixed 4%)	5,750	-	18 monthly installments	None



## NOTES TO THE FINANCIAL STATEMENTS

## 25.11.1 Long term loans (Contd.)

Company	Lender/rate of interest (p.a.)	2021 Rs.'000	2020 Rs.'000	Repayment	Security
The Kingsbury PLC	Bank of Ceylon (AWPLR+0.5%)	291,666	291,666	36 monthly installments	Existing Concurrent mortgage bond no 364 over lease holdright of the hotel property and existing mortgage bond of 1416 dated 27th July 2001 for Rs. 100 mn and 166 dated 09th May 2013 for Rs. 1,335 mn over lease hold rights of the property.
	Bank of Ceylon (1%+364 Days Treasury Bill Rate)	16,552	16,552	21 monthly installments	
	Bank of Ceylon (AWPLR+1% )	454,545	110,000	Monthly installments over 7 years including 18 months grace period.	
	Bank of Ceylon-Enterprise Sri Lanka (6 M AWPLR+1% )	156,250	156,250	Monthly installments over 2 years	
	Bank of Ceylon (Fixed 4% )	12,500	-	Monthly installments over 2 years including 6 months grace period	
	Bank of Ceylon (Fixed 4% )	15,000	-	Monthly installments over 2 years including 9 months grace period	
	Bank of Ceylon (AWPLR+1% )	80,500	-	Monthly installments over 2 years including 12 months grace period	
	Bank of Ceylon (0% )	11,702	-	Monthly installments over 2 years including 3 months grace period	
	Bank of Ceylon (0% )	2,726	-	Monthly installments over 2 years including 3 months grace period	
	Bank of Ceylon (0% )	7,766	-	Monthly installments over 2 years including 3 months grace period	
Sun Tan Beach Resorts Ltd.	DFCC Bank PLC (AWPLR +1%)	153,422	125,124	60 monthly installments	Leasehold Right of the land and Hotel building.
	Hatton National Bank PLC (AWPLR + 7.5%)	788,576	618,355	60 monthly installments	
	Hatton National Bank PLC (Fixed 4%)	16,086	-	24 monthly installments including 6 months grace period	Leasehold Right of the land and Hotel building and Corporate Guarantee from Amaya Leisure PLC
Amaya Leisure PLC	Pan Asia Banking Corporation PLC (Fixed 4%)	12,500	-	24 monthly installments including 6 months grace period	None
	Bank of Ceylon (Fixed 4%)	12,500	-	24 monthly installments including 6 months grace period	Letter of Comfort from Hayleys PLC
Kandyan Resorts (Pvt) Ltd	Pan Asia Banking Corporation PLC (Fixed 4%)	12,500	-	24 monthly installments including 6 months grace period	None
	Bank of Ceylon (Fixed 4%)	12,500	-	24 monthly installments including 6 months grace period	Corporate Guarantee of Amaya Leisure PLC

Company	Lender/rate of interest (p.a.)	2021 Rs.'000	2020 Rs.'000	Repayment	Security
Culture Club Resorts (Pvt) Ltd	Pan Asia Banking Corporation PLC (Fixed 4%)	12,500	-	24 monthly installments including 6 months grace period	None
	Bank of Ceylon (Fixed 4%)	12,500	-	24 monthly installments including 6 months grace period	Corporate Guarantee of Amaya Leisure PLC
Hayleys Neluwa Hydro Power (Pvt) Ltd.	Hatton National Bank PLC (AWPLR+0.5%)	32,998	71,498	To be repaid over a period of 8 years	Mortgage Bond for Rs.250mn over 30mn ordinary shares of Hayleys Neluwa Hydro Power (Pvt) Ltd valued at Rs. 300 mn and Corporate Guarantee of Hayleys Aventura (Pvt) Ltd for 250 mn.
	DFCC Bank PLC (AWPLR+0.5%)	131,945	215,278	72 monthly installments including 2 years grace period	A Primary Mortgage Bond for Rs. 500 mn over 30mn ordinary shares of the company held by promoters.
Fentons Ltd.	Sampath Bank PLC (AWPLR+ 1.5 %)	50,000	150,000	60 monthly installments	Corporate Guarantee from Hayleys PLC
	Sampath Bank PLC (AWPLR+ 2 %)	176,600	-	60 monthly installments	Corporate Guarantee from Hayleys PLC
Energynet (Pvt) Ltd	Sampath Bank PLC (Fixed 4%)	3,800	-	14 monthly installments	None
Solar One Ceylon (Pvt) Ltd.	Sampath Bank PLC (AWPLR + 0.75%)	659,478	785,000	33 equal monthly installments	Mortgage over land of the project
Nirmalapura Wind Power (Pvt) Ltd.	Hatton National Bank PLC (AWPLR+0.75%)	-	1,560	36 equal monthly installments	None
Luxury Resort (Pvt) Ltd.	Sampath Bank PLC (LIBOR + 5%)	3,688,713	3,506,223	90 equal monthly installments	Leasehold Right of the land and Hotel building
Hayleys Tours (Pvt) Ltd.	Bank of Ceylon (Fixed 4%)	37,500	29,200	24 monthly installments	Corporate guarantee from Hayleys PLC
Singer (Sri Lanka) PLC	Commercial Bank of Ceylon PLC (Linked to AWPLR, rate reviewed monthly)	-	1,000,000	Quarterly installments commenced in June 2019	Negative Pledge
	Sampath Bank PLC (Linked to AWPLR, rate reviewed monthly)	-	750,000	Quarterly installments commenced in January 2019	Negative pledge over fixed assets of the company
	Hatton National Bank PLC (Linked to AWPLR, rate reviewed quarterly)	-	500,000	Quarterly installments commenced in November 2018	Negative Pledge
	Commercial Bank of Ceylon PLC (Fixed rate)	1,000,000	2,000,000	Quarterly installments commencing June 2020	Negative Pledge
	Sampath Bank PLC (Linked to AWPLR, rate reviewed monthly)	250,000	1,250,000	Quarterly installments commenced in September 2019	Negative Pledge
	Hatton National Bank PLC (Linked to AWPLR, rate review monthly)	1,750,000	-	Quarterly installments commenced in February 2021	Clean basis

## NOTES TO THE FINANCIAL STATEMENTS

## 25.11.1 Long term loans (Contd.)

Company	Lender/rate of interest (p.a.)	2021 Rs.'000	2020 Rs.'000	Repayment	Security
Singer Finance (Lanka) PLC	Seylan Bank PLC (Fixed rate)	183,460	283,420	Monthly installments commenced in February 2019	Mortgage over lease
	Bank of Ceylon (AWPLR + Margin)	258,333	358,333	Monthly installments commenced in November 2019	Mortgage over lease
	Commercial Bank of Ceylon PLC (Fixed rate)	110,000	230,000	Quarterly installments commenced in May 2019	Mortgage over lease
	Seylan Bank PLC (Fixed Rate)	625,000	-	Quarterly installments commenced in September 2020	Mortgage over lease
	Nations Trust Bank PLC (Fixed Rate)	332,000	-	Quarterly installments commenced in March 2021	Mortgage over lease
		35,419,590	37,302,291		

## 25.11.2 Syndication loans

Company	Lender/rate of interest (p.a.)	Trustee	2021 Rs.'000	2020 Rs.'000	Repayment	Security
Singer Finance (Lanka) PLC	Syndication 01- Tranche 01 (AWPLR + Margin)	Hatton National Bank PLC		228,500	Quarterly installments commenced in March 2019	Mortgage over lease
	Syndication 02- Tranche 01 (Fixed Rate)	Hatton National Bank PLC	199,132	-	Pay at maturity, interest pay monthly, commenced in May 2020	Mortgage over lease
	Syndication 02- Tranche 02 (Fixed Rate)	Hatton National Bank PLC	198,567	-	Pay at maturity, interest pay monthly, commenced in May 2020	Mortgage over lease
	Syndication 02- Tranche 03 (Fixed Rate)	Hatton National Bank PLC	198,523	-	Pay at maturity, interest pay monthly, commenced in May 2020	Mortgage over lease
	Syndication 02- Tranche 04 (Fixed Rate)	Hatton National Bank PLC	198,486	-	Pay at maturity, interest pay monthly, commenced in May 2020	Mortgage over lease
			794,708	228,500		

### 25.11.3 Securitization loans

Company	Lender/rate of interest (p.a.)	Trustee	2021 Rs.'000	2020 Rs.'000	Repayment	Security
Singer Finance (Lanka) PLC	Securitization 01 -Trust 01 (AWPLR + Margin)	Hatton National Bank PLC	-	120,000	Quarterly installments commenced in September 2018	Mortgage over lease
	Securitization 02 -Trust 02 -Tranche 01 (AWPLR + Margin)	Hatton National Bank PLC	-	203,040	Monthly installments commenced in October 2019	Mortgage over lease
	Securitization 02 -Trust 02 -Tranche 02 (AWPLR + Margin)	Hatton National Bank PLC	11,280	77,280	Monthly installments commenced in December 2019	Mortgage over lease
	Securitization 03 -Trust 03 (AWPLR + Margin)	Hatton National Bank PLC	148,463	356,000	Monthly installments commenced in December 2019	Mortgage over lease
	Securitization 04 -Trust 04 (AWPLR + Margin)	Hatton National Bank PLC	33,840	164,160	Monthly installments commenced in December 2019	Mortgage over lease
	Securitization 05 -Trust 05 -Tranche 01 (Fixed Rate)	Hatton National Bank PLC	151,418	-	Monthly installments commenced in May 2020	Mortgage over lease
	Securitization 05 -Trust 05 -Tranche 03 (Fixed Rate)	Hatton National Bank PLC	223,923	-	Monthly installments commenced in June 2020	Mortgage over lease
	Securitization 07 -Trust 01 -Tranche 01 (Fixed Rate)	National Savings Bank	203,860	-	Monthly installments commenced in December 2020	Mortgage over lease
	Securitization 08 -Trust 01 (Fixed Rate)	Hatton National Bank PLC	45,000	-	Monthly installments commenced in July 2020	Mortgage over lease
			817,784	920,480		

## 26. GRANTS

As at 31st March	Consolidated	
	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	787,993	777,850
Grants received during the year	82,779	38,095
Amortised during the year	(34,154)	(27,952)
At the end of the year	836,618	787,993

### 26.1 Grants Received for the Group is as Follows:

**Talawakelle Tea Estates PLC** - Grants were received from the Plantation Reform Project (PRP), Plantation Human Development Trust, Estate Infrastructures Development Project, Plantation Development Support Project (PDP), Unilever Ceylon Ltd, Tea Board and Save the Children International (in Sri Lanka).

**Kelani Valley Plantations PLC** - Grants were 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, Save the Children International and Rubber Development Department of Ministry of Plantation Industries.

**26.2** There are no conditions or contingencies attached to these grants.

## NOTES TO THE FINANCIAL STATEMENTS

## 27. DEFERRED TAXATION

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Deferred tax assets	2,311,501	1,241,800	24,525	71,215
Deferred tax liabilities	5,357,821	5,120,949	-	-
<b>Net Deferred Tax Liabilities</b>	<b>3,046,320</b>	<b>3,879,149</b>	<b>(24,525)</b>	<b>(71,215)</b>

## 27.1 Net Deferred Tax Liabilities

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>At the beginning of the year</b>	<b>3,879,149</b>	<b>4,264,736</b>	<b>(71,215)</b>	<b>-</b>
Amount originating during the year- income statement	(510,418)	(31,695)	45,119	(69,336)
Amount originating during the year- other comprehensive Income	(333,557)	(149,411)	1,571	(1,879)
Effect from transfer of equity accounted investee to subsidiary	4,866	-	-	-
Impact of adaption of SLFRS 16	-	(234,287)	-	-
Effect of movements in exchange rates	6,280	29,806	-	-
<b>At the end of the year</b>	<b>3,046,320</b>	<b>3,879,149</b>	<b>(24,525)</b>	<b>(71,215)</b>

## 27.2 Net Deferred Tax Liabilities are Attributable to the Following as at the Year end

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Deferred tax assets</b>				
Tax effect of employee benefit obligations	(1,128,154)	(1,708,632)	(25,343)	(72,019)
Tax effect of tax loss carried forward	(638,472)	(1,101,592)	-	-
Tax effect of provisions	(1,599,562)	(1,581,152)	-	-
	<b>(3,366,188)</b>	<b>(4,391,376)</b>	<b>(25,343)</b>	<b>(72,019)</b>
<b>Deferred tax liabilities</b>				
Tax effect of property, plant & equipment	5,825,535	8,002,214	(1,352)	(1,736)
Tax effect of investment properties	586,973	268,311	2,170	2,540
	<b>6,412,508</b>	<b>8,270,525</b>	<b>818</b>	<b>804</b>
<b>Net deferred tax liabilities</b>	<b>3,046,320</b>	<b>3,879,149</b>	<b>(24,525)</b>	<b>(71,215)</b>

## 28. EMPLOYEE BENEFIT OBLIGATIONS

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Present value of unfunded gratuity	9,777,004	9,240,100	1,055,971	952,633
<b>At the beginning of the year</b>	<b>9,240,100</b>	<b>8,500,108</b>	<b>952,633</b>	<b>883,063</b>
Effect from transfer of equity accounted investee to subsidiary	1,309	-	-	-
Transfers	-	-	(82)	-
Effect of movements in exchange rates	65,478	3,099	-	-
Benefits paid by the during the year	(851,217)	(810,401)	(47,443)	(87,704)
Current service costs	656,999	622,067	45,158	40,897
Interest cost	854,197	862,114	92,887	91,519
Actuarial (gain)/loss	(189,862)	63,113	12,818	24,858
<b>At the end of the year</b>	<b>9,777,004</b>	<b>9,240,100</b>	<b>1,055,971</b>	<b>952,633</b>

For the year ended 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>The expense is recognised in the following line items in the Statement of Profit or Loss</b>				
Cost of sales	234,935	288,428	6,304	2,808
Administrative expenses	1,259,142	1,185,195	131,741	129,608
Distribution expenses	17,119	10,558	-	-
	<b>1,511,196</b>	<b>1,484,181</b>	<b>138,045</b>	<b>132,416</b>

An actuarial valuation of the retirement gratuity payable was carried out as at March 31, 2021 by Mr. M Poopalanathan, AIA, of Messrs. Actuarial & Management Consultants (Pvt) Ltd. and Mr. Pushpakumar Gunasekara, AIA, of Messrs. Smiles Global (Pvt) Ltd., firms 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".

### 28.1 Actuarial Assumptions

The following key assumptions were made in arriving at the above figure.

As at 31st March	Company & Local Subsidiaries		Plantations		Overseas Subsidiaries	
	2021	2020	2021	2020	2021	2020
Rate of discount	8%	10%	8%	10%	0.5% - 10%	1% - 10%
Salary increase	7%	9%	5% - 7%	9% - 18%	1% - 9%	1% - 9%

Assumptions regarding future mortality are based on the A1967/70 for Staff/Executive and A1949/52 for Worker, issued by the Institute of Actuaries, London.

