

HAYLEYS FABRIC PLC



# DUAL

LEAPS AHEAD

ANNUAL REPORT 2021/22



[www.hayleysfabric.com](http://www.hayleysfabric.com)  
SCAN to access full Integrated  
Annual Report



## BOLD LEAPS AHEAD

Fearlessness. The ambition to remain bold and brave in our quest to be a leader in innovation and a champion of sustainability. They say that until one spreads their wings, one has no idea how high they can fly. We took a leap of faith into the unknown and landed on our chosen path of expansion and growth.

Our inherent hunger for progress beams the light of determination on us as we blaze new trails in our quest for excellence. As we forge ahead, enabling factors set the stage for more growth, more confidence, and above all, more sustained value creation to fulfil our vision to be the most sought-after fabric manufacturer in South Asia.

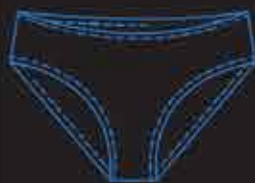
# The UN-CHALLENGED EXCELLENCE

Hayleys FABRIC

# Inno

Technology will revolutionize all the aspects within the physical environment and make oneself an indispensable for the survival of the universe. Acknowledging the demand of the decade, Inno 2021 collection is unveiled with a novel product range and concepts, while inviting each individual in the universe in one piece to transmogrify to a proficient cosmos.

FLIMSY OSMOS SIFT 4.00



Period Panty  
Essential Underwear

URBAN CHIC WRAP 1.0



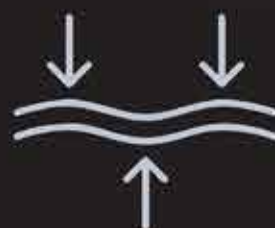
COZY COMFORT



Essential Two Piece  
Everyday Lounge Wear



FIRM



EXCLUSIVE POWER





## ENERGIZER PRIME 1.0



Essential Sports Bra  
Everyday Active Wear

## SHEER LOCKED 1.1



Essential Legging  
Everyday Yoga Wear



CLEAN SURFACE



SQUAT PROOF

## ODGEN NATAL CREST 2.2



QUICK DRY



MOISTURE WICK

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# ABOUT THIS REPORT

We are pleased to present the eight Integrated Annual Report of Hayleys Fabric PLC, setting out the performance for the financial year ending 31st March 2022. The report adopts a capital approach in line with the IR Framework and is a concise and balanced representation of how we have nurtured our capitals to deliver sustainable value to our stakeholders.

## BASIS OF PREPARATION

### Scope and Boundary

We adopt an annual reporting cycle and this report covers the activities of Hayleys Fabric PLC for the financial period 1st April 2021 to 31st March 2022. Hayleys Fabric PLC acquired 98.83% of the capital of South Asia Textiles Limited on 22nd April 2021 and balance 1.17% on 15th July 2021. Its operations are included in the Group disclosures relating to Hayleys Fabric Group. Consolidated financial statements are presented for the first

time and there are no comparatives for the financial year ending 31st March 2021. Non-financial information has also been presented for the Hayleys Fabric Group.

Any material events after 31st March 2022 and up to the Board approval date of 09th May 2022 have also been included in this report. There were no restatements of information nor changes to our reporting period during the year. The date of the most recent report was 31st March 2021 and is available on our

website ([www.hayleysfabric.com](http://www.hayleysfabric.com)). We have applied the principle of materiality in determining and prioritizing the information to be included in this Report. The process for determining materiality is described on page 53 of this report.

### Reporting Principles and Frameworks Applied

We have applied the following frameworks in preparing this report, moving beyond regulatory compliance to incorporate international best practice into our reporting process.

### Financial Reporting

- Sri Lanka Financial Reporting Standards (LKASs/SLFRSs)
- Companies Act No. 7 of 2007
- Sri Lanka Accounting & Auditing Standards Act No.15 of 1995

### Narrative Reporting

- Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)

### Corporate Governance

- Continued Listing Requirements of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka.

### Sustainability

- This report has been prepared in accordance with the GRI Standards: Core option

### Reporting Improvements

- Adoption of the Gender Parity Reporting Framework published by the Institute of Chartered Accountants of Sri Lanka

### Assurance

Independent assurance on the financial statements, integrated reporting and nonfinancial information on Sustainability reporting in accordance with the GRI & <IR> framework provided by Messrs. Ernst & Young and these reports have been set out on pages 150 and 131-132 respectively.


### Precautionary Principle

We are committed to taking cost effective measures to prevent environmental degradation where there are threats of serious or irreversible damage despite lack of full scientific certainty in compliance with Principle 15 of The Rio Declaration on Environment and Development.

### Statement by the Board

Hayleys Fabric PLC's Board of Directors is ultimately responsible for ensuring the integrity of this report. We hereby confirm that the 2021/22 Annual Report fairly represents the Group's integrated performance and addresses all relevant material matters that have a bearing on our ability to create value over the short, medium and long term. We also confirm that the Report has been prepared in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council.

The Report was unanimously approved by the Board and is signed on its behalf by



**E.R.P. Goonetilleke**  
Managing Director/CEO



**Ruwan Rohitha Bandara**  
Director- Finance

### Feedback and Inquiries

We are committed to continuously improving our integrated reporting and welcome your feedback. Kindly address your comments and suggestions to:

**Mr. Ruwan Rohitha Bandara**

Director – Finance. Finance Department, Hayleys Fabric PLC, Narthupana Estate, Neboda, Sri Lanka.



0094 -34- 2297100



[rohitha.bandara@hayleysfabric.com](mailto:rohitha.bandara@hayleysfabric.com)



[www.hayleysfabric.com](http://www.hayleysfabric.com)

# ABOUT US

Hayleys Fabric PLC which commenced its journey in 1994 is the pioneer in fabric manufacturing in Sri Lanka, innovating a wide range of knits and fabric for quality conscious Global brands. Having acquired South Asia Textiles Limited in April 2021, we became the largest textiles manufacturer in the country with the capability of providing a complete portfolio of end-to-end solutions from designing to manufacturing of fabric, made out of both natural and synthetic fibres. We continuously strive to be socially responsible and carry out our activities following best practices on sustainability, environment, health and safety. As a result, we have earned the continued trust and confidence of our buyers. As a publicly listed subsidiary of the Hayleys Group, we are strengthened by a heritage of entrepreneurship and governance spanning over 140 years.

## Our Manufacturing Solutions

Circular Knitting of Fabric

Fabric Dyeing and Finishing

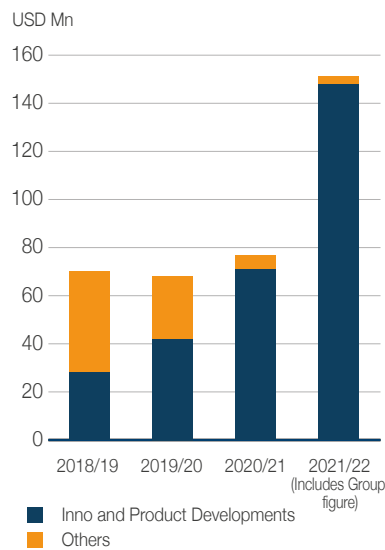
Fabric Printing

Brushing and Sueding

Product Development

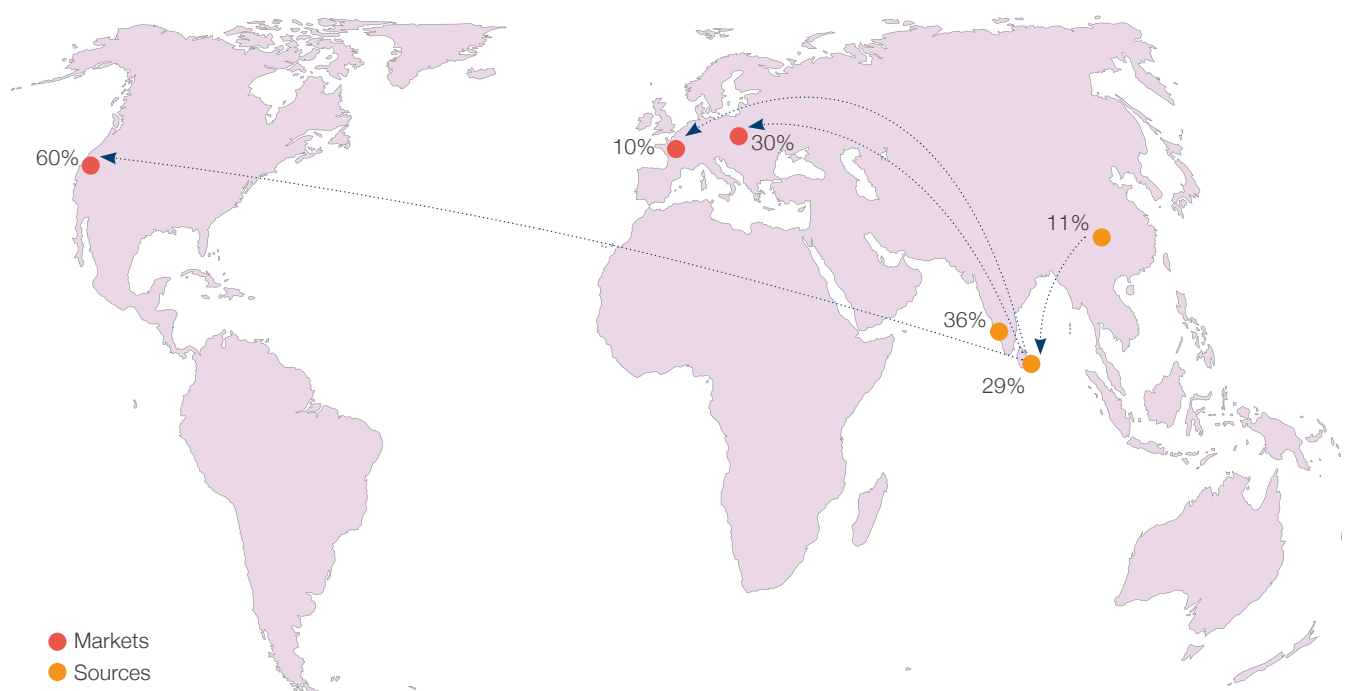
Innovative Fabric

## Revenue



In 2014, we launched our own brand, “Inno” becoming the first fabric mill in the country to do so. Inno helps us to differentiate ourselves from the rest, by focusing on developing fashionable, value added and functional fabric of superior aesthetics to the current market.

## Our Supply Chain





## Our Partners

VICTORIA'S  
SECRET



Calvin Klein

PVH

DECATHLON



TOMMY HILFINGER

next

asics

TEZENIS

PINK

Sedex Member



Team of employees

**2,915**



Revenue

**USD 150 Mn**



Profit After Tax

**USD 12.8 Mn**



Total Assets

**USD 122 Mn**



Fabric Produced

**17,326 MT**



Total Carbon Footprint

**56,134 tCO<sub>2</sub>e**

## VISION

To be the most sought after manufacturer of fabric in South Asia

## MISSION

To attract premier clothing Brands in the world, through Innovation, Speed, Reliability, Quality and Service whilst aligning our business strategies to satisfy stakeholder needs

## VALUES

### Integrity:

'do the right thing' - managing with honesty, efficiency, and reliability always

### Service:

'customer decides' - putting our customer at the center of all our activities

### Quality:

delivering excellent standards consistently

### Innovation:

invent in services and technologies to improve on what we do

### People:

to build our team to create value to stakeholders

### Accountability:

holding ourselves responsible to deliver what we promise

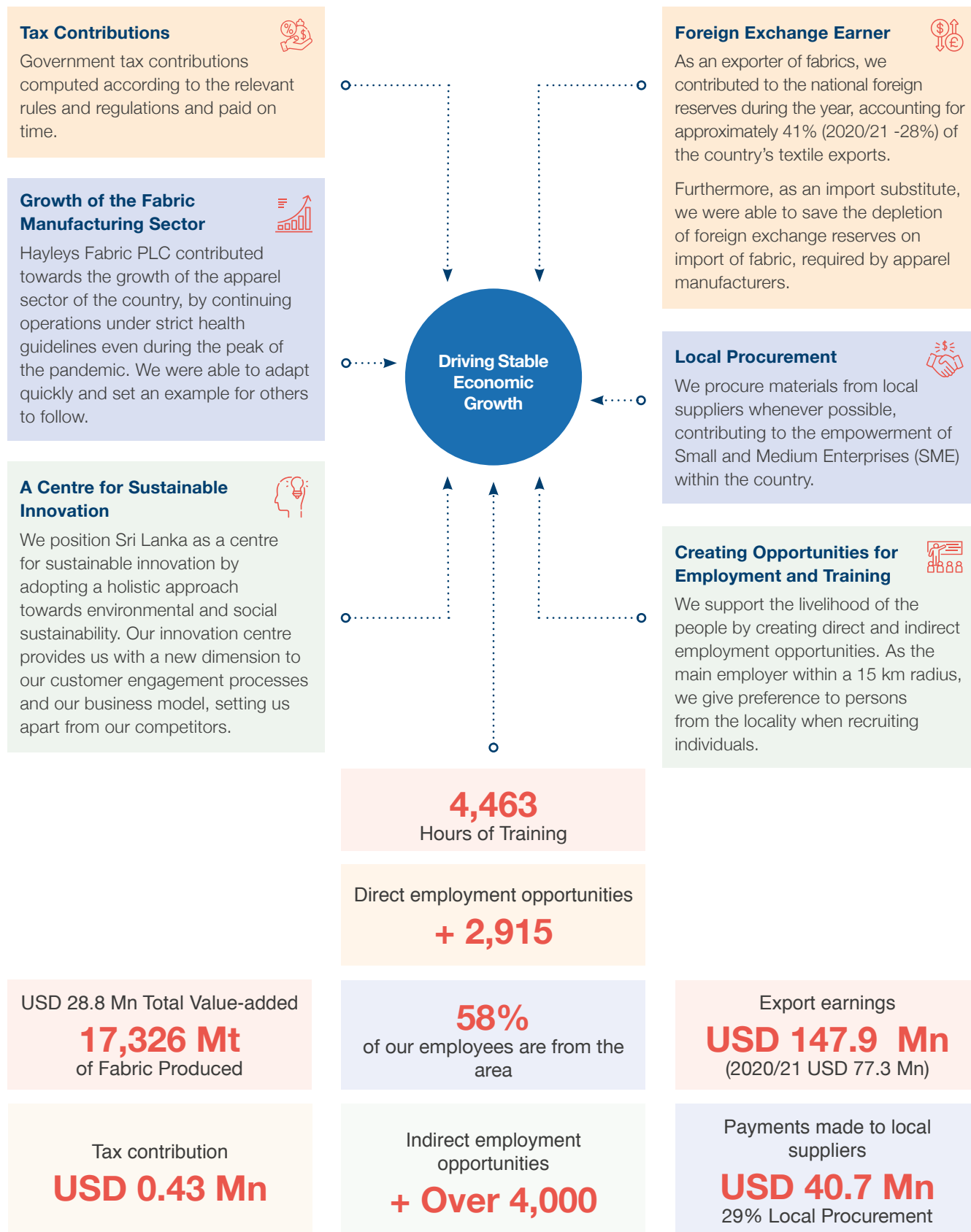
### Good Citizenship:

caring for the communities in which we work, and being environmentally responsible in all we do

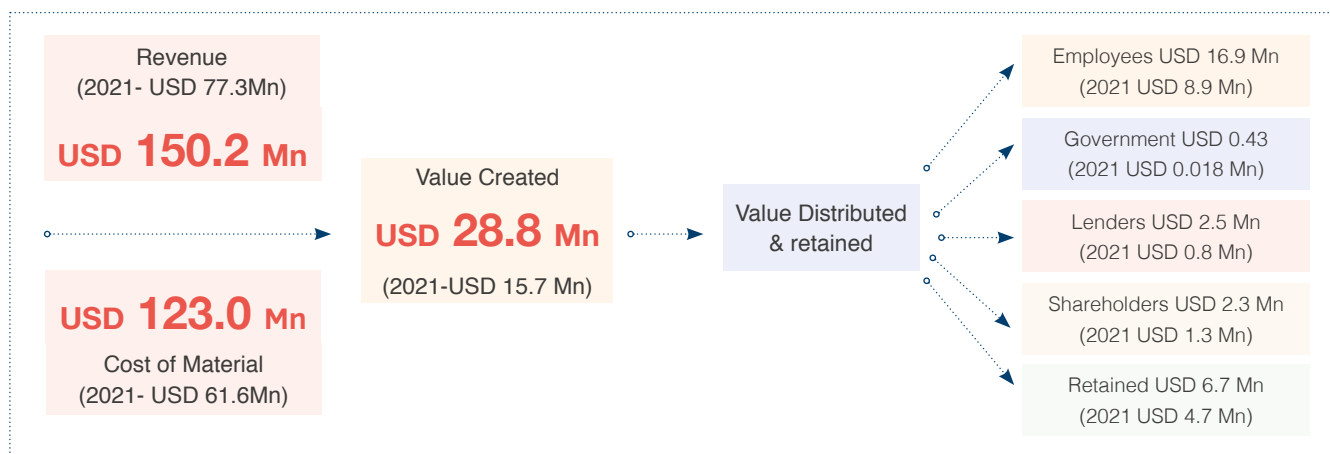
# ABOUT US

## OUR SOCIO-ECONOMIC IMPACT

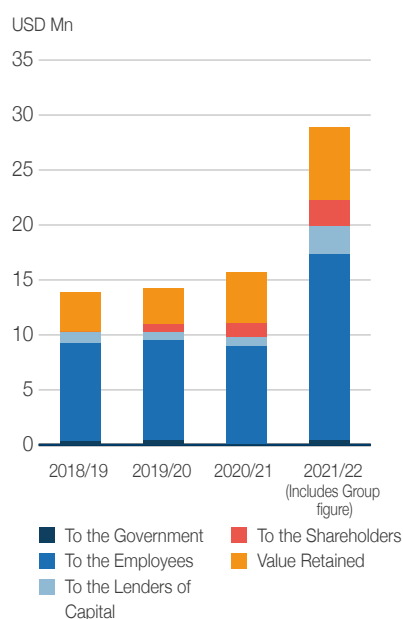
As the largest fabric manufacturer in the country, we contribute directly and indirectly towards Sri Lanka's socio-economic progress. A brief overview of our economic impact is illustrated below:



## Value Created - Group



## Sustainable Growth in Value Created for Stakeholders



Value created increased by 83% driven by growth in business volumes and richer revenue product mix. The highest amount of wealth generated was distributed amongst the employees of the Company, accounting for 59% of the total, an increase of 89% compared against the previous year. 23% of value was retained by the Company while the rest was distributed to the Government, Lenders of Capital and Shareholders.

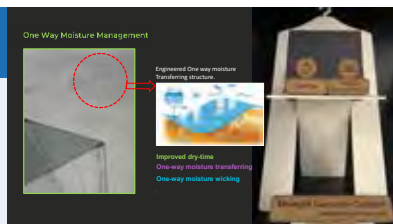
## FOCUSED INNOVATION



### PRODUCT INNOVATION

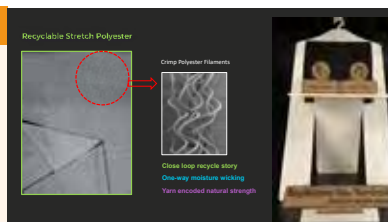
#### One-way Moisture Management on 100% Cotton

Our INNO team was able to combine the comfort of cotton and the performance of polyester with the help of our supply chain partners and come up with one-way moisture management on 100% cotton.



#### Recyclable Stretch Polyester

As spandex restricts the recyclability of materials, we have innovated composite materials having the same performance but with recyclable properties thereby helping to eliminate garments ending up in landfills.



#### Biodegradable Polyester

Worked with a key supply partner to develop a polymer which is biodegradable, overcoming the difficulty of breaking the long chain molecular bonds between polymer chains.



#### Natural Dyes

Created our own process for extracting dyes from natural substances that are wastes from the fashion industry such as tea and mahogany to create colorful fabrics. This process leaves a minimal impact on the environment as the carbon footprint is low.





## PROCESS INNOVATION

### Recycling Water

Endorsed the CEO Water Mandate by the UN Global Compact. About 10% of the water we use is recycled and we are working on increasing this.



### Science based target initiatives

Submitted our targets in achieving the Science based targets (SBTi) which is a global initiative to drive corporate climate action. We are the first Sri Lankan textile manufacturer to commit to setting a science-based target for reducing the Carbon footprint.



### ISO: 50001 EMS

Implemented ISO 50001 certified energy management system during the year, to ensure our energy usage has maximum efficiency.



### Wastewater Management System

Conducted chemical trials to reduce the mass of sludge and dry it down to a low moisture content which can be used for cement production and furnaces.



### PET Waste Collection

Installed a PET bottle collection point within our premises to encourage recycling and this waste is sent to manufacture recycled yarn which is used as an input for fabric production at Hayleys Fabric PLC.



### Rooftop Solar Installation

We generate 4.6 MW of solar power which is the single largest generation for one roof in the country and accounts for 22% of our consumption.



### Climate Emergency Task Force

As a member of the UN Global Compact Network Sri Lanka Climate Emergency Task Force, we are committed to tackling the climate crisis and have set our targets together with a third party.



### Biomass

About 71% of our energy consumption is from renewable sources of energy such as Biomass as we have reduced our dependency on fossil fuels.





# ABOUT US

## COMMITTED TO EXCELLENCE

At Hayleys Fabric PLC, we are committed to pursuing excelling in all that we do. Our Awards, Accolades and Certifications are a testament to the high work ethic and standards we follow, and we are proud to be recognized for our work as a leading performer in the industry.

### Awards During the Year



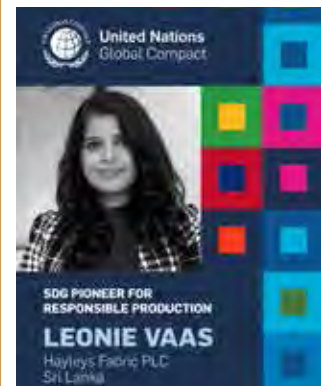
#### SAARC Anniversary Award 2020

Integrated Reporting and Corporate Governance Disclosures  
Certificate of Merit Award



#### International ARC Awards - Emerald Anniversary (35th Academy Awards of Annual Reports 2021)

Bronze Award for the 2019/20 Annual Report, 'Progressive by Nature' - the Best Script/ Writing: Manufacturing & Distributing



#### United Nations SDG Pioneer for Responsible Consumption and Production 2021

Awarded to Mrs. Leonie Vaas (Manager- Sustainability and Innovation) becoming the first Sri Lankan and out of ten in the World



#### The National Cleaner Production Awards 2021

Gold award under the Textile Industry (Manufacturing - Large category)



#### CA Sri Lanka Annual Report Awards 2021

Compliance Award



#### Asia Sustainability Reporting Awards 2020

Asia's Best Integrated Report (Design) - Category finalist

## Our Certifications



### Global Recycled Standard

Voluntary product standard for tracking and verifying the content of recycled materials in a final product.



### The Global Organic Textile Standard

Defines world-wide recognised requirements for organic textiles.



### ISO 14001: ENVIRONMENTAL MANAGEMENT SYSTEMS

One of the most popular accreditations for environmental management systems



### STANDARD 100 by OEKO-TEX

This is one of the world's best-known labels for textiles tested for harmful substances. It stands for customer confidence and high product safety.



### Ocs100- Organic Content Standard

OCS 100 covers the processing, manufacturing, packaging, labelling, trading and distribution of a product that contains at least 95 percent certified 'organic' materials.



### OCS BLENDED - ORGANIC CONTENT STANDARD

OCS covers the processing, manufacturing, packaging, labelling, trading and distribution of a product that contains at least 5 percent certified 'organic' materials



### ISO 45001: Occupational Health And Safety Management Systems

Global standard for Occupational Health and Safety Management Systems that provides a practical solution to improve the safety and health of both employees and other personnel.



### WORLDWIDE RESPONSIBLE ACCREDITED PRODUCTION

WRAP is the largest independent facility certification program in the world focused on apparel, footwear, and sewn products and certifies a facility's compliance with WRAP's 12 Principles relating to social compliance



### ISO 50001: ENERGY MANAGEMENT SYSTEMS

## Voluntary Initiatives



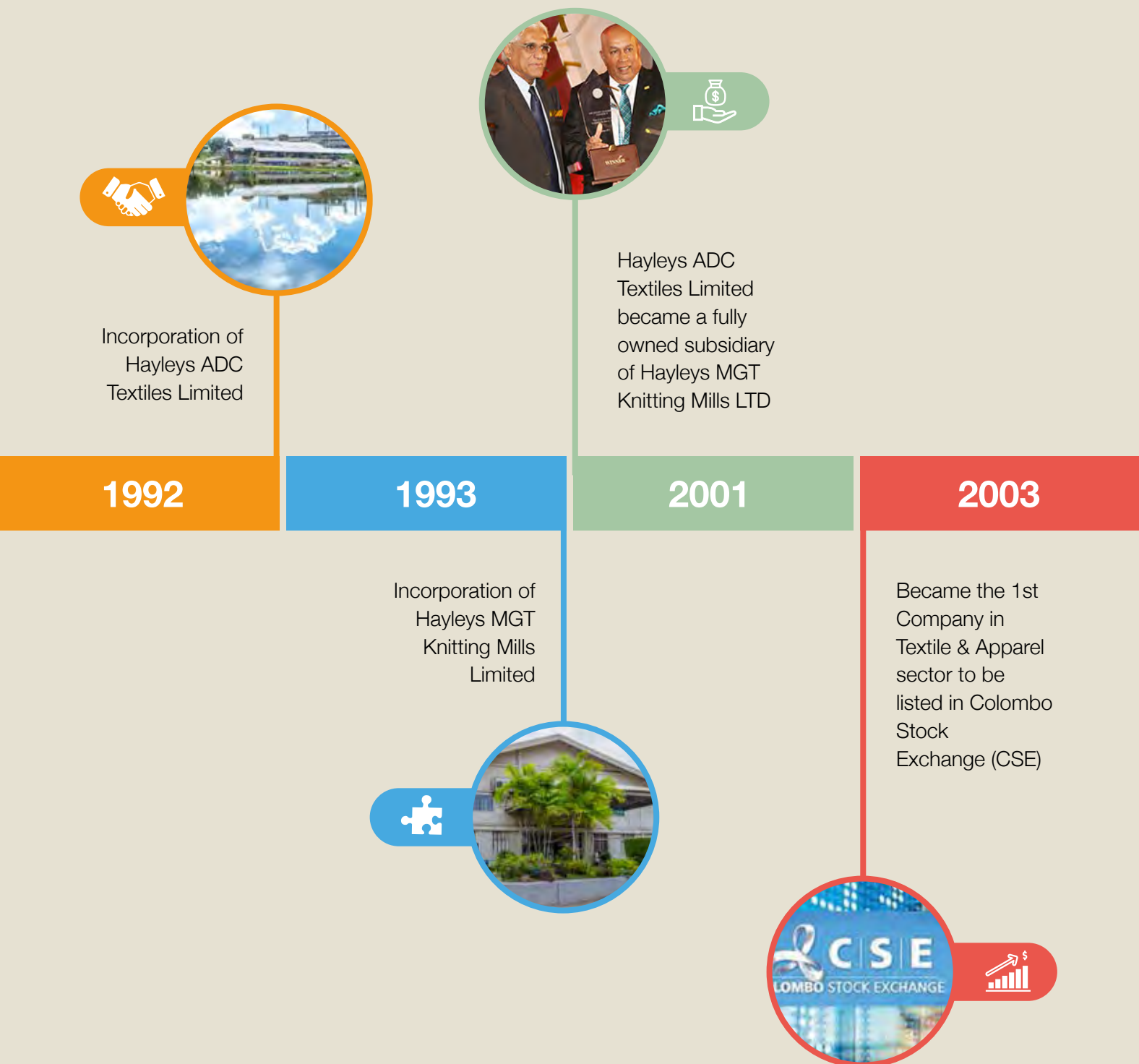
"Since 2018 Hayleys Fabric PLC has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption."



Hayleys Fabric PLC, obtained the ISO 50001 Energy Management System, certified by SGS Italy.

# ABOUT US

## OUR MILESTONES





Hayleys ADC  
Textiles LTD was  
amalgamated with  
Hayleys MGT  
Knitting Mills PLC

2007

2014

Became the 1st  
Fabric mill that  
launched its own  
fabric brand "INNO"



Company changed  
its name to "Hayleys  
Fabric PLC" to give  
the new identity  
to its new  
business strategy

2015

2021

Became the  
country's  
largest fabric mill  
with the  
acquisition  
of South Asia  
Textiles  
Limited.



# PERFORMANCE HIGHLIGHTS

## FINANCIAL HIGHLIGHTS

Financial Performance		Group*	Company	
		2021/22	2021/22	2020/21
Revenue	USD '000	150,219	100,012	77,281
Results from operating activities	USD '000	6,664	4,082	4,591
Profit Before Tax	USD '000	14,976	11,261	3,823
Profit After Tax	USD '000	12,777	9,430	3,852
Basic/ Diluted earnings per share	USD	0.031	0.023	0.009
Cash Profit	USD '000	19,024	15,090	6,459
Interest Cover	No. of times	3.0	2.8	5.8
Return on Equity	%	42%	35%	18%
Pre-tax return on capital employed (ROCE)	%	11%	10%	12%
Price earning ratio	No. of times	4.5	6.1	8.0

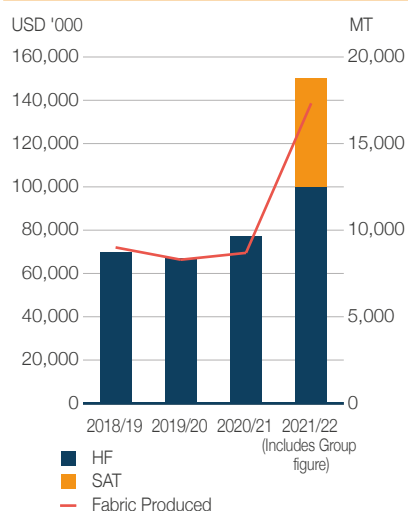
Financial Position		Group*	Company	
		2021/22	2021/22	2020/21
Total Assets	USD '000	122,043	83,339	57,945
Total Debt	USD '000	43,146	29,346	16,568
Inventory Holding Days	No. of days	70	73	79
Debtors' Days	No. of days	29	32	34
Total Shareholders' Funds	USD '000	30,457	27,238	20,926
No. of Shares in Issue		415,481,776	415,481,776	415,481,776
Net Assets per Share	USD	0.07	0.06	0.05
Debt/ (Equity + Debt)	%	59%	52%	44%
Total Debt/ Total Assets	%	35%	35%	29%

Shareholder Information		Group*	Company	
		2021/22	2021/22	2020/21
Market Price of Share as at 31st March	Rs	-	29.10	14.10
Market Capitalization	Rs. Mn	-	12,257	5,858
Dividend per Share	Rs	1.20	1.20	0.60
Dividend yield	%	4%	4%	4%

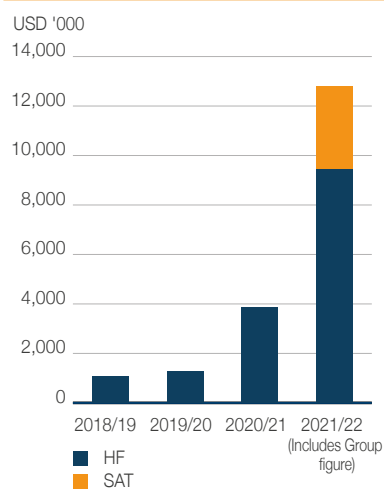
\* As the Company obtained control over the subsidiary acquired on 21st April 2021, no consolidated financial statements were prepared as at 31st March 2021 (Comparable period).



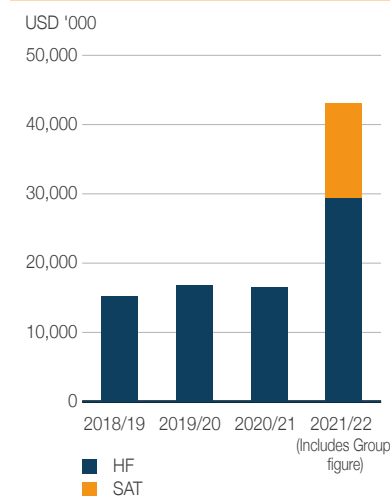
### Revenue



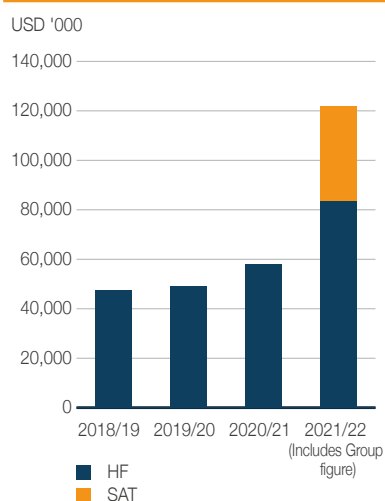
### Profit After Tax



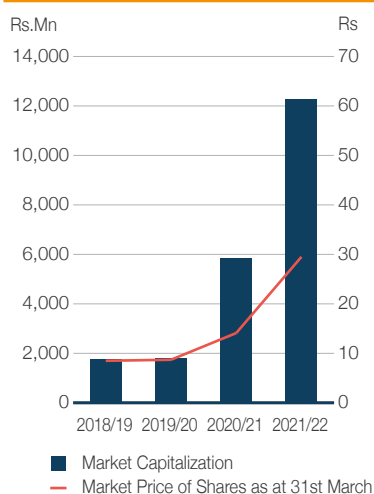
### Total Debt



### Total Assets



### Shareholder Information



### ROCE

**11%**  
(2020/21- 12%)

### Dividend per share

**Rs 1.20**  
(2020/21- Rs 0.60)

HF - Hayleys Fabric PLC  
SAT - South Asia Textiles Limited

### P/E Ratio

**4.5 times**  
(2020/21- 8.0)

### Dividend Yield

**4%**  
(2020/21- 4%)

# PERFORMANCE HIGHLIGHTS

## NON-FINANCIAL HIGHLIGHTS



### Human Capital

Employees

**2,915**

(2020/21 - 1414)

Employee Retention

**78%**

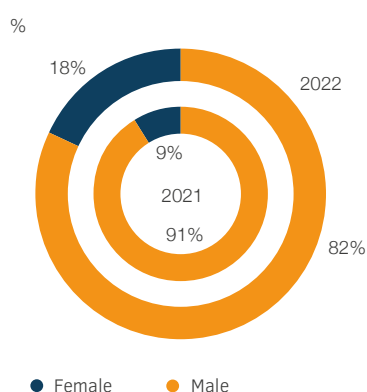
(2020/21 - 92%)

Employees from the area

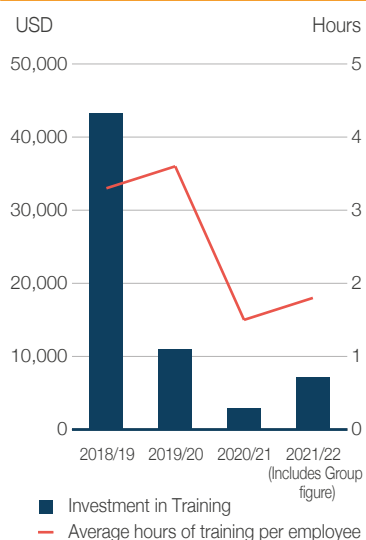
**58%**

(2020/21 - 67%)

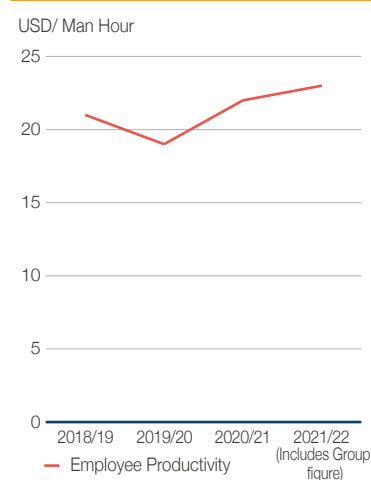
### Employees by Gender



### Training



### Employee Productivity



	Group*	Company	
	2021/22	2021/22	2020/21
Training coverage of employees (excluding casual)	52%	81%	44%
Percentage of employees receiving performance reviews	100%	100%	100%
Incidences of child labour (below 16 years) or young workers (between 16 – 18 years) (operations & our suppliers)	Nil	Nil	Nil
Incidences of forced labour during the year (operations & our suppliers)	Nil	Nil	Nil

\* As the Company obtained control over the subsidiary acquired on 21st April 2021, no consolidated financial statements were prepared as at 31st March 2021 (Comparable period).

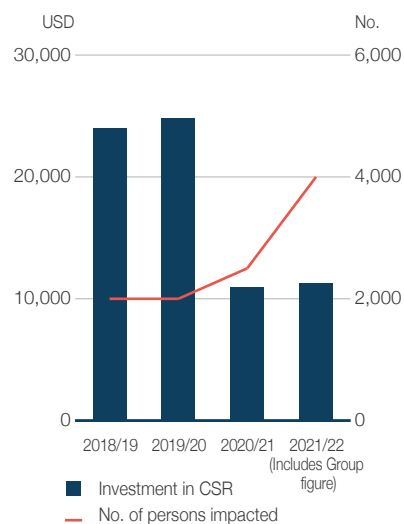


## Social and Relationship Capital

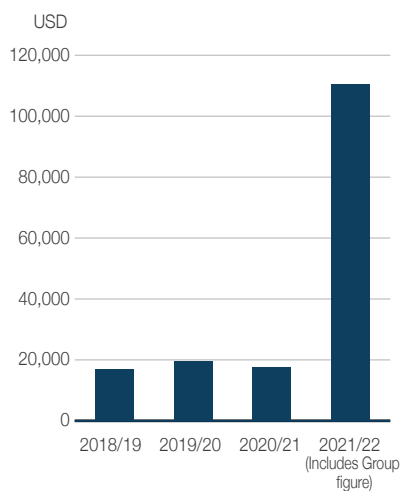
	Group*	Company	
	2021/22	2021/22	2020/21
Investment in CSR (USD)	11,302	5,851	10,986
No. of persons impacted	Over 4,000	Over 3,000	Over 2,500
Proportion of businesses analyzed for risk of corruption %	Nil	Nil	Nil
Significant fines for violation of laws/ regulations (USD)	Nil	Nil	Nil
Proportion of labels carrying ingredients used (%)	100%	100%	100%
Payments made to Suppliers (USD Mn)	142.6	85.7	62.5
Proportion of local suppliers	29%	30%	30%
Proportion of labels carrying information on disposal (%)	Nil	Nil	Nil
Proportion of labels carrying sourcing of components (%)	Nil	Nil	Nil
Significant fines for product/service issues - USD	Nil	Nil	Nil

\* As the Company obtained control over the subsidiary acquired on 21st April 2021, no consolidated financial statements were prepared as at 31st March 2021 (Comparable period).

### CSR



### Investment in R&D



# PERFORMANCE HIGHLIGHTS

## NON-FINANCIAL HIGHLIGHTS



### Intellectual Capital

	Group*	Company	
	2021/22	2021/22	2020/21
No. of accreditations/ certifications and memberships from fashion brands	46	41	37
Percentage of sales from Inno and product development	98%	98%	92%*

\* 2020/21 figures had been reinstated due to based on information update.

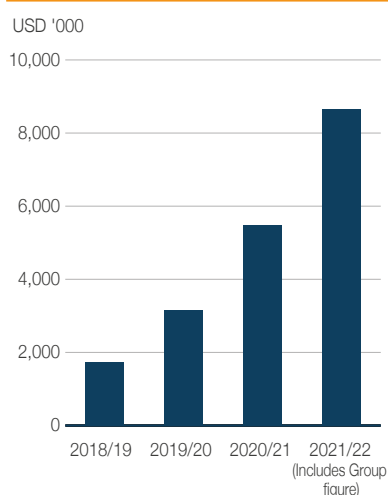


### Manufactured Capital

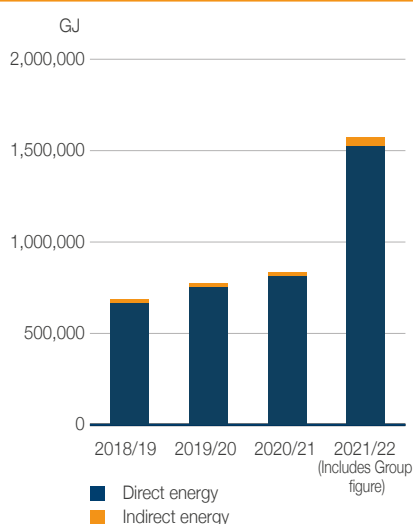
	Group*	Company	
	2021/22	2021/22	2020/21
Property, plant and equipment – USD '000	43,920	28,073	28,717
CAPEX during the year – USD '000	8,659	2,973	5,485
Capacity Utilization	90%	90%	90%

\* As the Company obtained control over the subsidiary acquired on 21st April 2021, no consolidated financial statements were prepared as at 31st March 2021 (Comparable period).

### Capital Expenditure



### Energy Consumption





	Group*	Company	
	2021/22	2021/22	2020/21
Total extent of land	54 Acres	54 Acres	54 Acres
Lease land	57 Acres	2 Acres	2 Acres
Total raw material consumption (MT)	33,479	18,538	17,300
Direct energy consumption (GJ)	1,525,986	897,461	812,000
Energy intensity (GJ/ MT of production)	88.1	90.8	93.5
Indirect energy consumption (GJ)	50,009	24,350	23,111
Indirect energy intensity (GJ/ MT of production)	2.89	2.46	2.70
Water withdrawal (M³)	3,102,043	1,827,685	1,841,000
Water intensity (M³ '000/ MT of production)	0.18	0.18	0.21
Water discharged to the river (M³)	2,802,404	1,616,683	1,545,800
Water footprint (M³)	4,329,504	2,544,074	2,523,330
Total carbon footprint (tCO <sub>2</sub> e)	56,134	38,008	28,041

\* As the Company obtained control over the subsidiary acquired on 21st April 2021, no consolidated financial statements were prepared as at 31st March 2021 (Comparable period).





# CHAIRMAN'S MESSAGE



“Success came over time. The launch of “Inno”, our own brand of fabric was a key milestone in our journey that paved the way to growth.”

A.M. Pandithage  
Chairman

### Dear Shareholder,

This has been a milestone year for Hayleys Fabric PLC as we realised our vision of becoming the largest fabric manufacturer in the country with the acquisition of South Asia Textiles Limited in April 2021. The strategy formulated in 2015 was implemented in stages by a disciplined team who stayed the course with commitment to the vision despite multiple setbacks over the years. Success came over time. The launch of “Inno”, our own brand of fabric was a key milestone in our journey that paved the way to growth. Building around this innovative portfolio, we were able to forge strategic partnerships that enabled us to innovate around very specific requirements. A strong commitment to social and environment sustainability strengthened our customer value proposition and sharpened our minds not just to innovate, but to innovate for good. Full order books affirmed the success of our strategy and acquisition was the next logical step. Accomplished in record time, the acquisition paves the way to a new era of growth for Hayleys Fabric PLC and the country as an apparel sourcing destination.

While the acquisition was an accomplishment, the work that commenced thereafter can only be described as a triumph. It demonstrates the mettle of the

**The year under review saw Total Assets double from USD 58 Mn to USD 122 Mn for the Hayleys Fabric Group, an increase of 110%.**

team that led the transformation of SAT from a loss to making a profit within one month of acquisition in an extremely challenging year. Ably led by the Managing Director/CEO, the senior leadership of Hayleys Fabric worked tirelessly to align strategies, policies, processes and systems between the two locations with notable success. Extensive discussions were undertaken with customers and employees to communicate the new vision and strategies as well as to understand their concerns. The new strategies implemented with meticulous attention to detail enabled the seamless integration of SAT in to the Hayleys Fabric Group as we scaled up to become the leading fabric manufacturer in the country.

### Context to Performance

Demand picked up as advanced economies as countries moved towards normalizing economic activity and capacity utilisation at both factories were over 90% for most of the year. While there were significant operational challenges as the pandemic continued

into the second year, we were able to overcome these with foresight, aided by the resources of the Hayleys Group. Input costs increased significantly during the year as commodity prices moved up and freight costs soared.

Sri Lanka's economic woes intensified and accelerated as trade and budget deficits continued to widen, and global commodity prices moved up exerting pressure on both. The country's debt repayments posed a significant challenge due to the paucity of dollars which saw the rupee depreciating during the reporting period. Interest rates also moved up gradually from July 2021. Soaring inflation was a key concern by the latter part of 2021 moving from 4.1% in March 2021 to 29.8% by April 2022.

### Exceeding Expectations

Hayleys Fabric Group moved to a new growth trajectory with top line growth of 29% at company level and 94% as a newly formed Group reaching USD100 Mn and USD150 Mn at Company and Group levels respectively. The decline in gross margins reflects both the cost escalations and the measures adopted to manage them as it was curtailed to 1-2% for the Company and Group. I am pleased to note the improvement in profit before tax margins at Group and Company level from 5% to 10%, largely attributable to the devaluation of the rupee and synergies derived by the efforts of the senior leadership team doubling up to manage both entities and the standardization of processes



Dividend Yield

**4%**

# CHAIRMAN'S MESSAGE

to deliver the right quality at the right price at the right time. This enabled Hayleys Fabric Group to deliver 145% growth in Profit After Tax to record USD 9.43 Mn for 2021/22 compared to USD 3.85 Mn in the previous year. The Group profit recorded by Hayleys Fabric Group amounted to USD12.78 Mn which is an increase of 232% over the profit recorded by the single entity in the previous year reflecting the exponential increase in value delivered to shareholders. Accordingly, Earnings per share increased from USD 0.009 for Hayleys Fabric PLC in 2020/21 to USD 0.023 for the Company and USD 0.031 for the Group.