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



## NOTES TO THE FINANCIAL STATEMENTS

**28.2** The Group's and Company employee benefit obligations would have been Rs. 8,932 mn (2020 - Rs. 8,126 mn) and Rs. 957 mn (2020 - Rs. 810 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 277 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

	Consolidated		Company	
	+1%	-1%	+1%	-1%
The present value of defined benefit obligation (Rs.'000)	10,433,821	9,268,969	1,094,679	1,019,757

A one percentage point change in the discount rate

	Consolidated		Company	
	+1%	-1%	+1%	-1%
The present value of defined benefit obligation (Rs.'000)	9,313,456	10,394,198	1,027,082	1,087,567

### 28.4 Distribution of Employee Benefit Obligation over Future Working Lifetime

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Less than or equal 1 year	1,759,765	1,807,115	558,531	485,362
Over 1 year and less than or equal 5 years	3,720,309	3,254,011	298,346	188,103
Over 5 year and less than or equal 10 years	2,606,937	2,579,632	146,731	226,270
Over 10 years	1,689,993	1,599,342	52,363	52,898
	9,774,004	9,240,100	1,055,971	952,633

## 29. TRADE AND OTHER PAYABLES

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Trade payables	36,363,907	17,835,959	-	-
Bills payable	371,831	641,737	-	-
Other payables including accrued expenses	14,417,604	12,161,501	1,087,861	417,179
Unclaimed dividends	316,879	464,548	59,258	57,801
Provision	1,513,326	916,094	-	-
	52,983,547	32,019,839	1,147,119	474,980

## 29.1 Provisions

As at 31st March	Consolidated			
	Maintenance warranties**	Other	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>At the beginning of the year</b>	327,964	588,130	916,094	423,825
Arising during the year	726,937	4,674,195	5,401,132	376,086
Transfer from accruals	22,838	147,567	170,405	362,216
Utilised	(812,103)	(4,162,202)	(4,974,305)	(246,033)
<b>At the end of the year</b>	265,636	1,247,690	1,513,326	916,094

**\*\*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.

**Hayleys Agriculture Holdings Ltd.** - Sells heavy machineries such as combine harvesters, combine threshers and four wheel tractors. A provision exists for warranty claims which may arise on machines sold.

**Alumex PLC** - Provision is recognised for expected warranty claims on wood finished product sold.

**Singer Group** - Warranty provision has cover both manufacturing defects & defects of imported Products.

**Hayleys Lifesciences (Pvt) Ltd.** - Provision is recognised for equipment sold.

**Hayleys Aventura (Pvt) Ltd.** - Provision for warranty for generators.

**Fentons Ltd.** - Provision is recognised for expected warranty claims on projects completed.

**Quality Seeds Company (Pvt) Ltd.** - Provision exists for production orders and landscape projects.

## 29.2 Currency wise Analysis of Trade and Other Payables

As at 31st March	Consolidated		Company	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sri Lankan Rupees	33,298,414	21,662,645	1,147,119	474,980
Pounds Sterling	134,934	40,504	-	-
United States Dollars	15,931,907	6,196,214	-	-
Euro	842,265	932,123	-	-
Thai Baht	1,507,709	1,976,920	-	-
Bangladesh Taka	346,064	346,235	-	-
Maldivian Rufiyaa	290,638	215,315	-	-
Others	631,616	649,883	-	-
	52,983,547	32,019,839	1,147,119	474,980

## NOTES TO THE FINANCIAL STATEMENTS

## 29.3 Other Liabilities

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Other tax payable	1,653,424	1,737,283	17,185	6,248
Other payable	579,979	561,073	-	-
Payments received in advance	3,330,301	2,878,647	-	-
	5,563,704	5,177,003	17,185	6,248
<b>Other Current Liabilities</b>	3,897,687	3,447,003	17,185	6,248
<b>Other Non-Current Liabilities</b>	1,666,017	1,730,000	-	-

## 29.4 Deferred Revenue

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>At the beginning of the year</b>	383,218	273,972	-	-
Transfer from accruals	-	202,834	-	-
Amounts recognised during the year	809,680	445,815	-	-
Amounts transferred during the year	(700,818)	(539,403)	-	-
<b>At the end of the year</b>	492,080	383,218	-	-

Deferred Revenue includes maintenance service agreements for Industrial Products & Services, Health Equipment, and ITO & Software services.

### 30. INCOME TAX

#### 30.1 Income Tax Recoverable

As at 31st March	Notes	Consolidated		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At the end of the year	30.2	764,443	1,497,885	-	62,917

#### 30.2 Income Tax Payable

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	(742,933)	(8,880)	(62,917)	(42,885)
Subsidiaries'/parents' taxation on current year's profit	5,590,320	2,349,625	162,506	-
Under/(over) provision in respect of previous years	31,461	(16,887)	-	78,295
Tax on dividend	84,776	240,666	-	-
Effect from transfer of equity accounted investee to subsidiary	10,945	-	-	-
Reversal of provision on economic service charge recoverable	(8,557)	(20,206)	-	-
Economic service charge transferred from other current assets	-	(165,845)	-	-
Tax credits received	-	59,814	-	-
Effect of movements in exchange rates	81,441	(5,075)	-	-
Payments made during the year	(2,940,271)	(3,176,145)	(15,104)	(98,327)
<b>Net Income Tax payable/(recoverable)</b>	<b>2,107,182</b>	<b>(742,933)</b>	<b>84,485</b>	<b>(62,917)</b>
Income tax recoverable	764,443	1,497,885	-	62,917
At the end of the year	2,871,625	754,952	84,485	-

### 31. SHORT-TERM INTEREST BEARING BORROWINGS

As at 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Sri Lankan Rupees	26,055,398	31,176,387	2,011,729	5,531,105
Pounds Sterling	37,056	61,966	-	-
United States Dollars	8,475,604	10,803,910	-	-
Euro	537,086	198,233	-	-
Thai Baht	63,499	86,831	-	-
Indonesian Rupiah	1,007,011	850,280	-	-
Bangladesh Taka	1,105,138	840,858	-	-
Others	999,947	522,349	-	-
	<b>38,280,739</b>	<b>44,540,814</b>	<b>2,011,729</b>	<b>5,531,105</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 32. CONTINGENT LIABILITIES AND COMMITMENTS

#### 32.1 Contingent Liabilities

##### Company

- The contingent liability as at 31st March, 2021 on guarantees given by Hayleys PLC., to third parties amounted to Rs. 1,057 mn (2020 - 1,057 mn). This relates to facilities obtained by subsidiaries.

##### Group

##### Unisyst Engineering PLC

- Bank Guarantees given to third parties Rs. 177 mn

##### Kingsbury PLC

- The application filed by legal counsel on behalf of the Company objecting the order made by the Learned Magistrate of Maligakanda Magistrate Court for the Company to pay 1% of the turnover of the Hotel as license fees to the Colombo Municipal Council (CMC). The Company filed a petition of appeal on 27 January 2011 in the court of appeal. The Court of appeal has abated the matter pending the decision of the court in the writ Application filed challenging the levying of 1% of Turnover as License Duty.
- There are ten cases filed by the Colombo Municipal Council at the Maligakanda Magistrate Court for operating a restaurant without obtaining a requisite license in the years 2009 (13219/M), 2010 (14158/M), 2011 (15464/R), 2013 (28930/14), 2014 (16397/15), 2015 (15580/16), 2016 (15689/17), 2017 (16909/18), 2018 (16251/19) and 2019 (4689/20). The above cases will be called before the Magistrate's Court of Maligakanda in following manner;
  - Case filed for 2010 to 2019 have concluded in the Magistrate's Court with the Hon. Magistrate holding against the Company and fining the Company LKR. 100/-, for each case, which fine has been paid, as of date. Appeals have been filed against the Judgements in the said cases, and the same are pending listing before the High Court. The case filed for 2019 was called before the Magistrate's Court of Maligakanda on the 24 February 2021, and, upon the Hotel pleading not guilty, was fixed for trial on 23 March 2021. However, due to the situation prevailing in the country, with the outbreak of the COVID- 19 pandemic, and curfew that has been in place. The matter was not taken up for trial. We are at present unable to ascertain the next date for trial.
  - The writ application (766/2010) filed by the company challenging, inter alia, the decision taken by Colombo Municipal Council to levy license fees equivalent to 1% of the total annual turnover as a pre-condition to the issue of the Annual Trade License for the years 2008, 2009 and 2010 in respect of the restaurant operated at hotel premises. Judgment was delivered on 19 September 2019, and their Lordships of the Court of Appeal dismissed the application and ordered costs. Costs have not been determined as of date. The case was appealed to the Supreme Court, however, the appeal has yet to be supported.

##### Alumex PLC

- The contingent liabilities as at 31 March 2021 on guarantees given by group to third parties amounted to Rs. 9.1 mn (2020 - Rs. 1.8 mn).
- Company has received a claim from the Department of Labour for surcharge payments on the grounds of delayed EPF contributions made to the Central Bank of Sri Lanka 13 years before, for a value of Rs. 2 mn and its still being discussed with Department of Labour and the Central Bank of Sri Lanka.

##### Talawakelle Tea Estates PLC & Kelani Valley Plantations PLC

- Wages of Plantation workers are negotiated between Trade Unions and Regional Plantation Companies (RPCs) once in every two years and sign a Collective Agreement between the parties. However, recent wage negotiations between the parties were not successful and therefore, the matter was referred to the Wages Board by the Minister of Labour. The Wages Board decided the daily wage rate of Tea / Rubber workers as Rs 1,000/- per day and Gazetted its decision on March 5, 2021. Therefore, Writ Application was instituted by the RPCs in the Court of Appeal seeking an interim order, staying and /or suspending the operation of the decision of the Wages Board, but the Hon Judges of the Court of Appeal inclined to issue an interim order but directed the Respondents to file Objections and the RPCs (Petitioners) to file Counter Objections. As at the statement of financial position date, the above matter is under the preview of the Court of Appeal and therefore, the final decision is pending. Contingent Gratuity liability arising from the above court case in the event of an unfavourable decision to the Group would be estimated to Rs. 700 mn.

### Dipped Products PLC

- Letter of Credit outstanding of Rs. 115 mn (2020 - Rs. 52 mn) and Bank guarantees provided on behalf of the companies within the group Rs. 0.4 mn at the end of the year (2020 - Rs. 0.4 mn). resolution on the cases against the group are unlikely to have a material effect on the financial position of the group.

### Haycarb PLC

- The contingent liability as at 31st March 2021 on guarantees given by Haycarb PLC to third parties amounted to Rs. 4,759 mn (2020 - Rs. 3,908 mn). Of this sum, Rs. 4,159 mn (2020 - Rs. 3,636 mn) relates to facilities obtained by subsidiaries.

### Singer (Sri Lanka) PLC

- Singer (Sri Lanka) PLC has provided bank guarantees amounting to Rs. 292 mn to Director General of Customs to clear imports during the years 2008 to March 2019. The bank guarantee related to alleged additional duty payable on imports, claimed by the customs and is being contested by the company in courts. The Court of Appeal ordered that the Director General of Customs continue with the investigations. The Company being aggrieved by the decision has filed an appeal, which is pending before the Supreme Court. The company lawyers are of the opinion that there is no basis that the Company is liable for the additional duty. Based on the information available and based on the probability of outcome and based on assessment the probability is higher that the company would not be required to settle the liabilities. hence, no provision is made in the Financial Statements.
- Singer Finance (Lanka) PLC has provided letters of guarantee totalling to Rs. 4.5 mn against Fixed Deposits of Rs. 4.7 mn.
- Regnis Lanka PLC has provided Corporate guarantees to banks on behalf of Regnis Appliances (Pvt) Ltd. amounting to Rs. 410 mn for the purpose of obtaining banking facilities.
- Case bearing No. 404 has been filled against Singer Finance (Lanka) PLC by a customer in the District Court of Ampara claiming Rs. 2 mn as damages caused by repossessing and selling of the vehicle leased through the Company. The lawyers of the Company are of the view that there will be a possible outflow of resources due to outcome of the pending court decision.
- Regnis Lanka PLC cleared a shipment of imported goods during the year 2008 on provision of a bank guarantee amounting to Rs. 6.5 mn to the Director of Customs. The bank guarantee relates to alleged additional duty payable on imports which is contested by the Company. The customs inquiry initiated in 2008 is still pending. The management is of the opinion that there is no basis that the Company is liable for the additional duty and hence, no provision is made in the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

### 32.2 Commitments

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	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Repayable within one year	1,148,165	1,057,619	71,179	-
Repayable after one year less than 5 years	3,478,741	3,856,411	198,966	-
Repayable after 5 years	3,475,400	2,771,791	-	-
	8,102,306	7,685,821	270,145	-

### 33. FOREIGN CURRENCY TRANSLATION

The principal exchange rates used for translation purposes were:

	Average		As at 31st March	
	2021	2020	2021	2020
United States Dollar	188.79	180.28	199.83	189.91
Australian Dollar	137.16	122.34	152.10	117.32
Pound Sterling	248.72	228.63	274.06	234.40
Thai Baht	6.10	5.82	6.35	5.79
Bangladesh Taka	2.23	2.13	2.34	2.22
Euro	221.37	200.19	233.64	209.42
Indian Rupee	2.54	2.54	2.61	2.50
Indonesian Rupiah	0.01	0.01	0.01	0.01
Maldivian Rufiyaa	12.21	11.66	12.87	12.20

### 34. FUNCTIONAL CURRENCY

The Group's functional currency is Sri Lankan Rupee, except in the following subsidiaries and equity accounted investees where the functional currency is different as they operate in different economic environments.

Company	Functional Currency
Charles Fibre (Pvt) Ltd.	Indian Rupees
Dipped Products (Thailand) Ltd.	Thai Baht
ICOGUANTI S.p.A	Euro
Haycarb Holdings Bitung Ltd.	USD
Haycarb USA Inc.	USD
Carbokarn Co. Ltd.	Thai Baht
CK Regen Systems Co. Ltd.	Thai Baht
Shizuka Co. Ltd.	Thai Baht
Eurocarb Products Ltd.	Pounds Sterling
Haycarb Holdings Australia (Pty) Ltd.	Australian Dollars
PT Mapalus Makawanua Charcoal Industry	Indonesian Rupiah
PT Haycarb Palu Mitra	Indonesian Rupiah
Puricarb Pte. Ltd.	Euro
Haycarb Activated Carbon (Pvt) Ltd	Indian Rupees
Hayleys Fabric PLC	USD
Haychem (Bangladesh) Ltd.	Taka
Nautical Maldives (Pvt) Ltd.	Maldivian Rufiyaa
One World Logistics Maldives (Pvt) Ltd.	Maldivian Rufiyaa
Super Logistics (Pvt) Ltd.	Maldivian Rufiyaa
Total Transport Solutions Maldives (Pvt) Ltd.	Maldivian Rufiyaa
Advantis Singapore Pte Ltd.	USD
Advantis Kusuvara Sedate Myanmar (Pvt) Ltd.	Kyat
Luxury Resorts (Pvt) Ltd.	USD
Advantis Sedate Myanmar (Pvt) Ltd.	Kyat
Advantis Intasl Bangladesh (Pvt) Ltd.	Taka
PT Advantis Akaza Indonesia	Indonesian Rupiah
Civaro Freight India (Pvt) Ltd.	Indian Rupees
Hayleylines Limited	USD
Logiwiz Logistics India (Pvt) Ltd.	Indian Rupees
Moceti International (Pvt) Ltd	USD
Lanka Maritime Services (Pvt) Ltd	USD
Lanka Bunkering services (Pvt) Ltd	USD
Logiwiz logistic india Limited	Indian Rupees
Advantis Sabang Raya Lines (Pvt) Ltd	USD
Haylex BV Group	Euro, Yen & USD
Haylex USA	USD

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

On 22nd April 2021, Hayleys Fabric PLC, a subsidiary of Hayleys PLC, acquired 98.84% equity stake of South Asia Textile Limited for a consideration of Rs. 3,953,361,887/-. South Asia Textile Limited is a knitted fabric manufacturer and has manufacturing facilities based in Pugoda, Sri Lanka. The Group is currently in the process of finalising the accounting for this transaction and expect to complete preliminary allocation of the purchase consideration to the assets acquired and liabilities within the ensuring financial year.

### 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. TRANSFER FROM EQUITY ACCOUNTED INVESTEE TO SUBSIDIARY

**37.1** From 1st of April 2020 onwards, Bonterra Ltd is considered as a subsidiary due to establishment of control. In the previous years it was considered as an equity accounted investee.

As at 31st March	2021 Rs'000
Property, plant & equipment	66,481
Inventories	98,980
Trade and other receivables	101,869
Other current assets	16,189
Deferred tax liabilities	(4,866)
Employee benefit obligations	(1,309)
Trade and other payables	(75,786)
Other current liabilities	(8,261)
Amounts due to Hayley's subsidiaries	(15,750)
Income tax payable	(10,945)
<b>Net identifiable assets and liabilities</b>	<b>166,602</b>
Non-controlling' interests	(130,640)
	35,962
<b>37.2 Satisfied By</b>	
Removal from investment of equity accounted investees	(130,640)
Short term deposits	41,780
Cash in hand and bank	52,898
	(35,962)

### 37.3 Principal Subsidiaries with Material Non-Controlling Interests

Summarised financial information in respect of Hayleys PLC's subsidiaries that have material non-controlling interest, reflecting amounts before inter-company eliminations, is set out below.

As at 31st March	Dipped Products PLC Rs'000	Haycarb PLC Rs'000	Hayleys Advantis Ltd Rs'000	Singer (Sri Lanka) PLC Rs'000
Non-controlling interest in %	44	32	8	11
Non-current assets	16,649,008	9,431,686	20,707,044	24,374,281
Current assets	27,656,383	15,961,230	18,464,696	44,929,302
<b>Total assets</b>	<b>44,305,391</b>	<b>25,392,916</b>	<b>39,171,740</b>	<b>69,303,583</b>
Non-current liabilities	6,255,678	1,578,247	11,745,229	16,467,789
Current liabilities	18,908,175	8,662,228	19,778,319	42,577,157
<b>Total liabilities</b>	<b>25,163,853</b>	<b>10,240,475</b>	<b>31,523,548</b>	<b>59,044,946</b>
<b>Equity attributable to the owners of the company</b>	<b>15,646,252</b>	<b>13,401,137</b>	<b>6,196,677</b>	<b>8,480,094</b>
Non-controlling interests	3,495,286	1,751,304	1,451,510	1,778,543
<b>For the year ended 31st March 2021</b>				
Revenue from contracts with customers	46,386,667	25,484,559	37,254,067	67,412,339
Profit after tax	5,833,327	3,566,507	2,577,936	2,607,521
Profit attributable to the owners of the company	5,164,034	3,046,834	1,568,198	2,452,009
Profit attributable to the non-controlling interests	669,293	519,673	1,009,738	155,513
Total comprehensive income	6,661,230	5,812,624	2,575,622	2,809,992
Dividend paid to non controlling interests	173,908	217,484	1,174,932	25,566
Net cash inflow/(outflow) from operating activities	(933,996)	2,065,818	5,685,912	11,487,664
Net cash (outflow) from investing activities	(1,818,252)	(903,943)	(645,116)	(491,948)
Net cash inflow/(outflow) from financing activities	2,222,320	(1,244,695)	5,764,162	(8,991,421)
<b>Total net cash inflow/(outflow)</b>	<b>(529,928)</b>	<b>(82,820)</b>	<b>10,804,958</b>	<b>2,004,295</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 38 RELATED PARTY TRANSACTIONS

#### 38.1 Parent and Ultimate Controlling Party

Company does not have an identifiable parent of its own.

#### 38.2 Transactions with Key Management Personnel

##### 38.2.1 Loans to Directors

No loans have been given to the Directors of the Company.

##### 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	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Short term employee benefit	1,914,255	1,819,290	412,193	381,363
	1,914,255	1,819,290	412,193	381,363

##### 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 232 to 234 to the Financial Statements.

**38.2.3.2** Details of directors and their spouses' share holdings are given on page 380. There were no other transactions with key management personnel other than those disclosed in Note 38 to the Financial Statements.

#### 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 385 and 386. 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.

For the year ended 31st March	Company					
	2021			2020		
	Rs.'000			Rs.'000		
Business segment	Rent	Common expenses	Purchase of goods and services	Rent	Common expenses	Purchase of goods and services
Eco solutions	15,440	200,841	726	13,314	135,626	1,683
Hand protection	26,871	334,640	1,784	23,627	236,953	-
Purification	45,839	227,064	6,969	39,730	159,725	26
Textiles	-	184,416	-	-	115,993	-
Construction materials	3,571	106,136	100	185	69,980	-
Agriculture	27,536	175,118	6,046	24,283	131,066	5,096
Plantations	31,529	220,900	181	28,079	127,714	524
Industry inputs	37,746	76,996	7,006	36,577	65,445	884
Power & energy	-	33,584	-	-	14,765	-
Transportation & logistics	79,340	326,457	9,305	78,010	235,005	9,405
Consumer & retail	12,698	163,301	8,975	13,124	114,124	4,088
Leisure	33,004	258,138	36,736	34,557	275,625	19,207
Others	27,931	244,296	177,905	24,474	181,126	33,819
	341,505	2,551,887	255,733	315,961	1,863,147	74,732

#### 38.4 Amount Due From/Due To Subsidiaries

As at 31st March	Company					
	2021			2020		
	Rs.'000			Rs.'000		
Business segment	Receivable - non-current	Receivable - current	Payable	Receivable - current	Payable	
Eco solutions	-	134,636	(396)	193,175	(1,452)	
Hand protection	-	32,764	(1,926)	142,977	-	
Purifications	-	47,639	-	239,866	(16)	
Textiles	-	14,513	-	22,914	-	
Construction materials	-	44,006	-	169,547	-	
Agriculture	-	486,370	(951)	145,780	(751)	
Plantations	-	48,707	-	123,034	-	
Industry inputs	-	539,139	(860)	634,626	(183)	
Power & energy	-	11,222	-	71,335	-	
Transportation & logistics	-	585,689	(1,113)	586,085	(1,849)	
Consumer & retail	-	51,904	(728)	197,994	(724)	
Leisure	-	478,118	(52,903)	350,162	(1,082)	
Others	610,000	35,202	(166,005)	310,055	(63,257)	
	610,000	2,509,908	(224,881)	3,187,550	(69,312)	



## NOTES TO THE FINANCIAL STATEMENTS

### 38.5 Amount Due From/Due To Equity Accounted Investee

As at 31st March	Consolidated				Company			
	2021		2020		2021		2020	
	Rs.'000		Rs.'000		Rs.'000		Rs.'000	
	Receivable	Payable	Receivable	Payable	Receivable	Payable	Receivable	Payable
Eco solutions	-	-	12,768	-	-	-	7,947	-
Purifications	38,136	-	14,018	-	46	-	137	-
Transportation & logistics	160,191	(4,884)	69,522	-	87,586	-	14,978	-
Plantations	20,578	(3,152)	31,330	(3,152)	3,353	(3,152)	17,177	(3,152)
Power & energy	100,000	-	22,500	-	-	-	-	-
	318,905	(8,036)	150,137	(3,152)	90,985	(3,152)	40,239	(3,152)

### 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	Amount Receivable/(Payable)	2,982
			Sale/(Purchase) of goods and services	3,384
Pan Asia Banking Corporation PLC	Significant Share holder	K.D.D. Perera	Facility amount	1,299,320
			Interest received/(paid)	(16,533)
			Amount Receivable/(Payable)	10,209
			Sale/(Purchase) of goods and services	40,458
Royal Ceremics Lanka PLC	Control/Significant Share holder	K.D.D. Perera	Outstanding	1,128,345
			Amount Receivable/(Payable)	25,518
Vallibel Finance PLC	Control/Significant Share holder	K.D.D. Perera	Sale/(Purchase) of goods and services	103,350
			Amount Receivable/(Payable)	280
Vallibel One PLC	Control/Significant Share holder	K.D.D. Perera	Sale/(Purchase) of goods and services	5,217
			Amount Receivable/(Payable)	100
Uni-Dil Packaging Limited	Control/Significant Share holder	K.D.D. Perera	Sale/(Purchase) of goods and services	(34,878)
			Amount Receivable/(Payable)	(1,058)
Horana Plantations PLC	Control/Significant Share holder	K.D.D. Perera	Sale/(Purchase) of goods and services	(20,177)
			Amount Receivable/(Payable)	13,476
Delmege Forsyth & Company Limited	Control/Significant Share holder	K.D.D. Perera	Sale/(Purchase) of goods and services	28,820
			Amount Receivable/(Payable)	(1,542)
			Sale/(Purchase) of goods and services	18,697

Company	Relationship	Name of director	Nature of transaction	Amount Rs.'000
Lanka Tiles PLC	Control/Significant Share holder	K.D.D. Perera	Amount Receivable/(Payable)	447
			Sale/(Purchase) of goods and services	6,308
Vallibel Power Erathna PLC	Control/Significant Share holder	K.D.D. Perera	Amount Receivable/(Payable)	71
			Sale/(Purchase) of goods and services	4,369
Valible Plantation Management Limited	Control/Significant Share holder	K.D.D. Perera	Sale/(Purchase) of goods and services	(6,731)
Delmege Insurance Brokers (Pvt) Ltd.	Control/Significant Share holder	K.D.D. Perera	Amount Receivable/(Payable)	1,100
			Sale/(Purchase) of goods and services	12,275
Swisstek (Ceylon) PLC	Control/Significant Share holder	K.D.D. Perera	Amount Receivable/(Payable)	172
			Sale/(Purchase) of goods and services	(229)

**38.7** Details of guarantees given in respect of related parties are given in Note 32 to the Financial Statements. Further, Hayleys PLC has provided a letter of comfort to The Kingsbury PLC (a Subsidiary), to provide required support to secure the loan repayments due to financial institutions in event The Kingsbury PLC is unable to meet its obligations.

**38.8** No provision was made in respect of related party receivables.

**38.9** 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

#### Assets and Liabilities of discontinued operations

As at 31st March	Consolidated	
	2021 Rs.'000	2020 Rs.'000
<b>Assets classified as held for sale</b>		
Trade and other receivables	1,906	1,906
Cash in hand and bank	1,115	1,115
<b>Total assets</b>	<b>3,021</b>	<b>3,021</b>
<b>Liabilities directly associated with assets classified as held for sale</b>		
Trade and other payables	332	332
<b>Total liabilities</b>	<b>332</b>	<b>332</b>

Civaro Freight 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.

In Rs '000	Eco Solutions		Hand Protection		Purifications		Textiles		Construction Materials		Plantation		Agriculture		
For the year ended 31st March	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	
<b>Revenue</b>															
Total	9,569,340	6,647,327	30,401,872	17,880,035	25,484,567	22,822,743	14,589,453	12,099,878	6,021,532	4,729,950	15,959,385	12,643,867	19,626,257	14,304,404	
Intra Group	(1,742,335)	(431,167)	(5,293)	(9,803)	-	-	(13,966)	-	(129,444)	(85,222)	(29,044)	-	(393,289)	(673,389)	
External	7,827,005	6,216,160	30,396,579	17,870,232	25,484,567	22,822,743	14,575,487	12,099,878	5,892,088	4,644,728	15,930,341	12,643,867	19,232,968	13,631,015	
<b>Segment results</b>															
Results from operating activities	657,064	435,086	5,502,171	1,090,832	4,435,708	2,501,619	879,073	445,181	1,232,655	460,589	1,886,589	406,592	1,980,753	1,546,504	
Net finance cost	77,882	(147,769)	23,952	(89,970)	53,621	(320,991)	(157,385)	(144,304)	(210,358)	(393,702)	(162,112)	(184,106)	(272,714)	(543,085)	
Share of profit of equity accounted investees (net of tax)	-	81,061	-	-	(14,187)	(15,643)	-	-	-	-	48,242	(7,474)	-	-	
Change in fair value of investment properties	28,301	41,052	24,462	10,205	-	-	-	-	-	-	-	-	-	-	
Value added tax on financial services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Profit before tax	763,246	409,430	5,550,585	1,011,068	4,475,142	2,164,985	721,688	300,877	1,022,297	66,887	1,772,719	215,011	1,708,039	1,003,419	
Tax	102,995	101,845	1,135,779	202,174	923,755	409,762	(5,595)	71,805	181,286	36,038	220,330	103,186	490,820	253,124	
Depreciation on property, plant & equipment	143,601	117,005	638,533	634,733	560,099	515,329	410,039	383,288	193,521	218,405	430,315	420,624	107,683	113,419	
Impairment of property, plant & equipment	-	-	-	-	-	-	-	79,870	5,000	-	-	-	-	-	
Amortisation of intangible assets	11,632	1,787	13,445	12,397	13,264	25,966	9,895	10,423	18,899	6,381	2,205	-	12,641	12,579	
Total assets (excl. equity accounted investees)	13,045,113	11,467,357	27,149,277	12,736,993	22,880,817	18,612,266	11,579,181	9,293,502	7,674,393	6,797,671	17,066,707	14,369,669	16,029,457	13,677,586	
Investment in equity accounted investees	-	130,640	390,920	390,920	64,346	78,535	-	-	-	-	(889,058)	(936,976)	-	-	
Additions to property plant & equipment	320,826	607,890	978,644	173,454	801,936	482,080	847,950	554,193	263,840	535,527	361,899	1,237,826	136,697	92,936	
Improvements to biological assets	-	-	-	-	-	-	-	-	-	-	17,339	15,197	-	-	
Additions to intangible assets	41,957	41,325	5,651	-	18,825	2,991	770	21,613	48,380	23,266	12,312	-	-	411	
<b>Non Interest bearing liabilities</b>															
Deferred tax liability	413,119	408,939	73,653	101,526	139,477	157,979	415,500	410,023	244,214	241,977	673,987	615,805	28,019	30,442	
Employee benefit obligations	356,254	344,917	846,470	788,331	858,505	648,202	603,581	521,458	140,329	125,285	1,961,199	2,173,668	779,920	724,054	
Trade and other payables	1,161,636	511,451	6,457,388	2,340,391	2,799,907	3,684,036	2,807,022	1,533,540	1,488,425	686,093	1,157,137	707,460	5,267,332	2,336,247	
<b>Cash Flow</b>															
Segment cash flows from operating activities	653,768	(206,557)	(1,583,432)	1,274,292	2,058,995	2,607,969	1,730,453	418,780	1,790,306	193,073	621,119	1,733,273	3,706,332	44,784	
Segment cash flows from investment activities	(200,778)	(651,562)	(1,676,525)	(462,950)	(903,942)	(662,857)	(926,442)	(543,819)	(327,908)	(156,160)	(47,498)	(1,110,027)	382,107	(257,831)	
Segment cash flows from financing activities	(195,725)	(99,661)	1,524,200	(346,866)	(1,237,871)	(416,405)	(130,957)	(393,615)	(862,266)	282,508	633,065	(205,183)	(975,125)	1,248,559	

	Consumer & Retail		Leisure		Industry Inputs		Power and Renewable Energy		Transportation & Logistics		Others		Non Segment Adjustments		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	73,022,659	61,564,533	1,388,501	4,544,960	4,107,496	4,933,539	1,335,403	1,600,072	37,254,067	43,604,357	7,427,327	5,875,422	-	-	246,187,860	213,251,087
	-	-	(42,625)	(63,518)	(412,596)	(519,211)	(24,813)	-	(13,502)	-	(2,105,293)	(1,161,774)	-	-	(4,912,200)	(2,944,084)
	73,022,659	61,564,533	1,345,876	4,481,442	3,694,900	4,414,328	1,310,591	1,600,072	37,240,565	43,604,357	5,322,035	4,713,648	-	-	241,275,661	210,307,003
	5,597,397	4,331,818	(1,830,151)	(352,310)	365,521	307,732	740,789	938,149	4,086,694	3,990,848	4,296,943	1,608,003	(3,877,408)	(1,237,763)	25,953,798	16,472,880
	(1,346,351)	(3,369,569)	(641,098)	(534,196)	(210,449)	(284,124)	(104,391)	(170,565)	(826,317)	(1,466,550)	(2,700,475)	(3,395,302)	(399,575)	35,331	(6,875,771)	(11,008,904)
	-	-	-	-	-	-	209,908	198,765	8,649	7,352	-	-	-	-	252,611	264,061
	-	-	-	-	-	-	-	-	64,095	11,375	78,780	24,250	-	-	195,638	86,882
	(292,487)	(310,867)	-	-	-	-	-	-	-	-	-	-	-	-	(292,487)	(310,867)
	3,958,559	651,382	(2,471,249)	(886,506)	155,072	23,608	846,305	966,348	3,333,121	2,543,025	1,675,247	(1,763,049)	(4,277,181)	(1,202,431)	19,233,789	5,504,052
	1,247,410	268,386	(117,337)	2173	126,378	(10,505)	81,826	70,713	739,681	1,044,911	60,253	4,306	-	51,342	5,187,582	2,609,260
	654,997	650,056	659,322	601,731	28,367	31,077	267,412	266,033	1,070,085	1,040,152	166,183	168,215	-	(694)	5,330,155	5,159,375
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,000	79,870
	27,025	26,998	8,310	8,617	10,121	10,467	12,432	12,550	59,353	58,968	6,759	6,841	-	-	205,984	193,974
	70,304,689	65,967,346	15,619,167	16,276,215	6,442,461	6,410,831	6,056,905	6,304,300	39,143,897	40,996,489	70,907,094	69,366,831	(46,613,462)	(46,081,948)	277,285,694	246,195,108
					525,000	525,000	469,122	396,715	32,572	24,283	1,504,863	1,504,863	-	-	2,097,766	2,113,980
	551,910	931,414	83,112	1,569,655	29,422	86,241	74,922	50,829	405,171	2,285,197	59,593	76,419	-	-	4,915,923	8,683,662
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,339	15,197
	90,610	17,288	1,215	2,560	-	-	-	-	27,976	130,145	-	275	-	-	247,694	239,874
	337,315	(19,223)	556,608	545,292	7,223	1,642	3,915	3,039	1,770,382	1,847,319	694,409	776,189	-	-	5,357,821	5,120,949
	1,000,130	951,249	117,359	136,035	126,614	132,327	13,335	11,171	1,738,856	1,543,996	1,234,452	1,139,407	-	-	9,777,004	9,240,100
	18,976,238	9,408,231	1,079,383	991,182	742,285	759,351	98,911	361,842	7,283,980	7,135,953	3,535,990	1,564,062	127,908	-	52,983,547	32,019,839
	294,667	1,826,346	(977,949)	511,473	653,364	(205,645)	693,917	1,175,543	5,685,912	1,049,793	5,248,759	(2,515,599)	12,089,256	10,940,783	32,928,432	18,848,308
	(331,140)	(944,051)	3,862,565	(2,141,722)	50,074	114,242	120,861	(41,034)	(645,116)	(2,941,310)	216,958	(681,328)	(4,011,660)	2,417,894	(4,492,620)	(8,062,517)
	(5,830,760)	(457,514)	903,771	924,755	(657,282)	166,356	(636,112)	(958,540)	5,764,162	2,521,826	(1,188,210)	3,505,892	(10,235,388)	(14,037,482)	(13,293,929)	(8,265,370)

## 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 graded as "high risk" are placed on a restricted customer list and future sales are made on a prepayment basis.