It is worth reviewing the performance in Sri Lankan Rupees as well for comparison with peers in the Colombo Stock Exchange although the Hayleys Fabric Group's reporting currency is US Dollars. Top line growth was 43% for the Company and 114% for the Group, recording LKR 21 Bn and 32 Bn respectively in 2021/22. The increase in the bottom line was 170% and 266% taking the Company and Group earnings to LKR.1.99 Bn and LKR.2.69 Bn respectively. Earnings per share followed suit increasing from LKR.1.77 to LKR.4.78 and LKR.6.48 for the Company and Group respectively, exceeding expectations in an extremely challenging year.

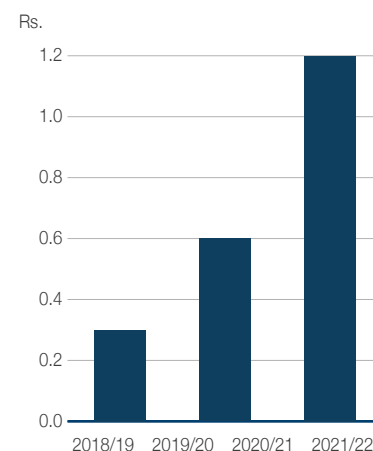
## Growth Delivered

The year under review saw Total Assets double from USD 58 Mn to USD 122 Mn for the Hayleys Fabric Group, an increase of 110%. This was due to acquisition - driven changes as property, plant and machinery, goodwill, inventories, receivables and cash balances increased sharply as a result. Equity also increased as retained earnings increased taking total equity to USD 30.45 Mn which accounts for 25% of the funding of the Hayleys Fabric Group at the end of the year. Interest bearing borrowings increased significantly during the year to finance the acquisition by Hayleys Fabric PLC and also the enhancements in operations by SAT. Consequently, interest bearing borrowings of Hayleys Fabric Group increased 160% from USD 16.56 Mn to USD 43.14 Mn. The Board is steering the Company towards reducing the leverage utilising the operational cashflows generated by both entities in the group.

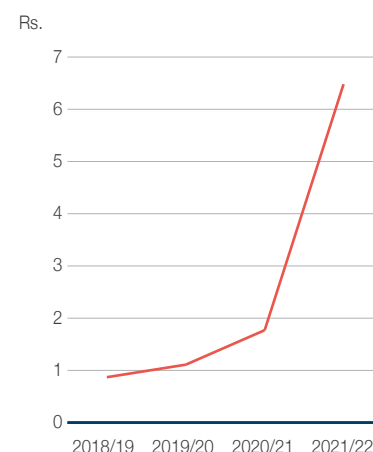
## People

Located in two villages where our factories are among the largest employers in the area, ensuring that our employees were able to get through the hardships resulting from the pandemic was as critical as ensuring that our workplace was safe. We maintained a

## Dividend per share(DPS)



## Earnings per share(EPS)



regular dialogue with employees and a holistic care package was formulated to assist those who were diagnosed with COVID-19. Vaccinations programmes were conducted at the factory premises together with local health authorities to provide a safe working place for all. Training continued resulting increased productivity and reduced rejects which all contributed to improved margins. It is noteworthy that success was shared as employees were rewarded with bonuses and incentives for their commitment to work during a difficult year for all.

## Looking Ahead

The Fashion Industry shows positive signs of recovery stemming from demand in the US while growth in EU is lagging behind. China's domestic market sales have moved past pre-pandemic levels, spurred by government initiatives such as creating duty free zones to encourage Chinese to spend more at home.

A rise in ESG awareness in the world has forced leading Brands to tightened ESG compliance in the supply chain.

Sri Lanka's economic crises and the resultant political instability has blurred the outlook for the country. Sri Lankans have remained resilient throughout history with the ability to navigate past the rapids to calmer waters and will unite to set the country on the road to recovery.

Hayleys Fabric Group remains on high alert to respond to potential threats while pursuing its growth strategy focused on the synthetic fabric portfolio, moving to the higher end of fabric manufacture. With increased production capacity and full order books, the year ahead is looking positive. Our employees have been cooperative and supportive, understanding that we need to work together to move past the present storm. The same discipline and multi stakeholder driven approach that supported the phenomenal growth delivered this year will be key to moving past the crisis.

## Acknowledgements

The leadership team of Hayleys Fabric Group played a key role in delivery of the results set out in the report, inspiring and motivating staff to give of their best whilst addressing their concerns. I wish to place on record the Board's appreciation of their diligent service and the leadership provided by Mr. Rohan Goonetilleke. We also thank the employees for their cooperation and count on their continued dedication to driving growth in this vital industry. We thank our customers and the global brands for their confidence in our ability to deliver through difficult times and look forward to a shared journey in the year ahead. We thank all our stakeholders who have been part of our epic journey and look to their continued support for the future.



**A.M. Pandithage**  
Chairman

9th May 2022



# MANAGING DIRECTOR'S REVIEW



“The firm strategies developed a few years ago has continued to deliver better results every year. These strategies have made the Company the largest manufacturer in Sri Lanka, leading in innovation, sustainability and with the best customer portfolio.”

E.R.P. Goonetilleke  
Managing Director/ CEO



Dear Shareholder,

**An Eventful Year with Exceptional Results!**

It is with great pleasure that I wish to report the performance of your company for the financial year 2021/2022. The firm strategies developed a few years ago has continued to deliver better results every year. These strategies have made the Company the largest manufacturer in Sri Lanka, leading in innovation, sustainability and with the best customer portfolio.

Despite the continued Covid-19 threats, the constraints and delays in global shipping, weakening economic conditions in the Country, overall cost escalation in raw materials and energy, the strong management of your company received the support of the Board to forge ahead with expansion plans to service the strategic Tier-1 customer segment.

The acquisition of South Asia Textiles Limited, a company that was making financial losses, as a fully owned subsidiary of Hayleys Fabric PLC was a bold step. Coupled with the exceptional year-end results, the year can be described as Eventful & Exceptional.

The proposal by the undersigned to acquire South Asia Textiles Limited, met with speedy decision making by the Board of Hayleys PLC and your Board. The sharp price negotiations by the Group Chairman/CEO and the Group Executive Director, the Company was able to achieve a fair market price to conclude the transaction. The professionalism in carrying out the due diligence to acquire South Asia Textiles Limited was admired across the business community. I wish to acknowledge the support given by the team at Hayleys PLC who worked closely with the Hayleys Fabric Team, especially the Group Executive Director in charge of Strategy to make this acquisition a reality. On completion of the due diligence, the final acquisition cost

**AI (Artificial Intelligence) tool for the procurement of Dyes and Chemicals has complemented forecasting and inventory levels and a definite advantage is seen in the reduction in dye and chemical wastage**

of USD 18 Mn (Rs. 3.6 Bn) was fully funded by your company with ownership being transferred on the 22nd April 2021.

Further, it is my pleasure to highlight that the loss-making South Asia Textiles Limited was turned around to be a profitable business within a period of one month by the strong leadership and management team of Hayleys Fabric PLC.

The year ended with a Group revenue of USD 150.22 Mn compared to USD 77.28 Mn in the previous year. The Group Profit Before Tax stands at USD 14.98 Mn and Profit After Tax stands at USD 12.78 Mn. The earnings per share increased from USD 0.009 in last year to USD 0.031 this year. The Company also paid three interim dividends of LKR 1.20 per share in total and will propose a final dividend of LKR 1.00 Per share in total at the forthcoming Annual General Meeting.

**South Asia Textiles Limited (SAT)**

This Company commenced operations in 2004 at the former Pugoda Textiles Mills premises as a knit fabric manufacturer with the capability of knitting, dyeing, printing and finishing capabilities of cotton fabric only.

Hayleys fabric marketing team was able to obtain orders for SAT within a few days to suit the technical capability of the machinery and fill capacity. With the technical and management skills of Hayleys Fabric PLC, the loss-making entity was permanently changed to a profitable business in one month.

The eleven months commencing 1st May 2021 to 31st March 2022, the Company made significant profits every month.

Simultaneously, the management introduced the Tier-1 customer strategy of Hayleys Fabric PLC, which resulted in the requirement of a major upgrading exercise. With the approval of the Board, a USD 8 Mn upgrading took place with a very short timeline. This included replacing most of the dye machinery, automation of machinery, automated colour dispensing and colour kitchens, fully upgrading the entire knitting production with new machinery introducing ERP systems for planning, developing new systems and procedures, introducing new levels of compliance and environmental standards, fully upgrading the water intake facility, re-designing and fully upgrading the entire effluent treatment facility to meet high standards. The entire upgrading was carried-out with the expertise of the Hayleys Fabric PLC's Engineering team and no outside consultants were engaged and where ever possible Hayleys Fabric PLC's technicians were used and thereby saving a considerable amount of funds which were put back in to more upgrading work. At the time of writing this report, I am pleased to inform you that all planned work has been fully completed within the approved budget.

**Return on Equity**  
**42%**

# MANAGING DIRECTOR'S REVIEW

Changes in management culture, work ethics, communication of the vision, objectives and goals were communicated at all levels on a continuous basis by the undersigned. The Executive Directors of Hayleys Fabric PLC together with the undersigned are physically present in the Company on a roster to ensure that South Asia Textiles Limited soon became an extension of Hayleys Fabric PLC

## Hayleys Fabric Knitting plant-2

This dedicated knitting plant which was commissioned two years ago as an extension of the knitting capability of Hayleys Fabric Knitting Department has now grown-up to be a stand-alone knitting factory at the Horana, Wagawatte, BOI zone. The plant produces approximately 4 tons of knitted fabric daily, subject to the correct product mix. This has enabled the Company to reduce its dependency on imported greige fabric, thereby reducing costs and also ensure compliance standards and audits by the Tier-1 customers.

Although this plant is an extension of the knitting department of Hayleys Fabric PLC, the entire plant is operated by female operators and supervisors. In total 95% of the population is female. This was an idea promoted by the

Head of Human Resources to comply with gender balancing and the results as far as productivity and quality is excellent.

## Strategic focus on Brand building

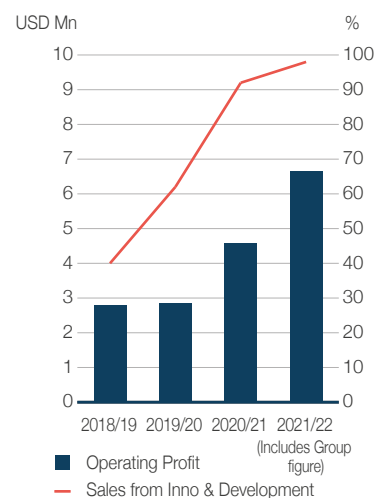
Your company, over the past few years have been focused in building the 'Hayleys Fabric' brand as an innovative brand through "INNO". The Company has taken the lead in developing sustainable innovative fabric with natural dyes and recycled yarn taking centre stage in our sales and marketing strategy for the Tier-1 customers. The Company has also matured on ESG goals which also assists the attraction of the Tier-1 brands to your company.

The brand image of the Company resulted in attracting additional business that could be transferred to South Asia Textiles Limited at the initial nine months from the date of acquisition. With the upgrading of South Asia Textiles Limited, the brand image of Hayleys Fabric PLC and the image of the management capability will attract the same product segment of the Tier-1 brands to South Asia Textiles Limited in the ensuing year.

## Sustainability

The dedicated team continuously monitors the initiatives already in place as mentioned in the report last year.

## Operating Profit and Revenue from Inno & Development



However, as this is one of the most important decisions identified at the world economic forum report in 2020 as the "top five long-term risks by likelihood" are environmental factors, I wish to add the new initiatives during the year under review as well as confirm the initiatives undertaken.

A dedicated team was set up in the Company five years ago to focus on this area and this team is recognized in the region and have been panelists in many regional fora to share best practices and showcase some of the leading initiatives taken in a fabric manufacturing facility.

Your company is a participant of United Nations Global Compact (UNGC) since 2018, the world's largest corporate sustainability initiative. This aligns strategies and operations to fall in-line with universal principles on human rights, labour, environment and anti-corruption. Your company was also able to promote the Head of Sustainability to obtain the world recognized title as a "SDG Pioneer" in the United Nations Global compact. She is the only person in Sri Lanka carrying this title.

Your company was the first fabric mill in Sri Lanka to commit to SBTi (Science Based Target initiative), a joint initiative by United Nations Global



Compact (UNGC), World Resources Institute and WWF (World Wide Fund for Nature) enabling companies to set science-based emissions reduction targets helping to prevent the impacts of climate change.

The first fabric mill in the region to identify and declare a part of its own land as a Wetland biodiversity park to preserve surrounding wetlands & its biodiversity. This project is ongoing with the guidance of the Biodiversity Secretariat, Ministry of Environment. The biodiversity survey report carried out by the secretariat has identified 146 plant species belonging to 63 families and 149 animal species. The study has concluded with the findings of two endemic plant species and 18 endemic animal species.

Your company is a pioneer in Sri Lanka to partner with Cotton made in Africa (CmiA), an initiative of the Aid by Trade Foundation, which is one of the world's leading standards for sustainably produced cotton.

Recently, your company initiated a project titled "Mahogany Dye", to use natural dyes extracted from waste Mahogany timber sourced from local furniture businesses and saw mills to dye fabric. This has now been developed for commercial production. Leading sports brands who work with the Company have shown great interest in commencing production shortly. This dye meets with all required technical parameters including colour fastness.

Your company invested in a roof top solar power generation project. This is the largest single roof-top project in Sri Lanka with a generation capacity of 4.6 MW. This project delivers electricity equivalent to 20% of the requirement of the Company. This will result in the reduction of the carbon foot print by 15% and also considerable annual saving of approximately USD 540,000 in 2021/22 on energy costs.

As high-water consumption in fabric manufacture is one of the key elements that impact natural water resources,

the Company has been continually improving its water recycling capability. Presently, a target of 20% saving through recycling has been achieved. This reduces the discharge of water to the river as well as energy costs.

Your company diligently follows the ZDHC (zero discharge of hazardous chemicals) global initiatives and is compliant since 2015. The Company has been a part of the road map to zero program, supporting the protection of the planet by reducing the chemical foot print with the global objective of reaching a toxic free fashion industry in the future.

### **Strategic Engagement with the Customers**

The key focus of the Company is to be engaged with the selected Tier-1 customers on innovation and ESG principles. Also aligning with customer strategies on fabric structures to suit the purpose of the brand, flexible lead times, fast turn-around strategies for the fashion segment, raw material availability to shorten lead times and capacity building for growth are closely discussed with these selected customers. One of the key reasons for the acquisition of South Asia Textiles Limited was due to the rapid capacity increase requirements of the strategic Tier-1 brands.

South Asia Textiles Limited has also been brought in to the selected brand strategy of Hayleys Fabric PLC whilst improving service levels for the Tier-1 brand they had at the time of the acquisition.

Dedicated teams to service these brands have been built in both companies to ensure continuous contact, updates, relationship building and order follow-up.

### **Macro Industry Outlook 2021/2022**

According to the World Trade Organization 2021, Global demand for clothing & textile further declined by 2.7% in 2020/21 compared to a decline in growth of 1% in 2019. The

Covid-19 has affected the entire globe, creating impacts to every industry in the world. As a result, most of the world economies are predicting a recession and this in turn causes a slowdown in spending.

In the USA, inflation has climbed to the highest rates since 1981 to 8.5% as at end March 2022. However, a growth of the apparel industry in Sri Lanka is seen due to a shift from China to other parts of the world including South East Asia. In Sri Lanka, based on Export Development Board (EDB) information in 2021, 39% of majority apparel and textile exports have been to USA, 13% and 24% to the UK and Europe respectively.

Sri Lanka is a well-recognized destination for ESG in the region as well as the ability to deliver quality with flexibility and innovation, thereby maintaining it's status at a higher value production base.

### **Continued focus to improve Technology and Productivity**

Improvements in productivity is seen in all areas of your company. Hayleys Fabric PLC has been able to increase output this year without adding new dye machines. This is a result of productivity improvements with shorter process methods and process routes and also by reducing re-processing due to colour failures.

In both companies, production monitoring tools, MIS systems have been developed to an extent that the senior management in the Company receives updates and through a daily production progress review meeting with the Managing Director and Executive Directors. The production team is challenged technically and operationally at these daily meetings. Through these discussions, KPIs are monitored on a daily basis through charts and graphs to improve productivity.



# MANAGING DIRECTOR'S REVIEW

## The Team

A highly competent and committed team at Hayleys Fabric PLC is able to drive throughput with process improvements by customizing machine with modifications to improve productivity and also build new machines which are of high value if imported brand new. This talented team performed extremely well to train the team at South Asia Textiles. The Hayleys Fabric technical teams in Knitting, Dyeing and Finishing were able to change most processes and controls in production by duplicating the already perfected systems at Hayleys Fabric PLC.

The Hayleys Fabric Team played a major role to upgrade South Asia Textiles Limited without external consultants and experts, they installed new machinery, carried out all structural changes, designed water purification plants, built a new high value scouring machine with many features. The team at South Asia Textiles Limited has seen a different culture and a different style of working and that team has readily accepted change.

## Systems, Processes and Controls

All systems at Hayleys Fabric PLC has been upgraded and is now functioning well. The ERP system (SAP) at Hayleys Fabric PLC is now cloud-hosted and is fully managed by the Group IT at Hayleys PLC and plans are to migrate to SAP HANA in the ensuing year.

The primary server room at Hayleys Fabric was upgraded and was equipped with fully-fledged VM server setup and multiple core switches to increase reliability. A new disaster recovery (DR) was also set up in a remote location within the same land to ensure that the ERP systems operate without interruption if a failure occurs in the main system.

At South Asia Textiles Limited, a completely new overall is taking place with new cabling, new server room and a DR system located in the same land at a safe distance from the production areas.

## Inventory and Stock Management

With the continuation of the Covid-19 pandemic, especially as our main supply base in China, delays in shipping, the current economic situation in the Country with limited foreign currency availability for imports, the Executive Director- Finance with the support of the Executive Director – Sales and Marketing has managed this area well with no shortages in raw materials. Weekly meetings are held on stock positions and requirements based on forecasts for both Hayleys Fabric PLC and South Asia Textiles Limited.

The advantages in economy of scale when procuring for yarn dyes and chemicals, other sundry items, machine spare parts including fuel supplies are discussed at these meetings.

AI (Artificial Intelligence) tool for the procurement of Dyes and Chemicals has complemented forecasting and inventory levels and a definite advantage is seen in the reduction in dye and chemical wastage. The accuracy of the tool keeps improving with time.

As always, the Company manages all its inventory through a cycle counting system. This system will ensure that one hundred percent of the total inventory relating to dyes, chemicals, yarn, greige and engineering stocks are checked three times a year. As a result of these tight controls by the Finance team, the year-end stock count carried out by the external auditors on 100% of the Company's stocks, resulted in an accuracy of 99.9%. This is an exceptional result and is a repetition of the past 7 years for Hayleys Fabric PLC. The Executive Director-Finance made all efforts to repeat this performance at South Asia Textiles Limited during the eleven months of operations and I am happy to state that he was successful in obtaining 99.9% accuracy.

## Environment, Health, Safety & Compliance

As mentioned in the previous reports, this is also an area that receives the focus of a dedicated team. All customers, external compliance units and the local authorities keep a close watch on these requirements. We have been successful in developing a team to lead this area. This team also participates in regional events and takes center stage at these regional fora in India.

Covid-19 protocols are strictly adhered even to date with close contact with the area PHI, fire safety drills carried out regularly with the fire department, trained in-house fire teams, audit safety standards are some of the local responsibilities of this team.

This team is also responsible to ensure that the raw materials, especially dyes and chemicals, comply with all customer safety standards by obtaining certifications from the supply chain team and to carryout independent tests to ensure that the Company complies with the customer requirement of 'zero discharge of hazardous chemicals.

A similar team has been formed at South Asia Textiles Limited and is directly supervised by the team at Hayleys Fabric PLC for the time being.

## Socially Responsible

With the addition of South Asia Textiles Limited, these activities are now carried out by two teams covering a larger area under the supervision of the undersigned and the Executive Director Human Resources.

The Company recognized students who passed the Grade 5 scholarship exam of employees working in the Company. These students were given all necessary books, bags, stationery, shoes and clothing as a gift.

Further, the prevention of CKD, by supplying potable water to a village in Rathmalgahawewa in Kahatagasdigiya, Anuradhapura is continuing for the 5th consecutive year.

The 500 plus school children in the school at Rathmalgahawewa were given their requirement of school books as per the book list for all grades together with school bags and other stationery.

Donations for numerous requirements have been made to the people in the villages and the surrounding villages are supportive of the Company. We have also supported the operator category and junior executives with dry rations for their families prior to the new year period to ease the pressure on inflation.

The full requirements of school books were also provided to a nearby school where more than 50% of the children are our employees children.

### Outlook

Sri Lanka being a relatively very small player in the global apparel arena, we have been able to establish a niche in this global arena as an innovative, value added, flexible and fast turnaround supplier. This is an area China and Bangladesh would fail due to the scale of production. The industry leaders also have close relationships with these Brand owners and they have participated at strategy meetings to assist these brands to increase their value addition by sourcing through Sri Lanka. Hayleys Fabric PLC also has very good relationships directly with the leadership of these brands.

Due to the above, during the Covid-19 pandemic, Sri Lanka was the first to wake-up and start supplying facemasks to them whilst making fabric and garments. With the confidence built over the years with these brands, even the present country situation with political and economic instability, there is no decrease seen in forecasts as they believe that this is a temporary situation.

Given the above background and when looking at the geo politics where there is a distribution of sourcing destinations which was predominantly Chinese, the outlook for Sri Lanka is good.

The position for the fabric industry could be seen as even better as all Tier-1 brands have expressed preference for the local apparel manufacturers to source their fabric requirements locally to take advantage of small order quantities, faster lead times and the ease of monitoring compliance requirements.

Once again, your company is forecasting to achieve higher results in the ensuing year.

### Acknowledgements

On behalf of my entire team, I thank the leading world brands for selecting our innovative fabric range and the world class garment makers, mainly in Sri Lanka, for recognizing the Company as a top end reliable fabric manufacturer with innovative capabilities. Also, I take this opportunity to thank all our supply chain partners who have supported the Company strategy with quality, lead time requirements and by being competitive.

A special thank you to The Chairman, a person who is contactable any day including the weekends for meetings and administrative approvals. He is a pillar of strength to me with easy access for sound advice and direction. He also made this year an eventful year by instantly supporting me when the idea of acquisition of South Asia Textiles Limited was brought to his notice. Once again, Thank you Chairman. The Board of Directors at Hayleys PLC and at Hayleys Fabric PLC has been very supportive to understand and support all strategies and large capital expenditure proposals brought to their attention for approvals. The immediate Board approval with special Board meetings for the acquisition of South Asia Textiles Limited is a case in point. The exceptional results of the Hayleys Fabric Group is testimony to the support given by the Chairman and the Board. Thank you.

Thank you to our external shareholders who have been patiently supporting the Company and for having the confidence in my management and long-term strategies to enable the Company reach

a status of sustainable results. We have now become "The Hayleys Fabric Group" controlling nearly 45% of the manufacturing capacity amongst the leading manufacturers in the country and delivering exceptional results and value to you.

Finally, I take great pleasure in thanking my exceptional team at Hayleys Fabric PLC who fully supported me with all their strength and time when we took over South Asia Textiles Limited and for making both companies deliver exceptional results. This year has been even more challenging than the Covid-19 year as we yet continue with Covid-19, but the added burden of the economic crisis and operational difficulties.

The team at South Asia Textiles Limited have been excellent as they immediately accepted the capabilities of their new owner and accepted all changes that were made to turn around the Company and is continuing to work closely as one team.

Overall, thank you to a great Chairman, a great Board and a great team that supported me make it an eventful year with exceptional results.



**E.R.P. Goonetilleke**  
Managing Director/ CEO

9th May 2022

# BOARD OF DIRECTORS



**A.M. PANDITHAGE**  
Chairman & Chief Executive  
Executive Director



**E. R. P. GOONETILLEKE**  
Managing Director / CEO  
Executive Director



**K. D. D. PERERA**  
Non-Executive Director



**S. C. GANEGODA**  
Non-Executive Director



**HARESH SOMASHANTHA**  
Independent Non-Executive Director



**R. N. SOMARATNE**  
Independent Non-Executive Director





**Dr. S. J. NAWARATNE**  
Independent Non-Executive Director



**ANANDA JAYATILLEKA**  
Senior Independent Non-Executive Director



**R. ROHITHA BANDARA**  
Executive Director



**M. H. JAYASINGHE**  
Executive Director



**K. P. C. P. K. PATHIRANA**  
Executive Director



**MS. YOGADINUSHA BHASKARAN**  
(Alternate Director to Mr. K.D.D. Perera)  
Non-Executive Director

# BOARD OF DIRECTORS

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## A. M. PANDITHAGE

Chairman & Chief Executive  
*Executive Director:*  
*Appointed - July 2007*

Joined the Hayleys Group in 1969.  
Appointed to the Board in 2007.  
Chairman and Chief Executive of  
Hayleys PLC since July 2009.

Fellow of the Chartered Institute of  
Logistics & Transport (UK). Serves as  
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 (CASA).

Leadership Excellence Recognition by  
the Institute of Chartered Accountants  
of Sri Lanka. Recipient of the 'Best  
Shipping Personality' Award by the  
Institute of Chartered Shipbrokers.  
Honoured with a Lifetime Achievement  
Award by Seatrade - Sri Lanka Ports,  
Trade and Logistics (SLPTL) and the  
first-ever Sri Lanka Pinnacle Lifetime  
Award by the Chartered Institute of  
Logistics and Transport (CILT). Inducted  
as Legend of Logistics by the  
Sri Lanka Logistics and Freight  
Forwarding Association in recognition  
of services rendered to Sri Lanka's  
logistics industry.

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## E. R. P. GOONETILLEKE

Managing Director / CEO  
*Executive Director:*  
*Appointed - March 2013*

Mr. Eranga Rohan Peiris Goonetilleke  
joined Hayleys Fabric PLC, as  
Managing Director /CEO on the 1st  
of March 2013, and was appointed to  
the Group Management Committee  
in the same month. He also serves  
as Managing Director/CEO of South  
Asia Textiles Limited with effect from  
April 2021. Prior to joining Hayleys  
Fabric PLC, he was appointed as a  
Director of Brandix X'pressions (Pvt)  
Limited, and was appointed to the  
Board of CLT Apparel (India) (Pvt)  
Limited in January 2011, a fully owned  
subsidiary of Brandix Lanka Limited.  
During the period, 2003 to 2010 he  
was the Managing Director/CEO of  
Textured Jersey Lanka (Pvt) Limited,  
prior to which he was the Managing  
Director/ CEO of Linea Clothing (Pvt)  
Limited, a subsidiary of MAS Holdings  
(Pvt) Limited, and prior to that he was  
at Carson Cumberbatch & Company  
Limited as the CEO of Elpitiya  
Plantations Limited. He received  
his higher education in the United  
Kingdom qualifying as a Graduate  
Engineer (B. Sc. Eng.).

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## K. D. D. PERERA

Non-Executive Director  
*Appointed - September 2009*

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 hydro power  
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 un-quoted 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  
Hayleys PLC, 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 Hayleys Leisure PLC,  
Haycarb PLC, and Dipped Products  
PLC. Also, a Director of Dhammika and  
Priscilla Perera Foundation.

---

**S. C. GANEGODA**

Non-Executive Director  
*Appointed - November 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 Jayawardenepura.

Held several Senior Management positions in large Private Sector Entities in Sri Lanka as well as overseas.

Has responsibility for the Strategic Business Development Unit and Group Information Technology of Hayleys PLC, the holding Company of Hayleys Fabric PLC. Appointed as the Deputy Chairman of Alumex PLC in October 2020. He serves on the Boards of Hayleys PLC, Unisyst Engineering PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Singer (Sri Lanka) PLC, Regnis (Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC, Hayleys Leisure PLC and Horana Plantations PLC.

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**HARESH SOMASHANTHA**

Independent Non-Executive Director  
*Appointed - February 2012*

Mr. Hareesh Somashantha counts over 22 years of dynamic leadership career with a rich mix of finance and operations. He possesses an intimate knowledge of internal/ external processes, business planning and development, strategic and financial management. He is an expert with a track record in executing team driven process improvements with innovative solutions to increase revenue, operational efficiency, customer satisfaction and overall profitability.

He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, a Fellow member of the Institute of Certified Management Accountants of Sri Lanka and an Associate member of CPA Australia, further to holding Bsc in Mathematics.

He is the Director Finance of Royal Ceramics Lanka PLC (Rocell Group). Mr. Somashantha also serves as a Director/Audit Committee Member on the Boards of Vallibel Power Erathna PLC and Unidil Packaging Limited. His further Directorships include several subsidiary companies in the Delmege Group.

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**R. N. SOMARATNE**

Independent Non-Executive Director  
*Appointed - February 2012*

Mr. Nandajith Somaratne was appointed to the Board of Hayleys Fabric PLC in February 2012. He is also a Director of Lanka Walltiles PLC and a subsidiary company. Mr. Somaratne is currently employed in the capacity of General Manager (Manufacturing) for Royal Ceramics Group, which includes Lanka Tiles PLC and Lanka Walltiles PLC and responsible for manufacturing operation of the group.

He has served in Ansell Lanka (Pvt) Limited and in Central Engineering Consultancy Bureau (CECB) before joining Royal Ceramics Lanka PLC in 1993. Mr. Somaratne counts more than 29 years' experience in the manufacturing field and was leading all major factory development projects and cost reduction projects in the group, which has brought substantial savings. He is expert in manufacturing and technology with vast experience and sound academic background.

Mr. Somaratne holds an MBA from the University of Colombo, Post Graduate Diploma in Industrial Engineering from NIBM and B.Sc. in Physical Science from the University of Peradeniya. He also possess a Post Graduate Diploma in Business Finance and Strategy from the Business School of CA Sri Lanka.

He has undergone several corporate leadership training programmes including Corporate Leadership Programme conducted by HIDA, in Japan.

# BOARD OF DIRECTORS

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## Dr. S. J. NAWARATNE

Independent Non-Executive Director  
*Appointed - April 2014*

Dr. Sunil Jayantha Nawaratne is presently working as the Director General of National Institute of Education (NIE) at Maharagama.

He was the Secretary of the Ministry of Higher Education (2010-2015) and the Ministry of Poverty Alleviation, Rural Development, Parliamentary Affairs and Up- Country Development (2000 -2002) as well as the Chairman and Director General of National Youth Services Council (NYSC – 1996-2000), Director General of Sri Lanka Samurdhi Development Authority (2002- 2004) and the Department of Samurdhi Development (2019/20) and the Chairman of Road Development Authority and Sri Lanka Fertilizer Company too.

He has worked and engaged in the private sector and non-profit sector organizations as well. He was a Board member of Pan-Asia Bank Limited., Sri Lanka Institute of Information Technology (SLIIT), The Video Team (Pvt) –(TVT), Business School of CA Sri Lanka and Outstanding Song Creators Association (OSCA). He was the Director, Human Capital Development of Cargills Ceylon PLC (2007-2010) and Director, Training & Development during the period of 2019/20. He was the Competent Authority (CA) of Institute of Technology, University of Moratuwa (ITUM) till he joined the NIE as the Director General.

Dr. Nawaratne, obtained his first degree in BSc (Business Management) from Sri Jayawardenapura University, did his Diploma in Business Management at PIM, MA in Economics, Kagawa University, Japan and PhD in Management, at Keio University, Tokyo, which is considered as one of the prestigious universities in Japan. He is a visiting faculty member of MBA/MSc programs of University of Colombo, USJ, UOM, SLIIT and NIBM and NSBM.

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## ANANDA JAYATILLEKA

Senior Independent Non-Executive Director  
*Appointed - March 2015*

Mr. Ananda Jayatilleka is a specialist in rubber technology and industrial engineering, a Licentiate of the Institute of Plastics and Rubber Industry [L.P.R.I-(London)] and a Fellow of the Institute of the Work Study and Organization and Methods [F.M.S. (UK)].

Mr. Jayatilleka was a main Board Director of Richard Pieris & Co. Limited., with a long service of 27 years in the group. He was instrumental in setting up of Richard Pieris Exports PLC and served as its Managing Director for over 15 years. Mr. Jayatilleka also served on the Boards of Kegalle & Maskelliya Plantations PLC, Aviva Global Services (Pvt) Limited. His vast experience also includes work in Zambia Consolidated Copper Mines & General Tire – South Africa. He founded Latex Green (Pvt) Limited and served as Chairman for 12 years. Presently, he serves as a Non-Executive Director of Tea Small Holder Factories PLC under the John Keells Group.

Mr. Jayatilleka has been a recipient of the Merit certificate awarded by the Plastics and Rubber Institute (PRI) of Sri Lanka for the outstanding contribution made to the Rubber Industry of Sri Lanka.

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## R. ROHITHA BANDARA

Executive Director  
*Appointed - May 2018*

Mr. Rohitha Bandara joined in 2012 as Chief Financial Officer and was appointed to the Board on 15th May 2018.

Mr. Rohitha Bandara is a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and Associate member of ACCA (UK). He holds a B.Sc. Management Special Degree from the University of Sri Jayawardenepura and in addition, an MBA in Finance from the University of Colombo.

He is also qualified in AAT, ACMA (SL), ACPM, AIPFM (UK) and has over four years' experience with Ernst & Young in different industry segments in Sri Lanka and Singapore and over 14 years of manufacturing experience in textiles industry as Sector Head of Finance.

He was appointed to the Board of South Asia Textiles Limited in 2021.

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**M. H. JAYASINGHE**

Executive Director  
Appointed - April 2019

Mr. Malith Jayasinghe joined Hayleys Fabric PLC as a Management trainee, assumed duties with increased responsibilities in Sales and Marketing functions during his career. He counts for over 17 years of experience at Hayleys Fabric.

He was appointed to the Board of Hayleys Fabric PLC in 2019 and to the Board of South Asia Textiles Limited in 2021. Mr. Jayasinghe holds a B.Sc. Degree from the University of Colombo.

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**K. P. C. P. K. PATHIRANA**

Executive Director  
Appointed - August 2020

Mr. Prasanna Pathirana is a Graduate in Business Management (Human Resource) Special from the University of Kelaniya. In addition, he holds a Diploma in Psychology from Sri Lanka Psychological Institute. He has over 15 years' experience in the field of Human Resource Management at leading local and multinational companies.

He was appointed to the Board of South Asia Textiles Limited in 2021.

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**MS. YOGADINUSHA BHASKARAN**

(Alternate Director to Mr. K.D.D. Perera)  
Non-Executive Director:  
Appointed - June 2015

Ms. Yogadinusha Bhaskaran is an Accounting professional currently serving as the Chief Executive Officer of Vallibel One PLC. She also presently serves on the Board of Delmege Limited as a Director, LB Finance PLC as a Non-Executive Director and Chairperson of Audit Committee, Haycarb PLC and Dipped Products PLC as Alternate Directors to Mr. K.D.D. Perera.

Ms. Yogadinusha Bhaskaran has previously worked as a Financial Controller with several Australian companies in Melbourne for a number of years. She has in the past served as the Assistant General Manager (Finance & Planning) at Pan Asia Banking Corporation PLC. She is a Fellow of the Chartered Institute of Management Accountants UK (FCMA), Fellow of CPA Australia (FCPA) and an Associate Member of the Institute of Bankers, Sri Lanka.



# MANAGEMENT TEAM - HAYLEYS FABRIC PLC



**E. R. P. GOONETILLEKE**  
Managing Director / CEO



**R. ROHITHA BANDARA**  
Director - Finance



**M. H. JAYASINGHE**  
Director - Sales and Marketing



**K. P. C. P. K. PATHIRANA**  
Director - Human Resources &  
Administration



**S. S. PULASINGHE**  
General Manager - Sustainability,  
Engineering & Special Projects



**PRASANGA KIRIHENA**  
General Manager - Operations



**P. M. P. PERERA**  
Deputy General Manager -  
Engineering



**C. P. WANASINGHE**  
Deputy General Manager -  
Production Planning



**K. D. C. R. GUNARATNE**  
Deputy General Manager - Knitting





**SUMITH FERNANDO**

Deputy General Manager - Finance



**SAMAN JAYAWARDANE**

Deputy General Manager - Dyeing  
and Colour Lab



**Ranil Yapa**

Deputy General Manager -  
Marketing



**Indunil Nimalaruwan**

Deputy General Manager -  
Quality Assurance



**Saliya Thilakarathna**

Head of Supply Chain



**Chaminda Kottegoda**

Head of Finishing



**Dinusha Somasiri**

Senior Manager - Product  
Development & Innovation

# MANAGEMENT TEAM

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## E. R. P. GOONETILLEKE

Managing Director / CEO

Mr. Eranga Rohan Peiris Goonetilleke joined Hayleys Fabric PLC, as Managing Director /CEO on the 1st of March 2013, and was appointed to the Group Management Committee in the same month. He also serves as Managing Director/CEO of South Asia Textiles Limited with effect from April 2021. Prior to joining Hayleys Fabric PLC, he was appointed as a Director of Brandix X'pressions (Pvt) Limited, and was appointed to the Board of CLT Apparel (India) (Pvt) Limited in January 2011, a fully owned subsidiary of Brandix Lanka Limited. During the period, 2003 to 2010 he was the Managing Director/CEO of Textured Jersey Lanka (Pvt) Limited, prior to which he was the Managing Director/ CEO of Linea Clothing (Pvt) Limited, a subsidiary of MAS Holdings (Pvt) Limited, and prior to that he was at Carson Cumberbatch & Company Limited as the CEO of Elpitiya Plantations Limited. He received his higher education in the United Kingdom qualifying as a Graduate Engineer (B. Sc. Eng.).

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## R. ROHITHA BANDARA

Director – Finance

Mr. Ruwan Rohitha Bandara is a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and Associate member of ACCA (UK). He holds a B.Sc. Management Special Degree from the University of Sri Jayawardenepura and in addition, an MBA in Finance from the University of Colombo.

He is also qualified in AAT, ACMA (SL), ACPM, AIPFM (UK) and has over four years' experience with Ernst & Young in different industry segments in Sri Lanka and Singapore and over 16 years of manufacturing experience in textiles industry as Sector Head of Finance. He was appointed to the Board of South Asia Textiles Limited in 2021.

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## M. H. JAYASINGHE

Director - Sales and Marketing

Mr. Malith Jayasinghe joined Hayleys Fabric PLC as a Management trainee, Assumed duties with increased responsibilities in Sales and Marketing functions during his career. He counts for over 17 years of experience at Hayleys Fabric.

He was appointed to the Board of Hayleys Fabric PLC in 2019 and to the Board of South Asia Textiles Limited. in 2021. Mr. Jayasinghe holds a B.Sc. Degree from the University of Colombo.

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## K. P. C. P. K. PATHIRANA

Director - Human Resources & Administration

Mr. Prasanna Pathirana is a Graduate in Business Management (Human Resource) Special from the University of Kelaniya. In addition, he holds a Diploma in Psychology from Sri Lanka Psychological Institute. He has over 16 years' experience in the field of Human Resource Management at leading local and multinational companies. He was appointed to the on the Board of South Asia Textiles Limited in 2021.

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## S. S. PULASINGHE

General Manager - Sustainability, Engineering & Special Projects

Mr. Saliya Pulasinghe holds a National Diploma in Engineering Sciences from Institute of Engineering Technology, an MBA from University of Wales, UK and is a Member of the Certified Management Accountants of Australia.

He had undergone extensive training in Lean Management (PIPF Osaka), Operations Management (PPOM- Yokohama) and Corporate Management (LKCM13- Chubu) from The Association of Overseas Technical Scholarship, Japan. He has over 27 years of experience in manufacturing & construction sectors

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## PRASANGA KIRIHENA

General Manager – Operations

Mr. Prasanga Kirihena with over 31 years of experience in the fabric industry and garment manufacture has held senior positions in the industry. He holds a Diploma in coloration and finishing from Sri Lanka Institute of Textile and Apparel and MBA from Cardiff Metropolitan University (UK) He has held managerial positions in the leading fabric mills in Sri Lanka ranging from dyeing, finishing to operations and key senior positions in the leading apparel manufacturers in Sri Lanka.

He had undergone training on Nike operation systems (NOS) conducted by the brand and training in Lean Manufacturing methods conducted by The Association of Overseas Technical Scholarship (Osaka - Japan)

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## P. M. P. PERERA

Deputy General Manager - Engineering

Mr. Mahesh Perera holds a National Diploma in Mechanical Engineering from the University of Moratuwa. He has over 25 years' experience in the field of engineering and 16 years' experience in textile manufacturing industry.

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## C. P. WANASINGHE

Deputy General Manager - Production Planning

Mr. Chinthaka Wanasinghe holds a BSc. in Industrial Management from the University of Kelaniya, MSc. In Operational Research from the University of Moratuwa and in addition he also holds a National Diploma in Engineering Science from the Institute of Engineering Technology (IET). He has over 12 years' experience in overall planning, SAP - ERP and information systems.

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**K. D. C. R. GUNARATNE**

Deputy General Manager – Knitting

Mr. K. D. Gunaratne has over 22 years' experience in Knitting Technology and Production at Hayleys Fabric PLC.

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**SUMITH FERNANDO**

Deputy General Manager – Finance

Mr. Sumith Fernando holds an Executive Diploma from the Institute of Chartered Accountants of Sri Lanka. He has over 25 years' experience in accounting and finance, out of which, 17 years has been Managerial experience. In addition, Mr. Fernando counts over 9 years' experience in SAP ERP system as a power user.

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**SAMAN JAYAWARDANE**

Deputy General Manager - Dyeing and Colour Lab

Mr. Saman Jayawardane started his career in 1996 and has worked in the leading fabric mills in Sri Lanka engaged in the areas of recipe formulation/ colour lab, dye profile & dyeing technicalities. He has many years of experience in fabric mills in Thailand and Vietnam and has headed operations prior to joining Hayleys Fabric PLC. He holds Diploma in Textile Technology in SLITA and has almost 26 years experiences in textile sector.

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**RANIL YAPA**

Deputy General Manager - Marketing

Mr. Ranil Yapa joined Hayleys Fabric PLC in 2017 as Marketing Manager and prior to that he has worked in different large-scale garment manufacturing plants including 13 years in South Africa. He has overall 23 years of industry experiences relate to both textile and garments in merchandising and marketing.

He holds an MBA from Cardiff Metropolitan University of Wales.

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**INDUNIL NIMALARUWAN**

Deputy General Manager - Quality Assurance

Mr. Indunil Nimalaruwan started his career in Hayleys Fabric PLC as Head of Quality Assurance and has over 21 years' experience in quality assurance and quality operations in the leading fabric mills in Sri Lanka.

In addition to the experience in Sri Lanka he also has over 3 years' experience in a leading fabric mill in China.

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**SALIYA THILAKARATHNA**

Head of Supply Chain

Saliya Thilakarathna is with over 18 years' experience in Textile & Apparel industry (12 years Local & 6 years overseas

He joined Hayleys Fabric PLC in 2021-April as Head of Supply chain and previously he has attached to two large scale Fabric mills, Served as the Manager Production Planning & Material Control for 5 years and 7 years for Fashion Lace manufacturing company respectively. Also, he has also served in overseas as Senior Manager-Production Planning & Supply Chain for 6 years for who has perfected the art of lace fabric knitting Mills located in both China & Thailand.

Mr. Thilakarathna holds Diploma in Fabric Technologist in SLITA, Diploma in Textile & Apparel Engineering - OUSL, Diploma in Supply Chain & Material Management - NIBM, Diploma in Work Study for apparel industry (IE) – CITI, Certificate in Textile Technology for Garment Industry -University of Moratuwa.

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**CHAMINDA KOTTEGODA**

Head of Finishing

Chaminda Kottegoda has over 26 years' experience in working with large textile mills in Sri Lanka as well as in overseas in different capacities. In addition to his experience working in the fabric Mills, he also has experience as a Textile Processing Consultant at Santex AG Switzerland for a period of over 5 years and has provided consultation for many textile fabric mills around the Globe.

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**DINUSHA SOMASIRI**

Senior Manager - Product Development & Innovation

Mr. Dinusha Somasiri holds a B.Sc Engineering degree in textile and clothing, specialized in textiles from University of Moratuwa. He joined Hayleys fabric as Senior manager for product development & innovation on 2020 and prior to joining Hayleys fabric he has over 13 years of experience in material development & material innovation with leading local & overseas companies.