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

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs. 79 bn (2020 - Rs.70 bn) which is recorded at note 22.

### Investments

Credit risk from invested balances with the financial institutions are managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

### 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 and cash equivalents of Rs. 13 bn at 31 March 2021 (2020 - 8 bn) which represents its maximum credit exposure on these assets.

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

- People's Bank - AA-(Ika)
- Standard Chartered Bank - AAA (Ika)
- Hong Kong and Shanghai Banking Corporation Ltd., - AA-(Ika)
- Commercial Bank of Ceylon PLC - AA-(Ika)
- Sampath Bank PLC - AA- (Ika)
- Nations Trust Bank PLC - A( Ika)
- Pan Asia Banking Corporation PLC - BBB- ( Ika)
- Hatton National Bank PLC- AA-(Ika)
- Bank of Ceylon - CCC(Ika)
- DFCC Bank PLC - A+(Ika)
- Citibank - AAA( Ika)
- Seylan Bank PLC - A(Ika)
- National Development Bank PLC - A+ (Ika)
- Union Bank of Colombo PLC - BBB- (Ika)

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.

Hayleys' 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 minimising the expose to liquidity risk through diversification of funding sources.



## NOTES TO THE FINANCIAL STATEMENTS

### 41. FINANCIAL RISK MANAGEMENT (CONTD.)

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 summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	>5 years	Total
As at 31st March 2021	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Consolidated</b>						
Interest-bearing loans and borrowings	16,716,013	25,955,478	20,287,104	46,707,194	4,796,560	114,462,349
Trade and other payables	7,427,368	34,412,024	10,280,051	781,722	82,382	52,983,547
Security deposits	524,907	100,724	211,345	141,008	388,581	1,366,565
Other financial liabilities	990,886	1,423,946	5,959,234	2,074,122	17,010	10,465,198
	25,659,174	61,892,172	36,737,734	49,704,046	5,284,533	179,277,659

	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	>5 years	Total
As at 31st March 2021	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Company</b>						
Interest-bearing loans and borrowings	2,011,729	1,230,986	3,714,190	19,205,466	-	26,162,371
Trade and other payables	393,660	750,000	197	1,360	1,902	1,147,119
	2,405,389	1,980,986	3,714,387	19,206,826	1,902	27,309,490

	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	>5 years	Total
As at 31st March 2020	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Consolidated</b>						
Interest-bearing loans and borrowings	17,305,162	27,535,846	26,474,566	48,192,385	4,047,433	123,555,392
Trade and other payables	4,428,393	20,335,551	6,840,218	369,661	46,017	32,019,839
Security deposit	478,955	105,611	247,868	152,508	409,669	1,394,611
Other Current financial liabilities	-	2,262,964	2,772,992	1,963,711	15,378	7,015,045
	22,212,510	50,239,972	36,335,644	50,678,265	4,518,496	163,984,887

	On demand	Less than 3 Months	3 to 12 months	1 to 5 years	>5 years	Total
As at 31st March 2020	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Company</b>						
Interest-bearing loans and borrowings	5,531,107	961,943	2,885,831	17,969,123	-	27,348,004
Trade and other payables	472,752	150	-	176	1,902	474,980
	6,003,859	962,093	2,885,831	17,969,299	1,902	27,822,984

### 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 optimising the return.

The sensitivity analyses in the following sections relate to the position as at 31 March 2021 and 2020.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group mainly borrows in the short term to fund its working capital requirement which are linked to floating interest rates. For other funding needs the Group maintains a proper mix of interest rate based on the basis of the predictability of future cash flows. Group Treasury closely monitors the interest rate fluctuations in the market and advises the sectors of the Group on a regular basis.

### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase/ decrease in base point	Consolidated	Company
		Effect on profit before tax Rs.'000	Effect on profit before tax Rs.'000
2021	+ 150	(158,829)	(32,375)
	- 150	158,829	32,375
2020	+ 150	(165,960)	(38,922)
	- 150	165,960	38,922

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk on sales, purchases and borrowings and net investments in foreign subsidiaries that are denominated in a currency other than the respective functional currencies of the Group. These currencies primarily are the Euro, US Dollars (USD), Bangladesh Taka, Pound Sterling (GBP), Indonesia Rupiah and Thailand Baht.

The Group hedges its exposure to fluctuations on the translation of its foreign operations by holding net borrowings in foreign currencies and by using foreign currency swaps and forwards contracts. Group Treasury closely monitors the exchange rate fluctuations and advises the sectors on a regular basis.

## NOTES TO THE FINANCIAL STATEMENTS

### 41. FINANCIAL RISK MANAGEMENT (CONTD.)

#### 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.

		Increase/ decrease in base point	Consolidated	Company
			Effect on profit before tax Rs.'000	Effect on profit before tax Rs.'000
2021	USD	+ 5%	(1,206,763)	-
	Euro	+ 5%	236,051	-
	USD	- 5%	1,206,763	-
	Euro	- 5%	(236,051)	-
2020	USD	+ 5%	(868,161)	-
	Euro	+ 5%	99,420	-
	USD	- 5%	868,161	-
	Euro	- 5%	(99,420)	-

#### 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

	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Interest bearing-borrowing	51,503,754	52,239,814	19,205,466	17,969,123
Current portion of long term interest bearing borrowings	24,677,856	26,774,764	4,945,176	3,847,776
Short term interest bearing borrowings	38,280,739	44,540,814	2,011,729	5,531,105
	114,462,349	123,555,392	26,162,371	27,348,004
Equity	75,198,581	62,856,502	16,107,197	15,897,952
Equity and Debts	189,660,930	186,411,894	42,269,568	43,245,956
<b>Gearing Ratio</b>	<b>60%</b>	<b>66%</b>	<b>62%</b>	<b>63%</b>

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 (Lanka) PLC are given below:

#### Capital Adequacy of Singer Finance (Lanka) 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 03 of 2018 with the effect from 1st July 2018.

Based on the Direction No. 03 of 2018 the Listed Finance Companies which are having asset base less than 100 Billion need to be have minimum Core Capital Ratio (Tier-I) of 6.5% and 10.5% based on the Total Capital Ratio (Tier-II) . This minimum requirement will increase to 7% and 11% respectively with the effect from 1st July 2020.

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 includes 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

### 41. FINANCIAL RISK MANAGEMENT (CONTD.)

Details of the computation and the resulting ratios are given below:

#### Total Risk-Weighted Assets Computation

As at 31st March	Balance		Risk-Weighted Factor %	Risk-Weighted Balance	
	2021 Rs.'000	2020 Rs.'000		2021 Rs.'000	2020 Rs.'000
<b>Assets</b>					
<b>Risk Weighted Amount for Credit Risk</b>					
Notes and coins	95,636	67,950	0%	-	-
Cash items in the process of collection	70,998	28,565	20%	14,200	5,713
Fixed assets	956,590	796,211	1.00	956,590	796,211
Other assets/exposures	1,079,085	654,518	1.00	1,079,085	654,518
Investment in government securities	813,262	789,889	0%	-	-
Bank deposits	60,935	101,394	20%	12,187	20,279
Retail claims in respect of motor vehicles and machinery	17,459,334	11,169,782	100%	17,459,334	11,169,782
<b>Claims Secured by Gold</b>					
Outstanding claim portion up to 70% of the market value	72,516	218,071	0%	-	-
Remaining outstanding claim portion over 70% of the market value	518,188	121,715	100%	518,188	121,715
Other retail claims	3,307,239	8,883,996	125%	4,134,049	11,104,995
<b>Other Non-Performing Assets</b>					
Specific provisions are equal or more than 20%	1,012,409	612,528	100%	1,012,409	612,528
<b>Total Risk - Weighted Assets</b>	<b>25,446,192</b>	<b>23,444,620</b>		<b>25,186,042</b>	<b>24,485,741</b>
<b>Risk Weighted Amount for Operational Risk</b>					
Interest income	3,915,058	3,484,491	15%	587,259	522,674.00
Interest expenses	(1,823,242)	(1,624,344)	15%	(273,486)	(243,652)
Non-interest income	554,036	512,508.00	15%	83,105	76,876
	2,645,852	2,372,655		396,878	355,898
Risk-weighted amount for operational Risk under the Basic indicator approach				3,779,790	3389508
<b>Total Risk - Weighted Assets</b>	<b>28,092,044</b>	<b>25,817,275</b>		<b>28,965,832</b>	<b>27,875,248</b>
<b>Total Capital Base Computation</b>					
Stated capital				1,996,444	1,996,444
Reserved fund				203,055	182,548
Published retained earnings				2,118,970	1,730,190
Less:-					
Other intangible assets (net)				44,414	42,277
<b>Total Core Capital</b>				<b>4,274,055</b>	<b>3,866,906</b>
Supplementary capital				-	-
Total supplementary capital				-	-
Capital base				4,274,055	3,866,906

**Capital Adequacy ratio**

		<b>2021</b> <b>Rs.'000</b>	<b>2020</b> <b>Rs.'000</b>
Core Capital Ratio	Core Capital	14.76%	13.87%
	Risk- Weighted Assets		
Total Capital Ratio	Capital Base	14.76%	13.87%
	Risk- Weighted Assets		

**Collateral**

The Group has not pledged its debtors as collateral for long term borrowings at 31 March 2021 and 2020, other than those mentioned in Note 25.11 to the Financial Statements.



## TEN YEAR SUMMARY

As at 31st March	10-Year Compound Growth (%)	2021 Rs '000	2020 Rs '000	2019 Rs '000	2018 Rs '000	2017 Rs '000	2016 **** Rs '000	2015 **** Rs '000	2014**** Rs. '000	2013**** Rs. '000	2012***** Rs. '000
<b>Results</b>											
Revenue	14%	241,275,661	210,307,003	219,181,960	163,249,467	111,383,076	92,274,683	92,561,865	80,478,609	74,301,852	65,806,714
Profit before taxation	23%	19,233,789	5,504,052	5,475,513	5,763,498	7,025,162	6,951,538	6,399,915	5,082,621	4,916,576	2,488,223
Taxation	19%	(5,187,582)	(2,609,260)	(2,725,596)	(2,491,060)	(1,976,840)	(1,756,478)	(1,513,581)	(1,373,628)	(1,411,981)	(914,724)
Profit after tax	24%	14,046,207	2,894,792	2,749,917	3,272,438	5,048,322	5,195,060	4,886,334	3,708,993	3,504,595	1,573,499
Non-controlling interest	27%	(6,408,976)	(2,522,360)	(2,484,532)	(2,248,546)	(2,264,389)	(2,077,507)	(2,305,036)	(1,900,470)	(1,743,449)	(594,330)
Profit attributable to owners of the parent	23%	7,637,231	372,432	265,385	1,023,892	2,783,933	3,117,553	2,581,298	1,808,523	1,761,146	979,169
<b>Funds Employed</b>											
Stated capital	0%	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000
Employee share trust		-	-	-	-	-	-	(148,558)	(488,261)	(489,887)	(491,439)
Capital reserves	-6%	688,411	676,104	636,039	887,340	943,608	1,067,819	1,303,980	1,429,680	1,377,676	1,222,076
Other component of equity		24,734,483	23,644,932	23,072,120	20,978,486	19,013,131	11,576,897	11,573,045	8,969,910	9,000,862	6,373,692
Revenue reserves	8%	20,620,432	13,808,523	14,958,752	16,208,311	19,333,998	16,875,824	14,957,837	12,236,713	10,788,133	9,633,788
Equity attributable to equity holders of the parent	10%	47,618,326	39,704,559	40,241,911	39,649,137	40,865,737	31,095,540	29,261,304	23,723,042	22,251,784	18,313,117
Non-controlling interest	11%	27,580,255	23,151,943	21,636,556	20,158,629	17,173,230	15,817,529	15,220,068	12,614,224	11,173,102	10,056,647
Borrowings (short- and long-term)	18%	114,462,349	123,555,392	113,283,872	92,641,002	44,747,594	33,123,190	29,062,183	25,825,466	23,563,413	21,728,944
<b>Assets Employed</b>											
Non-current assets	13%	133,825,255	130,678,344	120,767,143	114,202,537	78,161,061	60,815,269	56,060,498	46,796,361	44,657,106	37,976,929
Current assets	18%	145,558,205	117,630,744	110,979,551	95,564,364	51,840,953	42,381,041	37,595,289	34,508,725	30,086,220	27,832,013
Current liabilities net of borrowings	21%	(68,627,373)	(41,644,452)	(38,474,385)	(40,159,237)	(19,010,302)	(15,187,278)	(13,019,464)	(12,520,090)	(11,651,381)	(10,151,511)
Security deposit	100%	(1,366,565)	(1,394,611)	(1,388,434)	(1,199,128)	-	-	-	-	-	-
Other non current liabilities	100%	(1,666,017)	(1,730,000)	(1,448,000)	(2,717,541)	-	-	-	-	-	-
Other non current financial liabilities	100%	(2,091,132)	(1,979,089)	(804,556)	(403,056)	-	-	-	-	-	-
Provisions	12%	(15,134,825)	(14,361,049)	(13,691,130)	(12,067,024)	(7,461,764)	(7,233,096)	(6,379,273)	(5,880,186)	(5,320,425)	(4,808,050)
Grants	1%	(836,618)	(787,993)	(777,850)	(772,147)	(743,387)	(739,677)	(713,495)	(742,077)	(783,222)	(777,670)
Capital employed	14%	189,660,930	186,411,894	175,162,339	152,448,769	102,786,562	80,036,259	73,543,555	62,162,733	56,988,298	50,071,711
<b>Cash Flow</b>											
Net cash inflow/(outflow) from operating activities		32,928,432	18,848,308	1,187,067	7,451,001	7,441,702	7,863,808	8,631,365	5,553,098	7,296,563	2,472,453
Net cash inflow/(outflow) from investing activities		(4,492,620)	(8,062,517)	(5,260,764)	(18,291,318)	(11,051,489)	(7,190,966)	(6,339,994)	(3,688,499)	(4,684,957)	(5,113,667)
Net cash inflow/(outflow) from financing activities		(13,293,929)	(8,265,370)	(7,989,127)	(1,126,681)	1,311,974	(1,718,516)	(233,279)	1,480,014	(3,954,861)	(1,661,883)
Increase/(decrease) in cash and cash equivalents		15,141,883	2,520,421	(12,062,824)	(11,966,998)	(2,297,813)	(1,045,674)	2,058,092	3,344,613	(1,343,255)	(4,303,097)
<b>Key Indicators</b>											
Earnings per share (basic) (Rs.) ***		10.18	0.50	0.35	1.37	3.71	4.16	3.44	2.41	2.35	1.31
Dividend per share (basic) (Rs.) ***		1.30	-	0.50	0.50	0.75	0.65	0.60	0.50	0.45	0.40
Net assets per share (Rs.) ***		63.49	52.94	53.66	52.87	54.49	41.46	39.02	31.63	29.67	24.42
Market price per share (Rs.)		60.80**	123.60*	168.00*	200.70*	265.00*	245.70*	300.00*	285.00*	298.70*	360.00*
% change in all share price index		89.61	(17.74)	(14.20)	6.84	(0.16)	(10.97)	14.28	4.06	6.00	(24.99)
Return on average shareholders' funds (%)		16.04	0.94	0.66	2.58	6.81	10.03	8.82	7.62	7.91	5.35
Return on average capital employed (%)		13.80	9.04	9.76	8.94	10.58	11.08	12.54	12.08	12.25	8.94
Price earnings ratio (times)		5.97	24.89	47.48	14.70	7.14	5.91	8.72	11.82	12.72	27.57
Interest cover (times covered)		3.00	1.39	1.47	1.77	3.05	4.20	3.98	3.01	2.45	2.74
Dividend payout ratio (%)		12.77	-	141.30	36.63	20.21	15.64	17.43	20.74	19.16	30.64

\* Market Price before share split of 10 shares for every one ordinary share held.

\*\* Market Price after share split of 10 shares for every one ordinary share held.

\*\*\* Earnings per share, Dividend per share and Net asset per share in all reporting periods were adjusted based on post sub-division of 10 shares for every one ordinary share held.

\*\*\*\* Restated in line with SLFRS/LKAS.

\*\*\*\*\* Including results of discontinued operations

# INDICATIVE US DOLLAR FINANCIAL STATEMENTS

## STATEMENT OF PROFIT OR LOSS FOR INFORMATION PURPOSES ONLY

For the year ended 31st March	Consolidated		Company	
	2021 USD'000	2020 USD'000	2021 USD'000	2020 USD'000
<b>Revenue</b>	1,278,043	1,166,558	2,239	2,219
Cost of sales	(944,167)	(878,215)	(1,953)	(961)
Direct Interest Cost	(9,919)	(10,146)	-	-
<b>Gross profit</b>	323,957	278,197	286	1,258
Group dividend	-	-	19,166	5,669
Other income	7,775	9,280	812	87
Distribution expenses	(57,998)	(59,285)	-	-
Administrative expenses	(135,399)	(134,500)	700	77
Other expenses	(858)	(2,319)	-	-
<b>Results from operating activities</b>	137,477	91,373	20,964	7,091
Finance income	16,823	11,307	174	177
Finance cost	(53,244)	(72,373)	(13,708)	(17,152)
<b>Net finance cost</b>	(36,421)	(61,066)	(13,534)	(16,975)
Change in fair value of investment property	1,036	482	20	31
Share of profit of equity accounted investees (net of tax)	1,338	1,465	-	-
Value added tax on financial service	(1,549)	(1,724)	-	-
<b>Profit/(loss) before tax</b>	101,881	30,530	7,450	(9,853)
Tax expense	(27,479)	(14,473)	(1,100)	(50)
<b>Profit/(loss) for the year</b>	74,402	16,057	6,350	(9,903)
Profit for the period attributable to:				
Owners of the parent	40,453	2,066	6,350	(9,903)
Non-controlling interest	33,949	13,991	-	-
<b>Profit/(loss) for the year</b>	74,402	16,057	6,350	(9,903)
Average exchange rate	188.79	180.28	188.79	180.28

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.

## INDICATIVE US DOLLAR FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION FOR INFORMATION PURPOSE ONLY

As at 31st March	Consolidated		Company	
	2021 USD'000	2020 USD'000	2021 USD'000	2020 USD'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant & equipment	448,810	465,934	687	942
Right-of-use assets	49,714	50,623	1,278	-
Investment Properties	14,133	14,319	398	400
Biological assets	2,655	2,660	-	-
Intangible assets	66,420	70,001	294	186
Investments in subsidiaries	-	-	195,518	206,123
Investments in equity accounted investees	10,498	11,131	7,531	7,924
Other non-current financial assets	1,245	1,327	324	409
Non-current trade and other receivables	59,613	59,681	-	-
Other non-current assets	5,041	5,892	-	-
Deferred tax assets	11,567	6,539	123	375
Amounts due from subsidiaries	-	-	3,053	-
<b>Total non-current assets</b>	<b>669,696</b>	<b>688,107</b>	<b>209,206</b>	<b>216,359</b>
<b>Current assets</b>				
Inventories	265,726	222,346	9	9
Amounts due from subsidiaries	-	-	12,560	16,785
Amounts due from equity accounted investees	1,596	791	455	212
Trade and other receivables	336,417	311,284	197	233
Other current assets	14,478	12,208	99	45
Income tax recoverable	3,825	7,887	-	331
Other current financial assets	2,320	2,172	40	27
Short term deposits	39,416	18,408	1,210	-
Cash and cash equivalents	64,617	44,290	428	1,650
Assets classified as held for sale	15	16	-	-
<b>Total current assets</b>	<b>728,410</b>	<b>619,402</b>	<b>14,998</b>	<b>19,292</b>
<b>Total assets</b>	<b>1,398,106</b>	<b>1,307,509</b>	<b>224,204</b>	<b>235,651</b>
<b>Equity and Liabilities</b>				
Stated capital	20,314	20,314	20,314	20,314
Capital reserves	3,445	3,560	66	70
Other components of equity	111,344	112,486	(12,431)	(12,021)
Revenue reserves	103,190	72,711	72,657	75,350
<b>Total equity attributable to equity holders of the company</b>	<b>238,293</b>	<b>209,071</b>	<b>80,606</b>	<b>83,713</b>
Non-controlling interest	138,019	121,910	-	-
<b>Total equity</b>	<b>376,312</b>	<b>330,981</b>	<b>80,606</b>	<b>83,713</b>

As at 31st March	Consolidated		Company	
	2021 USD'000	2020 USD'000	2021 USD'000	2020 USD'000
<b>Non-current liabilities</b>				
Interest-bearing borrowings	257,738	275,077	96,109	94,619
Grants	4,187	4,149	-	-
Deferred tax liability	26,812	26,965	-	-
Security deposit	6,839	7,344	-	-
Other non-current liabilities	8,337	9,110	-	-
Other non-current financial liabilities	10,465	10,421	-	-
Employee benefit obligations	48,927	48,655	5,284	5,016
<b>Total non-current liabilities</b>	<b>363,305</b>	<b>381,721</b>	<b>101,393</b>	<b>99,635</b>
<b>Current liabilities</b>				
Trade and other payables	265,143	168,603	5,740	2,502
Other current liabilities	19,505	18,151	86	33
Deferred revenue	2,462	2,018	-	-
Other current financial liabilities	41,906	26,518	-	-
Amounts due to subsidiaries	-	-	1,125	365
Amounts due to equity accounted investees	40	17	16	17
Income tax payable	14,370	3,975	423	-
Current portion of long term interest-bearing borrowings	123,494	140,987	24,747	20,261
Short-term interest-bearing borrowings	191,567	234,536	10,067	29,125
Liabilities directly associated with assets classified as held for sale	2	2	-	-
<b>Total current liabilities</b>	<b>658,489</b>	<b>594,807</b>	<b>42,205</b>	<b>52,303</b>
<b>Total liabilities</b>	<b>1,021,794</b>	<b>976,528</b>	<b>143,598</b>	<b>151,938</b>
<b>Total equity and liabilities</b>	<b>1,398,106</b>	<b>1,307,509</b>	<b>224,204</b>	<b>235,651</b>
Closing exchange rate	199.83	189.91	199.83	189.91

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.

## VALUE OF REAL ESTATE

As at 31st March 2021

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn
<b>Eco Solutions</b>						
Hayleys Fibre PLC	Kuliyapitiya	"Biginhill Estate", Karagahagedara, Kuliyapitiya	3.95	47,389	15	30
	Chilaw	Siri Sumangala Mawatha, Mahagama North, Chilaw	3.00	20,200	2	13
Volanka (Pvt) Ltd.	Galle	No.153/1, Robosgewatta, Matara road, Magalle, Galle	1.22	32,644	8	293
	Katana	No.B 28, Divulapitiya road, Dissagewatte, Katana	14.51	284,001	24	325
Chas P. Hayley & Co. (Pvt) Ltd.	Galle	No.153, Robosgewatta, Matara road, Magalle, Galle	0.55	9,795	2	178
	Galle	No 161 "Thurnburn / stores", No.195, Bandaranayake Mawatha, Magalle, Galle	2.41	67,277	8	619
	Galle	No.193/2, 193/2A, 193/4, Bandaranayake Mawatha, Magalle, Galle	1.10	13,632	4	170
Lignocell (Pvt) Ltd.	Madampe	Sellam Pathaha, Melawagara, Madampe.	7.03	118,547	10	45
	Kuliyapitiya	"Biginhill Estate", Karagahagedera, Kuliyapitiya	3.94	47,499	7	38
Ravi Industries (Pvt) Ltd.	Ekala	252A, Kurunduwatte road, Ekala, Ja-ela.	6.19	104,675	13	396
Volanka Exports (Pvt) Ltd.	Nattandiya	Wathugamulla, Welipannaghamulla	7.20	80,165	13	46
Rileys (Pvt) Ltd.	Ekala	131, Minuwangoda road, Ekala, Ja-ela	3.80	91,582	12	486
Toyo Cushion Lanka (Pvt) Ltd.	Katana	105, Thimbirigaskatuwa, Katana	3.37	25,703	14	135
<b>Hand Protection</b>						
Dipped Products PLC	Kottawa	Brahmanagama, Kottawa	10.67	130,144	20	243
	Weliweriya	Nedungamuwa, Weliweriya	8.19	-	-	188
Venigros (Pvt) Ltd.	Weliweriya	Nedungamuwa, Weliweriya	7.09	55,381	6	142
Dipped Products (Thailand) Limited	Khuan Niang	82/2 MOO9, Tumbon Rattapum, Amphur, Khuan Niang, Songkhla, Thailand 90220.	13.05	90,612	1	99
<b>Purification</b>						
Haycarb PLC	Badalgama	Katana Road, Beatrice Estate, Badalgama.	24.08	261,337	18	191
	Madampe	Kuliyapitiya road, New town, Pothuwila, Madampe	30.37	276,175	23	196
	Wewalduwa	333/25, New road Hunupitiya Wattala.	2.48	41,463	6	273
Recogen (Pvt) Ltd.	Badalgama	Katana Road, Beatrice Estate, Badalgama.	10.84	35,090	4	90
PT Haycarb Palu Mitra	Palu City - Indonesia	Thaipa, Palu Utara, Palu, Sulawesi Tengah 94147, Indonesia	6.98	75,351	18	93
PT Mapalus Makawanua Charcoal Industry	Bitung City - Indonesia	Tanjung Merah, Bitung, Sulawesi Utara 95547, Indonesia	8.93	103,409	8	159
Shizuka Co. Ltd.	Ratchaburi Province - Thailand	190/1, Moo 1, Anghin, Paktho, Ratchaburi 70140, Thailand.	24.49	65,980	12	139

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn
Carbokarn Co. Ltd.	Chonburi Province - Thailand	35/2, Moo 3, Nareuk, Phanat Nikhom, Chonburi-20140, Thailand	15.64	284,300	22	225
<b>Textiles</b>						
Hayleys Fabric PLC	Neboda	Narthupana Estate, Neboda	54.30	413,873	25	530
<b>Construction Materials</b>						
Alumex PLC	Makola	Off Pitigala road, Sapugaskanda, Makola	6.24	118,673	11	499
	Gonawala	Maguruwila road, Pattiwila	1.82	59,042	3	87
	Ekala	"Ekala Estate", Minuwangoda road, Ekala	6.30	91,442	5	478
Alco Industries (Pvt) Ltd.	Gonawala	Maguruwila road, Pattiwila	1.13	34,618	2	90
<b>Plantations</b>						
Mabroc Teas (Pvt) Ltd	Kiribathgoda	57/3, New Hunupitiya Road, kiribathgoda.	1.94	75,960	4	479
<b>Agriculture</b>						
Hayleys Agriculture Holdings Ltd.	Dambulla	Athabadiwewa, Pahalawewa, Dambulla.	4.35	5,134	2	12
	Kottawa	No. 168/D, Brahmanagama, Kottawa, Pannipitiya.	4.97	47,506	7	127
Sunfrost (Pvt) Ltd.	Alawwa	Nelumdeniya road, Alawwa Waththa Road, Alawwa	5.18	19,112	9	75
	Padiyathalawa	Bogaharawa road, Kehelulla, Padiyathalawa	6.46	1,430	2	10
Haychem BD Limited.	Mymensingh	Plot no:-B-18, B-19(part) & A-3, A-4, S-1, Mashkanda BSCIC Industrial Estate, Kotowali, Maymensingh	0.69	26,383	1	83
	Dhamrai	Plot no:-16, 15(part), BSCIC Industrial Estate, Kalampur, Dhaka	0.16	5,235	1	16
	Gobindogonj	Plot no:-B-18, B-19(part) & A-3, A-4, S-1, Mashkanda BSCIC Industrial Estate, Kotowali, Maymensingh	1.70	0	0	17
	Gobindogonj	Mouza-Madanpur, Gobindogonj	2.45	0	0	7
<b>Consumer &amp; Retail</b>						
Singer (Sri Lanka) PLC	Ambalantota	Main Street, Ambalantota.	0.04	1,885	1	17
	Balangoda	Ratnapura Road, Balangoda.	0.04	2,080	1	20
	Bandarawela	Main Street, Bandarawela.	0.02	2,660	1	10
	Borella	D.S.Senanayaka Mawatha, Borella.	0.03	2,310	1	70
	Chilaw	Bazaar Street, Chilaw.	0.08	4,120	1	42
	Colpetty	No 143, Galle Road, Colombo 03.	0.02	1,440	1	57
	Eheliyagoda	Ratnapuara Road, Eheliyagoda.	0.04	1,660	1	11
	Galle	Main Street, Galle.	0.02	2,250	1	11
	Gampaha	Colombo Road, Gampaha.	0.12	7,870	1	63
	Hikkaduwa	Galle Road, Hikkaduwa.	0.05	2,400	1	24
	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
	Katugastota	Madawala Road, Katugastota.	0.03	1,620	1	10
	Kirindiwella	Gampaha Road, Kirindiwella	0.05	2,940	1	20