# MANAGEMENT TEAM - SOUTH ASIA TEXTILES LIMITED



*Team-SAT from Left to Right*

- 1 **Jagath Kariyawasam** - Manager HR & Administration,
- 3 **Buddhika Perera** - Financial Controller,
- 5 **Champika Liyanage** - Senior Manager- Knitting,

- 2 **Indika Chandrarathne** - Senior Manager- Dye House,
- 4 **Nirmalee Maddumage** - Assistant General Manager- R&D,
- 6 **Chaminda Wijesuriya** - Manager- Engineering





- 7 **Chaminda Morawatta** - Senior Manager- Finishing, 8 **Kapila Priyashantha** - Manager – Quality Assurance,  
9 **Sameera Jayasinghe** - Manager- Planning, 10 **Udan Wedamuninilame** - Manager- Supply Chain,  
11 **Nalin Wickramarathne** - Deputy General Manager - Marketing

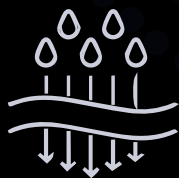
## ENCODED DRY TRACE 1.0



QUICK DRY



Essential Tee  
Everyday Gym Wear



MOISTURE WICK



PRO ELITE



PRO ELITE



PRO ELITE



PRO



PRO ELITE





# LEADING LEADING THE CHANGE

## MANAGEMENT DISCUSSION & ANALYSIS

The Strategic Report 46 | Our Business Model 46 | Responding to Our Stakeholders 48 | Value Added to Stakeholders 50 | Strategy 51 | Determining Material Issues 53 | Risks and Opportunities 54 | Operating Environment 58 | Global Economic Environment 58 | The Sri Lankan Economy 59 | The Textile and Apparel Sector 60 | The Capitals Report 62 | Financial Capital 62 | Social and Relationship Capital 68 | Human Capital 76 | Intellectual Capital 86 | Manufactured Capital 90 | Natural Capital 94 | Corporate Governance 106 | GRI Index 126 | Independent Assurance Report GRI and Integrated Reporting 131

# THE STRATEGIC REPORT

## OUR BUSINESS MODEL

Capital Inputs	
	<b>Financial Capital</b> Our financial resources which are key to carrying out business activities and reaching strategic goals. <ul style="list-style-type: none"> <li>Shareholders' Funds: USD 30 Mn</li> <li>Borrowings: USD 43 Mn</li> </ul>
	<b>Social and Relationship Capital</b> The mutually beneficial relationships we have nurtured with our stakeholders to drive value creation. <ul style="list-style-type: none"> <li>Tier 1 customers: 5</li> <li>Grade 1 suppliers : 95%</li> <li>The closely-knit community in which we operate</li> </ul>
	<b>Intellectual Capital</b> Robust systems and processes, tacit knowledge and a strong innovation pipeline which underpins our performance. <ul style="list-style-type: none"> <li>Accreditations/ Certifications: 46</li> <li>Investment in Research and Development: USD 110,413</li> </ul>
	<b>Human Capital</b> Competencies, attitude and experience of our workforce, who drive innovation and support the delivery of our strategic objectives. <ul style="list-style-type: none"> <li>Employees: 2,915</li> </ul>
	<b>Manufactured Capital</b> The investments in modern and efficient manufacturing facilities which enables high quality production. <ul style="list-style-type: none"> <li>PP&amp;E: USD 44 Mn</li> <li>Capex investment: USD 8.6 Mn</li> </ul>
	<b>Natural Capital</b> The natural resources we consume in the value creation process. <ul style="list-style-type: none"> <li>Energy intensity (GJ/ MT of production): 88.1</li> <li>Water consumption: 3.1 Mn (M³)</li> </ul>

## Value Transformation





Creating innovative products that satisfy the evolving needs of our customers



Strong relationships throughout the value chain help us to compete on Flexibility, Speed and Cost

Stakeholder Expectations

Robust Risk Management

#### Outputs

**17,326**

MT of Fabric  
Production Volume

**6,029 MT**

Solid Waste Generated

**56,134 tCO<sub>2</sub>e**

Carbon Footprint

#### Outcomes

##### Financial Capital

Generating sustainable shareholder value.

Profit After Tax: USD 12.8 Mn

Revenue: USD 150 Mn

Dividends: USD 2.3 Mn

Page 16 & 194 for more details

##### Social and Relationship Capital

Payments to suppliers: USD 142.6 Mn

Investment in CSR: USD 11,302

Impact to the local community through indirect jobs: Over 4,000

Page 68 for more details

##### Intellectual Capital

Revenue from INNO and developments: USD 148 Mn

Cumulative innovations and product developments: 1,124

Page 86 for more details

##### Human Capital

Provided competitive rewards and opportunities in a conducive and dynamic work environment.

Page 76 for more details

##### Manufactured Capital

Increase in capacity: 5%

Investment in CAPEX: USD 8.6 Mn

Page 90 for more details

##### Natural Capital

Zero hazardous waste

108% increase in renewable energy in the Group.

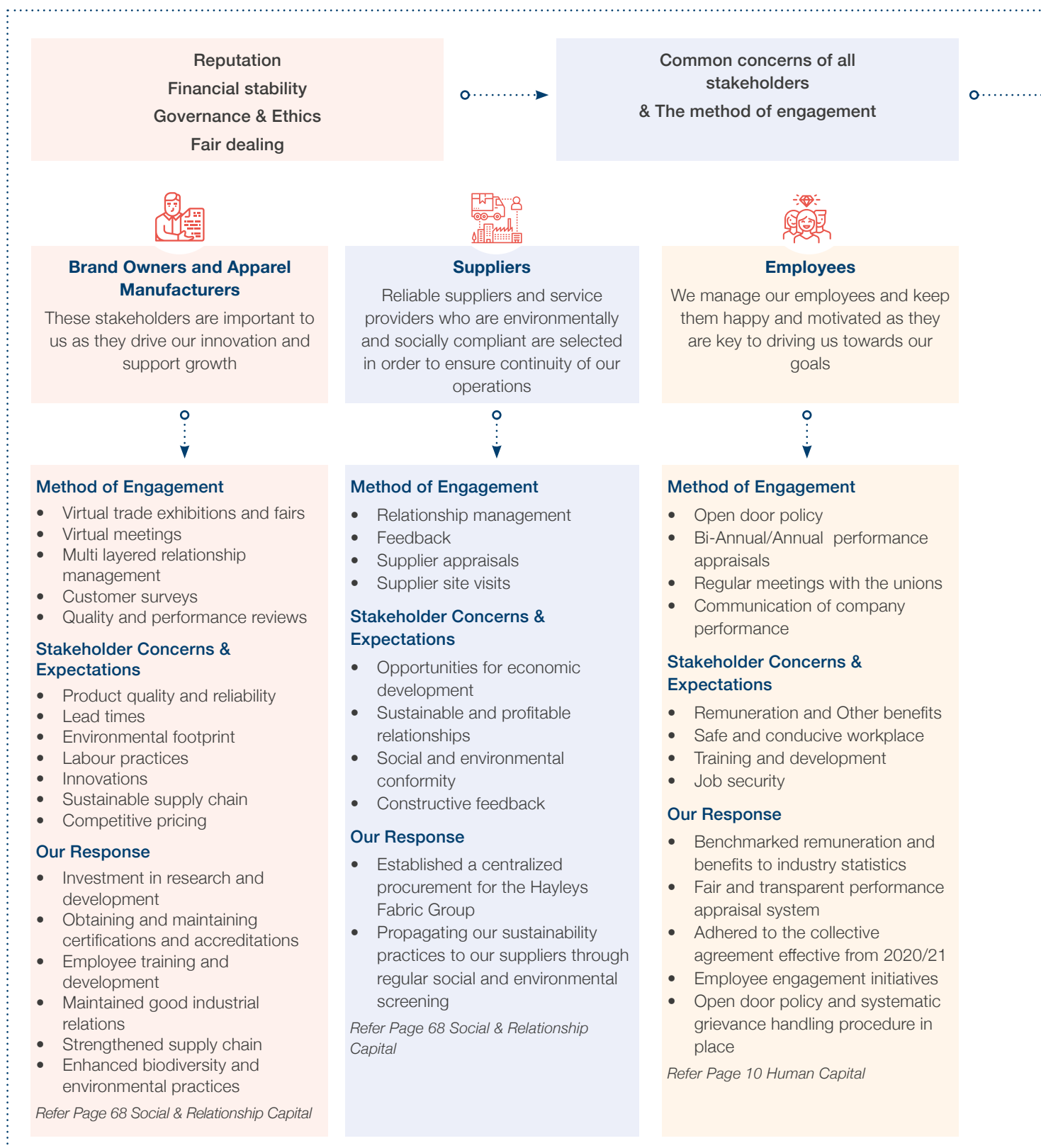
10% water recycled

Page 94 for more details

# THE STRATEGIC REPORT

## RESPONDING TO OUR STAKEHOLDERS

Our value transformation process revolves around creating value for a broad range of stakeholder groups who are impacted by our actions. We engage with these stakeholder groups in order to understand and effectively respond to their concerns and expectations. A summary of our stakeholders, their key concerns and the ways in which we have engaged with them during the year is presented below.



**Social Media, Website  
Written Communications  
Press Releases  
Media**



**Investors**

We manage our business to provide returns that correspond to the risks undertaken by these stakeholders while balancing interests of other stakeholders



**Method of Engagement**

- Financial Statements and quarterly/Annual financial results
- Annual General Meeting
- Investor forums and discussions
- CSE announcements

**Stakeholder Concerns & Expectations**

- Return on investment
- Growth prospects
- Environment & social impact
- Share price and liquidity
- Business continuity

**Our Response**

- Innovations and new product developments
- Increased penetration with existing buyers
- New buyers
- Improved productivity and cost efficiencies
- Improved social and environmental practices
- Obtained new accreditations

*Refer Page 62 Financial Capital*



**Regulator**

We engage with the Government agencies to ensure our operations and activities are compliant with all regulatory requirements



**Method of Engagement**

- Visits to premises
- Filing of returns
- Direct dialogues
- Regular submission of data

**Stakeholder Concerns & Expectations**

- Compliance to all relevant regulations, directions and guidelines
- Timely payments of taxes/ fees/ levies etc.
- Environmental protection

**Our Response**

- Finance division monitors compliance

*Refer Page 106 Corporate Governance  
Refer Page 97 Natural Capital*



**Community**

We nurture healthy relationships with the communities around us



**Method of Engagement**

- Engagement with religious leaders
- Workshops
- Village festivals

**Stakeholder Concerns & Expectations**

- Employment opportunities
- Empowering livelihoods
- Infrastructure development
- Water conservation
- Waste management
- Sponsorships

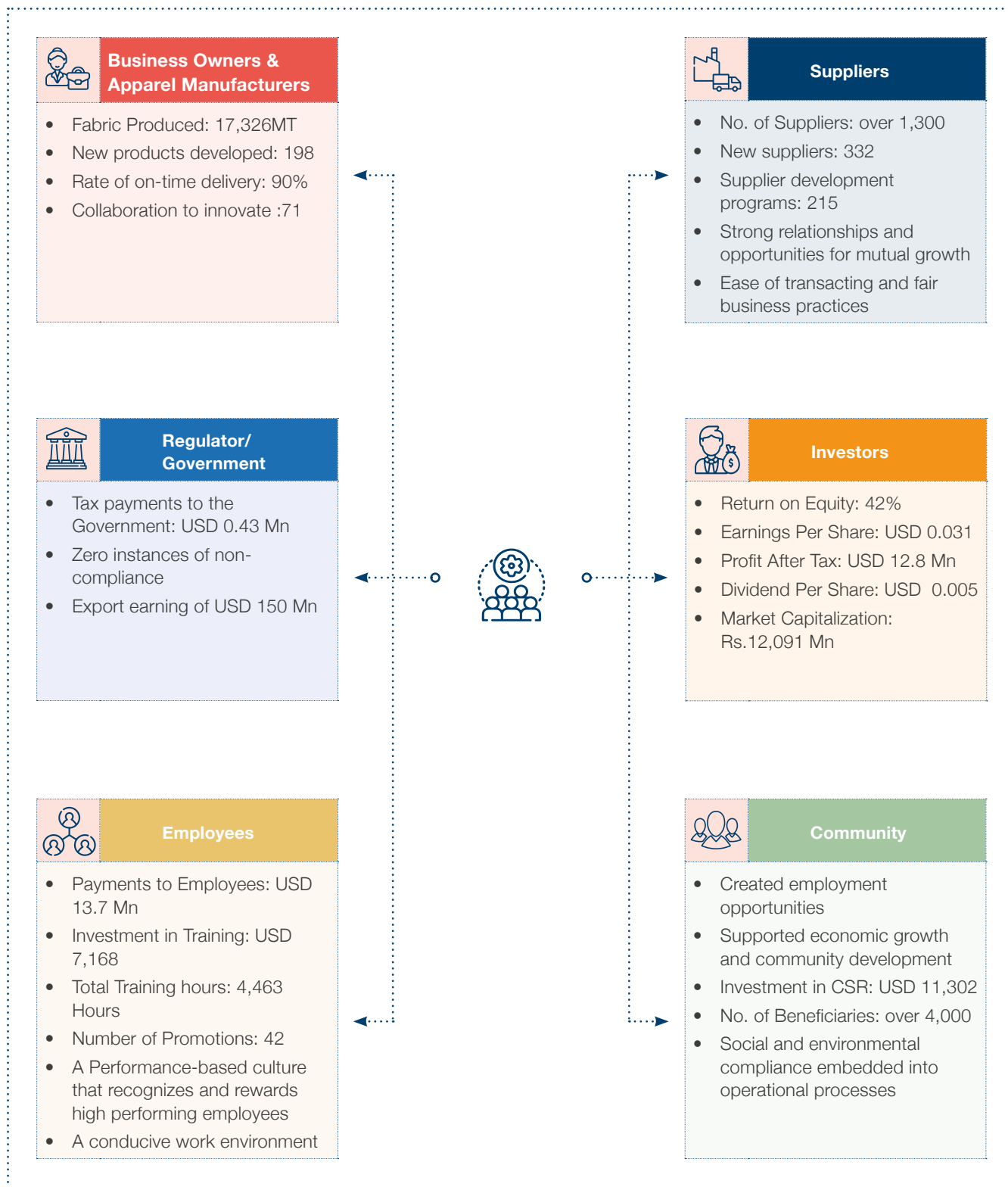
**Our Response**

- Offered ancillary services to SME in the vicinity
- Operating responsibly and sustainably, and addressing issues that are material for our local communities
- Identified philanthropic initiatives

*Refer Page 68 Social & Relationship Capital  
Page 94 Natural Capital*

# THE STRATEGIC REPORT

## VALUE ADDED TO STAKEHOLDERS

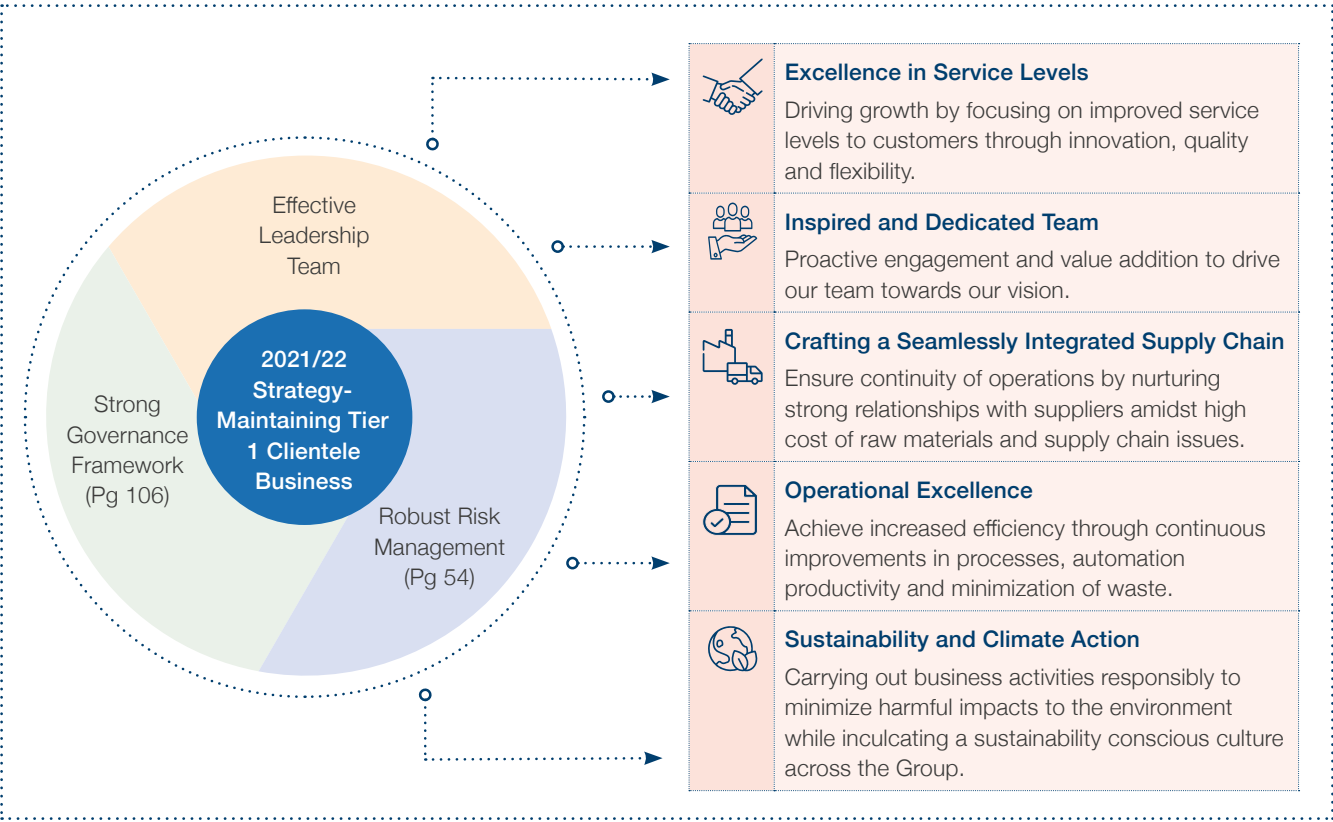




STRATEGY

We have adopted an integrated and holistic approach in formulating strategy, taking into consideration operating challenges and risks, emerging opportunities, stakeholder needs and our impact on society and the environment. Hayleys Fabric PLC continued to pursue a brand centric strategy designed to transform the Group from a traditional customer model to a portfolio of brands serving geographically broad-based markets supported by our own innovative portfolio of fashion forward synthetics to leading global fashion brands.

Having started our journey as the pioneering fabric manufacturer in the country in 1993, we have become the largest fabric manufacturer in the country with the acquisition of South Asia Textiles Limited. We have actively pursued a focused and sustainable growth strategy for the Group which has now come to fruition as we harmonized the strategies of Hayleys Fabric PLC and South Asia Textiles Limited. Although the unprecedented operational challenges that were prevalent during the year necessitated a shift in focus to address immediate issues, in general the Group’s activities were aligned to the overall strategy of maintaining our high-profile customers by pursuing operational excellence while balancing the interests of all stakeholders.



# THE STRATEGIC REPORT

## STRATEGY

	Strategic Drivers	KPI's	Link to Material Topics
<b>Excellence in Service Levels</b>	<ul style="list-style-type: none"> <li>• Increase production capacity</li> <li>• Drive innovation through new product developments</li> <li>• Strengthen customer value proposition through increased quality, speed and flexibility</li> </ul>	<ul style="list-style-type: none"> <li>• Right First Time: &gt;91%</li> <li>• Sales from Inno &amp; development: 98% of total sales</li> <li>• Capacity utilization: &gt;90%</li> </ul>	<ul style="list-style-type: none"> <li>• Short lead times</li> <li>• Innovation</li> <li>• On time delivery</li> <li>• Product quality</li> <li>• Customer satisfaction</li> <li>• Economic performance</li> </ul>
<b>Inspired and Dedicated Team</b>	<ul style="list-style-type: none"> <li>• Recruit and retain talent</li> <li>• Inclusive culture promoting work life balance</li> <li>• Continuous investment in Training and development</li> <li>• Health and safety</li> <li>• Career progression</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in remuneration: 10%</li> <li>• Retention rate: 78%</li> <li>• COVID-19 related health &amp; safety expenditure: USD 137,211</li> </ul>	<ul style="list-style-type: none"> <li>• Employment and Employee wellbeing</li> <li>• Training and education</li> <li>• Child labour</li> <li>• Socio-economic compliance</li> </ul>
<b>Crafting a Seamlessly Integrated Supply Chain</b>	<ul style="list-style-type: none"> <li>• Develop alternate suppliers</li> <li>• Conduct supplier audits</li> <li>• Supplier collaborations</li> <li>• Regular supplier engagement</li> <li>• Optimum inventory levels</li> </ul>	<ul style="list-style-type: none"> <li>• Shortest lead times: 3 days</li> <li>• Average supplier rating: &gt;95%</li> <li>• New product collaborations: 215</li> </ul>	<ul style="list-style-type: none"> <li>• Best practices along supply chain</li> <li>• Materials</li> <li>• Import restrictions</li> <li>• Pandemic-led disruptions</li> <li>• Availability of foreign exchange</li> </ul>
<b>Operational Excellence</b>	<ul style="list-style-type: none"> <li>• Invest in training to reduce waste</li> <li>• Upgrade to the latest technology</li> <li>• Streamline processes to drive efficiencies</li> <li>• Optimizing Group synergies</li> </ul>	<ul style="list-style-type: none"> <li>• Training expenditure: USD 7,168</li> <li>• CAPEX: USD 8.6 Mn</li> </ul>	<ul style="list-style-type: none"> <li>• Effluents and waste</li> <li>• Cyber security</li> <li>• Technology</li> <li>• Access to uninterrupted energy</li> </ul>
<b>Sustainability and Climate Action</b>	<ul style="list-style-type: none"> <li>• Compliance with CEA</li> <li>• Commitment to reduce the environmental impacts of our operations</li> <li>• Reduce dependency on non-renewable sources</li> </ul>	<ul style="list-style-type: none"> <li>• Accreditations: 46</li> <li>• Recycled water: 10%</li> <li>• Renewable energy: 71% of total energy consumed</li> </ul>	<ul style="list-style-type: none"> <li>• Local communities</li> <li>• Biodiversity</li> <li>• Energy</li> <li>• Emissions</li> <li>• Environmental compliance</li> <li>• Water</li> </ul>

## DETERMINING MATERIAL ISSUES

Material issues are matters that are of important to our stakeholders, while potentially having a significant impact on our ability to create value over the short, medium and long term. As part of the Hayleys PLC Group we conduct a materiality assessment annually to identify changes in both the internal and external environment in line with the Group practice. The unprecedented operating conditions and uncertainty that prevailed during the year, necessitated several changes to our material matters to better reflect current dynamics and provide improved clarity to stakeholders. The process adopted for determining material issues is presented below:

### 1. Identification of Material Issues

- Assessment of external environment and broader contextual trends
- Stakeholder Engagement
- Evaluation of internal strengths and weaknesses

*We have identified a long list of 59 material topics*



### 2. Prioritization of Material Topics

- Each issue is scored and aggregated based on the impact and significance to the Group and its stakeholders to obtain a consolidated score

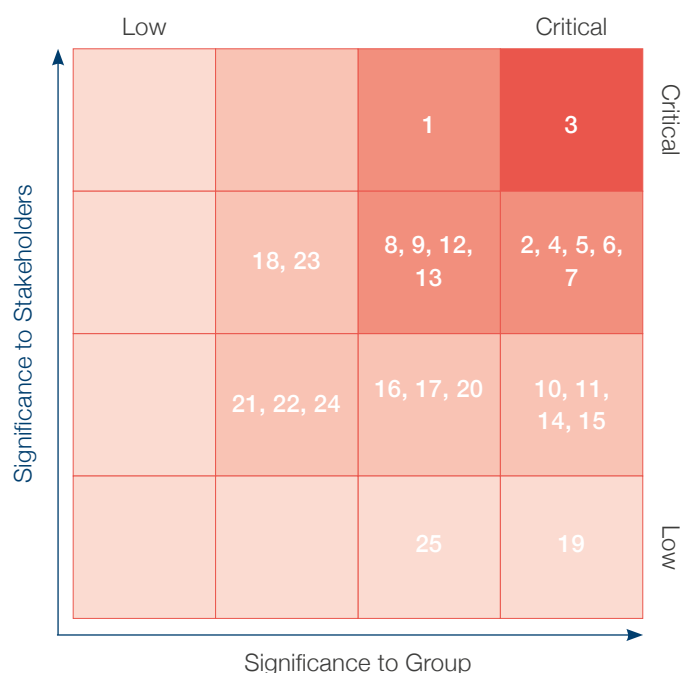
*The top 25 material topics have been prioritized and plotted onto the materiality matrix.*



### 3. Continuous Assessment

- The identified material topics are continuously assessed in order to ensure our strategy remains relevant.

Our Materiality Map



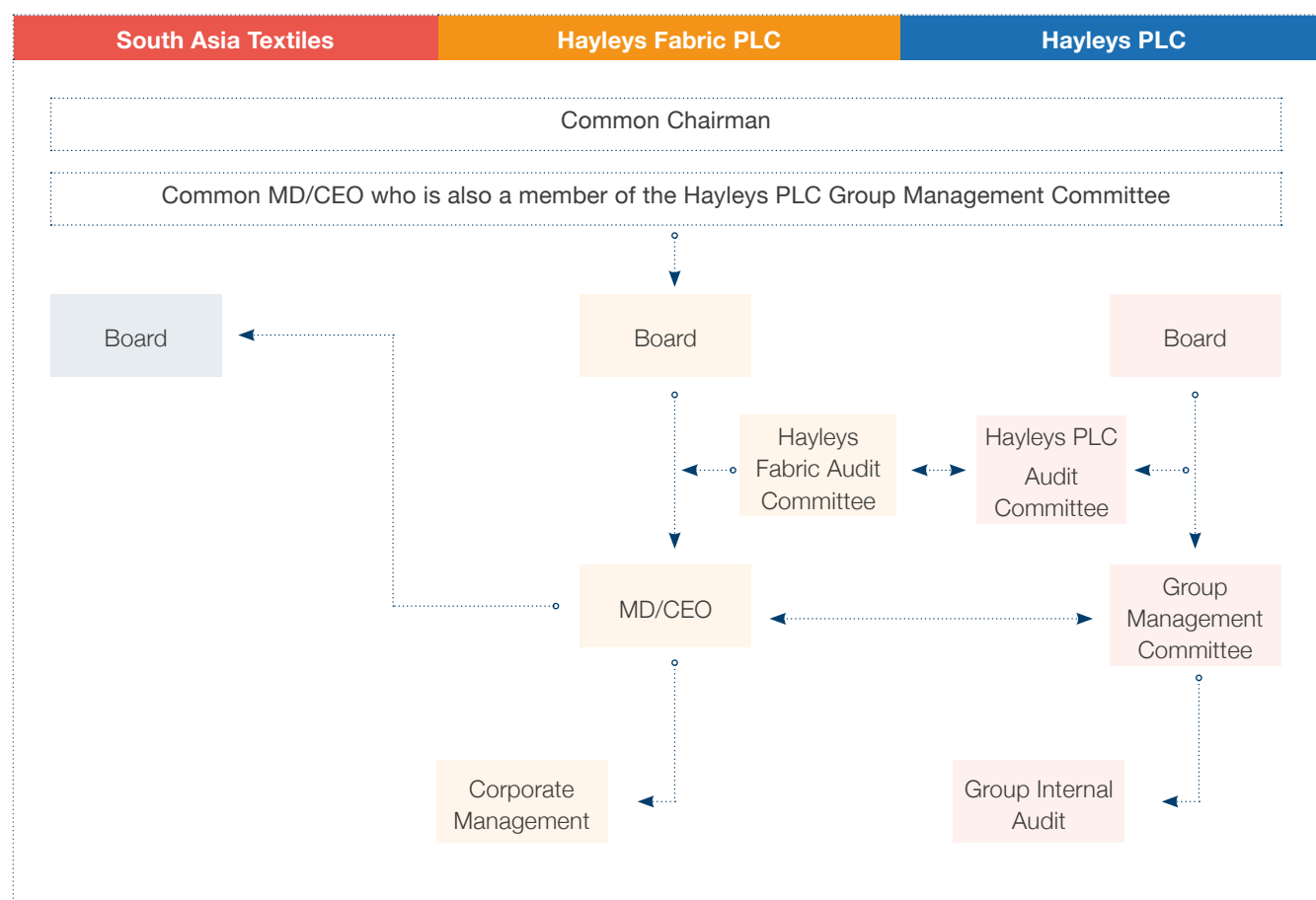
- 1 Pandemic-led disruptions
- 2 Access to uninterrupted energy
- 3 Import restrictions
- 4 Water
- 5 Technology
- 6 Employment and Employee Wellbeing
- 7 Materials
- 8 Environmental Compliance
- 9 Effluents and Waste
- 10 Customer Satisfaction
- 11 Product Quality
- 12 Child Labour
- 13 On Time Delivery (OTD)

- 14 Innovation
- 15 Economic Performance
- 16 Emissions
- 17 Short Lead Time
- 18 Socio-economic Compliance
- 19 Energy
- 20 Cyber Security
- 21 Biodiversity
- 22 Training and Education
- 23 Availability of Foreign Exchange
- 24 Local Communities
- 25 Best Practices along Supply Chain

## RISKS AND OPPORTUNITIES

## Risk Governance

The Board bears ultimate responsibility for setting in place a framework and structures for managing risk and the Chief Executive Officer and the Corporate Management Team are responsible for implementing the same. The operations of South Asia Textiles which was acquired during the year have been included into the risk management framework and reports to the Boards of both companies and to the Parent company's Group Management Committee, the Audit Committee and Board. The Executive Directors take responsibility for preparation of the quarterly Risk Management report which sets out the principal risks and their assessment of the same. This process facilitates identification, measurement, monitoring, and management of the principal risks.

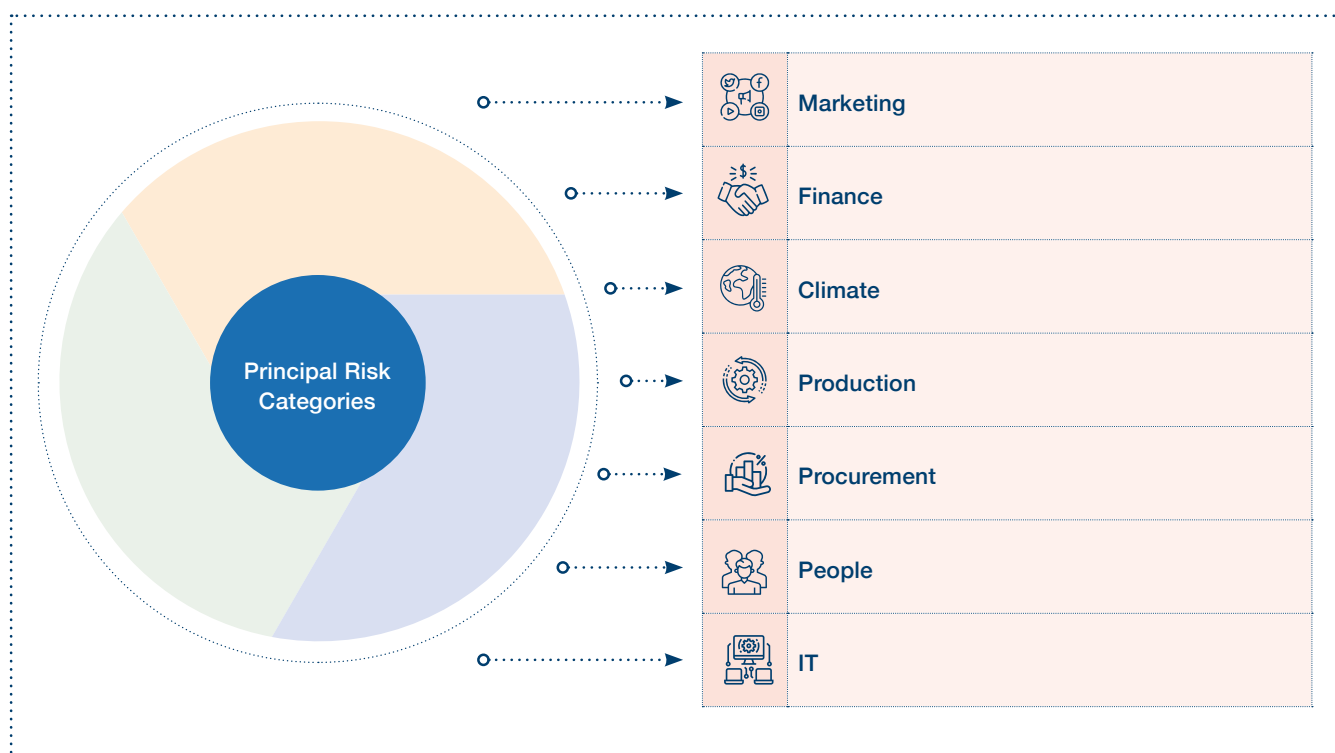


## An Uncertain Landscape

Demand for fabric soared with the pickup in economic activity in advanced economies resulting in full order books and capacity constraints. The acquisition of South Asia Textiles Limited. enabled us to expand operations while deriving significant synergies as the Corporate Management Team was able to manage both operations, harmonizing operations effectively in line with strategy. The additional capacity has also been filled to a large extent, reflecting the demand for fabrics created by the Group which is now the largest fabric manufacturer in the country.

Sri Lanka's economic trajectory diverged from that of advanced economies impacting our business as well. The year under review presented multiple challenges at individual, entity and country level as we grappled with the variants and waves of the pandemic and a deteriorating economy. Vaccinations were rolled out with the 2nd and 3rd doses being given during the year under review and we are cautiously optimistic that the pandemic is now nearing endemicity.

The trade and balance of payment deficits grew significantly as tourism and worker remittance inflows declined giving rise to a foreign exchange liquidity crisis which worsened with debt repayments leading to an energy crisis and political instability. Policy uncertainty, inflation, import restrictions and rupee devaluations were key concerns throughout the year. By the close of the year, scheduled power cuts, scarcity of essential medicines, gas and fuel gave rise to a peaceful protest that has gathered momentum throughout the country, requesting for a change in the political regime. Sri Lanka has been resilient through 30 years of civil war and we believe that with communication with our employees, we can stay on course to deliver the planned growth. Risk management plays a key role as early identification is critical to finding optimal solutions for managing the same. Although the environment is extremely fluid, we have prioritized and listed the most significant risks for our business together with mitigating factors at the close of the year.





# RISKS AND OPPORTUNITIES

## Principal Risks

	Risk	Mitigants	Impact on Business	Probability of Occurrence
Marketing	Customer satisfaction: On-time delivery with perfect quality	Strict focus on quality and on time delivery with immediate root cause analysis	●	●
	Loss of customer orders due to unstable political and economic situation in the country	Close relationships to Global brands and working together with the industry association to reassure customers	●	●
Finance	Increase in interest rates for USDs due to prevailing USD crisis	Restructuring loan facilities to hedge the risks and renegotiating interest rates	●	●
	Cash flow issues due to prevailing banking forex issues in the country	Proactive monitoring of cash flows to ensure liquidity for business needs in view of the rigidity off banking practices due to foreign currency liquidity crisis	●	●
	Difficulty of opening LCs due to U.S. dollar crisis in the country	Continuous dialogues with banks to resolve situation and also negotiating with suppliers for extended credit periods	●	●
	Key suppliers request to reduce their credit periods or open their LCs through international banks	Continuous dialogue with suppliers to maintain credit periods and reassure them of payment	●	●
	U.S. dollars in the account are taking additional time to transfer to other bank accounts to settle the loans	Continuous discussions with banks to resolve issues to facilitate settlement of loans	●	●
Climate	Alternate droughts and floods resulting in either increased salinity of water or flooding	Use of chemicals to reduce PH levels address the salinity of water Disaster management systems are in place to enable operations during floods	●	●
Government Policy	The policy environment is likely to be volatile due to the current economic conditions we expect this to continue for some time as the country finds pragmatic path to economic recovery	Prudent management of liquidity and leverage to build organizational resilience Engagement with industrial associations to ensure that our views considered in industry representations to the government	●	●
Employees	3 trade unions at Hayleys Fabric and one trade union at South Asia Textiles Limited make industrial relations a key concern given the current economic situation in the country	Positive goodwill created to do the growth in earnings during the pandemic years as we did not cut salaries layoff people or reduce bonuses. All employees who diagnosed as positive received dry rations for the entire family and, where necessary, they were looked after an intermediary care facility for which the cost was borne by the Company Good industrial relations with trade unions and continued dialogue to identify concerns continue to build trust with employees through dialogue and other communications	●	●
	Creating a safe working environment for our employees with due regard to health and safety practices was a challenge due to the pandemic	Employees vaccination programs carried out at premise has supported high levels of vaccination among all employees. Additionally, the pandemic is expected to reach endemicity this year. Very high level of sanitization methods installed. Strict guidelines with the advice of the MOH has been implemented for the safety of our people		

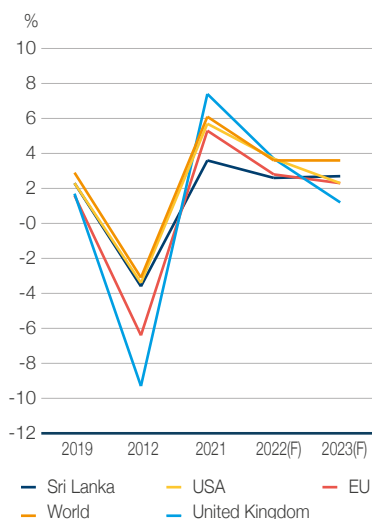
	Risk	Mitigants	Impact on Business	Probability of Occurrence
Supply Chain	Increasing prices for yarn and other raw materials pose a challenge as orders are booked for a season on fixed prices for fabrics	Daily monitoring of global market movements Booking maximum quantities on forward rates which suppliers Developing alternative suppliers for key raw materials	●	●
Innovation	Our ability to innovate to appeal to emerging consumer trends is key to growth and profitability	Monitoring of fashion trends to anticipate customer needs in developing own portfolio Ability to attract and retain highly qualified and experienced talent to operate the Design Centre	●	●
Production	Water usage and discharge	Regular monitoring of river levels and consumption Full compliance with CEA requirements Commitment to reduce water consumption through product and process innovations	●	●
	Managing the energy crisis	Arrangements made to procure LPG directly from Dubai counterparty through licensed supplier in Sri Lanka Furnace oil reserves maintained as backup Continue dialogue with fuel suppliers to obtain necessary supplies	●	●
	Managing effluents and waste	Planned investments in an effluent treatment plant Monitor quality of waste disposal of waste in a certifiable manner that is safe for the environment	●	●
	Driving cost efficiencies to create a competitive edge and improve margins	Process improvements Lean processes Sourcing strategies Product re-engineering	●	●
IT	Constant need to enhance and upgrade technology to meet international standards	Completed the disaster recovery and dyehouse server room upgrades Software installation project is on track having completed negotiations with vendors	●	●

● High    ● Medium    ● Low

# OPERATING ENVIRONMENT

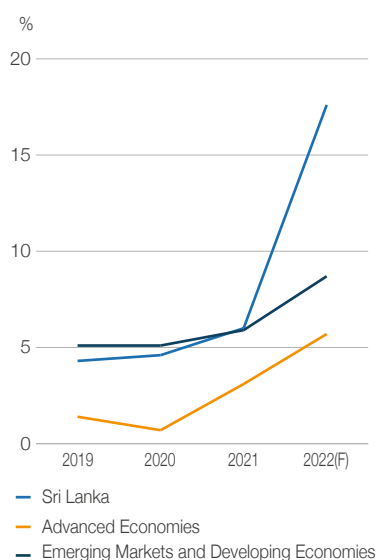
The Hayleys Fabric Group is affected by various macro-economic factors arising out of the changing operating environment globally and locally. We continuously monitor these developments in order to ensure the right strategies are in place to counter the risks while making use of the opportunities.

## GDP



Source: World Economic Outlook April 2022

## Consumer Prices



Source: World Economic Outlook April 2022 & Department of Census and Statistics

## Global Economic Environment

In 2021, economies across the World started recovering from the disruptions caused by the COVID-19 pandemic. However adverse developments in the latter part of the year meant that the global economies entered 2022 in a weaker position than anticipated.

The World Economic Outlook (WEO) report published by the International Monetary Fund (IMF) in April 2022 indicates global economic growth of 6.1% in 2021, while expecting growth to moderate to 3.6% in 2022. USA, UK and the EU which are the key markets for Hayleys Fabric PLC recorded a growth of 5.7%, 7.4% and 5.3% respectively in 2021. Russia's war on Ukraine has also fundamentally altered the global economic and geopolitical order with significant energy trade shifts, supply chains reconfigurations, payment network fragmentations and countries rethinking their reserve currency holdings.

There is a divergence of economic prospects across regions with access to COVID-19 vaccines, the level of policy support, supply chain issues and inflation emerging as the key factors influencing the global economic recovery. Temporary price pressures due to supply- demand mismatches were experienced by most countries, requiring Central Banks to tighten their monetary policies to sustain the ongoing recovery.

## Trade Volumes



Source: World Economic Outlook January and April 2022

## Global Inflationary Pressures

There was an increase in inflation rates due to the ongoing supply chain disruptions and high energy prices. Inflation increased to 3.1% for advanced economies and 5.9% for emerging market economies in 2021 and this trend is expected to continue in 2022.

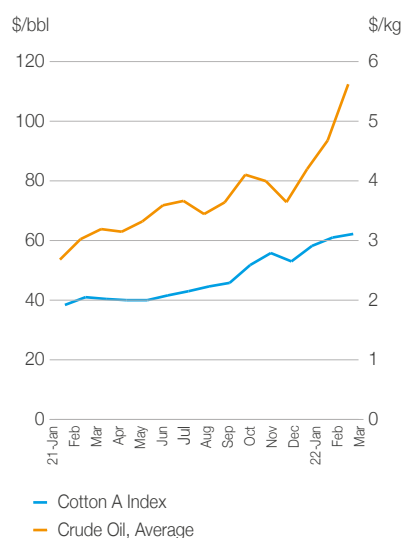
## Recovering Global Trade

Despite declining by 7.9 in 2020 due to the pandemic, trade volumes made a recovery, growing by 10.1% in 2021 and is expected to moderate to about 5% in 2022. Trade growth is projected to moderate to about 4.4% in 2023 in line with the projected global recovery. However, the invasion of Ukraine by Russia will dampen prospects with disruptions to trade flows and the supply chain not just in the region, but across the World.

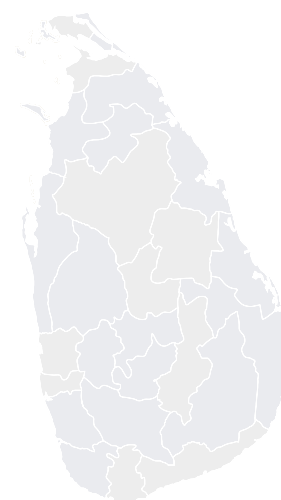
## Rising Commodity Prices

Following the drastic fall in commodity prices in 2020, there was a rebound in 2021 with the rising demand and weather disruptions leading to an upward momentum in prices. Energy prices continued to increase in 2021 while non-energy prices also recorded an increase earlier in the year. However, the volatility in the global commodity market is expected to remain due to the uneven recovery from the COVID-19 pandemic and supply chain disruptions globally.

## Commodity Prices



Source: World Bank Commodity Price Data



## The Sri Lankan Economy

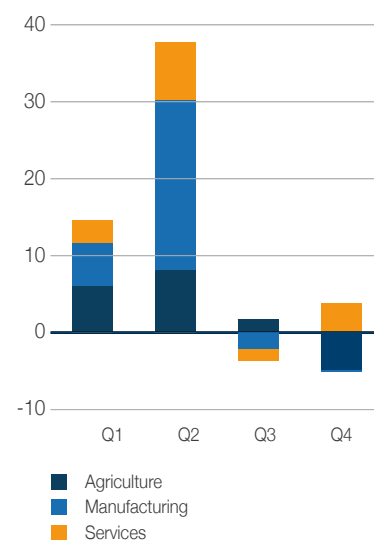
Supported by unprecedented monetary and fiscal policy stimulus measures, debt relief for pandemic-hit sectors and businesses' adaptation to the post-pandemic environment, the Sri Lankan economy made a turnaround in the beginning of 2021 with all subsectors of the economy recording an impressive growth compared to the same period last year. However, the re-emergence of the COVID-19 pandemic and related preventive measures dampened the growth momentum during the second half of the year and the country has been left grappling with a shortage of foreign currency reserves, escalating concerns on debt sustainability, import restrictions and rising inflation. In order to stabilize the economy, the Government is looking to create an export-oriented production economy while diversifying economic activities with the support of domestic and foreign investors which could sustain the growth momentum over the medium term.

Due to the disruptions relating to COVID-19, the Index of Industrial Production which provides a measure of the short-term changes in the volume of industrial production in the country showed a decline of 2.6% in 2021. The manufacture of wearing apparel and manufacture of textiles categories contributed 2% and -7.4%, respectively during the same period.

A snapshot of key macro-economic variables	Inflation	NCPI 21.5% in March 2022 CCPI 18.7% in March 2022	Inflation recorded an upward trend, driven by increase in food and non-food inflation reflecting supply disruptions, import restrictions and foreign currency issues.
	Interest rates	AWPR of 9.47% in March 2022 AWDR of 5.17% in March 2022	In response to the tightening monetary conditions market interest rates have edged upwards, with treasury bill, lending and deposit rates increasing.
	Exchange rate	The regulator allowed market forces to determine the exchange rate from March 2022, following which the Sri Lankan Rupee depreciating by 30% (based on monthly average rates) in 2021.	Limited conversions by exporters, the advancing of imports together with some speculative activity exerted undue pressure on the exchange rate in the domestic market.
	Forex Reserves	USD 1917 Million as at 31st March 2022	Measures taken by the Government and the Central Bank to attract fresh forex inflows and the anticipated inflow to the private sector is expected to strengthen the external sector in the period ahead.

Source: Central Bank of Sri Lanka

## GDP Growth



Source: Department of Census and Statistics

# OPERATING ENVIRONMENT

## The Textile and Apparel Sector

The Global textile and apparel industry is a highly competitive and fragmented market with China, the European Union, the United States, and India being the dominant players. The continuous developments in technology and the rapid industrialization in the developed and developing countries has allowed the industry to produce fabric in an efficient manner and record higher revenues. Although the industry was severely affected by the pandemic, global markets are starting to recover and executives in the global fashion industry are cautiously optimistic about the years ahead propelled by surging e-commerce adoption and increased domestic spending as customers unleash their pent-up buying power. However, the recent invasion of Ukraine by Russia, has seen fashion brands closing down their Russian stores and suspending online trade. The industry has united in expressing shock at the unfolding humanitarian crisis in Ukraine and this development is expected to have a long-term economic impact. Production delays, the rise in commodity prices, disruption in the demand and the cost of logistics are the biggest considerations for the fashion industry in this regard.

Key dynamics shaping the operating landscape of the textile and apparel sector are summarized below:

### Industry Growth

The global fashion apparel market is picking up momentum and is expected to grow at a CAGR of 4.5% during the period, from 2021 to 2028.

### Implications of Climate Change

Natural disasters and uneven weather patterns resulting from climate change will have an impact on the industry as we depend on natural resources as inputs.

### New Growth Channels

Customer relationships with brands across online and offline channels are becoming more important for brand differentiation in a highly competitive marketplace. Industry players will need to accelerate the use of data and analytics across business functions to develop customer insights and adjust their strategies accordingly.

### Uneven Recovery in the Global Economy

Challenges relating to logistical bottlenecks, manufacturing delays, high shipping costs and materials shortages will further inflate input costs and strain imbalances between supply and demand resulting in higher prices for customers. Recovery from Covid-19-related economic shocks will be uneven across consumer markets and sourcing regions, as countries with strong healthcare systems and economic resilience outperform.

### Growth of Athleisure and Comfort wear

The lifestyle change that took place as a result of the pandemic and the resultant lockdowns led to an increase in demand for loungewear and active wear among consumers. This trend is expected to be a long-term shift in consumer preferences with the Global Athleisure Market projected to grow at a CAGR of 6.54% during the forecast period of 2021-2026.

### Key Consumer Shifts

- The demand for fashion apparel has been on an upward trend due to changing lifestyles and increasing disposable income levels in emerging economies such as China and India. In addition, there has been a shift in consumer preferences towards more fashionable clothing which has led to increased spending on clothing items.
- Sustainability has become a key consideration of customers with growing expectations for businesses to conduct their operations in a socially and environmentally responsible manner. Having understood its importance, industry leaders are acting on environmental and social priorities and focusing more sharply on diversity, equity and inclusion.
- There has been an increasing demand for natural fibers such as cotton, silk, wool and jute and shift in focus towards non-woven fabric.



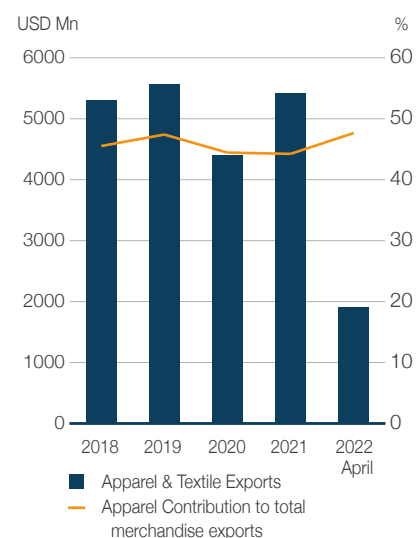
## The Sri Lankan Textile and Apparel Industry

The apparel and textile sector plays a significant role in the Sri Lankan economy, contributing to 47.66% of the country's total merchandise exports in April 2022. The country is a socially responsible and preferred destination for apparel sourcing and is the only outsourced apparel manufacturing country in Asia to ratify all 27 ILO (International Labour Organization) conventions. The local apparel industry operates with ethically paying fair wages to workers and actively discouraging sweatshops and child labour. This has made the country stand out as a favoured source among brands as their customers too have become more conscious of environmental sustainability and ethical practices. Sri Lanka's globally renowned 'Garments without guilt' is the highest revenue earner in the country's exports basket being a key differentiator globally, by paying sound attention to ethical and environmental policies and practices. Over the years Sri Lankan apparel manufacturers and suppliers have gained a reputation for ethical manufacturing of high-quality apparels trusted by iconic global fashion brands such as Nike, Next, Gap, Victoria's Secret and Speedo among others.

The top companies within the local industry are well-equipped with the latest technology and machinery to manufacture textiles that are sophisticated and innovative and up to the highest international standards. However, one of the main factors that is increasingly affecting the industry is the shortage of labour which is driven by migration to other industries, different career aspirations of the younger generations and increased urbanisation. This could lead to escalations of labour costs and decline in productivity.

In 2021, the Government aimed to uplift the industrial sector of the country, especially in relation to improving the sector's contribution to the productive capacity of the economy while also improving its export orientation. Recognising the need for a holistic policy document for industrial sector development, the Ministry of Industries initiated the formulation of the National Policy for Industrial Development. The document is expected to serve as a guiding framework for public and private industries while also ensuring that the industrial development process is aligned with the Government's National Policy Framework.

## Export Performance



Source: Export Development Board

# THE CAPITALS REPORT

## FINANCIAL CAPITAL



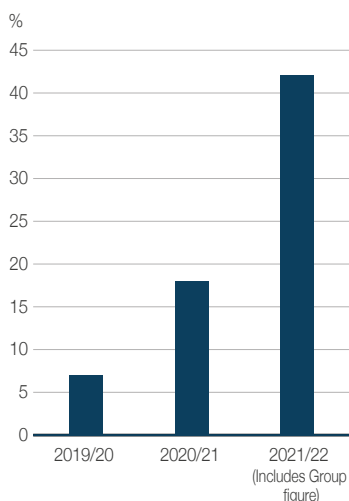
The landmark acquisition of our first subsidiary South Asia Textiles Limited on the 23rd of April 2021, set the tone and pace for the rest of the year as we became the largest fabric manufacturer in the country. The Group recorded a remarkable year despite the challenging operating landscape, consolidating its position by harmonizing strategies and focusing on innovation and quality. As such the consolidated group figures for the year reflect 12 months of Hayleys Fabric PLC and 11 months of South Asia Textiles Limited. Group revenue grew by 94% to USD 150 Mn while Profit Before Tax crossed USD 14.98 Mn during the year. In this segment of the report, we look at how we effectively nurtured our financial capital in 2021/22 to create sustained value for our shareholders.

### Strategic Priorities

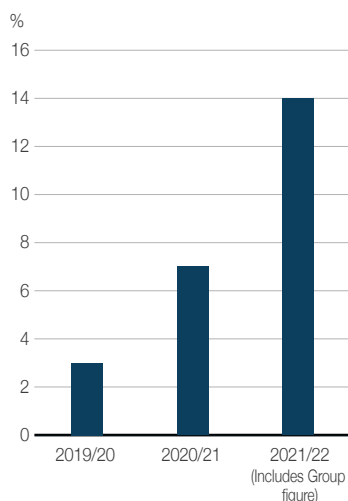
- Drive topline growth of INNO
- Enhance shareholder returns
- Optimize working capital and cash management
- Optimize capital funding
- Driving cost management

### Du Pont Analysis

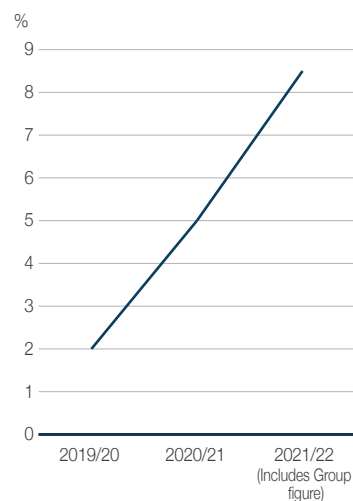
#### Return on Equity



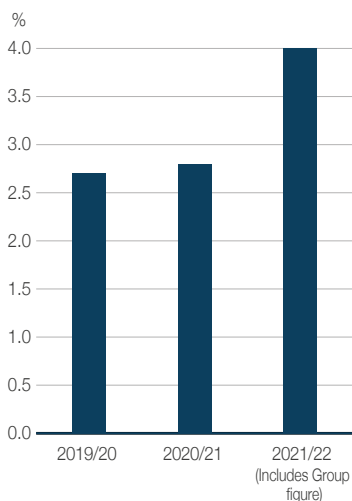
#### Return on Assets



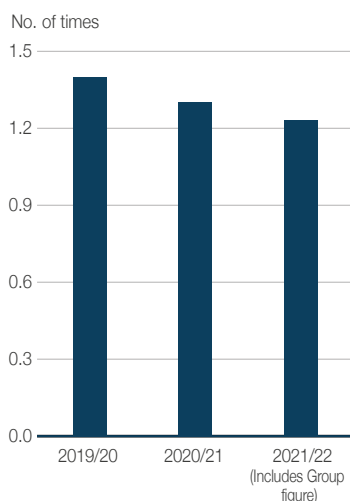
#### Net Profit Margin



#### Financial Leverage



#### Asset Turnover



Returns 2021/22	Group 2021/22	Company 2021/22	Company 2020/21
EPS- USD	0.031	0.023	0.009
Return on Equity %	42%	35%	18%
ROCE %	11%	10%	12%
Net Assets per share - USD	0.07	0.06	0.05
Market price per share - LKR	-	29.50	14.10
P/E ratio	4.55	6.20	7.97
Total dividend per share- LKR	-	1.20	0.60
Dividend yield	4%	4%	4%
Dividend payout	19%	25%	34%
Dividend cover (times)	5.40	3.98	2.95

The Hayleys Fabric Group has continued to provide sustainable returns to shareholders despite the challenging industry landscape, with earnings per share increasing to USD 0.031 (from USD 0.009) during the year.

We have also improved ROE by 133% to 42%, as we gathered momentum and expanded operations along with the acquisition of our subsidiary, South Asia Textiles Limited.

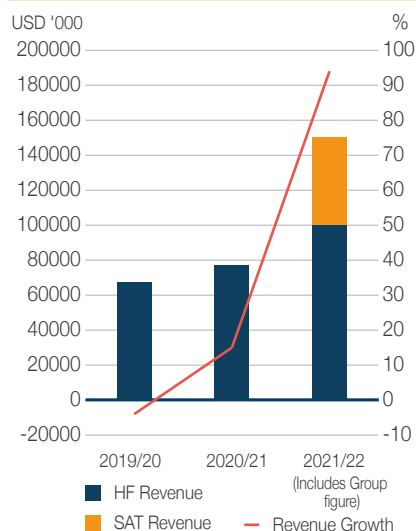
Meanwhile the share price reflected renewed investor confidence in the share market, although an element of undue volatility remains due to the instability in the domestic economy.

## Revenue

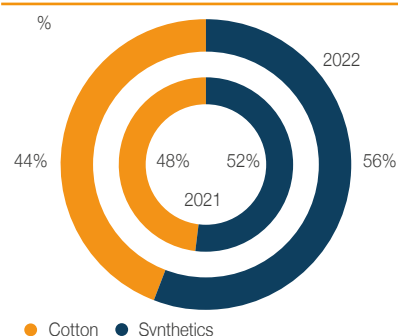
Group revenue recorded a significant increase of 94% to USD 150 Mn during the year, reflecting our strategic agility in navigating the unprecedented challenges, enabling the Group to effectively capitalize on emerging opportunities.

The Company (Hayleys Fabric PLC) continued to deliver strong revenue growth and reached USD 100 Mn (USD 77 Mn in 2020/21) in revenue despite severe pressures faced during the year due to the prolonged pandemic, which impacted the supply chain and manufacturing activities. Our strategy of aligning product with customer strategy and developing innovative product offerings, satisfied high end retail brands and helped us to gain their confidence which contributed to the 29% growth in company revenue during the year.

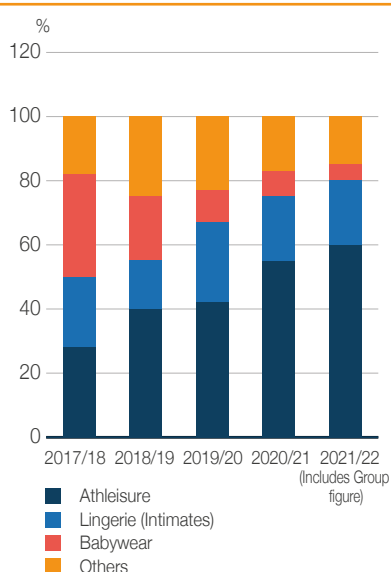
## Revenue



## Synthetics vs Cotton



## Revenue Mix



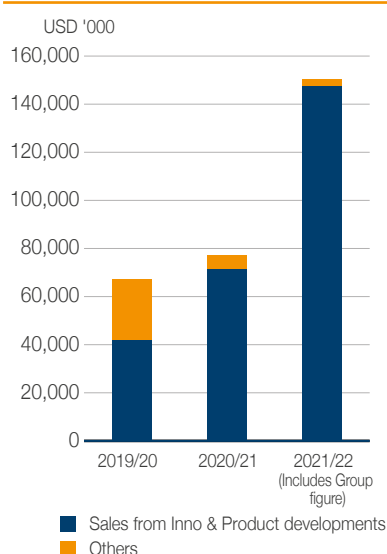
The global consumer shift towards sports and loungewear presented a significant opportunity for the Group to cater to this demand with our Athleisure sales growing by 5% during the year, forming 60% of group sales.

# THE CAPITALS REPORT

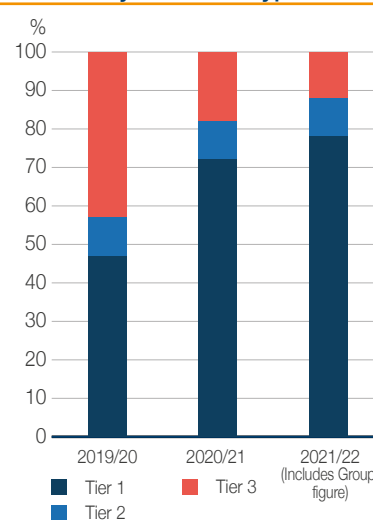
## FINANCIAL CAPITAL

98% of total group sales was contributed by the Sales from Inno and developments as Tier-1 customers sought out fashionable and functional fabric of superior aesthetics and performance, within the athleisure and lingerie range

**Sales from Inno & Developments**



**Revenue by Customer types**



### Profitability

Consolidated gross profit increased to USD 19.6 Mn during the year, recording a growth of 85% reflecting a richer revenue product mix driven by increased sales of Inno and developments. However, the Group gross profit margins narrowed to 13% while the gross margins of Hayleys Fabric PLC, declined to 12.5% from 13.7% the year before, mainly due to an escalation of direct costs along with the increase in raw material prices due to the pandemic induced disruptions to the global supply chain.

Returns 2021/22	Group	Company	
	2021/22	2021/22	2020/21
Gross Profit Margin	13.02%	12.46%	13.67%
PBT Margin	9.97%	11.26%	4.95%
Net Profit Margin	8.51%	9.43%	4.98%

Meanwhile, pre-tax profit increased substantially by 292% for the Group and 195% for the Company to USD 14.98 Mn and 11.26 Mn respectively. At company level, the profits reflect improved performance which contributed 50.5%, while net financing income contributed 49.5% as the borrowings were in Rupees which resulted in a gain on translation of foreign currency. This is also seen at Group level with net financing income accounting for 44.4% of Profit Before Tax.

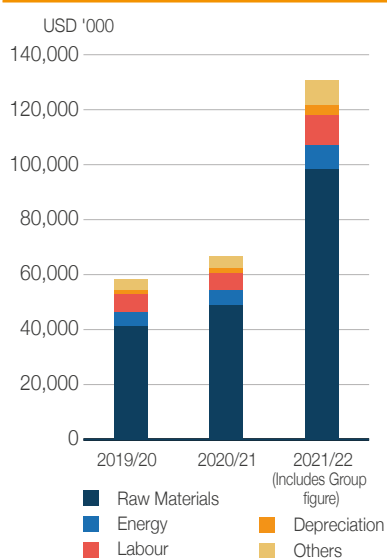
The Group's tax contributions increased to USD 2.2 Mn in line with the strong growth in profitability together with deferred tax provision made on unrealized foreign exchange gain on translation of foreign currency in both companies.

## Cost Management

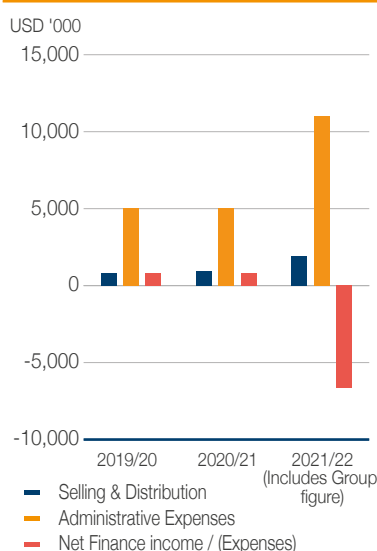
Cost rationalization is a key area of focus for the Group as we are conscious of the high input and overhead costs. During the year, Group cost of sales increased by 95.8%, while company cost of sales increased by 31.2% to USD 87.5 Mn in line with the increased activity of our operations. We sought to achieve increased efficiency through continuous improvements in processes, automation productivity and minimization of waste.

Raw material cost is the largest production cost component accounting for 70%- 75% of Group cost of sales. Consisting of yarn, Greige, chemicals and dyes, these are critically managed through the following initiatives:

### Breakdown of Cost of Sales



### Operating Expenses



Benefitting from group synergies through a centralized procurement department for the Hayleys Fabric Group

Placing forward bookings, after careful monitoring of global yarn prices

Supplier collaboration to develop substitute dyes without compromising on quality

Conducting research in collaboration with suppliers to find cost effective substitutes

### Current Ratio

**0.99 times**  
(2020/21- 1.02)

### Quick Assets Ratio

**0.44 times**  
(2020/21- 0.43)

Nearshoring of suppliers to manage the increasing freight costs and reduce lead times

### Net Cash Flows from Operating Activities

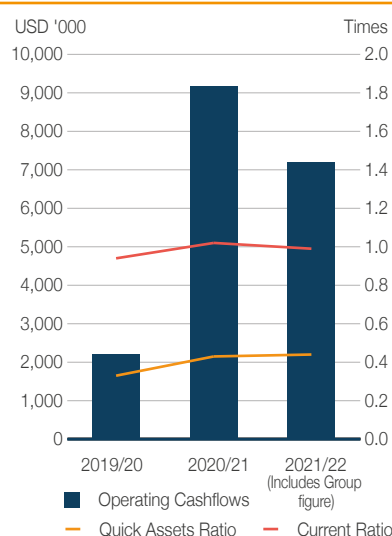
**USD 7.2 Mn**  
(2020/21- USD 9.2 Mn)



# THE CAPITALS REPORT

## FINANCIAL CAPITAL

### Liquidity



The Group's operating expenses increased during the year, with administrative and selling & distribution costs increasing by 119% and 100% respectively when compared with 2021 Hayleys Fabric PLC's numbers. The sharp increase in administrative expenses is attributable to the respective expenses added from South Asia Textiles Limited, three locations of operations, which have nevertheless been curtailed by senior leadership managing all locations. In addition to increased operational activity, there were additional costs associated with ensuring employee health and safety in all manufacturing facilities which contributed to the rise in costs.

Hayleys Fabric PLC's administrative expenses also increased by 48% to USD 7.4 Mn during the year. Meanwhile the Company was able to manage its distribution expenses better which led to a 2% decrease in distribution expenses during the year.

### Cash flows and Liquidity

The Group maintained tight control of its working capital during the year, given the uncertainty that prevailed including disruptions to international supply chains and volatility in the domestic economic environment. Our proactive approach to managing working capital included holding optimum levels of inventory to avoid disruptions to operations, close follow up on debt collection and negotiating smart longer settlement terms with new and existing suppliers.

Net cash outflow from investing activities of the Group amounted to USD 26.80 Mn during the year, reflecting capacity expansions including acquisition of South Asia Textiles Limited. Group's net cash inflow from financing activities amounted to USD 24.8 Mn. Overall, the net change in cash and cash equivalents for the year amounted to an inflow of USD 5.2 Mn, strengthening the Group's liquidity position.

## Investments

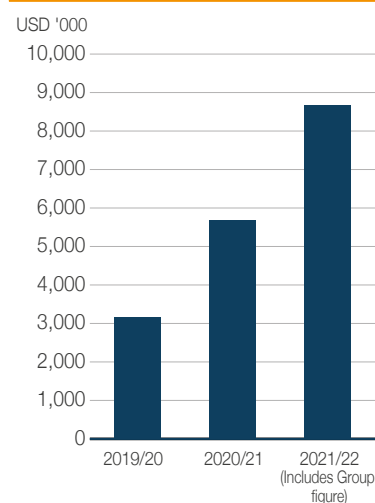
Hayleys Fabric PLC acquired a 98.83% stake in South Asia Textiles Limited from Ambeon Holdings PLC on the 22nd of April 2021 for a consideration of Rs.3.61 Bn and balance 1.17% acquired on 15th July 2021 for Rs. 46.64 Mn both of acquisitions were funded through long term debt. The acquisition of its first subsidiary is part of Hayleys Fabric PLC 's expansion strategy, as the Company aligns its business with the growth strategies of Tier-1 customers.

The Group also invested in plant and machinery to expand capacity and upgrade to the latest technology, funded through a mix of debt and equity. Key investments during the year include:

- Automation and upgrade of the Dye House
- Enhanced knitting capabilities by upgrading the knitting machinery
- Improvements to the water and effluent treatment plant
- Purchased new dye machines to replace current older machines in order to suit with new products

(More details on page 90 Manufactured Capital)

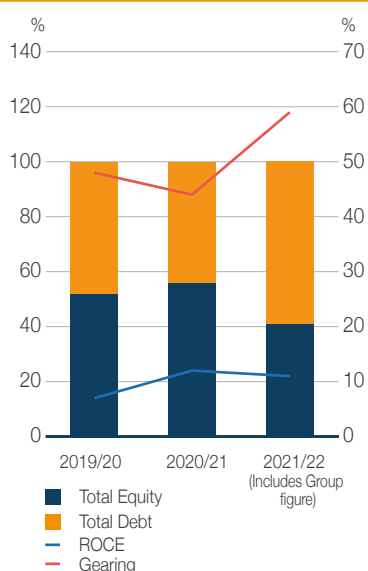
## Investments in PP&E



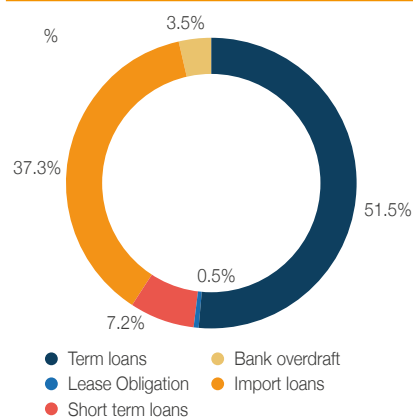
## Capital Structure

Total equity increased by 45.55% to USD 30.46 Mn and accounted for 25% of the Group's total assets. Increase in borrowings during the year to fund capital expansions and working capital led to a deterioration of the gearing ratio to 59%. Meanwhile, Return on Capital Employed (ROCE) fell to 11% during the year. (2020/21 – 12%).

### Capital Structure



### Debt Structure (%)



# THE CAPITALS REPORT

## SOCIAL AND RELATIONSHIP CAPITAL



We nurture meaningful and long-term relationships with customers, suppliers and the community through a holistic value proposition designed to suit the needs of these stakeholder groups. As the largest fabric manufacturer in the country, enhancing these deep-rooted relationships is critical in ensuring our social license to operate.

### Strategic Priorities

- Rationalize customers at South Asia Textiles Limited through a brand centric strategy
- Increase Tier-1 customer penetration
- Align product with customer strategy
- Build the resilience of our supply chain
- Seamless engagement with customers through digital channels
- Support local community engagement and empowerment initiatives

Recognized as one of the best innovators in the industry by top tier brands

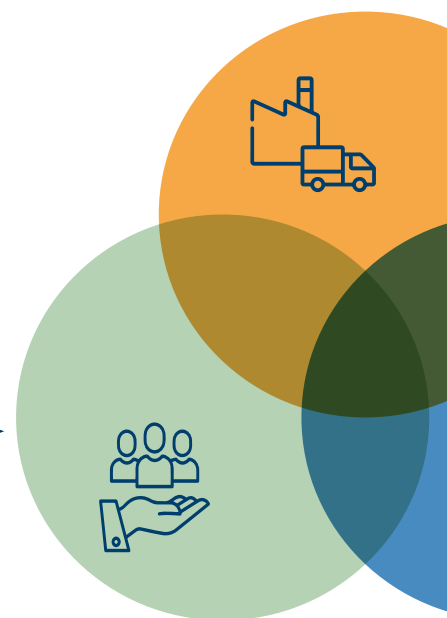
**80% & 70%**

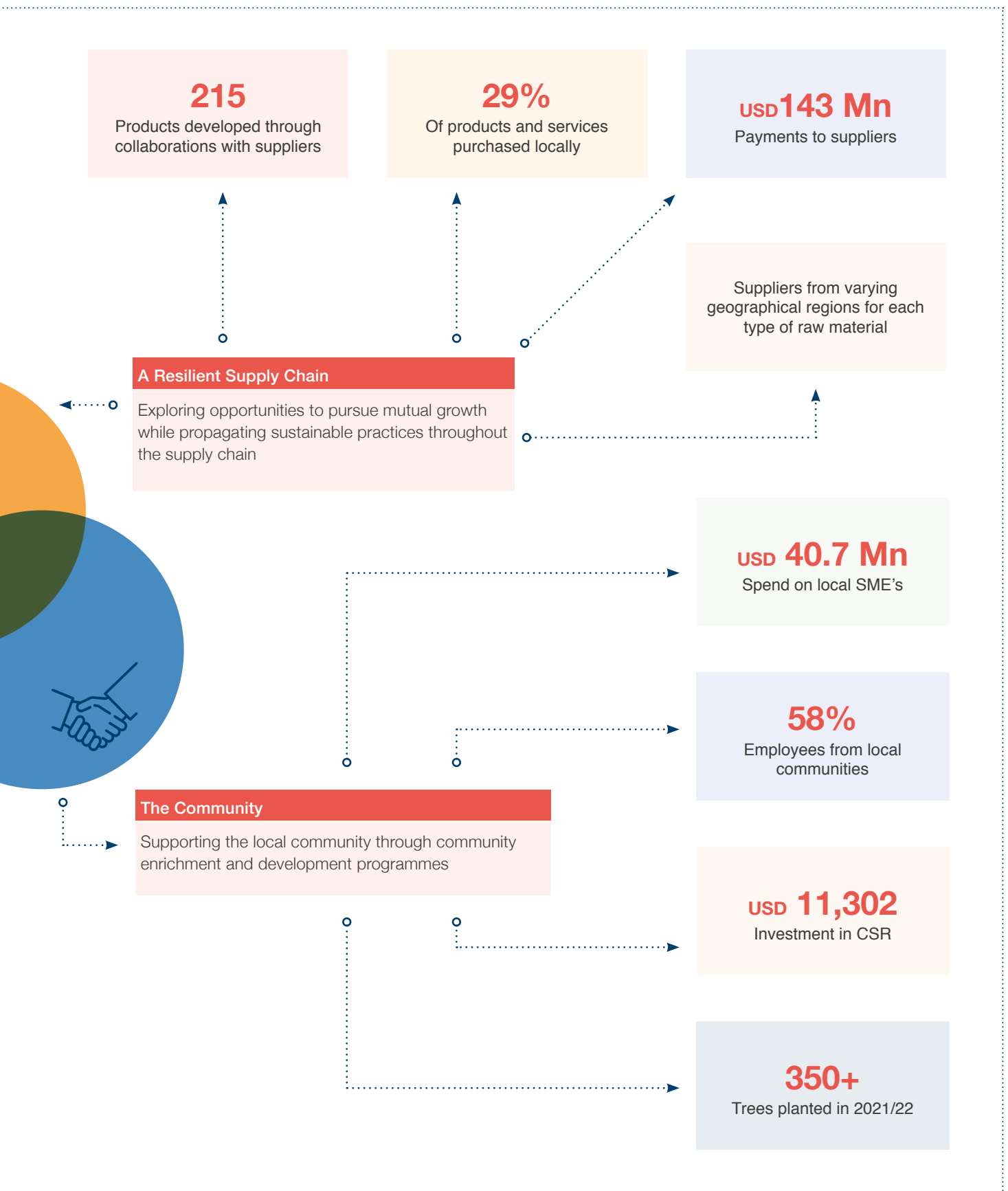
Of Hayleys Fabric PLC's & of South Asia Textiles Limited.'s volumes from Tier-1 customers respectively

### Customer Relationships

Improving customer strategy and adapting to the customer demands through innovative processes and products

Ranked among the top vendors in the supply chain to global fashion brands in terms of performance



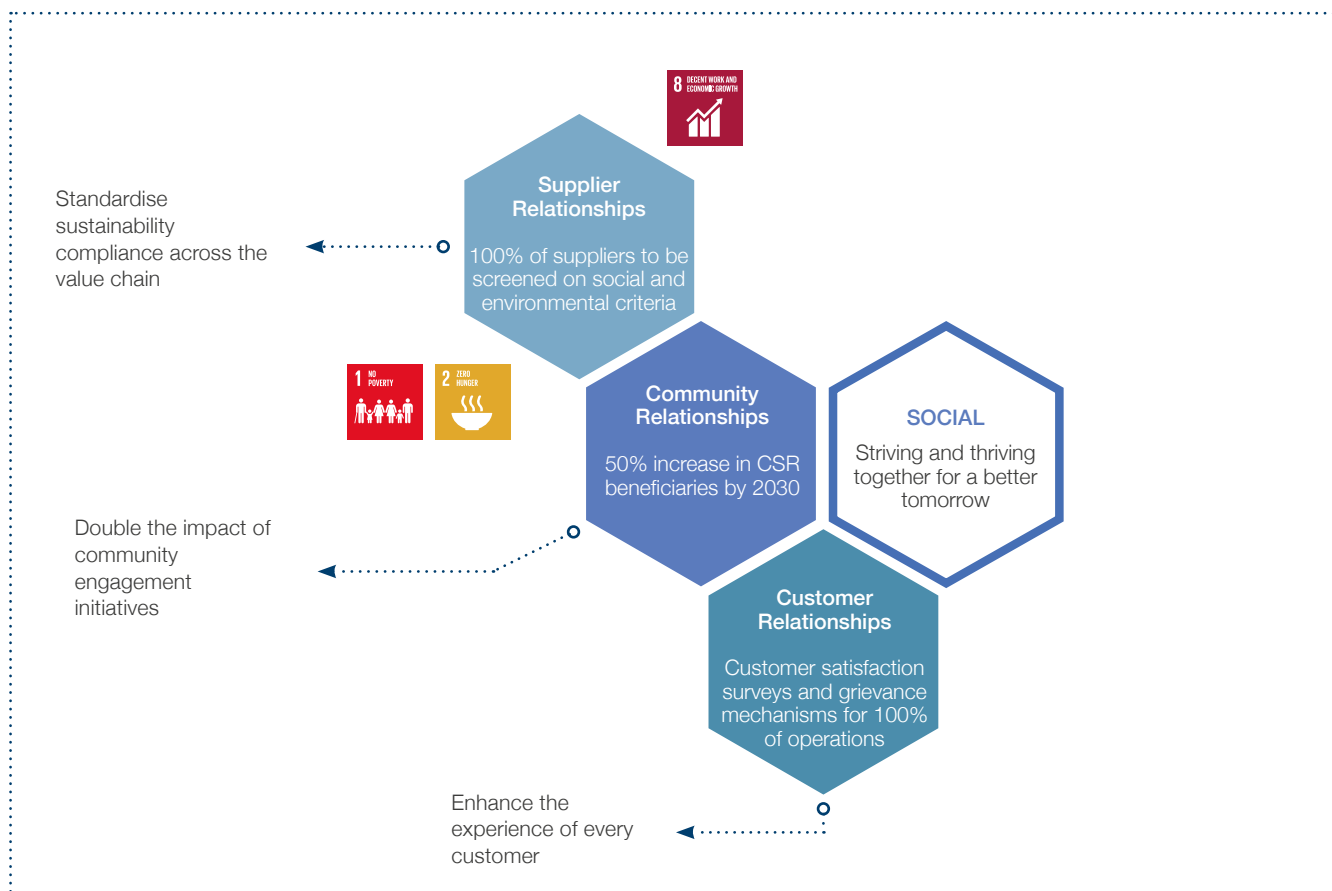


# THE CAPITALS REPORT

## SOCIAL AND RELATIONSHIP CAPITAL

### Our Management Approach

Hayleys Fabric PLC complies with the Hayleys Life Code which was launched in January 2022 as set out in the Governance Report on page 106. We manage our social and relationship capital in accordance with the social policies set out in the Code which are summarized below.

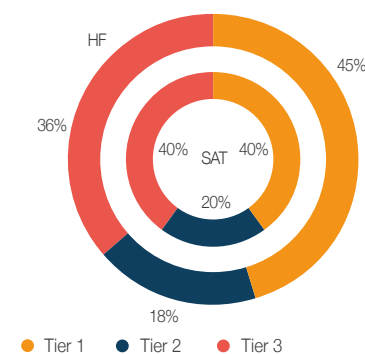


Through our comprehensive set of policies, we have deepened our strategic partnerships that foster mutual value creation and delivered high customer satisfaction, efficient supply chains and empowered communities.

### Customer Relationships

Over the years, we have worked hard to provide a holistic customer value proposition and build a strong Tier-1 customer base that contributes to our shared success. These relationships have taken time to mature, due to stringent assessments of innovation, production capabilities, quality and speed as well as ESG practices. During the year, we were able to retain the Tier-1 customer base at Hayleys Fabric PLC by maintaining proactive engagement and enhancing our product portfolio through INNO. After our acquisition of South Asia Textiles Limited., we sought to rationalize their transactional customer base and build a strong network of top tier customers similar to that of Hayleys Fabric PLC. The reputation of the Hayleys Fabric Brand convinced our top tier global fashion brands to place their orders at South Asia Textiles Limited.

### Customer Portfolio %



Nearly 80% of Hayleys Fabric PLC's volumes and 70% of South Asia Textiles Limited's volumes to top tier customers.



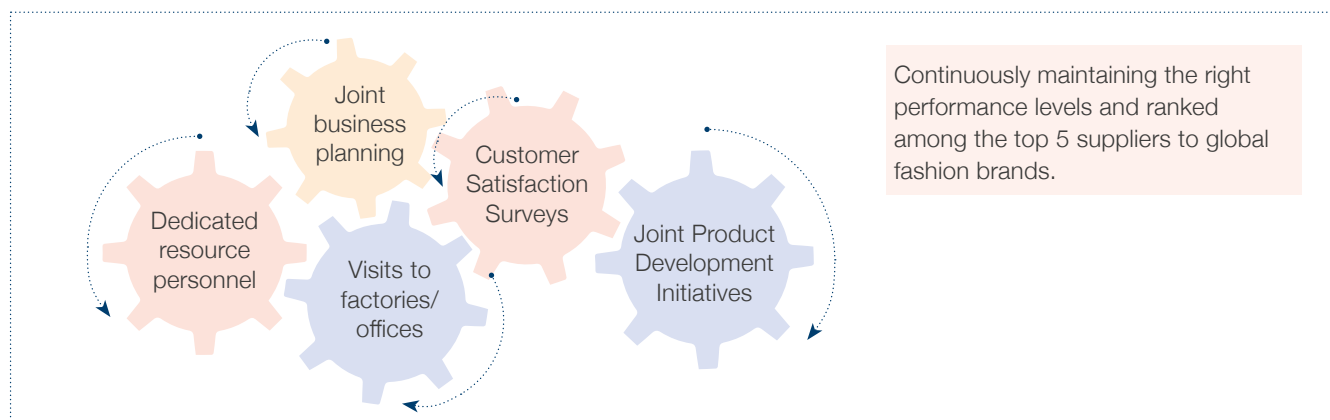
Our holistic efforts to improve the value provided to customers is presented below:

A Holistic Value Proposition	
	<p><b>Innovation</b></p> <p>Innovation is our competitive edge. We thrive on our capabilities in synthetics, offering an innovative product portfolio of over 1,100 products through our INNO Brand.</p>
	<p><b>Superior Quality</b></p> <p>We have built a reputation for superior product quality, through our stringent testing processes and compliance to a range of national and international certifications listed on page 13. Our team ensure quality levels are maintained at over 95% requiring minimal inspection at customer premises thereby saving time and effort in the value chain.</p> <ul style="list-style-type: none"> <li>• &lt;2% Customer complaints</li> <li>• &gt;91% Right First Time</li> </ul>
	<p><b>Continuous &amp; Reliable Supply</b></p> <p>Flexibility, speed and on time delivery have been key pillars of our customer value proposition. Even with the global supply chain disruptions and raw material shortages faced by the country, we were able to fulfill on our promise to our customers by proactively managing our inventory levels and continuing production uninterrupted.</p> <ul style="list-style-type: none"> <li>• 3 day turnaround for speed orders</li> <li>• &gt;90% on time delivery</li> <li>• Flexible storage</li> </ul>
	<p><b>Commitment towards Social &amp; Environmental Sustainability</b></p> <p>Our sustainability agenda is a key component of our overall business strategy as we are committed to driving excellence through sustainable business practices</p>
	<p><b>Product Responsibility &amp; Transparency</b></p> <p>We ensure compliance with relevant regulations with increased transparency over ESG practices and traceability of products through the digital integration of customer networks with those of the Company. There were no incidents of noncompliance with laws, regulations or standards relating to customer health and safety, marketing/ labelling information and/or marketing communications during the year.</p>
	<p><b>Reasonable Cost</b></p> <p>As the largest fabric manufacturer in the country, we benefit from economies of scale in our production process. We also seek to actively manage our costs and provide customers a competitive price through the following:</p> <ul style="list-style-type: none"> <li>• Bulk purchasing</li> <li>• Process engineering</li> <li>• Forward booking of contracts</li> </ul>

# THE CAPITALS REPORT

## SOCIAL AND RELATIONSHIP CAPITAL

### Customer Engagement & Satisfaction



In 2020/21 given the pandemic and restrictions to international travel, we invested in digital platforms and tools to engage with our customers uninterrupted. We were able to strengthen our relationships by facilitating product discussions, launching products and accommodating customer requirements through digital means. We have continued these digital forms of engagement which have proven to be very effective, during the year as well in addition to the traditional means of engagement presented above.

Our tier 1 customers conduct independent evaluations based on multiple criteria including timely delivery, right first time and quality which serves as our main source of information regarding customer satisfaction. These results are reviewed by management and corrective action is initiated in a holistic manner to drive continuous improvement in customer satisfaction.

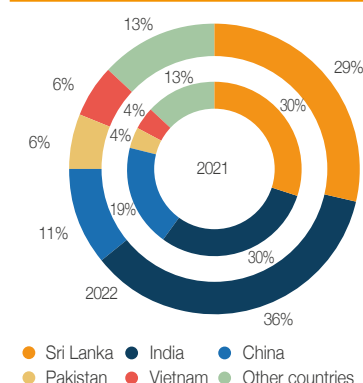
### A Resilient Supply Chain

We have a diverse base of suppliers comprising of local and foreign corporates as well as SME's and these relationships are built on mutual trust, reliability and transparency. We select local suppliers where possible in order to increase the value addition to the economy, with the majority of services and consumables being supplied locally. However, our main raw materials are mostly sourced from abroad due to the unavailability of certain raw materials within the country.

Following the acquisition of South Asia Textiles, we created a common management for the procurement of raw materials. This enabled us to benefit from better terms of trade due to larger order sizes and other synergies. We follow a comprehensive sourcing protocol for screening and selecting new suppliers. During the year, we expanded our supplier base by onboarding several new suppliers thereby strengthening our ability to adapt to the dynamic environment.

Our raw material suppliers are selected from the customer nominated suppliers who have been screened for environmental and social compliance to ensure ethical and sustainable business practices. The most critical suppliers are assessed regularly to ensure compliance.

### Supply Chain by Country (%)



- 70 Key Raw Material Suppliers
- 222 SME Suppliers
- 1,000 Other Suppliers

**USD 143 Mn**

Total Payments to all the Suppliers

3.1% of Hayleys Fabric PLC Group purchases is from new suppliers

Comprehensive sourcing protocols

Benefitted from closer lead times and prices through near shore sourcing

Switched from certain Chinese suppliers due to non-compliance with social criteria

Supply-based assessments  
Compliance audits  
Engagement through online platforms

During the year critical suppliers were assessed out of which 3% are new suppliers






95% obtained the highest rating (1)

Supplier training programmes are conducted on an ongoing basis to ensure the quality of the raw materials are maintained at the highest level. We select local suppliers with development capabilities and encourage them to expand their capacities thereby adding value to the local economy.

215 new products developed in collaboration with suppliers during the year

## The Community

We create value for the community by providing direct and indirect employment and also engage in projects that create sustainable value for the community. Hayleys Fabric PLC adopts a strategic approach towards community engagement and development, aligning with the Hayleys Group overall CSR vision and strategy. We have undertaken the following initiatives during the year to uplift the community:

	In an effort to promote organic cultivation amongst the community we have started cultivating organic paddy in a nearby field belonging to Hayleys Fabric PLC. The harvest from this 5-acre field is distributed to our employees and among the religious leaders of the community
	Conducted webinars on environmental topics such as water conservation and waste disposal targeting school children, in collaboration with the Central Environmental Authority
	350+ trees were planted as part of the Hayleys PLC tree planting initiative.
	Engagement with religious institutions and local schools
	Supporting locals and SME's by purchasing from local saw dust suppliers, using local transport services, outsourcing to a local catering service and encouraging the community to purchase excess scrap materials



Donating an Infusion Pump to the Covid Patient Ward, COVID-19, Horana Base Hospital



Best Monthly Performance Gift For operators at Knitting Plant 02, Wagawaththe

# THE CAPITALS REPORT

## SOCIAL AND RELATIONSHIP CAPITAL



Book Donation Programme conducted at the Rathmalgahawewa School



Best Monthly Performance Gift For operators at Hayleys Fabric knitting Plant 01



Open of the DP Education Center at Rathmalgahawewa School







Open of the DP Education Center at Rathmalgahawewa School



Token of Appreciation Given by the Children of Rathmalgahawewa School



The Donation made to St Mathiew Church.



# THE CAPITALS REPORT

## HUMAN CAPITAL

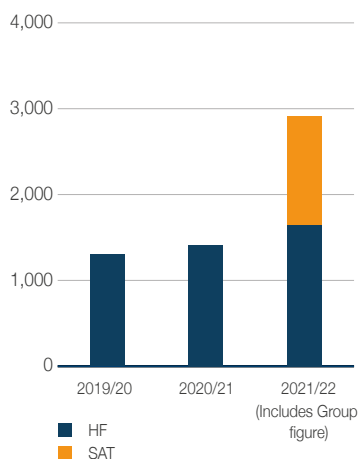


The strength and resilience of our workforce ensured the continuity of our operations in an extremely volatile year marked with numerous operational challenges. Having understood the pivotal role played by our employees, we supported them through a holistic value proposition which aligned both personal and organizational goals.