## VALUE OF REAL ESTATE

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn
	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	15
	Mount Lavinia	Galle Road,Mount Lavia.	0.05	1,900	1	34
	Mount Lavinia-Mega	Galle Road,Mount Lavia.	0.13	15,840	1	92
	Nawalapitiya	Kotmale Road,Nawalapitiya.	0.03	2,760	1	13
	Negombo	Greens Road,Negombo.	0.04	2,040	1	24
	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	25
	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	20
	Wellawatta	Galle Road, Wellawatta.	0.03	2,700	1	55
Reality Lanka Ltd.	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
Regnis (Lanka) PLC	Ambanpola	No.108 Yaluwewa,Ambanpola.	0.06	0	0	2
	Ratmalana	No 52,Ferry Road, Off Borupona Road, Ratmalana.	4.41	123,910	18	423
Singer Industries (Ceylon) PLC	Ratmalana	No.02, 5th Lane Ratmalana	2.27	75,365	10	952
	Ratmalana	No.435 Galle Road Ratmalana	0.31	12,440	1	252
<b>Leisure</b>						
Culture Club Resorts (Pvt) Ltd.	Dambulla	Kapela , Kandalama, Dambulla	1.00	-	-	2
Kandyan Resorts (Pvt) Ltd.	Kandy	Heerassagala, Kandy	11.91	126,684	10	793
<b>Industry Inputs</b>						
Hayleys Aventura (Pvt) Ltd.	Malabe	No: 59, Pothuarawa Road, Malabe	2.26	59,595	6	307
Haycolour (Pvt) Ltd.	Kalutara	Haycolour Factory,Ethanmadala, Kalutara	3.30	5,700	4	58

Ownership	Location	Address	Extent (Acres)	Buildings Sq.ft	No of buildings in each location	Market Value of Land Rs. Mn
<b>Power &amp; Energy</b>						
Bhagya Hydro (Pvt) Ltd.	Gomala oya	Gomala Oya Mini Hydro Power Plant, Godagampola, Rathnapura	1.38	2,246	3	3
Nelwa Cascade Hydro Power (Pvt) Ltd.	Neluwa	Lower Neluwa Mini Hydro Power Plant, Tawalama, Neluwa	3.08	2,530	1	7
Hayleys Neluwa Hydro Power Pvt (Ltd).	Mawanana	Embalegedara, Neluwa	1.03	4,752	3	2
<b>Transportation &amp; Logistics</b>						
Hayleys Advantis Group	Liyanagemulla	No.710 Negombo road, Liyanagemulla, Seeduwa	0.62	8,036	1	148
	Colombo	No. 46/12, Sayuru Sevana, Nawam Mawatha, Colombo 2	0.24	45,980	1	475
	Kelaniya	No. 408 A, Nungamugoda, Kelaniya	7.72	175,000	6	988
	Welisara	No. 309/18 & No. 317, Negombo road, Welisara	3.63	2,050	1	610
	Welisara	No. 309/15, Negombo road, Welisara	3.15	17,644	7	545
	Sedawatta	No. 148B, Nawalokapura, Sedawatta, Wellampitiya	2.49	11,610	1	499
	Sedawatte	No. 148/A1, Nawalokapura Sedawatte, Wellampitiya	2.00	8,879	3	416
	Kotugoda	No.193, Minuwangoda road, Kotugoda	15.81	356,895	2	1,138
<b>Others</b>						
Darley Property Holdings (Pvt) Ltd	Colombo	Foster Lane Colombo 10	1.56	65,240	3	3,326
World Export Centre Ltd	Colombo	Deans Rd. Colombo 10	4.48	Nil	Nil	13,118
Hayleys PLC -Deans road side Buildings	Colombo	Deans Rd. Colombo 10	Nil	114,402	8	Nil
Unisyst Engineering PLC	Kotugoda	41B, Sasanathilaka road, Opatha, Kotugoda	2.4	35,785	3	39
Eastern Hotels (Pvt) Ltd	Trincomalee	Nilakarai Estate, Nilaweli, Trincomalee	23.48	600	3	751
Hayleys PLC	Bentota	Kaluwamodara, Bentota	0.28	Nil	Nil	80

## QUARTERLY ANALYSIS

	Quarter 01		Quarter 02		Quarter 03		Quarter 04	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Revenue	48,231,663	52,641,039	58,663,902	52,734,503	64,999,923	55,253,570	69,380,173	49,677,891
Profit before tax	1,174,434	285,255	4,349,040	1,174,864	5,991,262	2,426,632	7,719,053	1,617,301
Tax expense	(612,673)	(358,701)	(1,087,578)	(460,556)	(1,611,209)	(857,772)	(1,876,122)	(932,231)
Profit after tax	561,761	(73,446)	3,261,462	714,308	4,380,053	1,568,860	5,842,931	685,070
Profit attributable to owners of the parent	(285,180)	(548,479)	1,651,471	8,378	2,721,252	678,497	3,549,688	234,036
Profit attributable to non-controlling interest	846,941	475,033	1,609,991	705,930	1,658,800	890,363	2,293,244	451,034
Total comprehensive income for the period, net of tax	901,811	(29,152)	3,277,604	1,014,452	4,889,813	1,776,284	7,069,692	523,560
Non Current Assets	130,008,129	125,672,280	130,684,640	126,188,135	130,527,935	127,933,910	133,825,255	130,678,344
Current Assets	122,137,296	109,611,925	118,012,051	112,260,386	129,820,091	114,234,770	145,558,205	117,630,744
Non current liabilities	73,257,575	66,283,663	73,123,223	70,871,318	76,516,058	70,760,045	72,598,911	72,492,556
Current liabilities	115,378,887	108,223,748	109,666,920	106,226,166	113,648,192	108,832,258	131,585,968	112,960,030

	Quarter 01		Quarter 02		Quarter 03		Quarter 04	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Market Value of Shares</b>								
Closing share price	135.00*	147.60*	279.90*	150.30*	414.50*	174.90*	60.80**	123.60*
Basic earnings per share ***	(0.38)	(0.73)	2.20	0.01	3.63	0.91	3.12	3.12
Diluted earnings per share ***	(0.38)	(0.73)	2.20	0.01	3.63	0.91	3.12	3.12
Highest price recorded for the three months ending	140.00*	175.00*	294.90*	180.00*	450.00*	188.20*	860.00*	173.90*
Lowest price recorded for the three months ending	107.00*	144.00*	130.00*	144.50*	242.00*	145.00*	52.00**	123.00*
Market capitalisation (Rs. Mn.)	10,125	11,070	20,993	11,273	31,088	13,118	45,600	9,270
<b>Share Trading Information</b>								
No. of transactions	961	802	3,927	1,361	15,074	1,221	36,795	684
No. of shares traded	443,966	302,023	4,210,529	537,779	9,961,326	1,307,941	51,364,957	452,715
Value of shares traded (Rs.)	57,616,492	48,329,258	890,726,361	83,761,761	3,799,808,555	226,581,771	9,836,959,629	71,311,676

\*Market Price before share split of 10 shares for every one ordinary share held.

\*\*Market Price after share split of 10 shares for every one ordinary share held.

\*\*\* Basic/Diluted Earnings per share in all reporting periods were adjusted based on post sub-division of 10 shares for every one ordinary share held.

## SHARE INFORMATION

No. of shareholders as at 31st March 2021 - 9,379 (as at 31st March 2020 - 6,271)

No. of shares held	Residents			Non Residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	4,542	1,681,346	0.22	31	11,211	0.00	4,573	1,692,557	0.23
1,001 - 10,000	3,077	12,207,911	1.63	40	203,611	0.03	3,117	12,411,522	1.65
10,001 - 100,000	1,327	41,531,591	5.54	39	1,354,672	0.18	1,366	42,886,263	5.72
100,001 - 1,000,000	247	76,406,779	10.19	32	6,818,737	0.91	279	83,225,516	11.10
Over 1,000,000	41	598,413,562	79.79	3	11,370,580	1.51	44	609,784,142	81.30
	9,234	730,241,189	97.37	145	19,758,811	2.63	9,379	750,000,000	100.00
<b>Category</b>									
Individuals	8,715	630,716,854	84.10	133	18,126,164	2.41	8,848	648,843,018	86.51
Institutions	519	99,524,335	13.27	12	1,632,647	0.22	531	101,156,982	13.49
	9,234	730,241,189	97.37	145	19,758,811	2.63	9,379	750,000,000	100.00

### First Twenty Shareholders As At 31.03.2021

Name of the Shareholder		No. of Shares as at 31.03.2021	%	No. of Shares as at 31.03.2020	%
1	Mr.K.D.D.Perera	382,596,970	51.01	38,259,697	51.01
2	Trustees of the D.S.Jayasundera Trust	86,980,170	11.60	8,698,017	11.60
3	Finco Holdings (Private) Limited	23,408,300	3.12	177,300	0.24
4	Hayleys Group Services (Pvt) Ltd No.02 A/C	11,170,900	1.49	1,117,090	1.49
5	Sri Lanka Insurance Corporation Ltd-Life Fund	10,189,733	1.36	397,418	0.53
6	Mrs.R.N.Ponnambalam	6,013,450	0.80	595,645	0.79
7	Mr.N.K.A.D.De Silva	5,701,660	0.76	570,166	0.76
8	Mrs.R.M.Spittel	5,646,970	0.75	564,697	0.75
9	Mrs.A.M.L.Johnpulle & Mr.B.J.M.Johnpulle	4,837,090	0.64	656,464	0.88
10	Mrs.Y.M.Spittel (Deceased)	4,655,610	0.62	465,561	0.62
11	Mrs.S.D.Wickremasinghe	4,492,980	0.60	449,298	0.60
12	Mrs.P.M Godamunne	4,434,470	0.59	443,447	0.59
13	Mrs.A.K.Wikramanayake	4,384,490	0.58	68,027	0.09
14	Mr.A.C.Wikramanayake & Mrs.S.R.D.Wikramanayake	3,194,320	0.43	-	-
15	Mr.S.Rameshan	3,169,820	0.42	316,982	0.42
16	Miss.N.K.R.H.De Silva	2,834,010	0.38	283,401	0.38
17	Mr.S.Vamathevan	2,800,000	0.37	-	-
18	McLarens Holdings Ltd	2,599,401	0.35	10,500	0.01
19	Dr.D.Jayantha	2,580,000	0.34	258,000	0.34
20	Mrs.V.Saraswathi & Mr.S.Vasudevan	2,456,000	0.33	200,101	0.27
<b>Total</b>		<b>574,146,344</b>	<b>76.54</b>	<b>53,531,811</b>	<b>71.37</b>

There were no Non-voting shares as at 31.03.2021

## SHARE INFORMATION

### Directors Shareholding As At 31.03.2021

Name of Director	No. of Shares as at 31.03.2021	No. of Shares as at 01.04.2020
Mr.K.D.D.Perera	382,596,970	38,259,697
LB Finance PLC	16,660	1,666
<b>Total Holding of Mr.KDDP with controlling interest</b>	<b>382,613,630</b>	<b>38,261,363</b>
Mr.A.M.Pandithage	1,253,570	125,357
Mr.S.C Ganegoda	250,000	23,414
Mr.H.S.R.Kariyawasan	94,270	9,427
Mr.L.R.V.Waidyaratne	379,300	37,930
Ms. J. Dharmasena	210,950	21,095

### Market Value of Shares

The market value of an ordinary shares of Hayleys PLC was as follows;

	31.03.2021 Rs.	31.03.2020 Rs.
Closing price on	60.80	123.60
Highest price recorded for the twelve months ending	860.00	188.20
Lowest price recorded for the twelve months ending	52.00	123.00
Highest price recorded for the three months ending	860.00	173.90
Lowest price recorded for the three months ending	52.00	123.00
Market capitalisation (Rs. Mn.)	45,600.00	9,270.00
Share Trading From 1st April 2020 to 31st March 2021		
No. of transactions	56,757	4,053
No. of shares traded	65,980,778	2,597,313
Value of shares traded (Rs.)	14,585,111,037.60	429,511,738.20
The Public Holding percentage	37.09%	37.10%
Total number of shareholders representing the Public Holding	9,433	6,262

Float-adjusted market capitalisation Rs. 16,913,040,000

The Company complies with option 1 of the Listing Rules 7.13.1 (a) which no minimum % required.

### Debenture Trading Information - Three Months Ended 31.03.2021

#### Debenture 1

Listed, rated, senior, unsecured, redeemable, debentures,

Type A- Fixed rate at 12.50% p.a. payable semi annually redeemable on 31st July 2023

Type B- Floating rate AWPLR+1% p.a. payable semi annually redeemable on 31st July 2023

### Debenture Trading Information For The 12 Months Ended - 31.03.2021

There were no transactions during the period.

#### Debenture 2

Listed, rated, senior, unsecured, redeemable, debentures,

Type A- Fixed coupon rate of 13% p.a. payable semi annually redeemable on 26th August 2024

Type B- Floating coupon rate of AWPLR +2% p.a. payable semi annually redeemable on 26th August 2024.

### Debenture Trading Information For The 12 Months Ended - 31.03.2021

Highest Price	115.69
Lowest Price	90.96
Closing Price	115.69
No. of Transactions	7
No. of Debenture traded	2,079,999
Value of Debenture traded	206,581,708.33
Yield to maturity - Last traded	8%
Interest yield - Last traded	11.15%

## HISTORY OF DIVIDENDS AND SCRIP ISSUES

Year ended 31st March	Issue	Basis	No. of shares '000	Cum. No. of shares '000	Dividend	Dividend Rs. '000
1952	Initial Capital		20	20		
1953	First dividend			20	80%	160
1954	Rights (at Rs. 10)	1:02	10	30	55%	165
1955				30	50%	150
1956	Bonus	5:06	25	55	33%	179
1957	Bonus	3:11	15	70	38%	330
1958	Bonus	3:07	30	100	20%	200
1959				100	10%	100
1960				100	18%	180
1961	Bonus	1:02	50	150	8%	262
1962	Bonus	1:03	50	200	15%	300
1963				200	15%	300
1964	Bonus	1:04	50	250	15%	375
1965				250	20%	500
1966				250	18%	450
1967				250	15%	375
1968				250	13%	313
1969				250	15%	375
1970				250	15%	375
1971				250	15%	375
1972				250	11%	275
1973				250	11%	275
1974	Bonus	1:01	250	500	11%	275
1975				500	18%	450
1976				500	10%	442
1977				500	11%	460
1978				500	15%	584
1979	Bonus	1:02	250	750	15%	852
1980				750	16%	958
1981	Bonus	1:03	250	1,000	20%	1,863
1982	Bonus	1:04	250	1,250	21%	2,385
1983	Bonus	1:05	250	1,500	25%	3,451
1984				1,500	27%	3,774
1985				1,500	28%	3,525
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



## HISTORY OF DIVIDENDS AND SCRIP ISSUES

Year ended 31st March	Issue	Basis	No. of shares '000	Cum. No. of shares '000	Dividend	Dividend Rs. '000
1989	Bonus	1:04	1,000	5,000	33%	16,500
1990	Bonus	1:05	1,000	6,000	33%	19,800
1991	Bonus	1:04	1,500	7,500	33%	24,750
1992	Bonus	1:05	1,500	9,000	33%	29,700
1993	Bonus	1:06	1,500	10,500	30%	31,500
1994	Bonus	4:21	2,000	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
2019				75,000	Rs.5.00 p.s	375,000
2020				75,000	-	-
2021	Share split	1:10	675,000	750,000	Rs.1.30 p.s	975,000

# COUNTRY REPORT

## Vital Statistics

Population (2020)	21.9 mn
Land Area	65,610 Sq km
Languages	Sinhalese, Tamil and English
Per capita GDP (2020)	USD 3,682
Currency (2020)	Sri Lankan Rupee (LKR 185.39 : 1 USD)

## Background

Since the end of a 30 year war against terrorism, Sri Lanka has begun focusing on long-term strategic and structural development challenges as it strives to transition to an upper middle income country. Sri Lanka's economy is worth USD 80.7 bn with a per capita GDP of USD 3,682 for 2020, while continuing its growth momentum. In the past years, this year's economic growth was crippled by the Covid - 19 pandemic. Over the period of 2005-2015, the Country's economy has seen a robust annual growth of 6%-7%, which is well above its Asian peers. On per capita GDP, Sri Lanka is ahead of countries in the South Asian Region. The main economic sectors contributing to growth include Industrial, services, agricultural products such as tea and rice production along with sectors such as textile and apparel.