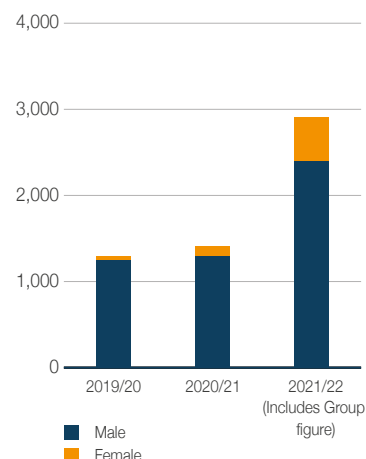
### Strategic Priorities

- Harmonizing of best practice and organization culture between Hayleys Fabric PLC and South Asia Textiles Limited
- Health and Safety of workforce to ensure business continuity
- Introduced monthly rewards to recognize high productivity
- Increase female participation in the workforce
- Maintaining good relationships with the trade unions
- Providing transport for all employees

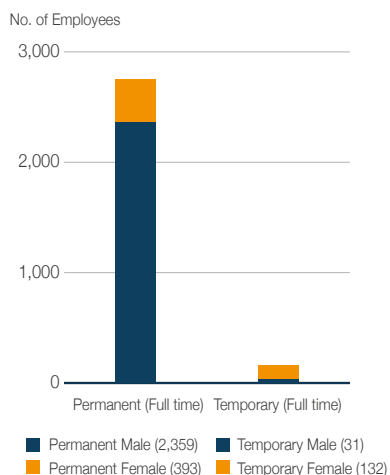
### No. of Employees



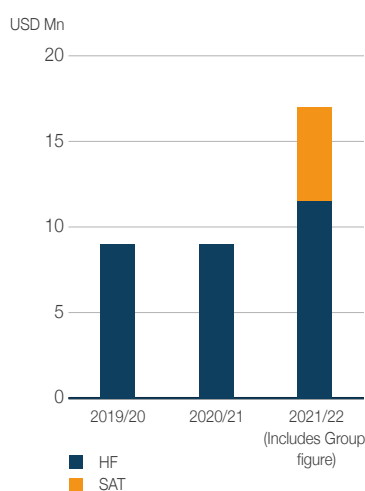
### Male: Female ratio



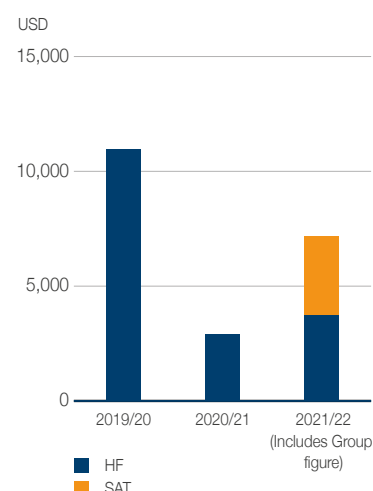
### Employees by Contract Type and Gender



### Remuneration



### Investment in Training



HF - Hayleys Fabric PLC SAT - South Asia Textiles Limited

Employee Grade	Executive and above	Manual Grade	Clerical, Supervisory & Allied	Casual	Total
Total	407	1,538	576	394	2,915
Distance From Work					
<15 Km	128	947	375	245	1,695
>15 Km	279	591	201	149	1,220
Gender					
Male	334	1,168	505	386	2,393
Female	73	370	71	8	522
Age					
Below 30	92	677	166	347	1,282
30-50	274	806	370	47	1,497
>50	41	55	40	0	136

## Value Delivered During the Year

### Remuneration, Recognition & Rewards

- USD 15.2 Mn payments as salaries and benefits
- Competitive remuneration

### A Safe Place to Work

- Strict rules and strategies in place to safeguard our employees from COVID-19
- Stringent health and safety guidelines to be followed at all times within the premises
- Zero tolerance for child labour

### Development Opportunities

- 4,463 training hours
- USD 7,168 investment in training

### COVID-19 Support

- Employees who contracted COVID-19 were sent dry ration packs for 2 weeks
- USD 11,373 spent on hospitalization and intensive care costs
- Vaccination drives

**29%**

Employees in trade unions

**58%**

Employees from local communities

**78%**

Retention rate

## Our Management Approach

As a responsible employer, we are committed to providing a safe and conducive work environment for all our employees. We have ensured that our Human Resource (HR) policies and procedures are compliant with the relevant Sri Lankan labour laws and regulatory standards and aligned to industry best practices. As a subsidiary of the Hayleys Group, our policies align with the Hayleys Life Code which was launched in January 2022. Our human capital is managed in accordance with the social policies set out in the Code which are summarized below.



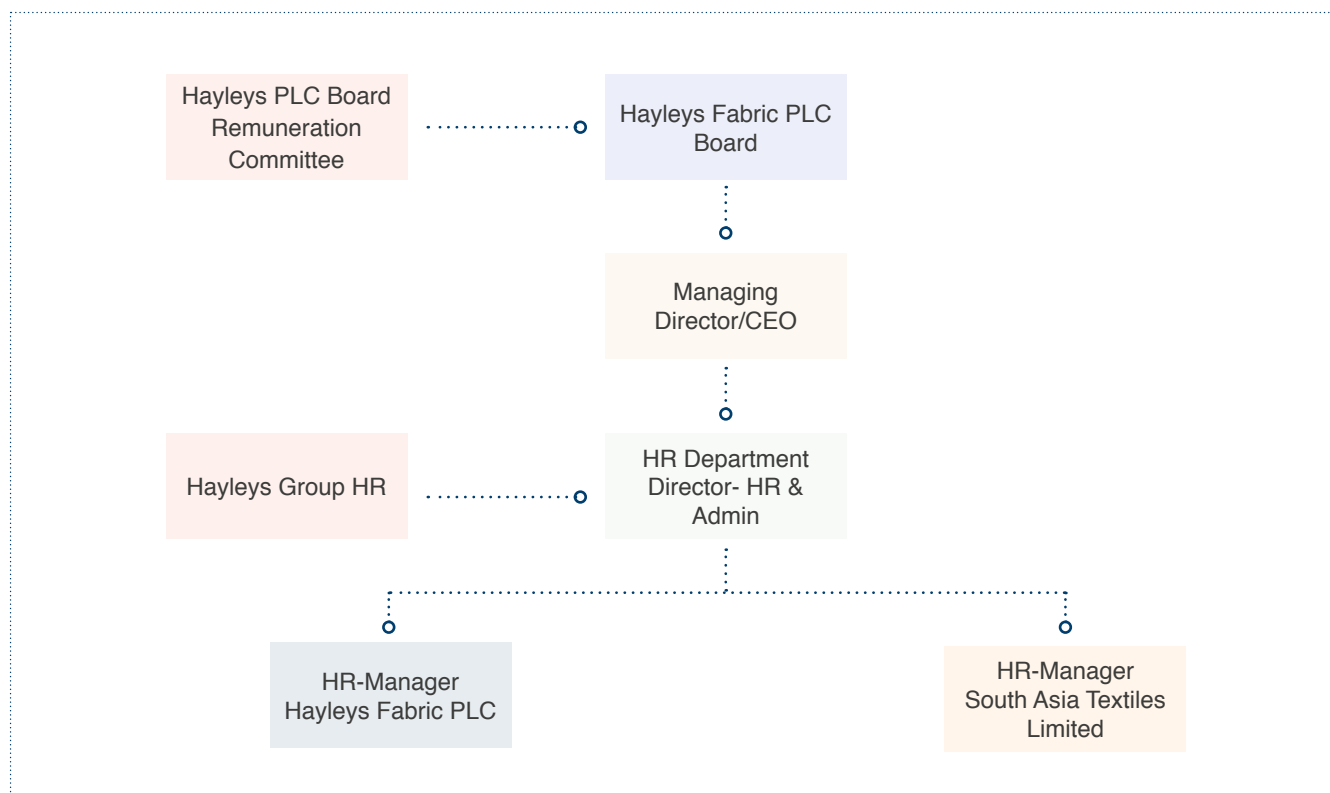
The governance framework and policies in place facilitate a thriving work environment which promotes dignity, diversity, inclusivity and equal opportunity for all our employees. The HR reporting and governance structure is continuously reviewed, and changes are made where necessary to ensure it is relevant at all times.



# THE CAPITALS REPORT

## HUMAN CAPITAL

### Governance Structure



#### Recruitment Policies

- No Child Labour Policy
- No Forced Labour Policy
- Job Description Policy
- No Discrimination Policy

#### Engagement Policies

- Remuneration Policy
- Performance Management System Policy
- Internal Mobility Policy
- Employee Relations

#### General Policies

- Grievance Handling Policy
- Industrial Relations Policy
- Health and Safety Policy
- Disciplinary Policy
- Communication Policy
- Human Rights Policy
- Bribery and Corruption
- Codes of Ethics and Conduct

#### Changes to the Policy Framework

- The Induction policy was introduced during the year



First batch of Female operators at Hayleys Fabric PLC



Awareness Programme on Booster - Vaccination



On-the-job training programme provided for Securities

## Movements During the Year

We have a formal process for attracting, retaining and developing talent in line with the Group policy. We are an equal opportunity employer and do not discriminate based on age, gender, race or religion when recruiting employees. In order to promote regional economic empowerment and community relationships, we give preference to employees from the locality when recruiting.

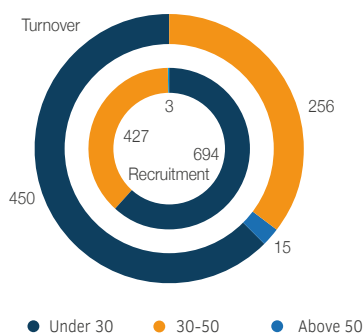
During the year there were 1,124 new recruits out of which 55% were recruited from the community. All new employees undergo an induction programme where they are briefed on the Company code of conduct and health and safety procedures.

Recruitment and retention of employees has been a challenge due to increased competition with several new factories coming up in the area.

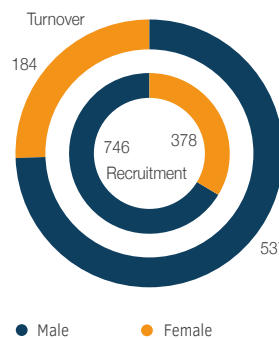
Despite our efforts, high labour turnover in the apparel sector continues to be a common concern. However, our goal is to nurture long-term relationships with our people by offering them a holistic value proposition. All our employees were paid their full salaries, bonuses and increments during the year.

The movements in our team are presented graphically below:

### Recruitment & Turnover by Age Group



### Recruitment & Turnover by Gender



Training session at Hayleys Fabric

## A Safe Place to Work

As a manufacturing organization, ensuring the health and safety of our employees is our priority. The prolonged pandemic necessitated the continuous monitoring of health and safety protocols implemented last year and the Group placed strategic emphasis on this. Our management adopted a proactive approach going beyond Government stipulated health and safety practices, which facilitated business continuity despite the pandemic.

In addition to the above COVID-19 related safety measures, stringent safety controls and standards that are on par with international best practices are maintained across the factories. We have a Board approved Health and Safety policy with the Compliance division monitoring and guiding on the health and safety controls of the Group. Ongoing monitoring of our workplaces and periodic assessments have ensured that the highest health and safety standards are continually maintained across our operations. Occupational health and safety training is provided for all our employees and cover a wide range of topics including first aid and fire training. While the workplace rate on injury at Hayleys Fabric PLC was in line with last year, the Group figure shows an increase due to the acquisition of South Asia Textiles Limited in April 2021. There were no incidents of non-compliance with health and safety regulations during the year.

Strict enforcement of employee rosters

Maintained a database of staff by location to identify potential cases

Facilitated PCR testing and conducted vaccination drives

Comprehensive measures to reduce the risk of cross infection within the premises

Close communication with the PHI and MOH

Conducted regular COVID awareness sessions for staff




Health and Safety Certification  
ISO: 45001



# THE CAPITALS REPORT

## HUMAN CAPITAL

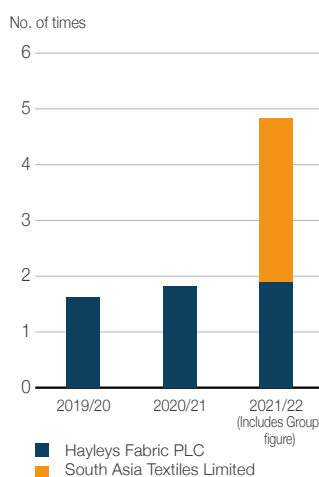
### Our Health and Safety Mechanisms

	<ul style="list-style-type: none"> <li>Periodic Safety Audits</li> <li>Provision of necessary safety gear</li> <li>Ensuring safety measures and controls are in place</li> </ul>
	<ul style="list-style-type: none"> <li>Regular monitoring of employee health by a qualified doctor and free weekly medical checkups for employees</li> <li>On site first aid support and emergency vehicle in place 24x7</li> </ul>
	<ul style="list-style-type: none"> <li>Safety drives across the Group to nurture a culture of safety</li> <li>Compulsory safety workshops and staff training at all levels</li> <li>Health &amp; safety and on the job training, included in the induction programme</li> <li>Health and Safety communications displayed on notice boards</li> </ul>

### Our Health and Safety record for 2021/22

- Number of Occupational diseases: Nil
- Number of work-related fatalities: Nil
- Number of Lost days: 179
- The rate of injury presented in the chart alongside is calculated based on 200,000 hours worked method

### Rate of Injury



### Remuneration, Recognition and Rewards

As part of our comprehensive employee value proposition, we offer a competitive remuneration structure to our employees which is well above the stipulated regulatory minimum. In addition to the basic remuneration, we provide a host of other benefits designed to retain and motivate our employees. During the year, total staff cost amounted to USD 15.2 Million and we did not face any penalties due to non-compliance with labour laws and regulations.

Annual bonuses and Salary increments

Gratuity & leave allocations above regulatory requirements

Comprehensive medical insurance benefits for staff & family

Benevolent benefits

Our Performance Management System covers both executive and non-executive level employees with 100% of our employees undergoing Bi-annual/Annual performance appraisals evaluated on predetermined key performance indicators. Top performing individuals are recognized with rewards linked to salary increments, annual bonuses and promotions, thereby boosting employee morale while aligning personal career goals with the overall corporate strategy.

### Employee Productivity

In our effort to emphasize operational efficiencies and increase productivity during the year we introduced a performance-based incentive for employees of key departments such as knitting, dyeing and finishing. This created a competitive culture within the Company and led to a noticeable increase in production, reduction of wastage and increase in "Right First Time" (RFT) as employees were motivated.

**91%**  
Right First Time



The HR department also took the lead in implementing several cost saving initiatives across the Company. The most notable initiative is the introduction of a reusable material in place of polythene to cover the fabric rolls on the production floors.

### Training and Development

We continued to enhance the knowledge and capabilities of our employees by providing opportunities for training and development. This equips our people with the right skills to drive the organization towards success. The training needs are identified through the performance appraisal and fulfilled through formal and on the job training. Certain training programmes were conducted virtually due to the need for social distancing. Training and development cost for the year amounted to USD 7,168 with 4,463 hours of training being completed.

	Leadership Training Programmes
	Technical Training Programmes
	COVID-19 Awareness Programmes
	COVID-19 Awareness Programmes

	Hayleys Fabric PLC	South Asia Textiles Limited	Group
<b>Average Training Hours by Gender</b>			
Male	2.87	0.77	1.53
Female	5.91	0.67	2.71
<b>Average Training Hours by Category</b>			
Manager	9.20	2.02	5.83
Executive	5.22	1.93	3.99
Others	2.02	0.57	1.26

### Active Engagement

The Group nurtures an open culture which value diversity, innovation and learning. Our open-door policy ensures that effective engagement takes place with the employees, and they are encouraged to come forward with their grievances at any time. Employees can bring forward their grievances to their managers, but they also have access to the Managing Director. However, during the year, no grievances were reported.

In order to promote work life balance and create harmony among our people we generally host welfare events throughout the year. This is vital for employee satisfaction and developing relationships. However due to the pandemic and the need for social distancing we had to limit such events to a minimum.

### Trade Union Relationships

Cordial relationships with three trade unions representing 29% of our employees have ensured that we were able to carry out business activities without any disruptions due to no industrial disputes, during the year. Ongoing engagement and mutual discussions are carried out monthly between the management and unions to resolve any matters in an amicable manner and this has resulted in improved working conditions and better decision making. We have signed a collective bargaining agreement for 3 years which is applicable till next year. The agreement stipulates the following:



Sinhala & Tamil New year was celebrated

Salary Increments	Industrial Dispute Resolution	Health & Safety Obligations	Minimum Notice Periods regarding operational changes	Other Worker Conditions
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# THE CAPITALS REPORT

## HUMAN CAPITAL

### A Preferred Employer

The Hayleys brand name has earned us a reputation among the people as a preferred employer and we are able to attract promising talent for positions within the Company. We have nurtured a values-based culture of sharing, learning and adaptation and are committed to ensuring that our business adheres to the local and international labour laws and regulations. There were no incidents of human rights violations, child labour, forced labour or discrimination during the year which is a noticeable feat in the industry where labour violations are widespread.

#### Brand Accreditations/ Audits

We supply to reputed global brands and are subject to annual audits that certify our compliance to social and environmental requirements. These international accreditations enhance the transparency of our business practices, cultivating the trust of all stakeholders.

#### UN Global Compact

As a signatory to the UN Global Compact, we follow the ten guiding principles which covers human rights, labour, environment and anti-corruption.

### Gender Parity Framework

In this section of the report, we seek to comply with the requirements of the Gender Parity Framework presented by the Institute of Chartered Accountants of Sri Lanka. The framework consists of four pillars and is set to enhance the gender reporting practices in Sri Lanka. While there is more work to be done to achieve gender parity, we believe that we have built a strong foundation to achieve gender parity in the workplace.

#### Enablers



#### Composition



#### Gender Gap Indicators



#### Responsible Brand



### Enablers

The Group policies and procedures to drive equal opportunity creates an inclusive and diverse culture for our employees, spurring innovative thinking and continuous improvement. As an equal opportunity employer, we have taken proactive measures to create a conducive work environment free from discrimination for all our employees and bridge the gender parity at all levels of the organization. We have ensured that our workplace is conducive for individuals of both genders by adopting a non-discriminatory approach.

There is a formal system and well-organized process to handle employee grievances relating to sexual harassment at the workplace. Investigations on complaints are handled without delay while our open-door policy ensures that employees feel their voices are heard.

#### Policy Support

No Discrimination Policy

Workplace Harassment Policy

Hayleys Group Sustainability Policy

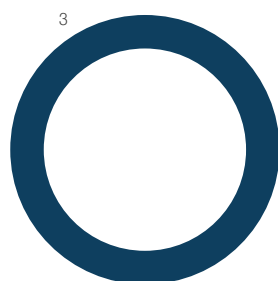
Parental Leave as per regulations

### Composition

We are committed to providing opportunities to talented individuals irrespective of Gender. The female representation within the organization increased to 18%, with our Wagawatte knitting Plant being completely operated by females. We have been trying to maintain a gender balance by increasing female recruits in administrative and operational departments. Due to the nature of manual labour involved in certain areas, our overall workforce is largely young and male.

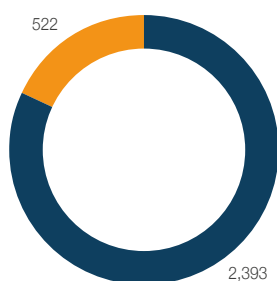
## Gender Diversity as at 31st March 2022

Board of Directors



● Male  
● Female

Total Employees



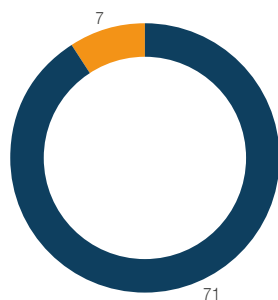
● Male  
● Female

Senior Management



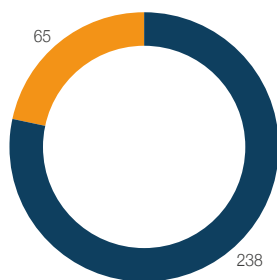
● Male  
● Female

Middle Management



● Male  
● Female

Executive Level



● Male  
● Female

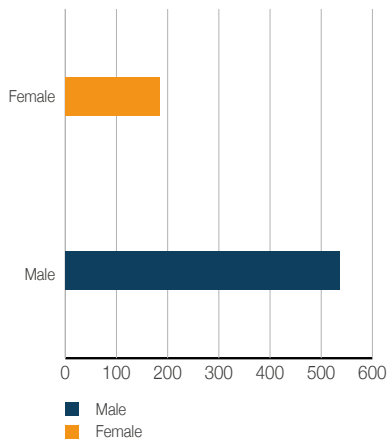


# THE CAPITALS REPORT

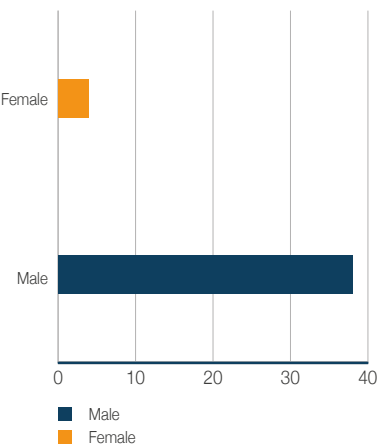
## HUMAN CAPITAL

### Composition of Male: Female

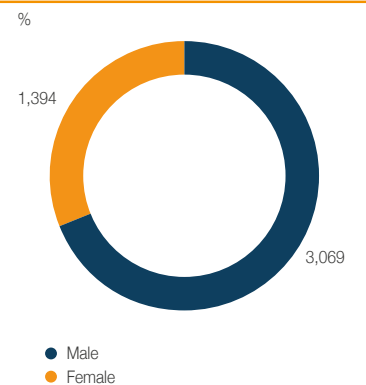
Turnover by Gender



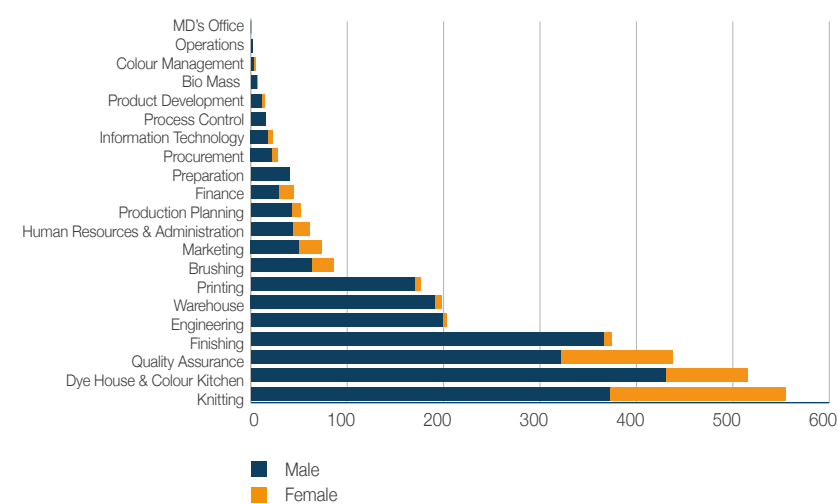
Promotions by Gender



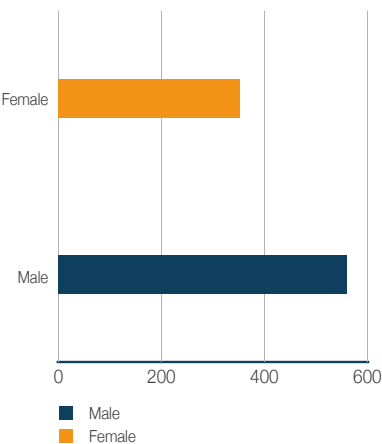
Training Hours Analyzed by Gender



### Composition of Male:Female by Departments



New Recruits by Gender



### Composition of Male: Female

Proportion of Women who received training	Women received 31% of total training hours for group of Hayleys fabric PLC								
Training Hours Analysed by Gender	Male 3,069 Hours Female 1,394 Hours								
Retention of Women at Work 12 Months After Maternity Leave	Our policies on parental leave are compliant with local regulatory Requirements and we encourage women to remain in employment even after childbirth.								
Proportion of Females who Received a Performance Bonus	There is no difference between men and women when deciding the bonus as it is decided based on the performance of the individual.								
Proportion of Women in IT, Engineering and Production Related Activities	<p><b>Female Count</b></p> <p>A donut chart titled 'Female Count' showing the distribution of female employees across three departments. The chart is divided into three segments: a large dark blue segment for Production (449), a small yellow segment for Engineering (5), and a very small orange segment for IT (4). A legend below the chart identifies the colors: dark blue for Production, yellow for Engineering, and orange for IT.</p> <table border="1"> <thead> <tr> <th>Department</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>Production</td> <td>449</td> </tr> <tr> <td>Engineering</td> <td>5</td> </tr> <tr> <td>IT</td> <td>4</td> </tr> </tbody> </table>	Department	Count	Production	449	Engineering	5	IT	4
Department	Count								
Production	449								
Engineering	5								
IT	4								

### Responsible Brand

As a responsible brand, there is no evidence to suggest that there is gender bias in our advertising and communications.

# THE CAPITALS REPORT

## INTELLECTUAL CAPITAL



The Group's Intellectual Capital comprises intangibles including research and development capabilities, systems and processes as well as the organizational tacit knowledge and is key to retaining our competitive edge. The strength of our intellectual capital differentiates us from the rest and ensures our ability to produce at high standards of quality, sustainability and safety.

### Strategic Priorities

- Predicting fashion trends and developing new products
- Drive process innovations and service excellence
- Integrate sustainability principles into innovation processes
- Enhance reputation and innovation capabilities

### Our Pioneering Efforts

	Became the country's largest fabric mill with the acquisition of South Asia Textiles Limited and the formation of the Hayleys Fabric Group
	First fabric mill in the country, offering end to end comprehensive solutions in both synthetics and natural fibres
	In 2014 we became the only mill to launch its own fabric brand, "Inno"
	In 2003, we became the first Company from the apparel sector to be listed on the Colombo Stock Exchange
	Having begun operations in 1993, we are the pioneer in weft knit fabric manufacturing in Sri Lanka.

## Value Delivered

Accreditations, Awards & Certifications listed on pages 12-13 bear testimony to our commitment for reaching excellence.

**1,124**

Cumulative product developments

**98%**

Sales from Inno and product developments

**198**

new products during the year

Systems and Processes



The strength of our Brand



Innovation Capabilities



Organizational Capital & Tacit Knowledge



Group linkages through the Hayleys Brand

The Hayleys Fabric Brand has gained recognition for innovation and service excellence among the top global fashion retailers

Culture of learning and knowledge sharing

Investment in R&D:

**USD 110,413**

## INNO

Inno is our own brand of innovative fabric launched through our in-house innovation centre to supply fashionable, value added and functional fabric to the current market. Launched in 2014, Inno has differentiated itself from the rest and attracted many global fashion retailers looking to source innovative fabric from Sri Lanka.





# THE CAPITALS REPORT

## INTELLECTUAL CAPITAL

### Our Management Approach

The management continues to invest in developing the intellectual capital base as it underpins our competitive advantage.

### The Strength of Our Brand

As a member of the Hayleys Group of companies, Hayleys Fabric PLC benefits from the unparalleled strength of the Hayleys Brand which has a heritage of entrepreneurship and governance spanning over 140 years. Accordingly, our operations align with the high standards of corporate governance, systems of management and benefit from the expertise of leading professionals in the country.

Hayleys Fabric PLC is recognized by international fashion retailers as an innovative fabric manufacturer upholding the highest standards of quality and service excellence. Our own brand INNO helps us to differentiate ourselves from the rest

of the fabric manufacturers as we focus on developing fashionable, value added and functional fabric of superior aesthetics and performance.

### Innovation Capabilities

At Hayleys Fabric PLC, innovation is an ongoing process which has allowed us to retain an edge over the competition. Innovation is also used in our manufacturing processes in order to utilize resources in a sustainable manner thereby reducing any adverse impact to the environment we operate in.

The Group is globally recognized for its research and development capabilities, which has enabled the designing of innovative and tailor-made solutions to cater to the dynamic customer needs. Our innovation Centre is reputed for creating technologically advanced fashion forward fabric since its launch in 2014 and is one of the best innovation arms in the region equipped

with the latest technology and systems. Our team comprises of fashion design experts and highly skilled professionals and specialists with the relevant technical skills, who analyse the market and consistently work on new product developments in order to retain our top tier customers.

We also work in close collaboration with fashion brands to suit their specific requirements and bring customized fabric concepts to life. During the peak of the pandemic, we were able to transition from traditional methods of working to digital platforms by utilizing tools such as virtual sampling, digital material libraries and 3D rendering of collections for sales, and this has enabled us to establish stronger relationships with our customers.

Refer page 7 'Focused Innovation', for our product and process innovations.

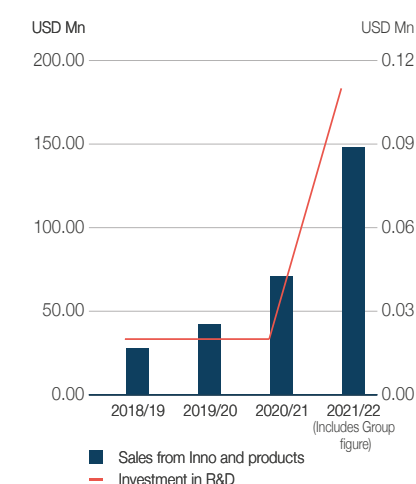
### The key highlights for the year include:

Collaboration on a new product development with MAS Kreedha for NIKE

Commercializing an alternative product for NIKE

Catering to practical clothing choices of the people in terms of size, comfort and quality

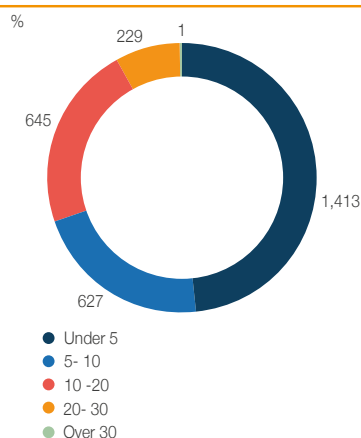
### The Strength of R&D



## Organizational Capital and Tacit Knowledge

The tacit knowledge and experience we have fostered over the years through optimized operations, strong internal controls and cost-efficient systems combined with the skills and expertise of the strategic management team and the workforce is an invaluable base of organizational capital which drives our competitive advantage.

## Tenure Analysis of Employees



Catering to the shift in demand towards loungewear and athleisure through new product innovations

Improving the sustainability of the production process

More research and development on Nylon based fabric

Focusing on a new, innovative finer & light-weight fabric manufacturing

## Systems and Processes

We drive efficiency and productivity in our operations by implementing robust systems and processes. The Accreditations, awards & certifications listed on pages 12-13 of this report, bear testimony to the strength of our systems and processes which help us to deliver on our commitment of reaching excellence in all that we do.

## Way Forward

Our innovation is powered by our research and development team and their capabilities. We hope to further strengthen our innovation capabilities through continuous investments in the medium and long term. Product development remains a key area of focus as changes in the lifestyles of the people have meant that our customers require us to support with fabric that suit the current needs and priorities of the end users.

# THE CAPITALS REPORT

## MANUFACTURED CAPITAL



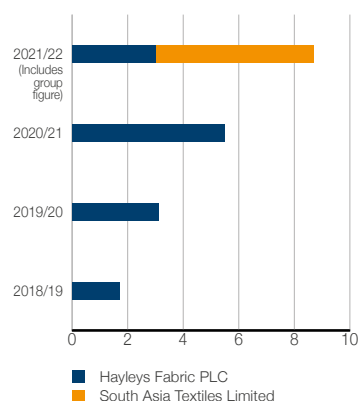
As a result of the acquisition of South Asia Textiles Limited our manufacturing capacity increased by more than 45% making us the country's largest fabric manufacturer. The acquisition also paves the way for future growth as the country focuses on backward integration of the apparel sector to strengthen Sri Lanka's competitive advantage in this key sector. Post-acquisition of South Asia Textiles Limited, we upgraded and enhanced our capabilities and facilities to the standards required to develop strategic relationships with leading global fashion brands. Manufactured capital is critical to the Group's value creation processes, and we will continue to invest in the same to nurture our competitive advantage.

### Strategic Priorities

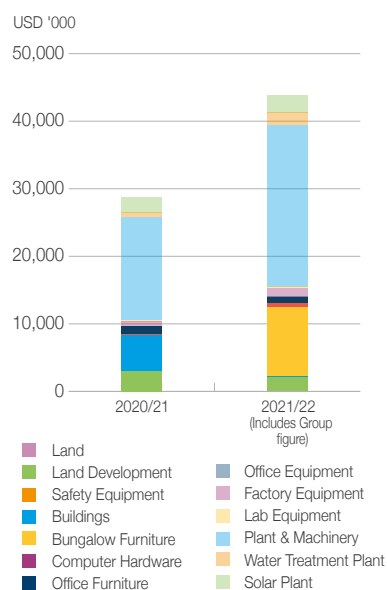
- Capacity expansion through the acquisition of South Asia Textiles Limited.
- Enhancing and upgrading facilities at Hayleys Fabric PLC and South Asia Textiles Limited.
- Automation and efficiency improvements in both Hayleys Fabric PLC and South Asia Textiles Limited.
- Ensure continued operations despite the prolonged pandemic and volatile operating conditions
- Optimizing fuel efficiency and reducing carbon footprint through investments in CAPEX

### Key Highlights

#### Capital Expenditure on PPE



#### PP&E Composition



Mr. Dhammika Perera's plant visit after acquisition of South Asia Textiles Limited.

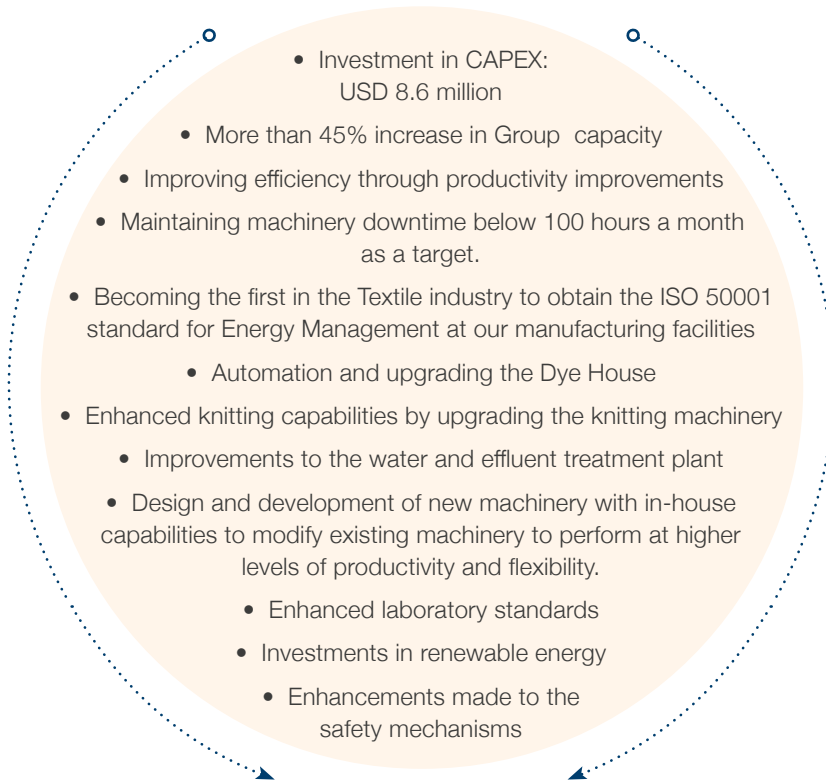


Property, Plant and  
Equipment

**USD 43.9 Mn**

**3**

Manufacturing facilities



Comprehensive  
Manufacturing Solutions

Flexible and Customized  
Output

Ensuring our investments  
support the minimization of  
carbon footprint

Buyer accredited labs

- Current Capacity: 1,590 MT
- Capacity utilization rate: >90%
- Wide product portfolio

- Shortest lead time of 3 days
- 20 kg sample dyeing machines/ 1 kg baby dyeing machines
- Economies of scale

- Low liquor dyeing machines
- Improvements to the effluent treatment plant
- Solar power generation



# THE CAPITALS REPORT













## MANUFACTURED CAPITAL

### Our Management Approach

Nurturing manufactured capital require significant allocation of resources, particularly financial. Consequently, it is aligned to our medium and long-term business plans for creating value to our stakeholders including the apparel sector development needs in the country and requirements of the strategic Tier-1 customers. Investment proposals are evaluated using technical, social, environmental and financial criteria to ensure alignment with overall Group strategic objective and goals.

### Our Manufacturing Capabilities

The strength of our manufacturing capabilities ensured our ability to meet customer demands and continue operations at an optimal level despite the difficult operating conditions during the year. As a large-scale manufacturer, we are conscious of the health and safety of our workers and our environmental footprint and consider relevant impacts to the environment when conducting our operations.

	In-house laboratories that are accredited by top brands
	Capability to carry out Brushing, Sueding and Finishing of fabric in large quantities
	Largest roof top solar power project
	Modern effluent treatment plant ZDHC compliant since 2017
	Artificial Intelligence (AI) used to minimize inventory and better forecast raw material requirements
	State-of-the-art innovation centre has produced over 250 + concepts under the “Inno” brand
	250+ knitting machines
	54 acres of land, of which 20 acres are forest reserve in one plant+ 55 Acres in South Asia Textiles Limited
	Ability to carry out 3 types of printing. The printing section includes the latest CAD system from AVA CAD/CAM and rotary printing machines.
	SAP- ERP system supported by ‘Fast React’ planning tool and ‘File Maker’, seamlessly integrating all operations + fully integrated IFS system
	Comprehensive manufacturing solutions to create to wide range of portfolio-Cotton & Synthetic
	Eco friendly manufacturing capabilities Low liquire dyeing machines +Effective effluent treatment plant.

## Nurturing Our Manufactured Capital

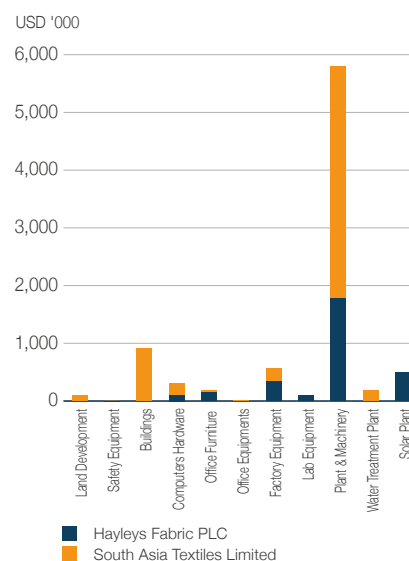
We continued to invest in nurturing our capabilities including the infrastructure, technology and standards & quality control processes in place in order to drive the Group's strategic aspirations. This has enabled us to produce innovative synthetics which meets the highest standards of quality to suit the needs of our Tier-1 customers. The total capex for the year under review amounted to USD 8.6 Mn and comprised mainly of capacity expansions. An investment of USD 18.2 Mn was made for the acquisition of South Asia Textiles Limited which led to an increase in Group capacity expansion of about 45%. A further USD 8 Mn approval has been given by the Board to upgrade machinery and other infrastructure in South Asia Textiles Limited.

## Way Forward

Sri Lanka has the opportunity to grow in strategic importance as an ethical sourcing destination for global fashion brands as geopolitics create fault lines. The country's track record for reliability and quality production has been a critical factor in driving growth in 2021/22 despite the country's economic woes. There is significant scope to increase investments in manufactured capital in order to increase capacity, as Sri Lanka currently imports 50% of its fabric requirement for the much larger apparel manufacturing industry. The Government has taken steps to establish a fabric manufacturing park in Eravur to establish Sri Lanka as a one stop sourcing destination for high quality garments.

Hayleys Fabric PLC as the pioneer has remained resilient throughout the cycles of consolidation and expansion in the apparel manufacturing sector and is well positioned to grow with further investments in manufactured capital. There is further scope for diversifying the Group's energy sources with investments in renewable energy moving away from fossil fuels. Such investments will also be necessary to grow our relationships with top tier customers. Consequently, this will be an area of focus in the short, medium and long term to drive growth of the Hayleys Fabric Group.

## Capex in 2021/22





# THE CAPITALS REPORT

## NATURAL CAPITAL



As a manufacturing organization, we are conscious of our impact on the environment through the consumption of natural resources and the outputs generated from our operations. We are committed to minimizing our environmental footprint through innovative processes and sustainable practices.



Cultivation of 9-acres low-lying land in the factory premises with organically produced rice.



### Strategic Priorities

- Commitment to SBTi
- Managing our carbon footprint
- Endorsement of the CEO water mandate
- Obtained the ISO 50001 Energy management system

- Investing in energy efficient machinery
- Maximizing the energy efficiency of existing machinery
- Using renewable sources of energy

**71%**

Renewable energy

- Responsible sourcing
- Promoting recycled materials

**3.4%**

Recycled yarn



Energy



Raw material



#### Water and Effluents

- Identification of solutions to recycle water
- Webinars on water conservation
- Effective management of effluents
- Effluents are 100% ZDHC (Zero Discharged Hazardous Chemicals) compliant since 2017

**10%**

Recycled water



#### Carbon Footprint

- Committed to climate action
- Providing solar power to the national grid

**5,288 Mwh**

Solar power



#### Waste

- Responsible waste disposal
- Reducing waste
- Waste recycling initiatives

**32 kg**

of PET bottles recycled



#### Environmental conservation

- Compliant with regulatory standards
- Identification of 9 acres of land area from the factory premises as a wetland

**+ 350**

Trees planted



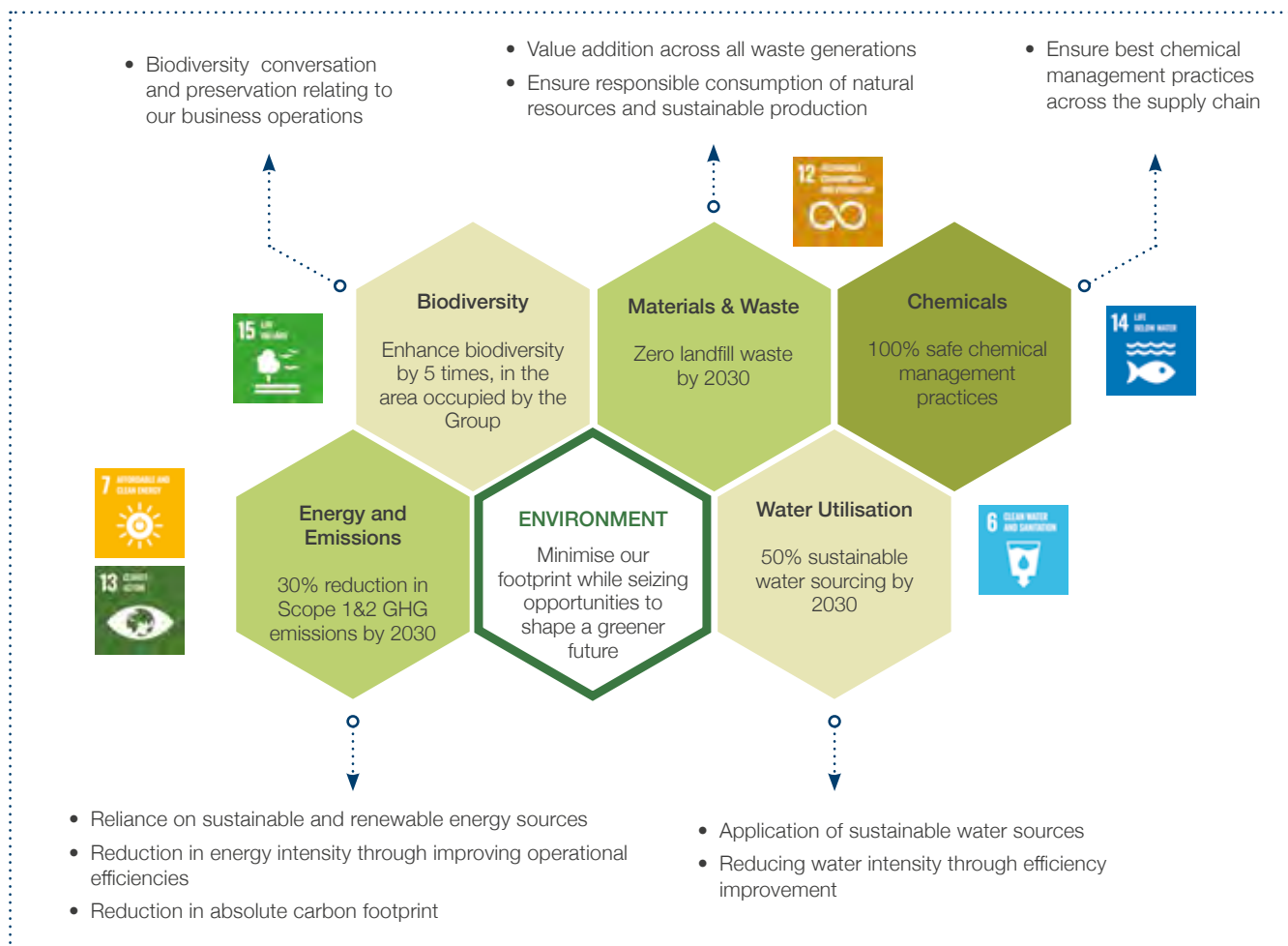
Refer page 86 Focused Innovation for more on Process innovations done to increase the sustainability of our operations

# THE CAPITALS REPORT

## NATURAL CAPITAL

### Managing Our Environmental Impacts

As a subsidiary of the Hayleys Group, Hayleys Fabric PLC and its Subsidiary comply with the Hayleys Life Code which was launched in January 2022 as set out in the Governance Report on page 106. Our natural capital is managed in accordance with the environmental policies set out in the Code which are summarized below.



As Hayleys Fabric Group is in the fabric manufacturing business which has a significant impact on the environment, we have developed our own and more stringent environmental management policies which build on those of our parent Company. The environmental information is captured in the non-financial information system of the parent company called the “Cube” which is updated on a monthly basis and presented to the Group Management Committee (GMC). Dedicated sustainability teams at head office and at Hayleys Fabric Group levels monitor trends and report on the same to the senior management of Hayleys Fabric PLC and Hayleys PLC. Additionally, internal audit also ensures that the systems and controls for measuring and monitoring the environmental indicators are functioning effectively.

### Environmental Policy

- Identify and comply with all legislation, standards and codes of practice which are relevant to our business activities
- Committed to protection of environment including prevention of pollution and other specific commitments
- Effective conservation of energy and natural resources

## Sustainability Governance

Compliance team to ensure compliance with customer requirements and legal standards	Annual environmental goal setting	Regular data monitoring through SAP System and monthly reports for management review
Eco friends team building programme to drive a sustainability culture across the Hayleys Fabric Group	Clear standard operating procedure for business as usual	Monthly updates to the Hayleys Group sustainability portal for GMC and Board review
Sustainability team to drive these initiatives within individual departments		

## Materials

The main raw materials used in our production process are yarn (cotton and polyester), dyes and chemicals. Our raw material suppliers are selected from the customer nominated suppliers who have been screened for environmental and social compliance to ensure ethical and sustainable business practices. Hayleys Fabric Group also used our own environmental and social screening processes in accordance with our certifications. The effectiveness of our processes is reflected below.

Cotton	Polyester	Dyes and Chemicals
<ul style="list-style-type: none"> <li>Using organic cotton</li> <li>The cotton we use is purchased from BCI, GOTS, OCS, GRS, CMIA and Oeko Tex 100 certified sources</li> </ul>	<ul style="list-style-type: none"> <li>Over 3% of polyester used is recycled polyester</li> <li>Majority of recycled materials used are GRS certified</li> </ul>	<ul style="list-style-type: none"> <li>All chemicals and dyes are ZDHC level 1 certified</li> <li>Over 60% of chemicals and dyes are level 3 ZDHC compliant</li> </ul>

## Our material consumption during the year is presented below:

Raw material	Hayleys Fabric PLC		South Asia Textiles Limited	Group	
	2021/22	2020/21	2021/22	2021/22	2020/21*
Non-renewable materials (MT)	13,230	11,700	11,659	24,889	11,700
Renewable materials (MT)/ %	5,308/ 29%	5,600/32%	3,282/ 22%	8,590/ 26%	5600/ 32%
Total material consumption (MT)	18,538	17,300	14,941	33,479	17,300
Percentage of recycled material used	4.1%	4.1%	2.6%	3.4%	4.1%
* 2020/21 Only represents Hayleys Fabric PLC numbers					

# THE CAPITALS REPORT

## NATURAL CAPITAL

We promote the use of recycled materials in our production processes and specific examples are given below:

### Recycling materials

- The polythene used for packaging is sent to a recycler and returned for usage within the Company
- In our raw material consumption, we actively promote the use of recycled polyester yarn where possible. However, our flexibility in the selection of materials is limited given the ultimate decision lies with the buyer, the retail brand

### Shifting to environmentally friendly materials

- We have created our own processes to extract dyes from natural substances as an alternative to synthetic dyes and treatments to create colourful fabric that is sustainable and environmentally friendly. Natural dyes are extracted from mahogany, pomegranate (*Punica granatum*), mulberry (*Morus alba*), Mexican marigold (*Tagetes erecta*) and black cutch (*Acacia catechu*)

### Making the consumer part of our journey

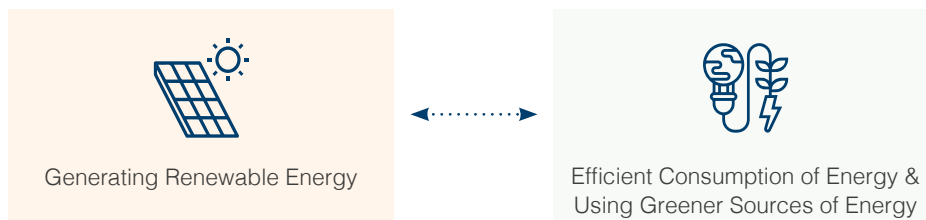
In our effort to promote recycled polyester fabric and make the consumer a part of our sustainability journey, we developed a smart phone app in 2019/20 to trace the source of polyester yarn produced from recycled ocean waste collected from the shores of Sri Lanka.





## Energy

Higher production levels and increased automation in our production processes increased the energy usage in our operations making it vital to manage our energy requirements. Our energy management is based on the Group's focus on absolute reduction of emissions which has been approved by the Board.

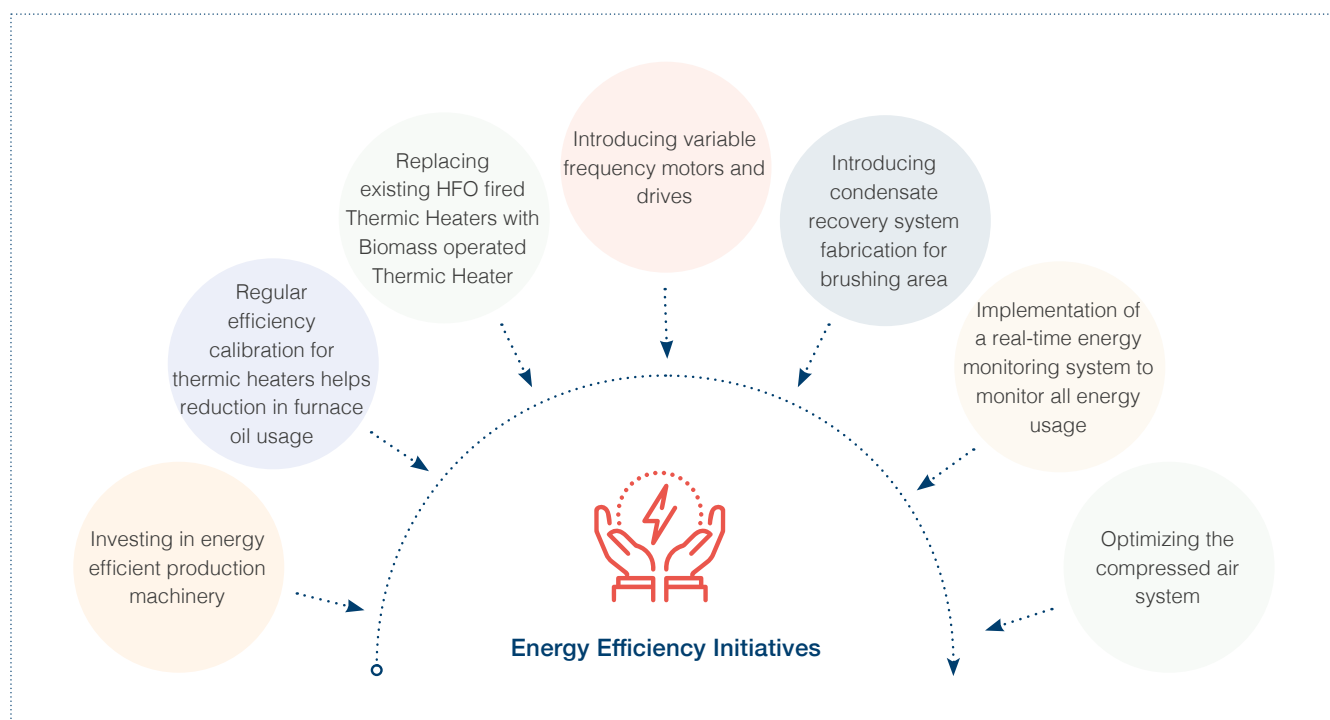


### Generating Renewable Energy

We are actively looking for ways to diversify our energy sources with significant investments in renewable energy in order to move away from fossil fuels. Having installed the country's largest rooftop solar installation of 4.6MW in 2021, this year we were able to generate 22% of the energy usage of Hayleys Fabric PLC from the national grid with renewable energy.

### Efficient Consumption of Energy and Using Greener Sources of Energy

Several initiatives have been undertaken to shift the Hayleys Fabric Group towards greener sources of energy in addition to increasing efficiency of energy usage. During the year, we have implemented the ISO 50001 certified energy management system to ensure our energy usage has maximum efficiency.



Although our overall energy usage has increased, the energy intensity of the Hayleys Fabric Group has reduced from 93.5 to 88.1 (MJ/MT) during the year. This is mainly due to the acquisition of South Asia Textiles Limited, which largely uses biomass for its energy requirements. As a Group, we are on a mission to reduce our dependency on fossil fuels with Hayleys Fabric Group covering about 71% of its overall energy requirements from biomass. During the year, we shifted from LPG to alternative energy sources to operate our thermic heaters due to the rising prices of LPG. A breakdown of energy consumption for the year is given below:



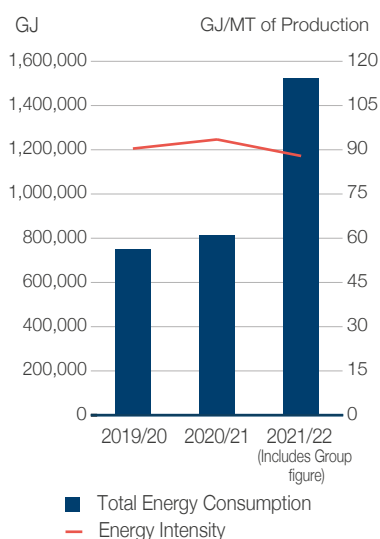
# THE CAPITALS REPORT

## NATURAL CAPITAL

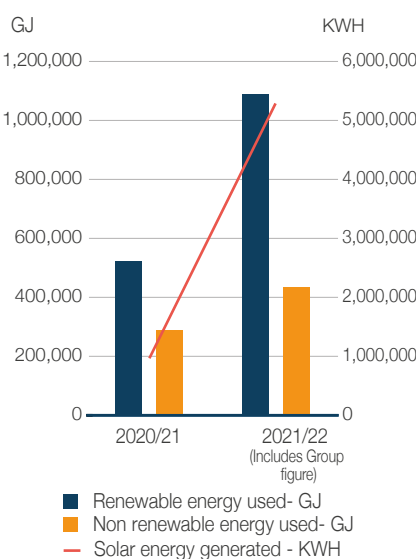
Type of energy	Hayleys Fabric PLC		South Asia Textiles Limited	Group	
	2021/22	2020/21	2021/22	2021/22	2020/21*
Nonrenewable energy (GJ)	316,709	289,400	120,651	437,360	289,400
Renewable energy (GJ)/ %	580,752/ 65%	522,600/ 64%	507,874/ 81%	1,088,626/ 71%	522,600/ 64%
Total energy consumption (GJ)	897,461	812,000	628,525	1,525,986	812,000
Energy intensity ratio (GJ/ MT of production)	90.8	93.5	84.4	88.1	93.5

\*-2020/21 Only represents Hayleys Fabric PLC numbers

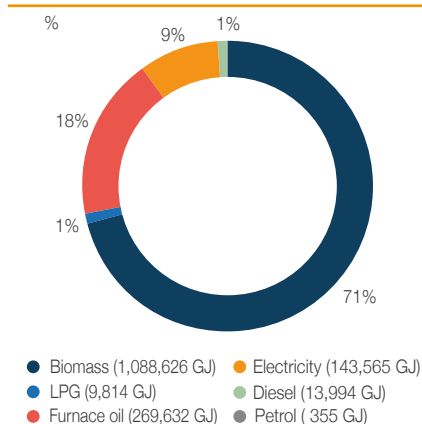
### Energy Consumption & Intensity



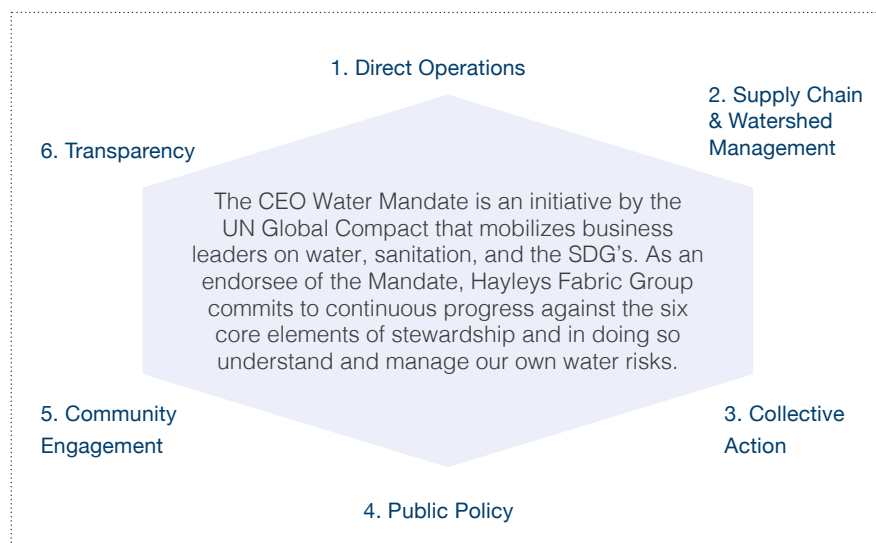
### Breakdown of Energy



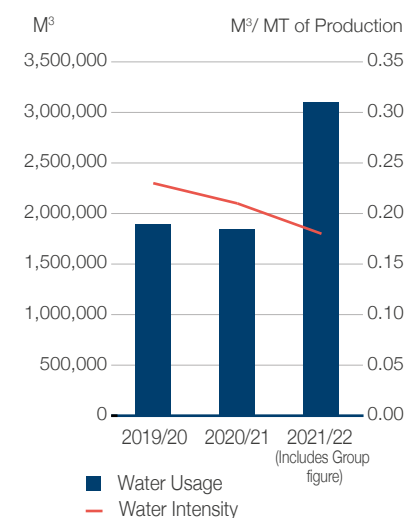
### % of Energy by Source (GJ)



## Water and Effluents



### Water Usage & Intensity



The CEO water mandate draws attention to the urgent need to manage water and ensure the sufficiency of water for life on land and life below water. The Hayleys Fabric Group is conscious of its water footprint and is committed to reducing the water withdrawn for its operations. For the sourcing of Hayleys Fabric PLC's water requirements we rely on the adjacent "Kalu Ganga" which is the country's second largest River basin. South Asia Textiles Limited pumps water from the "Kelani River" in order to meet their water requirements. Monthly measurement and daily monitoring of water consumption is carried out department wise using flow meters and updated to the data sheets in the Hayleys Group cube system as well as the NIKE and Decathlon data base.

As a responsible corporate, we have mechanisms in place identify areas for improving water efficiency in order to ensure the sustainability of freshwater sources. During the year, we endorsed the CEO water mandate by the UN global compact, aligning our water policy with the 6 main areas in the mandate. About 10% of water consumed is recycled and re-used in our operations through the ongoing initiative to recycle water used for machine cooling thereby reducing our dependency on ground water.

Upgraded the effluent treatment plant with an investment of USD 0.19 Mn

Hayleys Fabric PLC Water (M³)	Location	2021/22	2020/21	Source Classification	Measurement
Withdrawal	Kalu Ganga	1,827,685	1,841,000	Surface water- fresh water	Daily
Withdrawal	Tube well	1,135	935	Ground water- fresh water	Daily
Withdrawal	Third party water	1,899	-	Third party water	
Grey water	Recycled	238,927	254,800	Recycled	Calculated
Discharge	Kalu Ganga	1,616,683	1,545,800	Surface water- fresh water	Calculated

South Asia Textiles Limited Water (M³)	Location	2021/22	2020/21	Source Classification	Measurement
Withdrawal	Kelani River	1,274,358	-	Surface water- fresh water	Daily
Grey water	Recycled	80,702	-	Recycled	Calculated
Discharge	Kelani River	1,185,720	-	Surface water- fresh water	Calculated

We continuously upgrade and improve our effluent treatment plant with the latest technology to ensure the quality of water treated and discharged is maintained at the highest standards. The water discharged from our operations is tested to ensure compliance with the prescribed limits prior to being released to the river. We have obtained the ZDHC standard certifying there is zero discharge of chemicals from the wastewater treatment plant. 84% of water discharged after undergoing treatment at the Effluent Treatment Plant is re-used in the organization to produce steam in the boiler.

## Waste

We ensure the responsible disposal of waste, in compliance with regulatory requirements and industry best practice. The total volume of waste generated by the Group during the year amounted to 6,029 MT, consisting mainly of sludge (hazardous) and non-hazardous waste. We adhere to the national regulatory requirements for hazardous waste disposal with the annual cost of sending hazardous waste to INSEE for incineration with material recovery amounting to USD 583,035.

### Reduction of sludge

- We have reduced the moisture content in our sludge and dried it down to so that it can be used for cement production and furnaces.

### Partnerships for innovation

- We are in the process of finding an alternative method for the disposal of sludge in collaboration with the University of Moratuwa.

### Chemical trials

- Conducting chemical trials to reduce the mass of sludge and thereby reducing our hazardous waste

Meanwhile the non-hazardous waste is reused or recycled through professionals in waste management approved by the CEA in order to reduce the negative impact on the environment. As part of our commitment to building a local circular economy we have installed a PET bottle collection point within the Hayleys Fabric PLC's premises to encourage recycling.



PET bottle collection point within Hayleys Fabric PLC



Recycled yarn produced by Eco spindles



Fabric produced at Hayleys Fabric PLC using the recycled yarn

# THE CAPITALS REPORT

## NATURAL CAPITAL

Waste type	Hayleys Fabric PLC		South Asia Textiles Limited	Group		Disposal method
	2021/22	2020/21	2021/22	2021/22	2020/21*	
Hazardous waste						
Sludge (MT)	1,853	1,587	1,784	3,637	1,587	Incineration
Non-hazardous waste						
Fluff (MT)	51	45	19	70	45	Reuse
Fabric strips, fabric end roll, off cuts (MT)	512	618	261	773	618	Reuse
Cardboard, yarn cones (fully used), damaged cardboard boxes (MT)	469	389	290	759	389	Reuse
Polythene (MT)	177	142	47	224	142	Recycle
Other (MT)	331	132	236	567	132	Reuse
Total non-hazardous waste (MT)	1,540	1,326	854	2,393	1,326	-
Total waste -MT (Disposed according to CEA requirements)	3,392	2,913	2,687	6,029	2,913	-
% of waste recycled or incinerated through third party contractors	60%	59%	69%	64%	59%	-
*-2020/21 Only represents Hayleys Fabric PLC numbers						

Discharge Water Quality	Hayleys Fabric PLC	South Asia Textiles Limited	Group		Standard
	2021/22	2021/22	2021/22	2020/21*	
pH	7.96	8.83	8.40	7.49	6.5 - 8.5
Temperature 0C	31.38	36.69	34.04	29.23	< 40
BOD (mg /L)	27.83	18.33	23.08	26.07	< 30
COD (mg /L)	143.83	104.67	124.25	147.18	< 250
Total Suspended Solids (mg/L)	28.75	34.27	31.51	35.95	< 50

\*-2020/21 Only represents Hayleys Fabric PLC numbers



## Emissions

Globally risks associated with climate change are on the rise and as a responsible corporate who is conscious of our impact on the environment, we have directed our efforts to reduce our carbon footprint in a sustained manner. We became the first textile manufacturer in Sri Lanka to commit to the Science- Based Target Initiative (SBTi) and during the year we have submitted our targets to SBTi in line with net zero targets for limiting climate temperate rise to 1.5 degrees Celsius. Hayleys Fabric PLC has committed to reducing absolute GHG emissions under scopes 1 and 2 by 42% and 63% by financial year 2029/30 and 2034/35 respectively against base year (2016/17), with absolute emissions targeted to reach 15,172 tCO<sub>2</sub>e and 0 tCO<sub>2</sub>e by 2030 and 2050 respectively.

Achieving our emission targets through sustainable energy management



Efficient consumption of energy

Increased reliance on renewable energy

Reduced dependency on fossil fuels by switching to cleaner energy sources

Type of emissions	Hayleys Fabric PLC			South Asia Textiles Limited	Group	
	Base year	2021/22	2020/21	2021/22	2021/22	* 2020/21
Direct GHG emissions (tCO <sub>2</sub> e)	11,746	18,553	15,795	5,027	23,580	15,795
Direct Biogenic GHG emissions (tCO <sub>2</sub> e)	46,095	65,721	59,398	5,532.16	71,253	59,398
Indirect GHG emissions (tCO <sub>2</sub> e)	11,380	19,455	12,246	13,099	32,582	12,246
Total Carbon footprint (tCO <sub>2</sub> e)	23,126	38,008	28,041	18,126	56,162	28,041
GHG emissions intensity (tCO <sub>2</sub> e/ MT of production)	3.02	3.85	3.2	2.43	3.24	3.2

\* -2020/21 Only represents Hayleys Fabric PLC numbers

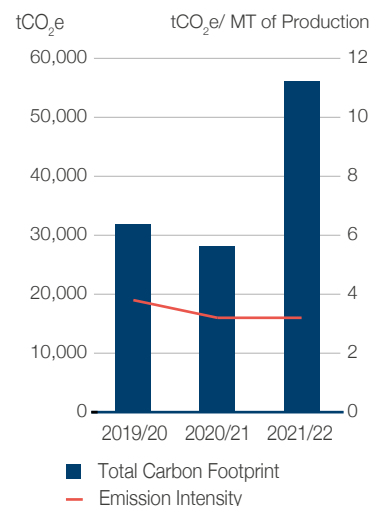
### GHG Calculation

- Our GHG emissions are measured annually and verified by an independent third party
- Computed according to ISO 14064-1: 2018
- Gasses included are CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O and HFC's

### GHG Reduction

- We have developed Science based emissions reduction method with a base year of 2020
- Increased reliance on renewable energy reduced our total GHG

### Carbon Footprint



Carbon Conscious Certificate 2021/22  
Hayleys Fabric PLC



Carbon Conscious Certificate 2021/22  
South Asia Textiles Limited

# THE CAPITALS REPORT

## NATURAL CAPITAL

### Nature Conservation and Environmental Compliance

The green-to-building ratio at Hayleys Fabric PLC is 1:1 as the land area belonging to our Plant includes several acres of land that is rich in biodiversity and home to several endangered species of flora and fauna. We have reserved 20 acres of land adjoining the plant as a green belt and another 9-acre plot has been identified as a Wetland Biodiversity Zone. The biodiversity study which was completed by 3 specialists last year with the guidance of the Bio Diversity Secretarial - Ministry of Environment identified over 140 species of animals and 70 birds in the biodiversity zone.

The Group complies with all relevant environmental laws and regulations and conducts routine internal audit checks to confirm licenses, certifications and permits are all up to date. There were no instances of environmental fines or non-compliance relating to environmental laws and regulations during the year.



#### 136 Species of Flowering Plants

Scientific name - *Lagerstroemia speciosa*

Local Name - Murutha  
Status - Native



#### 10 Species of Ferns Ipteridophytai

Scientific name - *Helminthostachys zeylanica*

Local Name - Thani-wel  
Status - Native



#### 10 Species of Invasive Alien Plants

Scientific name - *Colocasia esculenta*

Local Name - Gahala  
Status - Native



#### 79 Species of Birds

Scientific name - *Accipiter badius*

Local Name - Shikra  
Status - BrR



#### 9 Species of Fish

Scientific name - *Aplocheilichthys dayi*

Local Name - Uda handeya  
Status - Endemic



#### 12 Species of Mammals

Scientific name - *Prionailurus viverrinus*

Local Name - Handun Diviya  
Status - Native



#### 13 Species of Dragonflies

Scientific name - *Rhyothemis variegata*

Local Name - Variegated flutterer



#### 21 Species of Butterflies

Scientific name - *Parantica aglea*

Local Name - Glassy tiger  
Status - Native



#### 9 Species of Reptiles

Scientific name - *Hypnale sp.*

Local Name - Hump-nosed pit viper  
Status - Native





### Diyathuru Park (Diyathuru Uyana)

We have started converting a 9-acre plot of abandoned land belonging to Hayleys Fabric PLC into a wetland park. The 1st phase of this wetland park (Diyathuru Park/ Uyana) which is the entrance consisting of around 1 acre of land is already completed. Several native and endemic plants of value were introduced with many species of flora and fauna being identified in the park. We have also identified several species which is identified as Critically Endangered- CR, Endangered- EN and Critically Endangered (probability Extinct)- CR(PE) as defined by the National Red List 2012.

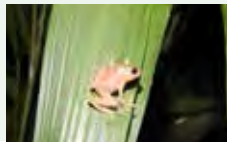


#### 6 Species of Amphibians

Scientific name - *Pseudophilautus popularis*.

Local Name - Common shrub frog

Status - Endemic





# CORPORATE GOVERNANCE

Our growth aspirations are anchored by a sound Corporate Governance framework that continues to evolve, addressing the issues that are important to key stakeholders and are in the interest of the public.

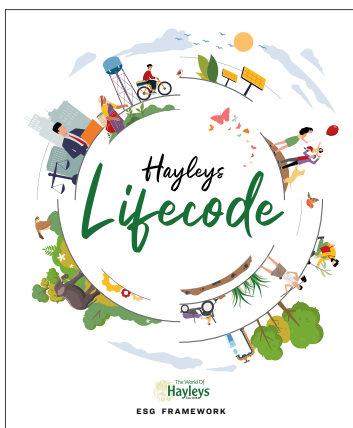
As part of the Hayleys Group, Hayleys Fabric PLC also benefits from the mature governance systems and insights of our parent Company developed over more than a century of existence. Group functions of the Parent Company drive the evolution of governance systems, ensuring that they are benchmarked to international best practice and rolled out effectively across the Group.

## Hayleys Lifecode

"The Hayleys Lifecode encapsulates the mantra we have used to steer the Group through the years as we learned from our mentors, nurturing the legacy that we inherited"

### Mohan Pandithage

Chairman, Hayleys PLC, Hayleys Fabric PLC



Hayleys Group launched its ESG Framework titled the Hayleys Lifecode in January 2022 and all Group companies are required to comply with this comprehensive articulation of the Group's ESG philosophy, policies and strategies. It comprehensively links the GRI standards and sustainable development goals to the policy frameworks and commitments of the Group, supporting harmonization of these throughout all Group entities and locations.

Hayleys Fabric PLC has aligned its policy framework and reporting mechanisms to meet the requirements of the Hayleys Lifecode and has worked out its plans accordingly. Financial reporting, non-financial reporting, materiality determination and risk reporting processes are aligned with the Group supporting monitoring of these vital aspects of the ESG framework.

## Hayleys PLC - (Ultimate Parent)

### Composition

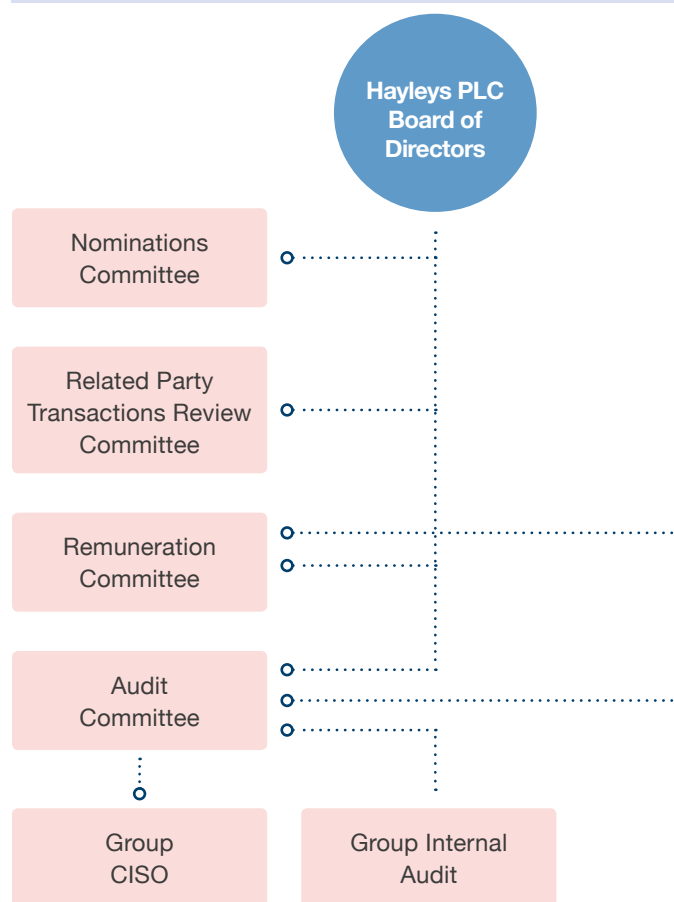
Executive Chairman of Hayleys PLC is also the Chairman of Hayleys Fabric PLC

5 Executive Directors (EDs) of whom

- The Chairman
- Managing Director/CEO and
- 3 in charge of Finance, Marketing and HR

2 Non-Executive Directors (NEDs)

4 Independent Non-Executive Directors of whom 1 is a Senior Independent Director (SID)



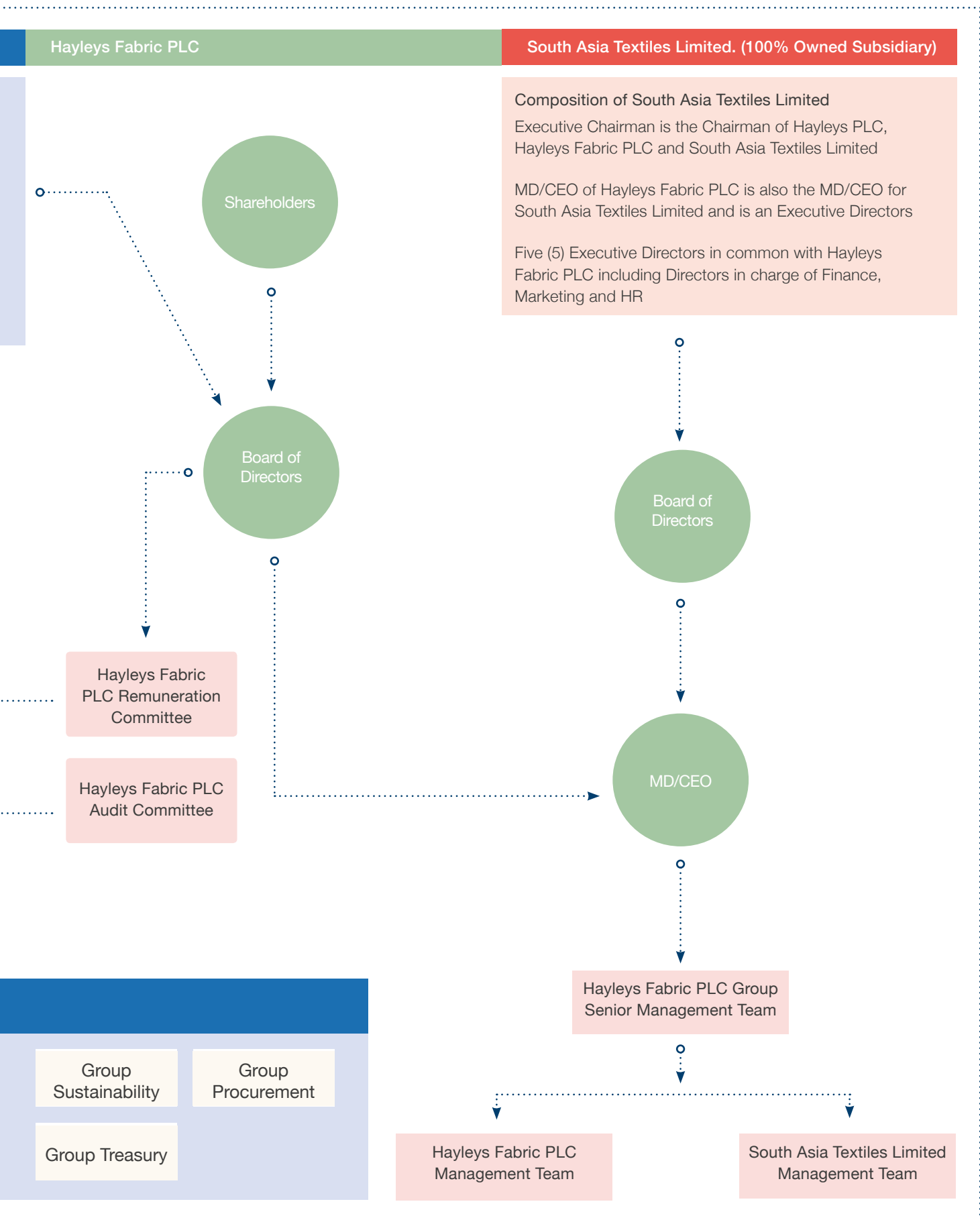
## Other Group functions of Hayleys PLC which support coordination and harmonization of Group policies and systems

Group Finance

Group IT

Company Secretaries

Group HR & Legal



# CORPORATE GOVERNANCE

## Governance Framework & Structure

The governance structure conforms to that of the Parent company, Hayleys PLC as set out above and comply fully with the regulatory and voluntary requirements set out below.

	Regulation / Code	Page Reference
Regulatory	The Companies Act No.7 of 2007 and regulations	140-141
	Listing Rules of the Colombo Stock Exchange (CSE)	121-122
	Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987, including directives and circulars	142-145
Voluntary	Code of Best Practice on Corporate Governance (2017) issued by Institute of Chartered Accountants of Sri Lanka	123-125

## Navigating the Report

1. Our Approach to Governance
2. Delivering Stakeholder Value
3. Governance Framework & Structure
4. An Effective Board
5. Responsible and Fair Remuneration
6. Gender Parity
7. Board Accountability
8. Relations with Shareholders

Details of Compliance with respective statutes and codes as described in the Compliance Summary on pages 121-123 stabled at the end of the report.

The Hayleys Fabric PLC Board provides direction and leadership and assumes collective responsibility for the overall governance, performance, strategy and affairs of the Company. The Board has appointed an Audit Committee and a Remuneration Committee who have oversight responsibility for the matters assigned to them. Nominations Committee and Related Party Transactions Committee of the parent company, Hayleys PLC assist the Board of Hayleys Fabric PLC in relevant areas as permitted by the Listing Rules of the Colombo Stock Exchange.

The Board of the newly acquired subsidiary South Asia Textiles Limited comprises 6 Directors who are all executive Directors who also sit on the Board of Hayleys Fabric PLC. The presence of common executive directors facilitates the harmonization of strategy, organisation culture, systems and processes and considerable progress has been made in this regard

## Board's Primary Governance Roles and Responsibilities

### Strategic Direction

- Approves strategy
- Considers trends and business landscape
- Monitor stakeholder concerns

### Approves Policy & Resource Allocation

- Articulates policy framework
- Approves resource allocation
- Sets risk appetite.

### Oversight & Monitoring

- Performance against plans
- Operating environment
- Risk management

### Accountability

- Set Corporate Values and promote ethical behaviours
- Ensure effective functioning of internal controls
- For organisational performance through reporting and disclosure, engagement

The MD /CEO is a member of the Hayley's Group Management Committee (GMC) and is responsible to the Hayley's Board for delivering agreed strategic goals for his business sector. He leads the corporate management team in the design and implementation of the Company's strategic plan. Regular reporting on key matters enables effective oversight by the Hayleys Group.

Strategically aligned Key Performance Indicators (KPI) drive performance and the achievement of objectives of Hayleys Fabric PLC and these have been cascaded to the KMPs and their teams to align personal and organisational goals.

### Board Highlights 2021/22

- Acquisition of South Asia Textiles Limited., as the first subsidiary of the Company, making Hayleys Fabric Group the largest fabric manufacturer in the country
- Harmonising strategy, culture, systems and processes
- Performance oversight to ensure that strategic goals are delivered
- Approval of 3 interim cash dividends amounting to Rs.1.10 per share
- Recommendation of final cash dividend amounting to Rs.1/- per share
- Ensuring financial resilience of Group
- Oversight of business continuity plans in response to business disruptions
- Adopting the Hayleys Lifecode to enhance integration of ESG
- Quarterly publication of financial performance

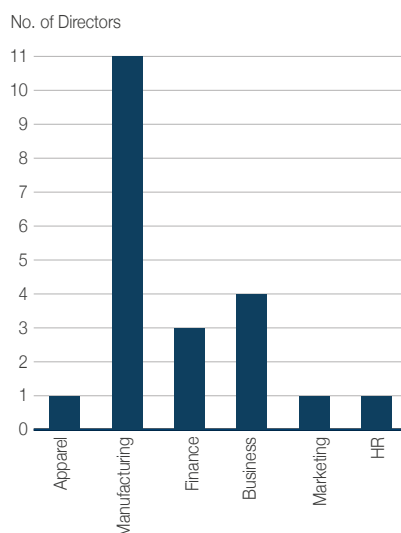
### An Effective Board

The Board of Directors continues to provide ethical and effective leadership, to safeguard stakeholder value creation within a framework of robust and effective controls.

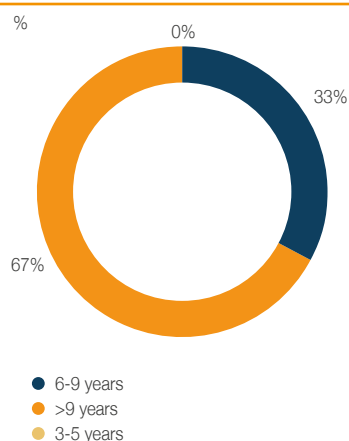
### Board Composition



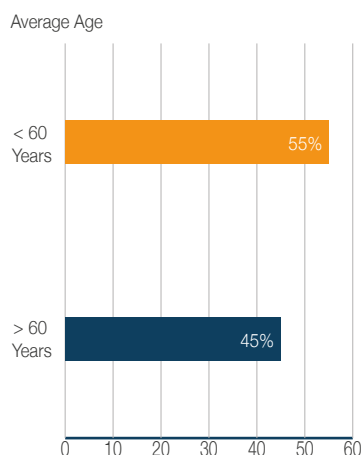
### Board Expertise














### Non-Executive Tenure



### Age Diversity of Board of Directors



# CORPORATE GOVERNANCE

BOARD COMPOSITION	
Chairman (Executive)	
Senior Independent Director	
Independent Directors	  
Non - Independent Non-Executive Directors	 
Executive	   

The Board comprises 11 Directors and an alternate Director to Mr. K.D.D. Perera who are both non-executive Directors. 4 of whom are independent. There are 5 executive Directors and 6 non-executive Directors of whom 4 are independent, maintaining a balance of power to facilitate effective contribution by all members of the Board. The appointment of Mr. Ananda Sunil Jayatilleka in 2019 as Senior Independent Director (SID) in line with good governance practices, further strengthens the balance of power in line with best practice in corporate governance. The profiles of the Board members including significant current and past appointments are given on pages 34-37 of the report.

The collective background of the Board of Directors provides a balanced mix of skills, experience and tenures to enable the Board to objectively and effectively fulfill its roles and responsibilities. Non-Executive Directors

are eminent professionals in their respective fields, who bring varied perspectives to Board deliberations and constructively challenge management. The Board, through the Board Nomination Committee reviews the composition on an ongoing basis.

Three Directors including the Chairman of the Audit Committee, are finance professionals ensuring sufficient financial acumen within the Board.

## Board Refreshment

Board refreshment allows for the introduction of members with new skills, insights and perspectives, while retaining valuable industry knowledge and maintaining continuity. The Board is refreshed periodically through new appointments, retirement, resignation, and re-election /re-appointment of Directors. There were no new appointments during the year.

## Board Sub-Committees

The Hayleys Fabric PLC Board has formed an Audit Committee and a Remuneration Committee to assist the Board with detailed oversight on these areas. These two committees also connect with the parent company Audit and Remuneration Committees to ensure alignment of goals and objectives. Additionally, Hayleys Fabric PLC is assisted by the Nominations Committee and the Related Party Transactions Review Committee of the Parent company in relevant matters as permitted by the CSE Listing Rules.

### Appointments

Directors are appointed by the Board following a formal and transparent process and shall then be eligible for re-election by the shareholders at the next following Annual General Meeting.

The Parent Company Nominations Committee makes recommendations to the Board in this regard having considered the combined knowledge, experience and diversity of the Board in relation to the Company's strategic plans and any gaps thereof.

All new appointments are communicated to the shareholders through the Colombo Stock Exchange, which includes a brief resume of the Director.

### Re-election/Re-appointment

In terms of the Articles of Association, 1/3 of the Directors, except the Managing Director whilst holding that office, will retire from office at each Annual General Meeting.

These Directors are eligible to stand for re-election by the shareholders at the Annual General Meeting.

The Group Nomination Committee recommends the Directors for re-election, and approval by the Board.

A Director appointed by the Board to fill a casual vacancy arisen since the previous AGM, will offer himself for re-election at the next AGM.

### Retirement/Resignation & Director Tenure

Directors may resign by submitting a letter to the Board. On acceptance of the resignation by the Board, the CSE is informed of the same.

Board Committee	Areas of Oversight	Composition	Further Information
Audit Committee	<ul style="list-style-type: none"> <li>Financial Reporting</li> <li>Internal Controls</li> <li>Internal Audit</li> <li>External Audit</li> </ul>	Comprises three Independent Non-Executive Directors including the Chairman of the Committee.	Report of the Audit Committee on pages 134-135
Nominations Committee	<ul style="list-style-type: none"> <li>Appointment of Key Management Personnel/ Directors</li> <li>Succession Planning</li> <li>Effectiveness of the Board and its Committees</li> </ul>	<p>Hayleys PLC's (Parent company) Nominations Committee assists Hayleys Fabric PLC.</p> <p>Comprises Chairman, one Independent Non-Executive Director and one Non-Executive Director of Hayleys PLC</p>	
Remuneration Committee	<ul style="list-style-type: none"> <li>Remuneration policy for Key Management Personnel</li> <li>Goals and targets for Key Management Personnel</li> <li>Performance evaluation</li> </ul>	<p>Comprises three Independent Non-Executive Directors including the Chairman of the Committee.</p> <p>(Dr. Sunil Jayantha Nawaratne was appointed to the Committee w.e.f 7th Feb 2022)</p>	Report of the Remuneration Committee on page 136
Related Party Transactions Review Committee	Review of related party transactions	<p>Hayleys PLC's (Parent company) Related Party Transactions Review Committee assists the Company.</p> <p>Comprises two Independent Non-Executive Directors and one Executive Director of Hayleys PLC</p>	Report of the Related Party Transactions Review Committee page 137

## Meetings & Minutes

Board meetings are held on a quarterly basis with the flexibility to arrange any additional meetings to supplement these when required. An annual calendar is prepared by the Company Secretaries and dates and times are agreed at the commencement of the financial year. Meeting agendas are set by the Chairman in consultation with the MD/CEO and the Company Secretaries. Board agendas and papers are made available to the Directors seven days before the meeting allowing members sufficient time to review the papers, seek clarification and make their observations in preparation for the meeting. Care is taken to ensure that the Board spends sufficient time considering matters critical to the Company's success, as well as compliance, risk and administrative matters.

### Board Minutes

- All Board minutes are circulated to members within 2 weeks of the Board meeting being held, and formally approved at the subsequent Board meeting.
- Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes.
- Directors have access to the past Board papers and minutes via electronic means

### Resolutions by Circulation

- Resolutions concerning business matters may be passed by circulation, within regulations.
- However, if a single Director deems it necessary that such resolution must be decided at a Board meeting not by circulation, the Chairman shall put the resolution to be decided in a meeting.

### Provision of Information

- In the effective discharge of duties, Directors are provided accurate, relevant and timely information on which they base their decisions.
- Executive Directors and the Key Management Personnel (KMP) attend Board meetings, increasing contact between the Board and management. Management is open and transparent with the Board and brings to attention any matters of concern in a timeous manner.



# CORPORATE GOVERNANCE

## Attendance at Meetings

Directors		Date of Appointment	Board	Audit	Remuneration
A.M. Pandithage	Executive Chairman	1st July 2007	4/4		
E.R.P. Goonetilleke	Managing Director/Chief Executive Officer	1st March 2013	4/4		
K.D.D. Perera Ms. Y. Bhaskaran (Alternate Director to K.D.D. Perera)	Non-Executive Director Non-Executive Director	24th September 2009 1st June 2015	4/4		
S.C. Ganegoda	Non-Executive Director	1st November 2009	3/4		
H. Somashantha	Independent Non-Executive Director	2nd February 2012	4/4	4/4	1/1
R.N. Somaratne	Independent Non-Executive Director	2nd February 2012	4/4	4/4	
Dr. N.S.J. Nawaratne	Independent Non-Executive Director	25th April 2014	4/4	4/4	1/1
A.S Jayatilleke	Senior Independent Director	30th March 2015	4/4		1/1
R.R Bandara	Executive Director	15th May 2018	4/4		
M.H. Jayasinghe	Executive Director	1st April 2019	4/4		
K.P.C.P.K. Pathirana	Executive Director	10th August 2020	4/4		
Total No. of Meetings			4	4	1

## Roles & Responsibilities

The Chairman of Hayleys PLC (Parent company) serves as the Chairman of Hayleys Fabric PLC and the roles of the Chairman and MD/CEO are segregated facilitating a balance of power.

Chairman's	MD/CEO
<b>Role</b>	<b>Role</b>
Leads the Board, preserving good corporate governance and ensuring that the Board works ethically and effectively.	Accountable for implementation of Hayleys Fabric Group's strategic plan and driving performance.
<b>Responsibilities</b>	<b>Responsibilities</b>
<ul style="list-style-type: none"> <li>Setting the ethical tone for the Board and Company;</li> <li>Setting the Board's annual work plan and the agendas, in consultation with the Company secretaries and the MD/CEO;</li> <li>Building and maintaining stakeholder trust and confidence;</li> <li>Ensuring effective participation of all Board members during Board meetings.</li> <li>Facilitating and encouraging discussions amongst all Directors of matters set before the Board and ensuring a balance of power is maintained between Executive and Non -Executive Director (NED).</li> <li>Monitoring the effectiveness of the Board.</li> </ul>	<ul style="list-style-type: none"> <li>Appointing and ensuring proper succession planning of the corporate management team, and assessing their performance;</li> <li>Developing the Company's/Group strategy for consideration and approval by the Board;</li> <li>Developing and recommending to the Board budgets supporting the Company's/Group long-term strategy.</li> <li>Monitoring and reporting to the Board on the performance of the Company/Group and its compliance with applicable laws and Corporate Governance principles.</li> <li>Establishing an organizational structure for the Company/Group which is appropriate for the execution of strategy;</li> <li>Ensuring a culture that is based on the Company's values;</li> <li>Ensuring that the Company/Group operate within the approved risk appetite.</li> </ul>
<b>Company Secretary</b>	
<p>The office of the Company Secretary is integral to the effective functioning of the Board. Secretarial services to the Board are provided by Hayleys Group Services (Private) Limited. The Company Secretary guides the Board on discharging its duties and responsibilities, promoting best practices in Corporate Governance.</p> <p><b>Responsibilities include;</b></p> <ul style="list-style-type: none"> <li>Ensuring the conduct of Board and General Meetings in accordance with the Articles of Association and relevant legislation.</li> <li>Maintaining statutory registers and the minutes of Board Meetings.</li> <li>Prompt communication to regulators and shareholders.</li> <li>Filing statutory returns and facilitating access to legal advice in consultation with the Board, where necessary.</li> <li>Maintain Register of Directors &amp; Secretaries with the details of Directors' &amp; Secretaries' particulars including names, surnames, former names (if any) , residential address, business, occupation, date of appointment and date of resignation (if applicable).</li> <li>Appraisal of Board and sub-Committee Performances (are in progress)</li> </ul> <p>All Directors have access to the advice and services of this group function as necessary. Appointment and removal of the Company Secretaries is a matter for the Board.</p>	

# CORPORATE GOVERNANCE

## Role of Senior Independent Director (SID)

The Senior Independent Director (SID) calls for a review of the effectiveness of the Board and provides emphasis to transparency on matters relating to governance and he is consulted by the Chairman on governance issue if there are any;

Functions of the Senior Independent Director include;

- Meet at least twice each year with the non-executive Directors and at least once a year with the executive Directors, to enable discussion and communication of governance related matters. The outcome of these discussions should be informed to the Chairman.
- Make himself available for confidential discussions with other Directors who may have concerns which they believe have not been properly considered by the Board as a whole and which pertain to significant issues that are detrimental to the Company.
- Participate in all meetings with majority, significant, and minority shareholders and be made aware of their concerns by the Company Secretaries.