## Political Climate

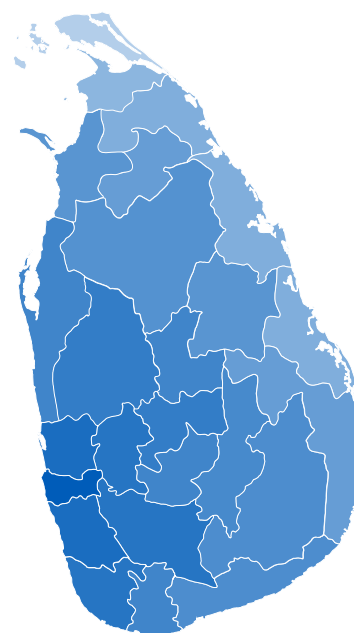
Sri Lanka is a multi-ethnic and multi-religious Democratic Republic with an elected national parliament and President along with provincial and local governments which are responsible for certain subjects at sub-national level. The presidential election held in August 2019, the first presidential election not to be contested by a sitting president, prime minister or opposition leader, Gotabaya Rajapakse was elected president of the Democratic Socialist Republic of Sri Lanka securing 52.25% of the casted votes. General elections were held in August 2020, amidst the pandemic, where the Sri Lanka Podujana Peramuna headed by the former Prime Minister Mahinda Rajapakse, secured 59.09% of total casted votes. This was the first time the main opposition party, United National Party, was unable to secure a seat in the Parliament.

Due to the delay in general elections and the lack of an approved budget for 2020, fiscal operations were carried out under Votes on Account and the directions of the President. Fiscal policy of the new Government was directed at reviving the stagnant economy, including a reduced tax policy to be maintained throughout the term of office. Albeit it proved challenging to meet these objectives due to the lower than expected revenue mobilisation and recurrent expenditure to support the economy from effects of the pandemic, timely policy measures supported a faster rebound in the second half of 2020.

## Recent Economic Development

The Country was faced with a daunting year amidst the Covid 19 pandemic and its spill over effect on the global and local market conditions. Sri Lanka experienced a contraction of the economy of 3.6% for 2020, recording the deepest recession since Independence, compared to a growth of 2.3% in 2019. A contraction was seen across all main economic sectors. The commendable management of the first wave of the outbreak of the pandemic in Sri Lanka supported with much needed policy decisions saw the revival of economic activity toward the second half of the year.

The accommodative monetary policy stance saw a reduction of policy rates by a total of 250 bps for the year and interest rates reached all time low with AWPLR reaching as low as 5.43%. In a bid to support the subdued economy, measures such as debt moratorium and concessional loan schemes to support cashflow and to support revival of Individuals and businesses were swiftly executed. As a result of these measures



credit to private sector showed a recovery towards the latter part of 2020.

Trade activity took a downward spiral during the first half of 2020 due to global and local lockdowns to combat the spread of the pandemic. Subdued external demand, disruptions to shipping and supply chains, issues in importing necessary intermediary goods due to lockdown measures and adverse price movement severely impacted the export revenue. However a notable increase was seen in the export of personal protective equipment (PPE). Compared to 2019, most of the industrial goods registered a decline, while agricultural exports showed a mixed performance with notable increases in some products. Even with the recovery in export revenue to pre-pandemic levels in the latter part of the year, earnings from exports fell to US Dollars 10,047 mn a 15.9% drop when compared to 2019. Expenditure on Imports also declined on the backdrop of policy measures taken to curtail non-essential Imports, decision taken mainly to support the exchange rate, the drop in oil prices and drop in import of Intermediate goods due to the pandemic. Recording a decline of 19.5% in 2020 compared to 2019 Import expenditure

## COUNTRY REPORT

was US dollars 16,055 mn in 2020. The deficit in the trade account contracted substantially to US dollars 6,008 mn in 2020 from US dollars 7,997 mn in 2019.

Foreign reserves dwindled to 11 year low, due to the repayment of a maturing International Sovereign Bond, repayment of Sri Lanka Development Bond, other significant loan payments and other outflows from the capital markets during the year. Following the downgrade of the sovereign by all the International Credit Rating agencies due to the challenging external debt repayment position of the Country, proved unfavourable conditions to access funds from foreign sources. However the GoSL managed to secure a foreign currency term funding from China Development Bank and swap arrangement with India and China which supported reserve levels to close at USD 5.7 bn for 2020 down from USD 7.6 bn in 2019.

The Rupee depreciated by 2.6% for the year against the greenback. Even though the annual depreciation was recorded low the currency pair was highly volatile touching as high as 204.00 against the US Dollar during 2020 mainly on the backdrop of dwindling reserve levels and depleted liquidity of US Dollar and foreign currency in the market.

### Policy Direction

According to the Government, policies were mainly directed towards strengthening of the 2020-2025 medium term goals of poverty elevation and economic revival. As mentioned above, even with the lack of an approved budget till the latter end of 2020, the policies were implemented through a Vote on Accounts and authorisations of the President, as permitted by the Constitution of Sri Lanka. The Government implemented measures to lower the tax burden of businesses and individuals, thereby supporting the rebounding of economic activity and enhancing the income of people. As a target to simplify the tax structure changes to the Inland Revenue Act progressed during 2020.

Government also remained firm on its explicit financing strategy aimed at reducing the foreign exposure in the medium term and continued to rely heavily on domestic sources of financing. Amidst adverse speculation GoSL maintained its impeccable debt servicing record during the turbulent year of 2020.

The development of the Colombo Port City Project, the Hambantota Industrial Zone and other Infrastructure projects remain in the foresight of the Government, prompting a positive outlook on foreign direct investments and a faster economic recovery in the coming year.

### Economic Outlook

Annual economic publication by Asian Development Bank (ADB) has forecasted a significant rebound of the economic activity of the Country with a GDP growth of 4.1% in 2021 on the backdrop of global economic recovery and vaccination programmes. The World Bank expects GDP growth to be at 3.1% for 2021 for Sri Lanka.

The growth in GDP is expected to be fuelled by the eased monetary policy which would improve investments along with the global demand and the base effect of the contraction recorded in 2020. The development of the Port City Project and the Hambantota Industrial Zone is expected to draw in foreign direct investment which would support the economic recovery. Tourism sector is expected to remain subdued and inflows through the sector would remain low. Resurrecting this sector calls for a new strategy to attract and win back the confidence of both domestic and international travellers. Sri Lanka also faces significant economic challenges stemming from high public debt and external financing requirements which may impact the expected growth of the Country. The success of the forecasted economic recovery will mainly depend on the Government's ability to manage the third wave of the pandemic and the proper management of the vaccination programme within the Country.

## 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
	Martin Bauer Hayleys (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
Consumer & retail	Hayleys Agro Fertilizers (Pvt) Ltd	Fertiliser
	Hayleys Consumer Products Ltd	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
	Singer Industries (Ceylon) PLC	Assembly of sawing machines & manufacture cabinets and stands for sawing machines
	Regnis (Lanka) PLC	Manufacture of Refrigerators and bottle coolers.
	Singer Finance (Lanka) PLC	Finance leasing, Mobilisation of Fixed & savings deposits, Financing consumer 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.
	Reality Lanka Ltd	Acquire, lease, sell and develop properties and contractors for constructions.

## GROUP COMPANIES

Sub sector	Company	Nature of the Business
Leisure	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
	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
	Lake Lodge (Pvt) Ltd	Leisure
	Luxury Resorts Pvt Ltd	Leisure
Industry Inputs and Power & Energy	Hayleys Tours (Pvt) Ltd	Travel Agency and Destination Management
	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
	Neluwa Upper Hydro Power (Pvt) Ltd	Hydropower
	Kalupahana Power Company (Pvt) Ltd	Hydropower
	Solar One Ceylon (Pvt) Ltd	Solar power
	Beta Power (Pvt) Ltd	Windpower
	Joule Power (Pvt) Ltd	Windpower
Transportation & Logistics	Hayleys Advantis Group	Shipping agency, international freight forwarding, express freight, bunkering, husbanding and port agency, ship chartering, ocean container repairing and conversion, container yard operation, inland logistics, energy logistics, warehousing & third-party logistics, marine & shipping and airline representation.
Others	Dean Foster (Pvt) Ltd	Investments
	Hayleys Business Solutions International (Pvt) Ltd	Business Process Outsourcing and Centralised Shared Services
	Hayleys Group Services (Pvt) Ltd	Secretarial/Investments
	Volanka Insurance Brokers (Pvt) Ltd	Insurance Brokering
	Carbotels (Pvt) Ltd	Hotel Investment
	Haylex Group	Marketing
	Darley Property Holdings (Pvt) Ltd	Property holding and development
	Unisyst Engineering PLC	Architectural Aluminium joinery systems
	S&T Interiors (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	Consolidated			
	2021		2020	
		Rs. mn		Rs. mn
<b>Value Created</b>				
Revenue from contracts with customers		241,276		210,307
Other income		1,468		1,673
Change in fair value of investment properties		196		87
Share of profit of equity accounted investees		253		264
Finance income		3,176		2,038
Cost of materials and services bought in		(177,377)		(155,915)
		68,992		58,454
	Share		Share	
<b>Value Distributed</b>				
<b>To Employees as remuneration</b>	45%	30,511	46%	27,148
<b>To Government revenue</b>	18%	12,482	21%	12,508
Of Sri Lanka		11,258		11,698
Overseas		1,224		810
<b>To Shareholders as dividend</b>	1%	975	-	-
<b>To Lenders of capital</b>	19%	13,284	24%	13,531
Interest on borrowings		6,875		11,009
Non-Controlling interest		6,409		2,522
	83%	57,252	91%	53,187
<b>Value retained for expansion &amp; growth</b>				
Depreciation	8%	5,330	9%	5,159
Profit retained	9%	6,410	0%	108
	17%	11,740	9%	5,267
	100%	68,992	100%	58,454



## AWARDS AND RECOGNITION

The Group is a frequent recipient of awards and external recognition, and key awards received during the year are listed below.

 <b>Overall Excellence</b>	Hayleys PLC- No. 1 Listed Company in Sri Lanka: LMD 100, Sri Lanka's leading listed companies (FY 2019/20)
	Talawakelle Tea Estates PLC - Ranked 4th in the LMD Hall of Fame, Most respected entities in Sri Lanka
	Talawakelle Tea Estates PLC -Sector winner in plantation sector, Most respected entities in Sri Lanka
	Kelani Valley Plantations PLC-Winner large scale, Agriculture and plantations category: Business World Excellence Awards (2020)
	Singer (Sri Lanka) PLC- Gold award, Restart resilience awards 2020
 <b>Contribution to Exports</b>	Eco Solutions Sector-Coconut and coconut related products (large category): 28th Annual NCE Exporters award ceremony 2020
	Gold award - For Toyo Cushion Lanka (Pvt) Ltd
	Silver award - For Hayleys Fibre PLC & Bonterra Limited
	Bronze award - Rileys (Pvt) Ltd & Chas P. Hayley & Co (Pvt) Ltd
	Purification Sector: Merit award-National level manufacturing sector (Extra-large) CNCI Achiever's Awards 2020
	Purification Sector: Industrial excellence top ten awards CNCI Achiever's Awards 2020
 <b>Corporate Reporting</b>	Hand protection: Gold award for most innovative exporter- NCE Export Awards 2020
	Talawakelle Tea Estates PLC-Best integrated report & Asia's best integrated report (Design), Asia Sustainability Reporting Awards 2019.
	Hayleys Fabrics PLC- Bronze medal: Asia's best integrated Report (Design)
	Talawakelle Tea Estates PLC- National winner for report production (design), Hallbars Sustainability Report Awards
	Kelani Valley Plantations PLC-Top 3 in the Hallbars Sustainability Reporting Awards 2020
 <b>HR Practices</b>	Talawakelle Tea Estates PLC- Certified as Great Place to Work
	Singer Finance (Lanka) PLC- Certified as Great Place to Work
	Clarion Shipping (Pvt) Ltd- Certified as Great Place to Work
	Logistics International Ltd- Certified as Great Place to Work
	Logiwiz Ltd- Certified as Great Place to Work
	Mountain Hawk Express (Pvt) Ltd -Ranked 18th among 25 MNCs in Asia by the Great Place to Work organisation
	COSCO Shipping Lines Lanka (Pvt) Ltd- Certified as Great Place to Work
 <b>Brand and Quality</b>	Singer (Sri Lanka) PLC: SLIM People's Awards (2020)
	SLIM People's Brand of the Year
	SLIM People's Durable Brand of the Year
	SLIM People's Youth Choice Brand of the Year
	Logiwiz Ltd: Six gold awards- National convention of quality and productivity 2021
	Platinum Award- International Convention on Quality Control Circles (ICQCC)
	Advantis Group- Gold award in machinery and light engineering category: NCE Export Awards (2020)
 <b>Sustainability</b>	Talawakelle Tea Estates PLC -Silver award in Farming and Sustainability: Green world awards (2020), The Green Organisation (UK)
	HJS Condiments Ltd- Winner of the Best sustainability project award: Best Corporate Citizen Sustainability Awards 2020

# GLOSSARY OF FINANCIAL TERMS

## Actuarial Gains and Losses

Gain or loss arising from the difference between estimates and actual experience in a company's pension plan.

## Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

## Available for Sale

Non derivative financial asset that are designated as available for sale or are not classified as loans and receivable, held to maturity investment or financial assets at fair value through profit and loss.

## Biological Asset

A living animal or plant

## Capital Employed

Shareholders' funds plus non-controlling interests and interest bearing borrowings.

## Capital Reserves

Reserves identified for specific purposes and considered not of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity available for distribution.

## Cash Equivalents

Liquid investments with original maturity periods of three months or less.

## Contingent Liability

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

## Current Ratio

Current assets divided by current liabilities. A measure of liquidity.

## Current Service Cost

Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

## Deferred Taxation

The tax effect of timing differences deferred to/from other periods, which would only qualify for inclusion on a tax return at a future date.

## Dividend Cover

Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

## Dividend Payout

Dividend per share as a percentage of the earnings per share.

## Dividend Yield

Dividend per share as a percentage of the market price. A measure of return on investment.

## EBIT

Earnings Before Interest and Tax.

## Effective Tax Rate

Income tax expense divided by profit before tax.

## Equity

The value of an asset after all the liabilities or debts have been paid.

## Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## Fair Value Through Profit and Loss

A financial asset/liability acquired/ incurred principally for the purpose of selling or repurchasing it in the near term.

## Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

## Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

## Financial Liability

Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

## Gain on Bargain Purchase

The amount of the identifiable assets acquired and liabilities assumed exceeds the aggregate consideration transferred.

## Gearing

Proportion of total interest bearing borrowings to capital employed.

## Interest Cover

Profit before tax and net finance cost divided by net finance cost. Measure of an entity's debt service ability.

## Key Management Personnel (KMP)

KMP are those persons having authority and responsibility for planning directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

## Market Capitalisation

Number of shares in issue multiplied by the market value of a share at the reported date.

## Net Assets Per Share

Total equity attributable to equity holders divided by the weighted average number of ordinary shares in issue. A basis of share valuation.

## Non-controlling Interest

Equity in subsidiary not attributable, directly or indirectly, to a parent.

## Other comprehensive income

An entry that is generally found in the shareholders' equity section of the balance sheet.

## GLOSSARY OF FINANCIAL TERMS

### 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 LIMITED ASSURANCE REPORT



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## Independent Assurance Report to Hayleys PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2020/21

### 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- 2020/21 ("the Report").

- Reasonable assurance on the information on financial performance as specified on pages 246 to 249 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 ("ICASL").

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 sustainability 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 02 June 2021. 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 ICASL.

### 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 company personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2021.
- 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

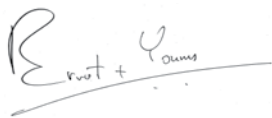
Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

## INDEPENDENT LIMITED ASSURANCE REPORT

### Conclusion

Based on the procedures performed, as described above, we conclude that;

- The information on financial performance as specified on pages 172 to 173 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2021.
- 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**

19 May 2021

Colombo

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### Independent Limited Assurance Report to the Directors of Hayleys PLC

We have been engaged by the Directors of Hayleys PLC (“the Company”) to provide limited assurance in respect of the Integrated Report for the year ended 31 March 2021. (the “Integrated Report”). The criteria used as a basis of reporting is the content elements of the International Integrated Reporting Council (IIRC)’s Integrated Reporting Framework (<IR> Framework) as disclosed in this Integrated Report.