## Directors' Independence

Directors are experienced leaders in their respective fields and exercise independent judgement, promoting constructive board deliberations and objective evaluation of matters set before them.

### DEFINITION

Independence is determined against criteria as set out in the Listing Rules of the Colombo Stock Exchange and in compliance with schedule K of the Code.

### ASSESSMENT

Independent assessment of Directors is conducted annually by the Board, based on annual declaration and other information submitted by Non Executive Directors

### OUTCOME

The Board is satisfied there are no relationships or circumstances likely to affect or appear to affect, Directors' judgement during the period under review.

Messrs H. Somashantha and R.N. Somaratne served as Independent Non-Executive Directors for more than 9 years. The Board is of the opinion that the above Directors conduct themselves impartial and independent manner on matters deliberated by the Board and that independence will not be affected by being on the Board for more than 9 years.

## Directors Interests and Related Party Transactions

Directors declare their business interests at appointment and quarterly thereafter. Details are maintained in a Register by the Company Secretaries and tabled at the next Board meeting. The Register is available for inspection in terms of the Companies Act. Directors have no direct or indirect interest in a contract or a proposed contract with the Company other than those disclosed on pages 194 to 196 in Financial Statements.

The Hayleys Group Related Party Transactions Review Committee considers all transactions that require approval, in line with the Group's Related Party Transactions Policy and in compliance with regulations, ensuring transactions are fair and in the best interest of Hayleys Fabric Group. Related party transactions are disclosed in Note 27 to the Financial Statements on page 194 .

## Conflict of Interest

A Director or KMP is prohibited from using his or her position, or confidential or price- sensitive information, for personal benefit or benefit of any third party, whether financially or otherwise. Directors notify the Board promptly of any conflicts of interest they may have in relation to particular items of business or other Directorships. Directors do not participate in and excuse themselves from the Meeting when the Board considers matters in which a conflict may arise.

## Informed Decision making

Good decision-making requires possessing the right knowledge. Hayleys Fabric PLC's reporting and information systems ensures the Board receives relevant

and objective information, in a timely manner.

## Supply of Information

The Board pack, generally circulated seven (7) days in advance of a Board Meeting, provides comprehensive qualitative and quantitative information on matters to be raised at the Board Meeting. This includes reports on the Company's/Group performance against strategic value drivers and reports on key focus areas such as sales order book, capacity utilisation, working capital management, risk assessment

and impact of Covid 19 on Company and its Group's operations. Further, Corporate Management and external experts make regular presentations regarding the business environment, strategy and operations of the Company and ensure that the Board is apprised of developments impacting the Company.

### Access to Information

Directors have unrestricted access to Management, organisation information, and resources to facilitate discharge of their duties. Directors

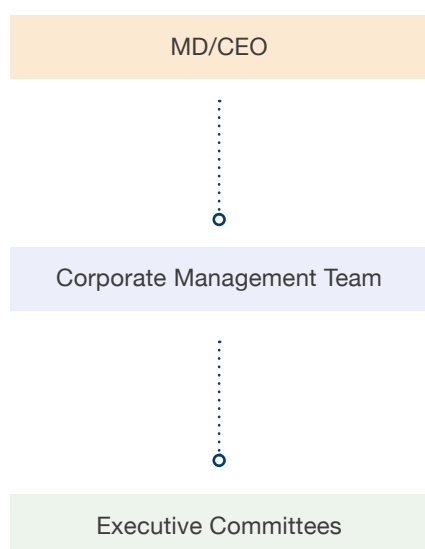
are entitled to seek independent professional advice, co-ordinated through the Company Secretaries, at the Company's expense. Copies of such advice obtained are circulated to Directors who request for it.

### Knowledge Development

On appointment, Directors are provided with an orientation pack with all relevant external and internal regulation documents and a tour of the factory premises. Directors are kept abreast of applicable legislation and regulation, relevant sector

developments and changes in the risk and general business environment on an on- going basis. Directors undertake training and professional development as they consider necessary, which requirements are coordinated through the Company Secretaries. They are Members of the Sri Lanka Institute of Directors and attend sessions from time to time. Directors also undertake other Continuous Professional Development (CPD) programmes in their personal capacity to update their knowledge on relevant and emerging topics.

## Corporate Management



The MD/CEO is accountable for the implementation of strategy and performance and is supported by the Corporate Management Team.

Led by the MD/CEO, Corporate Management develops and implements corporate strategy and is responsible for the daily management of the Company. All functional departments are headed by competent individuals and are adequately resourced. Management is open and transparent with the Board and escalates concerns to its attention in the appropriate forums and in a timely manner.

These committees include the HR, Finance, Marketing, Planning and Production, IT, Compliance, Environmental, Health and Safety, and Sustainability which are responsible for delivering strategic goals. The Committees meet monthly and make executive decisions including risk management and allocation of capital, technical and human resources in managing the business. These cross functional teams are managed through delegation and reporting obligations and are key to enhancing employee engagement and empowerment.

### Appraisal of MD/CEO

The Board assesses the performance of the MD/CEO annually using criteria aligned to the short, medium and long-term objectives of Hayleys Fabric PLC and Group which are agreed with the MD/CEO at the beginning of the year. Performance is reviewed at the end of the financial year against the backdrop of the operating environment, and remuneration revised based on performance.

### Integration of ESG

The Parent company, Hayleys PLC launched the Hayleys Lifecode in January 2022 to harmonise ESG integration across the entities in the Hayleys Group. It codifies the ESG practices and processes that evolved over the years and was done in consultation with the Group entities. The Lifecode builds on the existing infrastructure to capture ESG information, the Cube, which is updated monthly enabling review of ESG performance by the Senior Management, Hayleys Fabric PLC and South Asia Textiles Limited Boards, Group Management Council of the parent and its Board of Directors. Importantly, it outlines the Group's commitment to ESG targets which involved commitments from all sectors and detailed plans at sector level to which Hayleys Fabric PLC was a contributor, which are graphically captured below.

# CORPORATE GOVERNANCE

## ESG Approach



*These aspirations represent the Group's goals in pre-COVID operating conditions*

A review of our capitals reports from page 62 to 105 will inform readers of how Hayleys Fabric PLC has progressed towards these goals.

## Responsible and Fair Remuneration

The Board strives to ensure that remuneration is fair, responsible and transparent.

### Remuneration Policy

Remuneration of KMP and Executive Directors is linked to sustainable value creation objectives in line with Hayleys Fabric PLC's strategy and is based on clear performance targets that have adequate stretch and benchmarked to local market rates. The Remuneration Committee (RC) consisting of 3 Independent Non-Executive Directors (INED's) is responsible for making recommendations to the Board regarding the remuneration of the Executive Directors. Please refer page 136 for the Report of the Remuneration Committee and Terms of Reference.

The Board as a whole determines the remuneration of the Non-Executive Directors who receive a fee for being a Director of the Board and additional fee for being a member of a committee. Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices. They do not receive any performance related / incentive payments. Services of HR professionals are sought when required, by the Board and Remuneration Committee in discharging their responsibilities.

### Level and Make Up of Remuneration

The Remuneration packages of Executive Directors are designed to attract eminent professionals as Directors with the requisite skills and experience. Remuneration of Executive Directors are compliant with the provisions of Schedule E of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017 and comprises fixed and variable components with the variable component linked to performance. No special early termination clauses are included in the contract of employment of Executive Directors that would entitle them to extra compensation. However, such compensation, if any, would be

determined by the Board of Directors. Please refer page 191 for the total Directors' Remuneration.

### Board Accountability

#### Compliance

Directors are required to comply with the with laws, regulations, regulatory guidelines, internal controls and approved policies in accordance with the Board Charter which is part of the Hayleys LifeCode. Hayleys Fabric PLC takes significant measures to ensure compliance with all relevant legal and statutory requirements on an ongoing basis.

#### Risk Management and Internal control

The Board is responsible for formulating and implementing effective risk management and internal control systems to safeguard shareholder interests and the assets of the Company. These systems cover all controls, including financial, operational and compliance and are monitored and regularly reviewed for effectiveness by the Board. The Board increased the rigour of oversight functions in managing risks as the environment continued to be uncertain and challenging. The Hayley's Group Internal Audit Department supports the Audit Committee, reviewing the adequacy and effectiveness of the Hayleys Fabric PLC and its Subsidiary's internal control systems and reporting to the Audit Committee on a regular basis. The Board is satisfied with the integrity of financial information and the soundness of the internal controls and systems of Hayleys Fabric PLC and its Subsidiary.

#### Accountability & Audit

Every effort has been made to present a balanced assessment of the Company's financial position, performance and prospects in compliance with the various legal enactments applicable, the Sri Lanka Financial Reporting Standards, the GRI standard on Sustainability Reporting published by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting

Council. The Company's/Group position and prospects have been discussed in detail in the following sections of this annual report.

- Chairman's Message pages 22 to 25
- Managing Director's Review pages 26 to 31
- Management Discussion & Analysis on pages 46 to 105
- Managing Risk on pages 54 to 57

The Company has also complied with the requirements of the Colombo Stock Exchange and published interim reports on the Company website within 45 days of first three quarters and within 2 months of the last quarter. Price sensitive information, which may have an impact on the shares of the Company, has been disclosed in a comprehensive but concise manner to the Colombo Stock Exchange on a timely basis. Reports required by regulators including the Department of Inland Revenue, Sri Lanka Accounting & Auditing Standards Monitory Board, and the Colombo Stock Exchange have been filed in a timely manner in compliance with specified requirements. The following reports set out further information required by the Code:

- The Directors' Report on pages 140 to 145 (including the declaration that the Company is a going concern)
- The Statement of Directors' Responsibility on page 148
- Report of the Auditors on pages 150-153

#### External Auditor

The External Auditor is appointed in line with the provisions of the Companies Act. The Audit Committee (AC) makes recommendations to the Board for the appointment, re-appointment or removal of the External Auditor in-line with professional & ethical standards and regulatory requirements. The Audit Committee monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process considering relevant professional and regulatory requirements.



# CORPORATE GOVERNANCE

In assignment of non-audit services to External Auditors, the Audit Committee ensures that the External Auditor has the necessary skills and experience for the assignment and ascertains that independence and objectivity of the External Auditor in carrying out his duties and responsibilities will not be impaired.

On the recommendation of the Board, the shareholders approved the reappointment of Messrs. Ernst & Young (Chartered Accountants) as the External Auditor for 2021/22 at the last AGM. In compliance with Section 163 (3) of the Companies Act No. 07 of 2007, the External Auditors submit a statement annually confirming their independence in relation to the external audit.

## Code of Conduct and Ethics

Hayleys Fabric PLC is committed to conducting its business operations with honesty, integrity and with respect to the rights and interests of all stakeholders. The Company and its Subsidiary are bound by the "The Hayleys Way" - The Code of conduct developed by Hayleys PLC (Parent Company) for the Group. It applies to all employees including key management personnel and Directors, and is reinforced at all levels through

structured communication. The Code fosters an ethical culture and promotes compliance with relevant laws and legislation, an imperative to retaining the trust of stakeholders. The Board is not aware of any material violations of any of the provisions of the Code by any Director or employee of the Hayleys Fabric PLC.

## Whistle Blowing /Grievance Mechanism

Mechanisms are in place for employees and other stakeholders to seek advice or report concerns about unethical or unlawful behaviour. Hayleys Fabric PLC's Whistle-blower policy enables anonymous reporting of matters of concern regarding possible inappropriate financial reporting, internal controls or other issues that may require internal investigation. Information on accessibility, anonymity, processes and the policy relating to the whistle-blowing service is communicated to all employees.

## Innovation Governance

Hayleys Fabric PLC's ability to continually innovate is critical to remaining relevant to the changing needs of customers. The Board and Management are aware of their role in innovation governance and to this end, encourages the creativity and flexibility

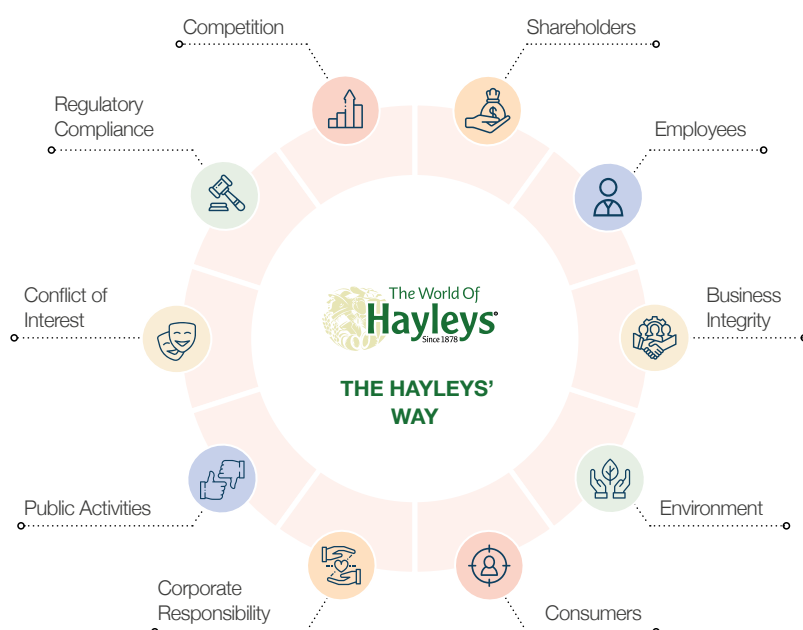
that promotes innovative thinking, while managing risk within the agreed appetite.

## Information Technology & Cyber Security Governance

The Board is cognizant of the benefits of agility, scalability, and innovation that digital platforms provide and ensures implementation of an effective and properly resourced technology strategy that delivers exceptional client and employee experiences. The Board is equally committed to safeguarding the Company's information assets and operational systems and invests extensively in cyber risk management systems.

Hayley's Group IT Department is responsible for implementing the Groups digital strategy including adopting IT policies and safeguarding against cyber threats. The Group Head of IT functions as the Chief Information Security Officer (CISO). Coverage and scope of related Group policies and guidelines are given below.

Cybersecurity is an agenda item of the monthly Group Management Committee meetings with matters escalated to the Hayleys Fabric PLC Board where deemed necessary considering risk, impact and other prudential measures.



Group IT Policy	Group Information Security Policy	Principles	Guidelines for Corporate Websites
<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>

## Sustainability Governance

The Board places significant emphasis on sustainable development ensuring Hayleys Fabric PLC creates value, both for the organization, its subsidiary and its key stakeholders. The Board satisfies itself that Environmental, Social and Governance (ESG) metrics are incorporated into the business model and the creation of value as disclosed in the following sections of the Annual Report. Feedback obtained from our stakeholder engagement mechanisms continues to form a key input in strategy formulation. The Annual report is approved by the Board, prior to publication.

Economic Sustainability	Financial Capital	page 62
Environment	Natural Capital	page 94
Labour Practices	Human Capital	page 76
Society	Social and Relationship Capital	page 68
Product Responsibility	Social and Relationship Capital	page 68
Shareholder Identification, Engagement and Effective Communication	Investor Relations	page 48

## Relations with Shareholders

The Board is conscious of their responsibility towards stakeholders and is committed to fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. Information is communicated accurately and in such a manner as to avoid the creation of a false market.

## Communication with Shareholders

Shareholders are engaged through multiple channels of communication, including the Annual General Meeting (AGM)(detailed below), annual report, interim financial statements, a dedicated investor relations page on the Company's website and notification of key events through announcements in the Colombo Stock Exchange (CSE).

The Annual Report presents a fair and balanced review of Hayleys Fabric PLC's/Group financial position, performance and prospects combining narrative and visual elements to facilitate readability and comprehension. The Annual Report and the interim financials have been reviewed and recommended by the Audit Committee and approved by the Board of Directors, prior to publication.

# CORPORATE GOVERNANCE

Hayleys Fabric PLC posts on its website ([www.hayleysfabric.com](http://www.hayleysfabric.com)) as soon as practicable and after they have been released to the stock exchange, copies of annual reports, interim reports, stock information, stock exchange announcements, shareholder circular etc.

Shareholders also have the opportunity to ask questions, comment or make suggestions to the Board through the Company Secretaries. All significant issues and concerns of Shareholders are referred to the Board with the views of the Management.

## **Constructive use of Annual General Meeting (AGM)**

The Board ensures that proactive engagement with shareholders is encouraged by the Group, including engagement at Company AGMs. Board Sub-Committee Chairmen, Directors and key members of management, are available at the AGM to interact with and respond to questions raised by the Shareholders. The external auditors also attend to address any queries raised.

Notice of the AGM, the Annual Report and Accounts and any other resolution together with the corresponding information that may be set before the shareholders at the AGM, are circulated to shareholders minimum 15 working days prior to the AGM allowing for all the shareholders to review the documentation and attend the AGM. Hayleys Fabric PLC proposes a separate resolution for each item of business, giving shareholders the opportunity to vote on each of such issue, separately. Voting procedures at the AGM are circulated to the shareholders in advance.

All Shareholders are encouraged to exercise their voting rights. The Company has an effective mechanism to record and count all proxy votes lodged for each resolution. In the event there are a significant proportion of the votes cast against a resolution, the Board will take steps to understand the reasons behind the vote results and determine if any actions are required. The outcome of the vote on each resolution is informed to the CSE, soon after conclusion of the AGM.

**Appendix I- Compliance with the Continuing Listing Requirements Section 7.10 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.**

Rule No.	Subject	Requirement	Complied	Reference within the Report	Page
7.10.1(a)	Non-Executive Directors (NED)	At least 2 or 1/3 of the total number of Directors on the Board whichever is higher should be NEDs	Yes	Board Composition	110
7.10.2(a)	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, should be independent	Yes	Board Composition	110
7.10.2(b)	Independent Directors (ID)	Each NED should submit a signed and dated declaration of his/her independence or non-independence	Yes	Directors Independence	114
7.10.3(a)	Disclosure relating to Directors	<ul style="list-style-type: none"> <li>The Board shall annually determine the independence or otherwise of the NEDs, and</li> <li>Names of each Independent Director should be disclosed in the Annual Report (AR)</li> </ul>	Yes	Directors Independence  Board Profiles	110  34-37
7.10.3(b)	Disclosure relating to Directors	The basis for the Board's determination of Director, if criteria specified for independence is not met	Yes	Directors Independence	114
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise	Yes	Board Profiles	34-37
7.10.3(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	Yes	Board Profiles	34-37
7.10.4 (a-h)	Criteria for defining Independence	Requirements for meeting criteria to be an Independent Director	Yes	Directors Independence	114
7.10.5	Remuneration Committee (RC)	A listed company shall have a Remuneration Committee	Yes	Remuneration Committee Report	136
7.10.5(a)	Composition of Remuneration Committee	Remuneration Committee Shall comprise of NEDs, a majority of whom will be independent One NED shall be appointed as Chairman of the committee by the Board of Directors	Yes	Remuneration Committee Report	136
7.10.5.(b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Executive Directors	Yes	Remuneration Committee Report	136
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	<ul style="list-style-type: none"> <li>Names of Directors comprising the Remuneration Committee</li> <li>Statement of Remuneration Policy</li> <li>Aggregated remuneration paid to Executive and Non-Executive Directors should be included in the Annual Report</li> </ul>	Yes  Yes	Remuneration Committee Report  Note 23 to the Financial Statements	136  191

# CORPORATE GOVERNANCE

Rule No.	Subject	Requirement	Complied	Reference within the Report	Page
7.10.6	Audit Committee (AC)	The Company shall have an Audit Committee	Yes	Audit Committee Report	134-135
7.10.6(a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom are Independent	Yes	Audit Committee Report	134-135
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings	Yes	Audit Committee Report	134-135
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Yes	Audit Committee Report	134-135
7.10.6(b)	Audit Committee Functions	<ul style="list-style-type: none"> <li>Should be as outlined in the Section 7.10 of the Listing Rules</li> </ul>	Yes	Audit Committee Report	134-135
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	a) Names of the Directors comprising the Audit Committee	Yes	Audit Committee Report	134-135
		b). The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Yes	Audit Committee Report	134-135
		c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner	Yes	Audit Committee Report	134-135
9.3.2	Related Party Transactions Review Committee	a). Details pertaining to Non-Recurrent Related Party Transactions	Yes	Note 27 to the Financial Statements	194
		b). Details pertaining to Recurrent Related Party Transactions	Yes	Note 27 to the Financial Statements	194
		c). Report of the Related Party Transactions Review Committee	Yes	Report of the Related Party Transactions Review Committee	137
		d). Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Yes	Annual Report of the Board of Directors	140-145

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

As requirements of the Code have been discussed in the Corporate Governance Report, we have provided the relevant references to the report.

Code Ref.	Requirement	Complied	Reference within the Report	Page
A	Directors			
A.1	An effective Board should direct, lead and control the Company	Yes	Board Profiles	34-37
A.1.1	Regular Board meetings, provide information to the Board on a structured and regular basis	Yes	Meetings & Minutes	111
A.1.2	Role and Responsibilities of the Board	Yes	Governance Structure	116
A.1.3	Act in accordance with laws of the Country	Yes	Compliance	117
	Independent professional advice		Informed Decision Making	114
A.1.4	Access to advise and services of the Company Secretary	Yes	Company Secretary	113
A.1.5	Independent judgement	Yes	Directors Independence	114
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	Yes	Directors Interests and Related Party Transactions	114
A.1.7	Calls for resolutions by at least 1/3rd of Directors	Yes	Meetings & Minutes	111
A.1.8	Board induction and Training	Yes	Informed Decision Making	114
A.2	Chairman and CEO	Yes	Balance of Power	113
A.3	Chairman's role in preserving good corporate governance	Yes	Balance of Power	113
A.4	Availability of financial acumen	Yes	Board Composition	110
A.5	Board Balance	Yes	Board Composition	110
A.5.1	The Board should include sufficient number of NEDs	Yes	Board Composition	110
A.5.2	If the Board includes only 3 NEDs, they should be independent	N/A		
A.5.3	Independence of Directors	Yes	Director Independence	114
A.5.4	Annual declaration of independence by Directors	Yes	Director Independence	114
A.5.5	Annual determination of independence of NEDs	Yes	Director Independence	114
A.5.6	Alternate Directors	Yes	Board Profiles	34-37
A.5.7 & A.5.8	Senior Independent Directors	Yes	Board Composition	110
A.5.9	Annual meeting with NEDs	Yes	Chairman and SID respectively, meet with NEDs informally	111
A.5.10	Recording of dissent in minutes	Yes	Meetings and minutes	111
A.6	Supply of Information	Yes	Informed Decision Making	114
A.7	Appointments to the Board and Re-election	Yes	Board Refreshment	110
A.7.1	Establishing a Nomination Committee, Chairman and Terms of Reference	Yes	Hayleys PLC's Nomination Committee acts on behalf of Hayleys Fabric PLC	



# CORPORATE GOVERNANCE

Code Ref.	Requirement	Complied	Reference within the Report	Page
A.7.2	Annual assessment of Board composition	Yes	Board composition is assessed when recommending Directors for Re-election.	110
A.7.3	Disclosures on appointment of new Directors	Yes	Board Refreshment	110
A.8	Directors to submit themselves for re-election	Yes	Board Refreshment	110
A.9	Appraisal of Board and sub-Committee Performances	Yes	Company Secretary	113
A.10	Annual Report to disclose specified information regarding Directors	Yes	Board Profiles	34-37
		Yes	Meetings Attendance	112
		Yes	Directorships in Other Companies	34-37
		Yes	Membership in committees	34-37
A.11	Appraisal of the CEO	Yes	Appraisal of MD/CEO	115
B.	Directors Remuneration			
B.1	Establish process for developing policy on executive and Director remuneration.	Yes	Responsible and Fair Remuneration	117
B.2	Level and Make Up of Remuneration	Yes	Responsible and Fair Remuneration	117
B.3	Disclosures related to remuneration in Annual Report - Remuneration Policy statement - Aggregate Board remuneration paid	Yes	Responsible and Fair Remuneration	117
		Yes	Remuneration Committee report	136
		Yes	Note 23 to Financial Statements	191
C	Relations with Shareholders			
C.1.	Constructive use of the AGM & Other General Meetings	Yes	Constructive use of the Annual General Meeting (AGM)	119
C.2.	Communication with shareholders	Yes	Communication with Shareholders	119
C.3	Disclosure of major and material transactions	Yes	During the year, there were no major or material transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of the Company.	
D.	Accountability & Audit			
D. 1	Present a balanced and understandable assessment of the Company's financial position, performance and prospects	Yes	Communication with Shareholders	119
D1.1	Balanced Annual Report	Yes	Communication with Shareholders	119
D.1.2	Balanced and understandable communication	Yes	Relations with Shareholders	119
D.1.3	CEO/CFO declaration	Yes	Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	138
D.1.4	Directors Report declarations	Yes	Annual report of the Board of Directors on the Affairs of the Company	140-145

Code Ref.	Requirement	Complied	Reference within the Report	Page
D.1.5	Financial reporting - Statement on Board responsibilities,	Yes	Directors' Responsibility for Financial Reporting	148
	Statement on internal control	Yes	Directors' Statement on Internal Control	146-147
D.1.6	Management Discussion & Analysis	Yes	Capital reports	62-105
D.1.7	Net Assets < 50%	Yes	In the unlikely event of the net assets of the Company falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken.	
D.1.8	Related Party Transactions report	Yes	Directors' Interest in Contracts with the Company	114
D.2.	Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets	Yes	Risk Management and Internal control	117
		Yes	Report of the Audit Committee	134-135
		Yes	Directors' Statement of Internal Control	146-147
D.3.	Audit Committee	Yes	Audit Committee Report	134-135
D.4	Related Party Transactions Review Committee	Yes	Related Party Transactions Review Committee report	137
D.5	Code of Business Conduct and Ethics	Yes	Code of Conduct & Ethics	118
D.6	Corporate Governance Disclosures	Yes	Corporate Governance Report	106
E/F	Institutional and other investors			
	Institutional and other investors,	Yes	Relations with Shareholders	119
G.	Internet of Things & Cybersecurity	Yes	Information Technology and Cyber Security	118
H	Principals of Sustainability Reporting	Yes	Integration of ESG	119
		Yes	Sustainability Governance	119

# GRI INDEX

Disclosure	Disclosure	Reference	Page no	Remarks
<b>General Disclosures</b>				
GRI: General Disclosures 2016	102-1	Name of the organization	6	
	102-2	Activities, brands, products and services	6 - 7 & 10	
	102-3	Location of headquarters	IBC	
	102-4	Location of operations		Operates only in Sri Lanka
	102-5	Ownership and legal form	6 & IBC	
	102-6	Markets served	6 & 70	
	102-7	Scale of the organization	16 - 21	
	102-8	Information on employees and other workers	76	We will not present a regional-wise classification
	102-9	Supply chain	72 - 73	
	102-10	Significant changes to the organization and its supply chain	6 & 72	
	102-11	Precautionary Principle or approach	5 & 56 - 57	
	102-12	External initiatives	5	
	102-13	Membership of associations	7 & 13	
	102-14	Statement from senior decision-maker	22-25	
	102-16	Values, principles, standards, and norms of behaviour	7, 79 & 118	
	102-18	Governance structure	106 - 107	Sustainability comes under the purview of the Director Finance
	102-40	List of stakeholder groups	48 - 49	
	102-41	Collective bargaining agreements	81	
	102-42	Identifying and selecting stakeholders	48 - 49	
	102-43	Approach to stakeholder engagement	48 - 49	
	102-44	Key topics and concerns raised	48 - 49	
	102-45	Entities included in the consolidated financial statements	158	
	102-46	Defining report content and topic Boundaries	5 - 130	
	102-47	List of material topics	53 - 130	
	102-48	Restatements of information	5	
	102-49	Changes in reporting	5	
	102-50	Reporting period	5	
	102-51	Date of most recent report	5	
	102-52	Reporting cycle	5	
	102-53	Contact point for questions regarding the report	5	
	102-54	Claims of reporting in accordance with the GRI Standards	5	
	102-55	GRI content index	126 - 129	
	102-56	External assurance	5 & 131 - 132	

Disclosure	Disclosure	Reference	Page no	Remarks
<b>Management Approach</b>				
GRI 103 : Management Approach 2016	103-1	Explanation of the material topic and its Boundary	8 & 130	
	103-2	The management approach and its components	8 & 130	
	103-3	Evaluation of the management approach	8 & 130	
<b>Economic</b>				
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	9	
	201-3	Defined benefit plan obligations and other retirement plans	186 - 187	
GRI 204: Procurement practices 2016	204-1	Proportion of spending on local suppliers	8 & 72	
GRI 207: Tax 2019	207-1	Approach to tax	169 - 173, 192 - 193	
	207-2	Tax governance, control and risk management	169 - 173, 192 - 193	
	207-3	Stakeholder engagement and management of concerns related to tax	56 - 57, 169 - 173, 192 - 193	
	207-4	Country-by-country reporting	169 - 173, 192 - 193	
<b>Environmental</b>				
GRI 301: Materials 2016	301-1	Materials used by weight or volume	97	
	301-2	Recycled input materials used	97	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	20 & 99 - 100	
	302-3	Energy intensity	99 -100	
	302-4	Reduction of energy consumption	99 - 100	
GRI 303: Water and effluents 2018	303-1	Interactions with water as a shared resource	100 - 101	
	303-2	Management of water discharge-related impacts	100 - 101	No significant impact
	303-3	Water withdrawal	100 -101	
GRI 305 Emissions 2016:	305-1	Disclosure Direct (Scope 1) GHG emissions	103	
	305-2	Energy indirect (Scope 2) GHG emissions	103	
	305-3	Other indirect (Scope 3) GHG emissions	103	
	305-4	GHG emissions intensity	103	
	305-5	Reduction of GHG emissions	103	
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	101 - 102	
	306-2	Management of significant waste-related impacts	101 - 102	No significant impact
	306-3	Waste generated	101 - 102	

# GRI INDEX

Disclosure	Disclosure	Reference	Page no	Remarks
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	104	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	72	
	308-2	Negative environmental impacts in the supply chain and actions taken		None
<b>Social</b>				
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	79	We will not present a regional-wise classification
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	80	
GRI 403: Occupational Health And Safety 2018	403-1	Occupational health and safety management system	77 & 79 - 80	
	403-2	Hazard identification, risk assessment, and incident investigation	77, 79 - 80	
	403-3	Occupational health services	77, 79 - 80	
	403-4	Worker participation, consultation, and communication on occupational health and safety	77, 79 - 80	
	403-5	Worker training on occupational health and safety	79 - 81	
	403-6	Promotion of worker health	79 - 80	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	79 - 80	
	403-9	Work-related injuries	79 - 80	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	18, 81 & 84	
	404-2	Programs for upgrading employee skills and transition assistance programs	81	
	404-3	Percentage of employees receiving regular performance and career development reviews	18 & 80	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	76 & 82 - 83	
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	18	
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	18	

Disclosure	Disclosure	Reference	Page no	Remarks
GRI 413: Local communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	73 -75	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	72	
	414-2	Negative social impacts in the supply chain and actions taken		None
GRI 416: Customer Health and Safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		Nil
GRI 417: Marketing and Labeling 2016	417-2	Incidents of non-compliance concerning product and service information and labeling		Nil
	417-3	Incidents of non-compliance concerning marketing communications		Nil
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		Nil
GRI 419: Socio economic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area		Nil



# GRI INDEX

Topic Boundary (102-46)								
Material Topic	Management Approach (103-1, 103-2 and 103-3)	Internal Stakeholders	External Stakeholders					
		The Company	Brand Owners & Apparel Manufacturers	Investors	Employees	Suppliers	Regulators	Community
Economic Performance (201)	62 - 67	✓	✓	✓	✓	✓	✓	✓
Procurement Practices (204)	68 - 73	✓	✓	✓		✓		
Tax (207)	192 & 193	✓		✓			✓	
Materials (301)	94, 96 - 98	✓	✓				✓	
Energy (302)	94 - 96, 99 & 100	✓					✓	✓
Water and Effluents (303)	95 & 96, 100 - 102	✓	✓				✓	✓
Emissions (305)	94 - 96, 103 - 105	✓	✓				✓	✓
Waste (306)	95 & 96, 101 & 102	✓	✓				✓	✓
Environmental Compliance (307) and Socioeconomic Compliance (419)	94 - 105, 116 - 118, 144	✓	✓	✓			✓	✓
Supplier Environmental Assessment (308) and Supplier Social Assessment (414)	68 - 73	✓	✓			✓		
Employment (401)	76 - 85	✓			✓		✓	✓
Occupational Health and Safety (403)	76 - 81	✓	✓		✓		✓	✓
Training and Education (404)	76 & 77, 81	✓			✓			
Diversity and Equal Opportunity (405)	76 - 80, 82 & 83, 116 & 117	✓	✓		✓		✓	✓
Child Labour (408) and Forced or Compulsory Labour (409)	76 - 78, 80 & 82	✓	✓			✓	✓	
Local Communities (413)	68 - 71, 73 - 75	✓		✓				✓
Customer Health and Safety (416) and Marketing and Labelling (417)	54 - 57, 68 - 73	✓	✓					
Customer Privacy (418)	68 - 72, 86 - 89	✓	✓					

# INDEPENDENT ASSURANCE REPORT



**EY**  
Building a better  
working world

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## Independent Assurance Report to the Board of Directors of Hayleys Fabric PLC in the Integrated Annual Report- 2021/22

### Scope

We have been engaged by the management of Hayleys Fabric PLC ("the Company") to perform an independent assurance engagement, as defined by the Sri Lankan Standard on Assurance Engagements, on the following Sustainability reporting criteria and elements of its Integrated Annual Report for the year ended 31 March 2022 (the "Integrated Report").

- Reasonable assurance on the information on financial performance as specified on page 9 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the GRI Standards: Core option.
- Reasonable assurance engagement on the information on financial capital management as specified on pages 62 - 67 of the Integrated Report.
- Limited assurance engagement on other information on management of the capitals (other than financial capital), stakeholder engagement, business model, strategy, organizational overview & external environment and outlook presented in the Integrated Report.

### Criteria applied by Hayleys Fabric PLC

The sustainability reporting criteria presented in the Report has been prepared in accordance with The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at GRI's global website [www.globalreporting.org](http://www.globalreporting.org).

This Report has been prepared in accordance with the GRI Standards: Core option (the "criteria").

The Integrated Report is prepared based on the Guiding Principles and Content Elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) (the "criteria") publicly available at IIRC's website at "[www.integratedreporting.org](http://www.integratedreporting.org)"

### Hayleys Fabric PLC's responsibilities

Hayleys Fabric PLC's management is responsible for selecting the criteria, and for presenting the Integrated Report in accordance with the said criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to support the sustainability reporting process of the Report and for the preparation of the Integrated Report, such that it is free from material misstatement, whether due to fraud or error.

### Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Report in accordance with the GRI Standards: Core option based on the evidence we have obtained and also to express a conclusion on the presentation of the Integrated Report in accordance with the Guiding Principles and Content Elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) based on the evidence we have obtained.

We conducted our engagement in accordance with the 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 and the terms of reference for this engagement as agreed with Hayleys Fabric PLC in the engagement letter dated 10 November 2021.

The standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Integrated Report in order for it to be in accordance with the criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our independent assurance conclusion.

### Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka and have the required competencies and experience to conduct this assurance engagement.

EY also applies Sri Lanka Standard on Quality Control (SLSQC 1), Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Description of procedures performed

We performed our procedures to provide reasonable and limited assurance engagement in accordance with SLSAE 3000.

Procedures performed in the reasonable assurance engagement depend on our judgement, including the assessment of the risks of material misstatement whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the reasonable assurance indicators in order to design the assurance procedures that are appropriate in the circumstances. Our procedures also included assessing the appropriateness of the reasonable assurance indicators, the suitability of the criteria in preparing and presenting the reasonable assurance indicators within the Integrated Report and obtaining an understanding of the compilation of the financial information to the sources from which it was obtained.

Procedures performed in the limited assurance engagement consisted of making inquiries, primarily of persons responsible for preparing the Integrated Report and related information and applying analytical and other appropriate procedures. These procedures vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of

# INDEPENDENT ASSURANCE REPORT

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.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

We also performed the below procedures as we considered necessary in the circumstances:

## Sustainability reporting criteria

- Perform a comparison of the content of the Report against the Global Reporting Initiative (GRI) - GRI Standards guideline.
- Interviewing relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Review and validation of the information contained in the Report.
- Check the calculations performed by the organization on a sample basis through recalculation.
- Advice, make recommendations and suggestions on the Sustainability Reporting indicators to improve the presentation standard.
- Independently review the content of the Report and request changes if required.
- Express an independent assurance conclusion on the performance indicators presented in the Sustainability Reporting criteria.

## Independent Reporting Criteria

- Perform a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).

- Perusing the Integrated Annual Report – Financial Capital element information to understand whether the information contained are properly derived from the audited financial statements.
- Interviewing the selected key management personnel and relevant staff to understand the internal controls, governance structure and reporting process relevant to the Integrated Report.
- Obtaining an understanding of the relevant internal policies and procedures developed by the Company, including those relevant to determining what matters most to the stakeholders, how the Company creates value, the external environment, strategy, approaches to putting members first, governance and reporting.
- Obtaining an understanding of the description of the Company's strategy and how the Company creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- Perusing the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Perusing the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- Perusing the Integrated Report in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement.

## Emphasis of matter

Social, natural and intellectual capital management data/information are subjected to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Integrated Report.

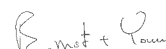
## Restricted use

This report is intended solely for the information and use of Hayleys Fabric PLC and is not intended to be and should not be used by anyone other than the specified party.

## Conclusion

Based on our procedures and the evidence obtained, we conclude that:

- The information on financial performance as specified on page 9 of the Report is properly derived from the audited financial statements of the (Company) for the year ended 31 March 2022.
- 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 the GRI Standards: Core option.
- The information on financial capital management as specified on pages 62 - 67 of the Integrated Report are properly derived from the audited financial statements of the (Company) for the year ended 31 March 2022.
- Nothing has come to our attention that causes us to believe that other information presented in the Integrated Report are not fairly presented, in all material respects, in accordance with the Guiding Principles and Content Elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).



Chartered Accountant  
Colombo  
9th May 2022

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms. A A Ludowyke FCA FCMA, Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeeewani FCA N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: G B Goudian ACMA, Ms. P S Paranavitane ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited



## CREATION EXEMPLIFIED

### FINANCIAL & STATUTORY REPORTS

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# REPORT OF THE AUDIT COMMITTEE

## REPORT OF THE AUDIT COMMITTEE

As Chairman of Hayleys Fabric PLC's Audit Committee, I am pleased to present the report of the Audit Committee for the year ended 31st March 2022 which has been prepared by the Committee. The purpose of this report is to describe how the Committee has carried out its responsibilities during the year.

In discharging its duties, the Audit Committee seeks to balance independent oversight of the matters within its remit with providing support and guidance to the management. I remain confident that the Committee, supported by the members of senior management and the external auditors, has carried out its duties in the year under review, effectively and to a high standard.

## PURPOSE OF THE COMMITTEE

The Audit Committee was established to assist to Board in fulfilling its oversight responsibility for the Company's financial reporting system, compliance with legal and regulatory requirements, internal control mechanism, risk management process, internal audit function and review of independence and performance of External Auditors, with a view to safeguarding the interests of the shareholders and all other stakeholders.

The power and responsibilities of the Audit Committee of Hayleys Fabric PLC are governed by the Audit Committee Charter which is approved and adopted by the Board.

## TERMS OF REFERENCE

The Audit Committee has written terms of reference, dealing with its authority and duties, which is carefully designed to discharge the Committee's purpose, duties and responsibilities of the Committee.

The terms of reference comply with the requirements of the Section 7.10 of the Corporate Governance Listing Rules of the Colombo Stock Exchange (CSE).

## COMMITTEE STRUCTURE

The composition of the Committee, which remained unchanged during

the financial year is constituted of two Independent Non- Executive Directors and one Senior Independent Non- Executive Director.

## MEMBERS AND MEETINGS

The Audit Committee comprises individuals with extensive experience in the fields of Accounting & Finance, Corporate Management, and Marketing & Strategic Management.

The Chairman of the Audit Committee is a member of the Institute of Chartered Accountants of Sri Lanka and the profiles of the members are given on pages 34 to 37 of this report.

The Audit Committee of Hayleys Fabric PLC is formally constituted as a sub-committee of the Main Board. The Committee's composition met the requirements of the rule 7.10.6 of Listing Rules of the Colombo Stock Exchange. The members of the Audit Committee are as follows;

Audit Committee Members	
Chairman	Mr. H. Somashantha* (Chartered Accountant)
Members	Dr. N.S.J. Nawaratne*
	Mr. A.S. Jayatilleka**
	*Independent Non-Executive Director
	** Senior Independent Non-Executive Director
Secretary to the Committee	Hayleys Group Services (Private) Limited
Attendance by invitation	Mr. A.M. Pandithage - Chairman- Hayleys Fabric PLC
	Mr. E.R.P. Goonetilleke - Managing Director/CEO- Hayleys Fabric PLC
	Mr. S.C Ganegoda - Director - Hayleys Fabric PLC
	Mr. R. Rohitha Bandara- Director - Finance - Hayleys Fabric PLC
	Mr. Malith Jayasinghe - Director-Marketing - Hayleys Fabric PLC
	Mr. Prasanna Pathirana - Director - HR - Hayleys Fabric PLC
	Mr. Choliya De Silva - Group CFO- Hayleys PLC
	Mr. A. Mathangaweera- Head- (MA & SRD)- Hayleys PLC

## DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

- Financial Reporting
- Internal Audit
- Risk Management
- Reporting & Assurance
- External Audit
- Compliance

## FINANCIAL REPORTING

The Audit Committee reviewed the quarterly and annual Financial Statements prior to its publication.

The review included;

- Appropriateness and changes in Accounting Policies
- Significant estimates & judgments made by the management
- Compliance with relevant Accounting Standards (SLFRSs/ LKASs) and applicable regulatory requirements
- Issues arising from the Internal Audit and Independent External Audit
- The Company's ability to continue as a going concern
- Statements and Reports to be included in the Annual Report.



## INTERNAL AUDIT

The Committee monitors the effectiveness of the internal audit function and empowered them to access to information required to conduct their audits.

The internal audit of the Company has been carried out by Hayleys Management Audit and System Review Department (HMA and SRD) and they directly submit their findings to the Audit Committee and relevant reports are available to External Auditors.

Audit Committee has met the Internal Auditors during the year under review and followings were reviewed;

- Adequacy of the Internal Audit Annual plan & coverage
- The effectiveness of Internal Audit functions
- Follow up the actions taken by the Company recommended by the Internal Audit.

## Risk management and Internal controls

The Committee reviewed and assessed the Company's risk management process including the adequacy of the overall control environment and controls in areas of significant risk. Key risks that exceeded the Company's risk appetite are presented from pages 54 to 57.

The Committee is satisfied that an effective system of internal controls is in place to provide reasonable assurance on safeguarding the Company's assets and reliability of Financial Statements.

Effectiveness of the Company's system of internal controls is evaluated through reports provided by the management, internal auditors and independent external auditors.

## External Audit

The Committee has reviewed the independence and objectivity of the Independent External Auditors, Messrs Ernst & Young Chartered Accountants.

The Audit Committee has met with the External Auditors to review their audit plan and observation made by them.

The Committee has received a declaration from External Auditors, confirming that they do not have any relationships with or interest in the Company or its subsidiaries.

The Committee has reviewed the non-audit services provided by the external auditors to safeguard their independence and objectivity.

At the conclusion of the audit, the External Auditors met with the Audit Committee to discuss any matters of concern found in the course of the audit and also to discuss the matters mentioned in the Management Letter.

Management responses for those concerns raised by the External Auditors were discussed with the Managing Director/CEO and Director-Finance of the Company.

There were no significant issues during the year under review.

The current auditors, Messrs Ernst & Young, was initially appointed as the external auditors of the Company, and continue to hold that position at present. A partner rotation of the auditors take place at periodic intervals and last rotation took place in the year 2018/19.