### Basis for Conclusion

We conducted our work in accordance with the Sri Lankan Standard on Assurance Engagements SLSAE 3000 (Standard). In accordance with the Standard we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the Company’s Integrated Report, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

### Our Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

We have not been engaged to provide an assurance conclusion on the fitness for purpose or the operating effectiveness of the Company’s strategy or how the Company creates value, including the governance, strategic management and other key business processes. The procedures we have performed in relation to the Company’s strategy and how the Company creates value are outlined below.

### Limited Assurance Integrated Report

Based on the limited assurance procedures performed and evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Integrated Report, as defined above, for the year ended 31 March 2021, has not in all material respects, been prepared in accordance with the Content Elements of the IIRC’s International Integrated <IR> Framework.

### Board of Directors and Management’s responsibility

The Board of Directors and Management are responsible for:

- Determining whether the criteria is appropriate to meet the needs of intended users, being the Company’s members and any other intended users;
- Preparing and presenting of the Report in accordance with the criteria set out in the IIRC’s <IR> Framework. This includes disclosing the criteria, including any significant inherent limitations;
- Ensuring the Company’s strategy is well presented in the Company’s Integrated Report and reflects how the Company creates value as they operate in practice;

- Identifying stakeholders and stakeholder requirements;
- Identifying material issues and reflecting those in the Company’s Integrated Report; and
- Preparation and fair presentation of the Integrated reporting information; Design and implementation of internal controls that the company determines necessary to enable the preparation and presentation of the Integrated Report that is free from material misstatement, whether due to fraud or error;
- Informing us of any known and/or contentious issues relating to the Integrated Report
- Preventing and detecting of fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities;
- Establishing a process to ensure that the Company’s personnel involved with the preparation and presentation of the integrated reporting information are properly trained, systems are properly updated and that any changes in reporting is relevant to the integrated report information encompass all significant business units. This responsibility also includes informing us of any changes in the Company’s operations; and
- Informing us of any changes in the Company’s Operations since the date of our most recent assurance report on the Integrated reporting information.

### Our Responsibility

Our responsibility is to perform a limited assurance engagement in relation to the Integrated Report and to issue an assurance report that includes our conclusions.



## INDEPENDENT LIMITED ASSURANCE REPORT

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain limited assurance about whether the Integrated Report is free from material misstatement.

### Limited assurance on the Integrated Report

Our limited assurance engagement on the Integrated Report consisted of making enquiries, primarily of persons responsible for the preparation of the Integrated Report, and applying analytical and other procedures, as appropriate. These procedures included:

1. Interviews with executives, senior management and relevant staff to understand the internal controls, governance structure and reporting process relevant to the Report;
2. Reviewing of the relevant internal policies and procedures developed by the Company, including those relevant to determining what matters most to the Company's stakeholders, how the Company creates value, the Company's external environment, strategy, approaches to putting members first, governance and reporting;
3. Reviewing the description of the Company's strategy and how the Company creates value in the Report and enquiring of management as to

whether the description accurately reflects their understanding;

4. Assessing of the suitability and application of the Content Elements of the <IR> Framework in the Report;
5. Assessing of the alignment between the Company's strategy, the disclosures on how the Company creates value and what matters most to the Company's stakeholders;
6. Reviewing Board minutes to ensure consistency with the content of the Report;
7. Reviewing the Report in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement; and
8. Obtaining a letter of representation from management dated 19th May 2021 on the content of the Company's Integrated Report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Integrated Report.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Company.

### Limitations of our review

The Integrated Report includes prospective information. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and

achievability of prospective information in the Integrated Report.

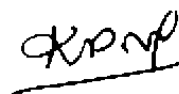
### Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Integrated Report is prepared in accordance with the IIRC's International <IR> Framework and for no other purpose or in any other context.

### Restriction of use of our report

This report has been prepared for the Company for the purpose of providing an assurance conclusion on the Integrated Report and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Company, or for any other purpose than that for which it was prepared.

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.



**Chartered Accountants**

Colombo

19th May 2021

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# GRI CONTENT INDEX TOOL

GRI Standard	Disclosure	Page number	Omission
<b>GRI 101: Foundation 2016 (does not include any disclosures)</b>			
<b>General Disclosures</b>			
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	102-2 Activities, brands, products and services	16,17	
	102-3 Location of headquarters	400	
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	102-5 Ownership and legal form	261	
	102-6 Markets served	15	
	102-7 Scale of the organisation	18,19	
	102-8 Information on employees and other workers	188	
	102-9 Supply chain	197,198	
	102-10 Significant changes to the organisation and supply chain	399	
	102-11 Precautionary principle	81	
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	102-13 Membership of associations	207	
	102-14 Statement from senior decision maker	38,39	
	102-15 Key impacts, risks, and opportunities	85,94	
	102-16 Values, principles, norms and standards of behaviour	52 and vision, mission and value statement	
	102-18 Governance Structure	50	
	102-40 List of stakeholder groups	72,73	
	102-41 Collective bargaining agreements	190	
	102-42 Identifying and selecting stakeholders	72,73	
	102-43 Approach to stakeholder engagement	72,73	
	102-44 Key topics and concerns raised	72,73	
	102-45 Entities included in the consolidated financial statements	385-386	
	102-46 Defining report content and topic boundary	399, 74	
	102-47 Material topics	75,76	
	102-48 Restatement of information	399	
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	102-50 Reporting period	399	
	102-51 Date of most recent report	399	
	102-52 Reporting cycle	399	
	102-53 Contact point for questions regarding Report	399	
	102-54 Claims of reporting in accordance with GRI Standards	399	
	102-55 GRI context index	395-398	
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<b>Material topics</b>			
<b>Economic Performance</b>			
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	103-2 The Management Approach and its components	227	
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GRI Standard	Disclosure	Page number	Omission
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	103-3 Evaluation of the Management Approach	226	
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	227	
<b>Procurement practices</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	75,76	
	103-2 The Management Approach and its components	197	
	103-3 Evaluation of the Management Approach	197	
GRI 204: Procurement practices	204-1 Proportion of spending on local suppliers	197	
<b>Raw materials</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	75,76	
	103-2 The Management Approach and its components	214	
	103-3 Evaluation of the Management Approach	223	
GRI 301: Raw materials (2016)	301-1: Raw materials used by weight or volume	223	
	301-2 Recycled input materials used	223	
<b>Energy</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	75,76	
	103-2 The Management Approach and its components	214	
	103-2 Evaluation of the Management Approach	217	
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	218	
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	302-4 Reduction of energy consumption	218	
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	103-2 The Management Approach and its components	214	
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	303-1 Interactions with water as a shared resource	215	
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	103-2 The Management Approach and its components	214	
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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	222	
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	304-4 IUCN Red list species and national conservation list species with habitats in areas affected by operations	222	

GRI Standard	Disclosure	Page number	Omission
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	103-2 The Management Approach and its components	214	
	103-3 Evaluation of the Management Approach	218	
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	305-2 Energy indirect greenhouse gas (GHG) emissions (Scope 2)	219	
	305-3 Other indirect (Scope 3) GHG emissions	219	
	305-4 GHG emissions intensity	219	
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	103-2 The Management Approach and its components	214	
	103-3 Evaluation of the Management Approach	220	
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	103-2 The Management Approach and its components	214	
	103-2 Evaluation of the Management Approach	214	
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GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	75,76	
	103-2 The Management Approach and its components	187	
	103-3 Evaluation of the Management Approach	187	
GRI 401: Employment 2016	401-1 Employee hires and turnover	188,194	
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	103-2 The Management Approach and its components	190	
	103-2 Evaluation of the Management Approach	190	
GRI 402: Labour Management Relations	402-1 Minimum notice periods regarding operational changes	190	
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	103-2 The Management Approach and its components	192	
	103-2 Evaluation of the Management Approach	192	
GRI 403: Occupational Health and Safety 2020	403-1 Occupational health and safety management system	192	
	403-2 Hazard identification, risk assessment, and incident investigation	192	
	403-3 Occupational health services	192	
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GRI Standard	Disclosure	Page number	Omission
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	103-2 The Management Approach and its components	187	
	103-2 Evaluation of the Management Approach	187	
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## Basis of preparation

### Reporting Scope and Boundary

This Integrated Annual 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 261) for the period from 1st April 2020 to 31st March 2021. The Group adopts an annual reporting cycle and the most recent previous report for the financial year ending 31 March 2020 is available for download on [www.hayleys.com](http://www.hayleys.com).

Both the financial and non-financial information presented in the narrative report reflects the Group's domestic and international operations, unless specifically mentioned otherwise. There were no significant changes to the Group's size, structure or supply chain during the financial year.

### Reporting changes

The Group adopted the updated GRI Standards on Occupation Health and Safety (GRI 403:2018), Water and Effluents (GRI 303:2018) and Waste (GRI 306: 2020). In addition the Group also reported on two new topics reflecting changes to materiality; these are GRI 416: Customer Health and Safety and GRI 302: Indirect Economic Impacts.

### Restatement of Information

The carbon footprint has been restated as the Group refined and improved its emission computation to capture the CH4 and NO2 emitted from burning biomass. There were no other major restatements of information presented in previous years.

## Reporting Standards and Frameworks

The Report has been prepared in accordance with the following guidelines and frameworks;

Financial Statements	Narrative Report	Sustainability Report	Corporate Governance
<p>Sri Lanka Financial Reporting Standards</p> <p>Companies Act No. 7 of 2007</p> <p>Listing Requirements of the Colombo Stock Exchange</p>	<p>Integrated Reporting Framework of the International Integrated Reporting Council (including revisions made in January 2021)</p>	<p>This Report has been prepared In Accordance with the GRI Standards - Core option.</p> <p>United Nations Global Compact</p> <p>Guidance on ESG Reporting issued by Colombo Stock Exchange</p> <p>National Green Reporting Standards of Sri Lanka</p> <p>UNGC CEO's Water mandate</p>	<p>Listing Requirements of the Colombo Stock Exchange</p> <p>Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017)</p>

### External Assurance

We adopt a combined assurance model to ensure the credibility and integrity of our reporting. External assurance on the financial reporting has been provided by Messrs. Ernst and Young while financial, compliance and operating controls are assessed by our internal audit function. The Group's Audit Committee also monitors adequacy and effectiveness of the financial reporting and internal control systems. During the year, we also obtained external assurance on our Integrated Reporting practices by Messrs. KPMG while external assurance on the sustainability reporting has been provided by Messrs. Ernst and Young.

### Feedback

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

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

Corporate Affairs Unit- Hayleys PLC



## CORPORATE INFORMATION

### Name of Company

Hayleys PLC

(A public limited company, incorporated in Sri Lanka in 1952)

### Company Number

PQ 22

### Stock Exchange Listing

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

### Registered Office

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 R V Waidyaratne  
M H Jamaldeen  
M Y A Perera  
Mrs. J Dharmasena  
R J Karunarahaj  
K D G Gunaratne  
Ms. A A K Amarasinghe (Alternate to K D D Perera)

### Group Management Committee

A M Pandithage – Chairman & Chief Executive  
S C Ganegoda  
H S R Kariyawasan  
L R V Waidyaratne  
Mrs. J Dharmasena  
W G R Rajadurai  
E R P Goonethilleke  
Mrs. D Talpahewa  
C De Silva  
N R Ranatunge  
D W P N Dediwela  
H Prematillake  
Ng Soon Huat  
M Wijewardene  
R J Karunarahaj

### Audit Committee

M Y A Perera - Chairman  
Dr H Cabral, PC  
M H Jamaldeen  
K D G Gunaratne (appointed w.e.f. 17.06.2020)

### Remuneration Committee

Dr H Cabral, PC – Chairman  
K D D Perera  
M H Jamaldeen  
M Y A 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](mailto:info.sec@hayleys.com)  
Please direct any queries about the administration of shareholdings to the Company Secretaries

### Investor Relations

Please contact Strategic Business Development Unit  
Telephone: (94-11)2627662  
E-mail: [lasantha.somaratne@sbdu.hayleys.com](mailto:lasantha.somaratne@sbdu.hayleys.com)

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Seventieth Annual General Meeting of Hayleys PLC will be held on Tuesday, 29th June 2021 at 4.00 p.m via online meeting platform 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 2021, with the Report of the Auditors thereon.
2. To re-elect Mr. S.C. Ganegoda, who retires by rotation at the Annual General Meeting, a Director.
3. To re-elect Mr. L.R.V. Waidyaratne, who retires by rotation at the Annual General Meeting, a Director.
4. To re-elect Mr. H.S.R. Kariyawasan, who retires by rotation at the Annual General Meeting, a Director.
5. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A.M. Pandithage, in terms of Section 211 of the Companies Act No.07 of 2007, who retires having attained the age of seventy years.

### Ordinary Resolution

'That Mr. Abeyakumar Mohan Pandithage, who has attained the age of seventy years be and is hereby re-appointed a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the appointment of the said Director'.

6. To authorise the Directors to determine contributions to charities for the financial year 2021/2022.
7. To authorise 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 2021/2022.
8. To consider any other business of which due notice has been given.

### Notes:

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company.

A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No.400, Deans Road, Colombo 10, Sri Lanka or must be email to hayleysagm@secretarial.hayleys.com not less than (48) hours before the time fixed for the meeting.

2. Please refer the "Circular to Shareholders" dated 3rd June 2021 and follow the instructions to join the meeting via online.

By Order of Board

**HAYLEYS PLC**  
**HAYLEYS GROUP SERVICES (PRIVATE) LIMITED**

Secretaries

Colombo  
 3rd June 2021







# FORM OF PROXY

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

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

being Shareholder/Shareholders\* of HAYLEYS PLC hereby appoint,

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

NIC No. of Proxyholder (\*\*) ..... of .....

or failing him/her

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our \* proxy to attend, speak and vote as indicated hereunder for me/us\* and on my/our\* behalf at the Seventieth Annual General Meeting of the Company to be held on Tuesday, 29th June 2021 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	For	Against
1. To adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2021 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. S.C.Ganegoda, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. L.R.V.Waidyaratne, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. H.S.R. Kariyawasan, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To propose the Ordinary Resolution as set out in the Notice for the re-appointment of Mr. A.M. Pandithage, in terms of Section 211 of the Companies Act No.07 of 2007, who retires having attained the age of seventy years.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Directors to determine contributions to charities for the financial year 2021/22.	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise 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 2021/22.	<input type="checkbox"/>	<input type="checkbox"/>

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

As witness my/our\* hands this ..... day of ..... 2021.

Witnesses: Signature : .....

Name : .....

Address : .....

Signature of Shareholder

NIC No : .....

## Notes:

(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. Reg. No. Should be given in the case of corporate shareholders.

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

(d) Instructions are noted on the reverse hereof.

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

(f) Please refer the "Circular to Shareholders" dated 3rd June 2021 and follow the instructions to join the meeting via online.

## FORM OF PROXY

### INSTRUCTIONS AS TO COMPLETION :

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No.400, Deans Road, Colombo 10, Sri Lanka or must be email to **hayleysagm@secretarialhayleys.com** not less than 48 hours before the start of the Meeting.
2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly sign and fill in the date of signing.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.
4. Please indicate with an X in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (\*\*\*) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
5. In the case of a Company /Corporation the proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association.  
  
In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
7. In the case of Marginal Trading Accounts (slash accounts), the form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.



## INVESTOR FEEDBACK FORM

To request information or submit a comment / query to the Company, please complete the following and return this page to -

Strategic Business Development Unit  
Hayleys PLC  
P.O Box 70 , No.400, Deans Road, Colombo 10, Sri Lanka.

Telephone : (94 -11)262 7662  
E-mail : lasantha.somaratne@sbdu.hayleys.com

Name :

Permanent Mailing Address : .....

Contact Numbers - (Tel) : .....  
County Code Area Code Number

- (Fax) : .....  
County Code Area Code Number

E-mail : .....

Name of Company : .....  
(If Applicable)

Designation : .....  
(If Applicable)

Company Address : .....  
(If Applicable)

Queries / Comments :



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No.400, Deans Road, Colombo 10, Sri Lanka.  
[www.hayleys.com](http://www.hayleys.com)