The Committee has recommended to the Board that Messrs Ernst & Young - Chartered Accountants be reappointed as the independent External Auditor for the financial year 2022/23 subject to the approval of the shareholders at the Annual General Meeting (AGM) and the required resolution be put to the shareholders at the AGM.

## COMPLIANCE WITH FINANCIAL REPORTING AND STATUTORY REQUIREMENTS

The Audit Committee receives statutory declaration from Director -Finance quarterly on financial reporting and statutory compliances.

In addition, Committee reviewed the compliance with relevant Sri Lanka Accounting Standards and the Committee has pursued the assistance from Messrs Ernst & Young, Chartered Accountants to assess and review existing Accounting policies and procedures adopted by the Company.

## MEETINGS

The Audit Committee met four (4) times during the year and attendance by the Committee members at each of these meetings are given in the Corporate Governance Report on page 112.

## SUPPORT TO THE COMMITTEE

The Committee received the necessary support and information from the management of the Company during the year to enable them to carry out its duties and responsibilities effectively.

## CONCLUSION

The Audit Committee is satisfied that the effectiveness of the Organizational structure of the Company and the implementation of the Company's Accounting policies and operational controls provide reasonable assurance that the affairs of the Company are managed in accordance with accepted policies and the assets are properly accounted for and adequately safeguarded.

The Committee is also satisfied that the Company is able to continue as a going concern.



**H. Somashantha**  
Chairman-Audit Committee

9th May 2022



# REPORT OF THE REMUNERATION COMMITTEE

## COMPOSITION OF THE COMMITTEE

The Committee is currently comprised of a Senior Independent Non-Executive Director (SINED) who is the Chairman of the Committee and two Independents Non-Executive Directors (INED). The members of the Committee have wide experience and knowledge of finance, business and industry. The Committee act as a sub-Committee to the Remuneration Committee of the Parent Company, Hayleys PLC.

The Members of the Remuneration Committee consist of as below;

- Mr. A.S. Jayatilleka – Chairman-Senior Independent Non-Executive Director
- Mr. H. Somashantha-Independent Non-Executive Director
- Dr. S.J. Nawaratne - Independent Non-Executive Director (Appointed w.e.f 7th February 2022)

## INDEPENDENCE OF THE COMMITTEE

The members of the Remuneration Committee are independent Directors and are completely free from any business, operational, personal or other relationships that may interfere with the exercise of their independent, unbiased judgment

## KEY OBJECTIVE

The Committee advises the Board on the policy to be followed on executive remuneration packages for individual Directors and senior management of the Company and its Subsidiary.

## RESPONSIBILITIES

The Remuneration Committee is responsible to the Board for;

- Determining the policy of the remuneration package of the Directors.
- Evaluating performance of the Managing Directors, Executive Directors as well as the individual and collective performance of Directors.

- Deciding on overall individual packages, including compensation on termination of employment

## REMUNERATION POLICY

The remuneration policy is designed to reward, motivate and retain the Group's executive team, with market competitive remuneration and benefits, to support the continued success of the business and creation of shareholder value. Accordingly, salaries and other benefits are reviewed periodically, taking into account the performance of the individual and industry standards.

The remuneration packages which are linked to individual performances are aligned with the Group's short-term and long-term strategy.

The Committee makes every effort to maintain remuneration levels that are sufficient to attract and retain Executive Directors.

All Non-Executive Directors receive a fee for serving on the Board and serving on sub-committees. They do not receive any performance related incentive payments. The Group does not have an employee share ownership plan for members of the Board, who are considered as Key Management Personnel (KMP).

## MEETING

The Committee met on 7th Feb 2022 and discussed & reviewed the remuneration policies of the Company and its Subsidiary.

## DIRECTORS' EMOLUMENTS

The Directors' emoluments are disclosed in Note 23 on page 191.



**A.S. Jayatilleka**

Chairman - Remuneration Committee

9th May 2022

# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transaction Review Committee of Hayleys PLC, the parent Company functions as the Committee of the Company 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 of the Committee

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director.

The Committee comprises the following members.

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.

The Committee in its re-view process recognized the adequacy of the content and quality of the information forwarded to its members by the management.



**Dr. Harsha Cabral, PC.**

Chairman - Related Party Transactions Review Committee of Hayleys PLC

17th May 2022

Name	Status
Dr. Harsha Cabral, PC.	Chairman - Independent Non -Executive Director
Mr. M.Y.A. Perera	Independent Non-Executive Director
Mr. S.C. Ganegoda	Executive Director

## Meetings & Attendance

Number of Meetings held in 2021/22 and respective attendances were as below;

- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.

Director	17th May 2021	10th August 2021	09th November 2021	11th February 2022	Total
Dr. H Cabral- PC	√	√	√	√	4/4
Mr. M.Y.A. Perera	√	√	√	√	4/4
Mr. S.C. Ganegoda	√	√	√	√	4/4

## The duties of the Committee

- To review in advance all proposed related party transactions of the Group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction
- Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert

- To review the economic and commercial substance of both recurrent/non recurrent related party transactions
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

## Task of the Committee

The Committee reviewed the related party transactions and their compliances of Hayleys Fabric PLC and communicated the same to the Board

# RESPONSIBILITY STATEMENT OF MANAGING DIRECTOR/ CEO AND DIRECTOR-FINANCE /CHIEF FINANCIAL OFFICER

The Section D 1.3 of the 'Code of Best Practice on Corporate Governance 2017' (The Code) issued by the Institute of Chartered Accountants Sri Lanka recommends that the Board should, before its approves the financial statements for the financial year, obtain a declaration in their opinion on financial statements and system of risk management and internal control from its Chief Executive Officer and Chief Financial Officer.

We confirm that the Financial Statements of Hayleys Fabric PLC and the Group are prepared in compliance with following requirements;

- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- Companies Act No.07 of 2007
- Listing Rules of the Colombo Stock Exchange
- Code of Best practice on Corporate Governance 2017 issued by CA Sri Lanka

The Accounting policies used in preparation of the Financial Statements of the Company and the Group are appropriate and applied consistently.

All applicable Sri Lanka Accounting Standards have been duly applied.

The significant Accounting policies and estimates involved a high degree of judgment and complexity have been informed discussed with the Audit Committee.

The Board of Directors and the Management of the Company accept the responsibility for the integrity and objectivity of Financial Statements.

The estimates and judgments relating to the Financial Statements were made in a prudent and reasonable

basis, in order to reflect true and fair picture and the form and substance of transactions and reasonably present the Company and its Subsidiary's State of affairs.

Group has established proper system of internal controls and accounting systems in order to safeguard assets, preventing and detecting frauds and other irregularities, which is reviewed and updated on an ongoing basis.

The Internal Auditors - Hayleys Management Audit and System Review Department (HMA and SRD) have conducted periodic audits to provide reasonable assurance that the established policies, internal controls and procedures of the Company and its Subsidiary were consistently followed.

The Financial Statements of the Company and its Subsidiary were audited by Messrs.' Ernst & Young-Chartered Accountants, the Independent External Auditors.

The Audit Committee of the Company meets periodically with Internal Auditors and where necessary with External Auditors to review the manner in which these Auditors are performing their responsibilities. In addition, internal control and financial reporting issues are also discussed.

In order to ensure the independence of the Internal and External Auditors they have been given full and free access to the members of the Audit Committee to discuss any matters they think important.

## Conclusion

We confirm that we have discharged our responsibilities on maintaining proper financial records and preparing financial statements in accordance with LKASs/SLFRSs and complied

with all applicable laws and regulations and guidelines. To the best of our knowledge, we also confirm that the system of risk management and internal control were operating effectively during the year.



**E. R. P. Goonetilleke**  
Managing Director/CEO



**R. Rohitha Bandara**  
Director – Finance

09th May 2022

# SENIOR INDEPENDENT DIRECTOR'S STATEMENT

The Code of Best Practice on Corporate Governance 2017 (The Code) issued by The Institute of Chartered Accountants of Sri Lanka recommends that a Senior Independent Director (SID) be appointed in the event of the Chairman and CEO is the same person or the Chairman is not an independent Director. At Hayleys Fabric PLC, though the Chairman and CEO are two different, the Chairman is a Executive Director (ED).

The presence of a Senior Independent Director (SID) provides a workable mechanism to review the role played by the Chairman. While the role of the Chairman entails providing leadership in observing best practices of Corporate Governance, my role as the SID calls for a review of the effectiveness of the Board. The role of the SID also provides emphasis to transparency on matters relating to governance.

Hayleys Fabric PLC is committed to principles of good governance and always strives to live by the Best Practices of good Corporate Governance. The conformance culture of the Company is strongly embraced by the Board of Directors. The Company follows a policy of strict compliance with mandatory requirements while embracing voluntary adherence, in order to enhance stakeholder acceptance and making a positive impact on value creation.

As the Senior Independent Director of the Hayleys Fabric PLC, I am consulted by the Chairman on governance issues, if there are any. Further, I make myself available to any Director or any employee to have any confidential discussion on the affairs of the Company, should the need arise.



**A.S. Jayatilleka**

Senior Independent Non-Executive  
Director

9th May 2022

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors of Hayleys Fabric PLC is pleased to present its Annual Report to the shareholders for the financial year ended 31st March 2022, together with the audited financial statements of the Company and the Group together with the Auditor's Report on those financial statements, conforming to the requirements of the Companies Act No 7 of 2007 and Listing Rules of the Colombo Stock Exchange (CSE).

Hayleys Fabrics PLC is a public limited liability Company incorporated in Sri Lanka in 1993 under the previous Companies Act No 17 of 1982 and re-registered as required under the provisions of the Companies Act No 7 of 2007. The re-registration number of the Company is PQ 37.

The issued shares of the Company were listed on the main Board of the Colombo Stock Exchange in Sri Lanka in April 2003.

The registered office of the Company is located at 400, Deans Road, Colombo-10.

The Company and Group financial statements, together with the Reviews and other Reports which form part of the Annual Report were approved by the Board of Directors on 9th May 2022.

**Section 168 of the Companies Act No. 07 of 2007, requires the following information to be published in the Annual Report prepared for the year under review.**

## MANDATORY PROVISIONS - FULLY COMPLIANT

Reference	Requirement	Complied	Reference (within the Report)	Page
Section 168 (1) (a)	The nature of the business of the Company	Yes	About Us	6-15
Section 168 (1) (b)	Financial statements for the accounting period completed and signed in accordance with section 152	Yes	The Financial Statements of the Company and its subsidiary for the year ended 31st March 2022	154-200 Signed on page 154
Section 168 (1) (c)	Auditor's report on the financial statements of the Company/Group	Yes	Independent Auditors' Report	150-153
Section 168 (1) (d)	Any change in accounting policies made during the accounting period	Yes	Note 4.4 to the Financial Statements - Changes in Accounting Policies	171
Section 168 (1) (e)	Particulars of entries in the interests register made during the accounting period	Yes	<p>Directors' Interest in Contracts with the Company</p> <p>Details of the Directors' shareholdings and changes during the year. - Investor Information</p> <p>60,000 shares were purchased and 100,000 shares were disposed during the year by Mr. M.W.R.N. Somaratne, an Independent Non-Executive Director of Hayleys Fabric PLC.</p> <p>45,000 shares were purchased during the year by Mr. S.C. Ganegoda, a Non-Executive Director of Hayleys Fabric PLC.</p> <p>30,000 shares were disposed during the year by Mr. I.B.R.R. Bandara, an Executive Director of Hayleys Fabric PLC.</p>	196  208

Reference	Requirement	Complied	Reference (within the Report)	Page
Section 168 (1) (f)	Remuneration and other benefits of Directors during the accounting period	Yes	Note 23 to the Financial Statements - Profit Before Tax	191
Section 168 (1) (g)	Total amount of donations made by the Company during the accounting period	Yes	Note 23 to the Financial Statements - Profit Before Tax	191
Section 168 (1) (h)	Names of the persons holding office as Directors of the Company as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company during the accounting period	Yes	Board Profiles  In terms of the Article 29 (1) of the Articles of Association of the Company, Mr. M.H. Jayasinghe and Mr. S.C. Ganegoda will retire by rotation and being eligible offer themselves for re-appointment  Notice has been given pursuant to section 211 of the Companies Act No. 07 of 2007 of the intention to propose ordinary resolutions for the re-appointment of Mr. A.M. Pandithage and Mr. A.S. Jayatilleka not withstanding the age limit of seventy years stipulated by section 210 of the Companies Act No.07 of 2007.	34-37
Section 168 (1) (i)	Amounts payable by the Company to the Person or firm holding office as auditor of the Company as audit fees and as a separate item, fees payable by the Company for other services provided by that person or firm	Yes	Note 23 to the Financial Statements - Profit Before Tax	191
Section 168 (1) (j)	Particulars of any relationship (other than that of auditor) which the auditor has with or any interests which the auditor has in, the Company or any of its subsidiaries	Yes	The Company and its Subsidiary auditors during the period under review were Messrs Ernst & Young, Chartered Accountants.  The Auditors do not have any relationship or interest with the Company and its Subsidiary other than that of an Auditor.  A resolution for the re-appointment of the Auditors for the year 2022/23 and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.	117-118
Section 168 (1) (k)	Signed on behalf of the Board by two Directors and the Company Secretary	Yes	Annual Report of the Board of Directors	145



# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) requires the following information to be published in the Annual Report prepared for the year under review.

## MANDATORY PROVISIONS - FULLY COMPLIANT

Reference	Requirement	Complied	Reference (within the Report)	Page
(i)	Names of persons who were Directors of the Entity	Yes	Board Profiles	34-37
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	About Us	6
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Yes	Investor Information	208
(iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the listed entity complies with the Minimum Public Holding requirement	Yes	Investor Information	208
(v)	A statement of each Director's holding in shares of the Entity at the beginning and end of each financial year	Yes	Investor Information	208
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Yes	Risk Management	57
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Yes	Human Capital	76
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Yes	Note 6.7 - Property plant and Equipment to the Financial Statements	177
(ix)	Number of shares representing the Entity's stated capital	Yes	Investor Information	208
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Yes	Investor Information	207-208
(xi)	Financial ratios and market price information	Yes	Investor Information 10 year summary	207-208 203
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Yes	Note 6.8 - Property plant and Equipment to the Financial Statements	177
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	N/A		
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	N/A		
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Yes	Corporate Governance Report	121-122
(xvi)	Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower	Yes	Note 27 - Related Party Transactions, to the Financial Statements	194-196

In addition to the above, the following information is disclosed. Details are provided within notes to the Annual report, which form an integral part of the Annual Report of the Board of Directors.

Disclosure	Note Reference	Page
Principal Activities	About us	6
Vision, Mission and Values	The Company is committed to upholding high standards of business conduct and ethics in the work place at all times, paramount in retaining the trust of stakeholders. All employees abide by the Company's Code of Conduct and Ethics in achieving the vision and mission.	7 118
Review of business performance	Chairman's Message Managing Director's Review The Capitals Report Measures taken to manage risks are given in the Risk Management Report	22-25 26-31 62-105 54-57
Financial Statements	The financial statements of the Company and its subsidiary have been prepared in accordance with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of Companies Act No 7 of 2007.  These Statements have been duly approved by the Directors and certified by the Chief Financial Officer.	154-200
Directors' Responsibility for Financial Reporting	The Statement of Directors' Responsibility for Financial Reporting	148
Auditors' Report	Independent Auditors' Report	150-153
Significant Accounting Policies	Notes 3 to the financial statements - Significant Accounting Policies	158-170
Going Concern	Note 5.1 to the financial statements - Going Concern	172
Revenue	Note 19 to the financial statements - Revenue	189-190
Financial Results and Appropriations	Statement of Profit or Loss and other Comprehensive Income Statement of Changes in Equity	155 156
Taxation	Notes 24 to the financial statements - Taxation	192-193
Corporate Donations	Note 23 to the financial statements - Profit Before Tax	191
Stated Capital and Reserves	Statement of Changes in Equity	156
Property, Plant and Equipment	Notes 6 to the financial statements - Property, Plant and Equipment	174-177
Intangible assets	Notes 8 to the financial statements - Intangible Assets	178
Capital Expenditure	The total capital expenditure on acquisition of property, property, plant and equipment and intangible assets of the Group amounted to USD 8,659,264 and USD 474,742 respectively. Details are given in Note 6 and 8 to the financial statements.  Capital expenditure approved and contracted for, and not contracted for, as at Reporting date are given in Note 28 to the financial statements -Commitments and Contingencies.	174-178 196
Market Value of Freehold Properties	Notes 6.8 to the financial statements - Property, Plant and Equipment.	177
Contingent Liabilities and Commitments	Notes 28 to the financial statements - Commitments and Contingencies	196
Events after the Reporting Date	Note 30 to the financial statements - Events After the Reporting Period	197

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Disclosure	Note Reference	Page
Risk Management	Disclosure of the different types of risks the Company activities were exposed to are given in Note 31 to the financial statements.  The Company's risk management process is described on pages 54 to 57, of the Annual Report.	197-200
Statutory Payments	The Directors, to the best of their knowledge are satisfied that all statutory payments in relation to the Government and the employees have been made up to date.	148
Internal Control	The Board is responsible for formulating and implementing sound internal control systems to safeguard shareholder interests and assets of the Company/Group.  Directors' Statement on Internal Control	148 146-147
Corporate Governance	Corporate Governance Report  The Company has complied with the Listing Rules of the Colombo Stock Exchange (CSE) and the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) as described on pages 121 to 125.	108-125
Environmental Protection	To the best of knowledge of the Board, the Company/Group has not engaged in any activity that is harmful or hazardous to the environment and has complied with the relevant environmental laws and regulations.  Specific measures taken to protect the environment are found in the Natural Capital Report.	94-105
Compliance	To the best of their knowledge, the Board believes that the Company/Group has not engaged in any activity which contravenes laws and regulations. There have been no irregularities involving management or employees, that could have any material financial or other effect.	76-85
Stated Capital	Note 14 to the financial statements – Stated Capital	183
Share Information and Shareholdings	Investor information	207-208
Register of Directors and Secretaries	As required under Section 223 (1) of the Companies Act No 7 of 2007, the Company maintains a Register of Directors and Secretaries which contains the name, surname, former name (if any), residential address, business, occupation, dates of appointment and dates of resignation (if applicable) of each Director and the Secretary.	113
Board of Directors	Board Profiles  Board Composition- Corporate Governance Report	34-37 106
Board Committees	Board Sub-Committees - Corporate Governance Report	110-111
Board and Committee meeting attendance	Meetings & Minutes- Corporate Governance Report	111-112
Directors' shareholdings	Investor Information	208
Directors' interest in transactions	The Directors declared in terms of the requirement of the listing rules of the Colombo Stock Exchange that the transactions carried out by the Company with its Related Parties during the financial year ended 31st March 2022 did not exceed 10% of equity or 5% of the total assets of the Company.  Related party transactions are disclosed in Note 27 to the financial statements	194-196
Directors' Remuneration	Notes 23 to the Corporate Governance Report - Directors' and Executive Remuneration	191

Disclosure	Note Reference	Page
Human Resources	Human Capital Report	76-85
Insurance and Indemnity	The Parent Company, Hayleys PLC has obtained a Directors' and Officers' liability insurance from a reputed Insurance company in Sri Lanka providing worldwide cover to indemnify all past, present and future Directors and Officers of the Company.	
Material Foreseeable Risk Factors (As per Rule No. 7.6 (VI) of the Listing Rules of the Colombo Stock Exchange)	Risk Management Review	56-57
Material Issues Pertaining to Employees and Industrial Relations Pertaining to the Bank (As per Rule No. 7.6 (VII) of the Listing Rules of the Colombo Stock Exchange)	No material issues occurred during the year	
Operational Excellence	Performance Highlights	16-18

### Related Party Transactions

The Board of Directors has given the following statement in respect of the related party transactions.

The related party transactions of the Company during the financial year have been re-viewed by the Related party Transactions Review Committee of Hayleys PLC, the Parent Company of Hayleys Fabric PLC and are in compliance with Section 09 of the CSE Listing Rules.

Following dividends were paid during the financial year 2021/22

Final dividend for - 2020/21	- Rs. 0.10 per share paid on 9th July 2021
1st Interim dividend - 2021/22	- Rs. 0.40 per share paid on 22nd October 2021
2nd Interim dividend - 2021/22	- Rs. 0.40 per share paid on 27th January 2022
3rd Interim dividend - 2021/22	- Rs. 0.30 per share paid on 9th May 2022

At the Board Meeting held on 9th May 2022, the Directors have recommended the final dividend of Rs.1/- per share subject to the approval of the Shareholders at the Annual General Meeting to be held on 29th June 2022.

### Notice of Annual General Meeting

The Annual General Meeting of the Company will be held on 29th June 2022 at 1.00 pm. Shareholders will be requested to participate via an online meeting platform. The notice of the Annual General Meeting appears on Page 209.

### Acknowledgement of the Contents of the Report


As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of this Annual Report.

For and on behalf of the Board of Directors.



**A.M. Pandithage**  
Chairman

Colombo  
9th May 2022.



**E.R.P. Goonetilleke**  
Managing Director/CEO



**Hayleys Group Services (Private) Limited**  
Secretaries

# BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROL

The Section D1.5 of the 'Code of Best Practice on Corporate Governance 2017' (The Code) issued by the Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors present a Statement on Internal Control in the Annual Report.

## Responsibility

The Board of Directors ("Board") has the overall responsibility of maintaining a sound system of internal controls and for periodically reviewing its effectiveness and integrity, in order to ensure that the Company's risks are within the acceptable risk profile. Accordingly, the Board can provide reasonable assurance against misstatement of management and financial information and records. The Board has established an organization structure, which clearly defines lines of accountability and delegated authority.

The Board has instituted an ongoing process for identifying, evaluating and mitigating significant risks faced by the Group, this process entails enhancing the internal control system as and when there are changes to the business environment and regulatory guidelines.

## Board Committee

The Board has delegated specific responsibilities to the following four subcommittees:

- Audit Committee
- Nomination Committee- Parent Company Nomination Committee
- Remuneration Committee
- Related Party Transactions Review Committee – Parent Company

These Committees are chaired by Independent Non-Executive Directors and have the authority to examine particular issues and report back to the Board with their recommendations.

The Board is confident that the internal controls are adequate to provide reasonable assurance regarding the reliability of financial reporting which are in accordance with acceptable accounting principles and the applicable regulatory requirements.

## Internal Audit

Group's Internal Audit function is performed by Hayleys Management Audit and System Review Department (HMA and SRD) which is an independent function report directly to Audit Committee that provides assurance on the efficiency and effectiveness of the Internal Control System of the Group and more details are available in Audit Committee Report on page 135.

## Review Adequacy and Effectiveness

The Board and the Audit Committee, have taken steps to ensure adequacy and effectiveness of the internal controls of both financial and operational processes, remedial steps are taken where necessary

The Board and the Audit Committee concluded that an effective system of risk management and internal controls are in place to safeguard the shareholders' investment and the Group's assets.

## Policies, Procedures and Budgets

Group has set the Policies and procedure to ensure the compliance with internal controls and relevant laws and regulations are set out in operations manuals, which are updated from time to time.

Annual Group budget is approved by the Board and the performance is assessed against the approved budgets and explanations are provided for significant variances periodically to the respective Boards.

## Code of Business Conduct and Ethics

The Company Code of ethics which includes a strong set of corporate values and conduct, is circulated to Directors and all employees. The Board ensures that Directors and all employees strictly comply with the Company code of ethics in exercising their duties, communications, role modelling and in any other circumstances, so as to uphold the Group's image. Strict disciplinary actions are initiated for any violation of the Company code of ethics.

## Insurance and Physical Safeguards

Adequate insurance and physical safeguards on major assets are in place to ensure Group assets are sufficiently covered to minimize material loss against any mishap.

## Risk Management

An overview of the Group's risk management framework, is set out on page 54.

## Cyber Security

Group use several worlds renewed software systems for entire operations and thus increasing the Group's reliance on technology. In this era, securing and protecting the Group's information assets becomes a key priority. The Board and Hayleys PLC Group level have taken necessary precautions to minimise the risk of a security breach. During the year under review, necessary steps have been rolled out to curtail the exposure to cyber-attacks by reducing the threat surface and any potentially exploitable vulnerabilities.

## Confirmation

The Board of Hayleys Fabric PLC ("Group") confirms that all Financial Statements are prepared in accordance with the requirements of the Companies Act No. 7 of 2007, the

Sri Lanka Accounting and Auditing Standards Act, the Listing Rules of the Colombo Stock Exchange and other regulatory bodies as applicable for the Company.

We have duly complied with all the requirements prescribed by the regulatory authorities including the Colombo Stock Exchange and the Registrar of Companies. The Company/ Group Financial Statements for the year ended 31st March 2022 have been audited by Messrs. Ernst & Young, Chartered Accountants,

By order of the Board



**E.R.P. Goonetilleke**  
Managing Director/CEO



**H. Somashantha**  
Chairman-Audit Committee



**R. Rohitha Bandara**  
Director - Finance  
Colombo

9th May 2022



# STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The responsibilities of the Directors in relation to the Financial Statements of the Company and the Group are set out in this statement. The responsibility of the Auditors, in relation to the Financial Statements is set out in the Report of the Auditors on pages from 150 to 153 as required by the Companies Act No. 7 of 2007 ('the Companies Act').

The Directors are responsible under Sections 150 (1), 151, 152 (1) and 153 of the Companies Act 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 of the Companies Act to ensure that proper accounting records are kept to enable, determination of the financial position with reasonable accuracy, preparation of Financial Statements and audit of such statements to be carried out readily and properly.

The responsibility of the Auditors, in relation to the Financial Statements is set out in the Report of the Auditors on pages from 150 to 153.

## The financial statements comprise of:

- Income statement and statement of comprehensive income of the Company and the Group, which present a true and fair view of the profit and loss of the Company and the Group for the financial year.
- A statement of financial position, which presents a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year.
- Statement of Changes in Equity and Cash Flow for the year then ended and Accounting Policies and Notes thereto for the Company and the Group.

The Directors confirm that the Financial Statements and other statutory reports of the Company/Group for the year ended 31st March 2022 incorporated

in this report have been prepared in accordance with the Companies Act the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken appropriate steps to ensure that the Company/Group maintains adequate and accurate records which reflect the true financial position of Hayleys Fabric PLC (Group). The Directors have taken appropriate and reasonable steps to safeguard the assets of the Company and the Group. The Directors have instituted appropriate systems of internal control in order to minimise and detect fraud, errors and other irregularities. The Directors in maintaining a sound system of internal control and in protecting the assets of the Company/Group, have further adopted risk management strategies to identify and evaluate the risks which the Company could be exposed to and its impact to the Company and its subsidiary

The Directors, having reviewed the financial budget and cash flows for the year to 31st March 2023 and the bank facilities, consider that the Group has adequate resources to continue in operation, and have continued to adopt the going concern basis in preparing these Financial Statements

The Financial Statements of the Company and the Group are prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs); and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected

The Board of Directors confirm that the Statements of Financial Position as at 31st March 2022 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2022 reflect a true and fair view.

The external Auditors, Messrs Ernst & Young, Chartered Accountants 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 150 to 153 sets out their responsibilities in relation to the Financial Statements.

As required by Section 56 (2) of the Companies Act the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act and have obtained a certificate from the auditors, prior to declaring all dividends.

At the Board Meeting held on 9th May 2022, the Board of Directors have recommended the final dividend of Rs. 1/- (Rupees One) per share subject to the approval of the shareholders at the Annual General Meeting to be held on 29th June 2022 to be paid to the shareholders on 14th July 2022. The Board of Directors have sought a certificate of solvency from the Auditors prior to the date of dispatch of the final dividend.

## 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 Subsidiary as at the reporting date have been paid or where relevant provided for, except as specified in Note 28.2 to the Financial Statements covering contingent liabilities.

The Directors further confirm that to the best of their knowledge, the Company and its Subsidiary have not engaged in any activity that is harmful or hazardous to the environment and has complied with the relevant environmental laws and regulations.

By Order of the Board,



**Hayleys Group Services  
(Private) Limited**  
Secretaries

Colombo  
9th May 2022

# FINANCIAL CALENDAR 2021/22

1st Quarter Report	5th August 2021
2nd Quarter Report	5th November 2021
3rd Quarter Report	7th February 2022
4th Quarter Report	9th May 2022
Annual Report 2021/22	2nd June 2022
30th Annual General Meeting	29th June 2022

# INDEPENDENT AUDITORS' REPORT



Ernst & Young  
Chartered Accountants  
201, De Saram Place  
P.O. Box 101  
Colombo 10, Sri Lanka

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## TO THE SHAREHOLDERS OF HAYLEYS FABRIC PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Hayleys Fabric PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss and other 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 give a true and fair view of the financial position of the Company and the Group as at 31 March 2022, 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 the audit of the financial statements of the current period. These matters were addressed

in the context of the audit of the financial statements as a whole, and in forming the 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>Goodwill Acquired on Business Combination</b></p> <p>During the financial year, the Company acquired a controlling shareholding in South Asia Textiles Limited for USD 18,281,412, and recognised goodwill of USD 10,440,277.</p> <p>This Business Combination was accounted for using the acquisition method where the Group performed a purchase price allocation ("PPA") exercise as disclosed in Note 9 to the financial statements. Goodwill thereon was tested for impairment as at 31 March 2022 based on the investments value in use (VIU) as disclosed in Note 9.3</p> <p>We have determined this to be a key audit matter based on:</p> <ul style="list-style-type: none"> <li>- the significance of the acquisition and the related goodwill,</li> <li>- the significance of management judgments and estimates applied in the PPA exercise in the determination of fair values of assets acquired and liabilities assumed,</li> <li>- the degree of assumptions, judgements and estimates associated with estimated future cashflows used for VIU calculations in the impairment test of goodwill, and</li> <li>- the enhanced disclosure requirements pertaining to the transaction on financial statements of the group for the year ended 31 March 2022.</li> </ul>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>- We read the share transfer agreement to obtain an understanding of the transaction and related key terms,</li> <li>- we performed a review of the investees financial statements on the acquisition date, reviewed reports summarizing due diligence results and assessed the reasonableness of assumptions and estimates applied in determining fair values of assets acquired and liabilities assumed,</li> <li>- we assessed the reasonableness of significant assumptions applied in the impairment test of goodwill including the long-term growth rate and discount rate based on the latest available information as at date of our report, and</li> <li>- we evaluated the adequacy of the related disclosures in Note 9 to the financial statements.</li> </ul>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Measurement of Inventories</b></p> <p>As of the reporting date, the Group carried inventories amounting to USD. 36,794,317 as disclosed in Notes 5.5 and 11 to the financial statements.</p> <p><b>The measurement of inventories was a key audit matter due to:</b></p> <ul style="list-style-type: none"> <li>• the significance of the balance (represented 30% of the Company's total assets); and</li> <li>• the use of significant management judgement over identifying inventories requiring write down to net realizable value (NRV), and estimates applied in the determination of allowances for inventory obsolescence.</li> </ul>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>- obtained an understanding of the types and form of inventories maintained by the Group, together with key processes and controls relating to the management, recording and measurement of inventories,</li> <li>- tested the accuracy and completeness of inventory age reports used in the estimation of allowances, and</li> <li>- assessed the reasonableness of judgements applied in the identification and recording of inventories at NRV, and estimates applied in the determination of allowances for inventory obsolescence.</li> </ul> <p>We also assessed the adequacy of disclosures made in relation to the measurement of inventories in Notes 5.5 and 11 to the financial statements.</p>

# INDEPENDENT AUDITORS' REPORT

## Other Information included in the 2022 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 the management and those charged with governance for the financial statements

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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 scepticism 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 Company's internal controls.
- 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 Company'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 Company 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.

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.

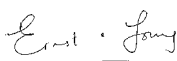
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 4107.



Colombo  
9th May 2022

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms. A A Ludowyke FCA FCMA, Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: G B Goudian ACA, Ms. P S Paranavitane ACA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited



# STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	Group*	Company	
		2022	2022	2021
		USD	USD	USD
ASSETS				
Non-Current Assets				
Property, plant and equipment	6	43,919,766	28,072,649	28,716,822
Right of use assets	7	844,186	199,598	190,336
Intangible assets	8	363,507	57,471	74,446
Investment in subsidiary	9	-	18,281,412	-
Goodwill	9	10,440,277	-	-
Amount due from Ambeon Holding Limited	10	326,998	-	-
		55,894,734	46,611,130	28,981,604
Current Assets				
Inventories	11	36,794,317	20,813,189	16,569,882
Trade receivables	12	16,158,804	9,704,541	7,871,611
Other receivables	12.2	1,397,729	627,282	559,972
Advances and prepayments	12.3	1,921,422	874,338	762,955
Cash and cash equivalents	13	9,875,615	4,708,535	3,199,138
		66,147,887	36,727,885	28,963,558
Total Assets		122,042,621	83,339,015	57,945,162
EQUITY AND LIABILITIES				
Capital and Reserves				
Stated capital	14	17,561,761	17,561,761	17,561,761
Revaluation reserve		632,462	632,462	1,415,280
Retained earnings		12,262,705	9,043,731	1,948,841
Total Equity		30,456,928	27,237,954	20,925,882
Non-Current Liabilities				
Interest bearing loans and borrowings	15	17,445,592	15,706,479	3,400,544
Deferred tax liabilities	24.2	4,204,816	3,093,895	2,079,267
Retirement benefit obligations	16	2,941,519	2,471,850	3,020,473
		24,591,927	21,272,224	8,500,284
Current Liabilities				
Trade and other payables	17	35,450,851	17,211,612	13,851,517
Interest bearing loans and borrowings	15	25,700,073	13,639,604	13,167,928
Amounts due to Hayleys PLC		339,415	322,586	71,869
Other non financial liabilities	18	5,503,427	3,655,035	1,427,682
		66,993,766	34,828,837	28,518,996
Total Equity and Liabilities		122,042,621	83,339,015	57,945,162

\* As disclosed in Note 9, the Company obtained control over the subsidiary acquired on 21st April 2021. Accordingly, no consolidated financial statements were prepared as at 31st March 2021 (Comparable period).

These financial statements are in compliance with the requirements of the Companies Act No : 07 of 2007.



**Ruwan Rohitha Bandara**  
Director- Finance

The Board of Directors is responsible for these financial statements. Signed for and on behalf of the Board by,



**A.M.Pandithage**  
Chairman

Colombo  
9th May 2022



**E.R.P.Goonetilleke**  
Managing Director/CEO

The accounting policies and notes on pages 158 through 200 form an integral part of these financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March	Notes	Group*	Company	
		2022 USD	2022 USD	2021 USD
Revenue from contracts with customers	19	150,218,687	100,011,812	77,280,698
Cost of sales		(130,658,329)	(87,547,972)	(66,713,703)
<b>Gross Profit</b>		<b>19,560,358</b>	<b>12,463,840</b>	<b>10,566,995</b>
Other operating income	20	1,876,282	1,811,367	65,328
Administrative expenses		(10,989,203)	(7,447,137)	(5,021,468)
Distribution expenses		(1,906,734)	(934,306)	(954,379)
Other expenses	21	(207,942)	(207,942)	-
Net financing income/(expense)	22	6,643,479	5,575,279	(833,673)
<b>Profit before tax</b>		<b>14,976,240</b>	<b>11,261,101</b>	<b>3,822,803</b>
Income tax (expense)/reversal	24	(2,198,743)	(1,830,713)	29,636
<b>Profit for the year</b>		<b>12,777,497</b>	<b>9,430,388</b>	<b>3,852,439</b>
<b>Other Comprehensive Income not to be reclassified to profit or loss</b>				
- Deficit on revaluation of land	6.8	(910,254)	(910,254)	-
- Income tax effect on revaluation of land	24.2	127,436	127,436	-
- Actuarial loss on defined benefit plans	16	(75,432)	(88,939)	(57,280)
- Income tax effect on actuarial loss on defined benefit plans	24.2	10,560	12,451	8,019
<b>Total Comprehensive Income, Net of Tax</b>		<b>11,929,807</b>	<b>8,571,082</b>	<b>3,803,178</b>
Basic / Diluted earnings per share - USD	25	0.031	0.023	0.009
Dividend per share - USD	26		0.005	0.003

\* As disclosed in Note 9, the Company obtained control over the subsidiary acquired on 21st April 2021. Accordingly, no consolidated financial statements were prepared as at 31st March 2021 (Comparable period).

The accounting policies and notes on pages 158 through 200 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

Group	Stated capital	Revaluation reserve	Retained earnings	Shareholders' funds	Non-Controlling Interest	Total Equity
For the year ended 31st March 2022	USD	USD	USD	USD	USD	USD
Balance as at 1st April 2021	17,561,761	1,415,280	1,948,841	20,925,882	-	20,925,882
Non-controlling interest acquired in business combination	-	-	-	-	90,106	90,106
Profit for the year	-	-	12,777,497	12,777,497	-	12,777,497
<b>Other comprehensive income</b>						
Deficit on revaluation of land	-	(910,254)	-	(910,254)	-	(910,254)
Income tax effect on deficit on revaluation of land	-	127,436	-	127,436	-	127,436
Actuarial loss on defined benefit plans	-	-	(75,432)	(75,432)	-	(75,432)
Income tax effect on actuarial loss on defined benefit plans	-	-	10,560	10,560	-	10,560
Total other comprehensive income	-	(782,818)	(64,872)	(847,690)	-	(847,690)
Total comprehensive income	-	(782,818)	12,712,625	11,929,807	90,106	12,019,913
<b>Transactions with owners, recorded directly in equity</b>						
Dividends to equity holders	-	-	(2,259,010)	(2,259,010)	-	(2,259,010)
Total contributions by and distributions to owners	-	-	(2,259,010)	(2,259,010)	-	(2,259,010)
Changes in ownership interests in subsidiary	-	-	(139,751)	(139,751)	(90,106)	(229,857)
<b>Balance as at 31st March 2022</b>	<b>17,561,761</b>	<b>632,462</b>	<b>12,262,705</b>	<b>30,456,928</b>	<b>-</b>	<b>30,456,928</b>

Company	Stated capital	Revaluation reserve	Retained earnings	Total
For the year ended 31st March 2022	USD	USD	USD	USD
Balance as at 1st April 2021	17,561,761	1,415,280	1,948,841	20,925,882
Profit for the year	-	-	9,430,388	9,430,388
<b>Other comprehensive income</b>				
Deficit on revaluation of land	-	(910,254)	-	(910,254)
Income tax effect on deficit on revaluation of land	-	127,436	-	127,436
Actuarial loss on defined benefit plans	-	-	(88,939)	(88,939)
Income tax effect on actuarial loss on defined benefit plans	-	-	12,451	12,451
Total other comprehensive income	-	(782,818)	(76,488)	(859,306)
Total comprehensive income	-	(782,818)	9,353,900	8,571,082
Dividends to equity holders			(2,259,010)	(2,259,010)
<b>Balance as at 31st March 2022</b>	<b>17,561,761</b>	<b>632,462</b>	<b>9,043,731</b>	<b>27,237,954</b>
<b>For the year ended 31st March 2021</b>				
Balance as at 1st April 2020	17,561,761	1,415,280	(570,995)	18,406,046
Profit for the year	-	-	3,852,439	3,852,439
<b>Other comprehensive income</b>				
Actuarial loss on defined benefit plans			(57,280)	(57,280)
Income tax effect on actuarial loss on defined benefit plans			8,019	8,019
Total other comprehensive income			(49,261)	(49,261)
Total comprehensive income			3,803,178	3,803,178
Dividends to equity holders			(1,283,342)	(1,283,342)
<b>Balance as at 31st March 2021</b>	<b>17,561,761</b>	<b>1,415,280</b>	<b>1,948,841</b>	<b>20,925,882</b>

The accounting policies and notes on pages 158 through 200 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

Year ended 31st March	Notes	Group	Company	
		2022	2022	2021
		USD	USD	USD
Cash flows from / (used in) operating activities				
Profit before income tax expense		14,976,240	11,261,101	3,822,803
Adjustments for				
Depreciation on property, plant and equipment	6	3,420,565	2,493,807	2,171,989
Depreciation on lease hold land	7	25,325	6,833	4,880
Amortization of intangible assets	8	92,175	40,436	49,515
Provision for retiring gratuity	16	479,008	419,842	450,275
Net unrealised gain on translation of foreign currency		(8,156,893)	(7,176,712)	(132,110)
Finance costs	22	2,487,673	1,889,596	741,790
Profit on disposal of property, plant and equipment	20	(54,278)	(9,227)	(28,874)
Loss on impairment of idle property, plant and equipment	21	207,942	207,942	-
Creditors write back	20	(12,152)	(12,152)	(24)
Impairment reversal for bad and doubtful debts	23	(19,839)	(33,394)	(28,977)
Impairment /(reversal) for slow moving inventories	23	(105,381)	705,940	(13,485)
Operating profit before working capital changes		13,340,385	9,794,012	7,037,782
Increase in trade and other receivables		(5,424,542)	(1,854,694)	(1,593,977)
(Increase)/decrease in advances and prepayments		(566,387)	(111,383)	173
Decrease in other non-current receivables		496,819	-	-
Increase in inventories		(11,215,566)	(4,949,247)	(1,293,337)
Increase in trade and other payables and other non financial liabilities		13,910,378	5,324,905	5,933,844
Cash generated from operations		10,541,087	8,203,593	10,084,485
Retiring gratuity paid	16	(179,933)	(110,892)	(108,915)
Interest paid		(2,784,327)	(2,069,432)	(809,553)
Income tax paid		(384,657)	(276,886)	-
Net cash flows from operating activities		7,192,170	5,746,383	9,166,017
Cash flows from / (used in) investing activities				
Purchase and construction of property, plant and equipment		(8,545,316)	(2,858,959)	(4,922,873)
Proceeds from disposal of property, plant and equipment		60,846	14,304	32,260
Purchase of intangible assets	8	(23,461)	(23,461)	(3,851)
Payment for right of use assets		(12,929)	(12,929)	(85,890)
Interest received		296,654	179,836	73,093
Acquisition of subsidiary		(18,560,533)	(18,281,412)	-
Net cash flows used in investing activities		(26,784,739)	(20,982,621)	(4,907,261)
Cash flows from /(used in) financing activities				
Proceeds from new term loans	15	27,202,735	24,705,272	3,761,801
Repayment of term loans	15	(3,677,259)	(2,786,776)	(1,621,399)
Payment of lease obligations		(38,568)	-	-
Net movement of import & short term loans		3,532,709	(3,276,114)	(1,550,724)
Dividend paid to equity holders		(2,259,010)	(2,259,010)	(1,283,342)
Net cash flows from/(used in) financing activities		24,760,607	16,383,372	(693,664)
Net increase in cash and cash equivalents				
Cash and cash equivalents at the beginning of the year	13	3,199,138	3,199,138	(365,954)
Cash and cash equivalents at the end of the year	13	8,367,176	4,346,272	3,199,138

The accounting policies and notes on pages 158 through 200 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 Reporting Entity

Hayleys Fabric 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 Company's registered office is situated in 400, Deans Road, Colombo 10 and the principle place of business of the Company is at Narthupana Estate, Neboda.

During the year the Company acquired 100% of issued stated capital of South Asia Textiles Limited in two stages (98.14% on 22nd April 2021 and 1.86% on 15 July 2021)

The Company is the parent of the Group and ultimate parent is Hayleys PLC Which is incorporated in Sri Lanka

### 1.2 Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2022 comprise "the Company" referring to Hayleys Fabric PLC as the holding Company and the "Group" referring to Company and its Subsidiary.

### 1.3 Nature of Operations and Principal Activities of the Company and the Group

Both Company and its Subsidiary's principal activities are manufacturing, and sale of knitted fabric for the export and local market.

### 1.4 Approval of Financial Statements

The Consolidated Financial Statements of Hayleys Fabric PLC and its subsidiary (collectively, the Group) for the year ended 31 March 2022 were authorised for issue by the Directors on 9th May 2022.

### 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.

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 United States Dollars (USDs), which is also the functional currency of the Company and its Subsidiary which would better reflect the economic substance of underlying events and circumstances relevant to both enterprises.

### 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.

No comparative financial information is available for the Group as this is the first financial year after the acquisition.

### 2.6 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

The accounting policies set out below have been applied consistently to all periods in the Consolidated Financial Statements.

### 3.1. Basis of Consolidation

The Consolidated Financial Statements encompass the Company, its subsidiary (together referred to as the "Group").

#### 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 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.

The Consolidated Financial Statements of the Company for the year ended 31 March 2022 comprise of the Company and its Subsidiary. The details of Subsidiary are as follows;

Company name	Year of Ownership Incorporation	Percentage
South Asia Textiles Limited	2021/22	100%

The Consolidated Financial Statements incorporating subsidiaries in the Group are using uniform Accounting policies for like transactions and in similar circumstance are applied consistently.

### 3.1.2 Consolidation of subsidiaries with different accounting periods

The financial statements of subsidiary in the Group is prepared for a common financial year, which ends on 31 March.

### 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 measures 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



# NOTES TO THE FINANCIAL STATEMENTS

acquisition date. If the re-assessment 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 (OCI).

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 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 non-financial assets such as owner-occupied land 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 assets 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 6.8.
- Quantitative disclosures of fair value measurement hierarchy - Note 6.8.
- Property (land) under revaluation model - Note 6.8.
- Financial instruments (including those carried at amortised cost) - Note 15.

### 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 used 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.

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## 3.5.5 Derecognition

The carrying amount of an item of property, plant & equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Any gains and losses on derecognition are recognised (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in the Statement of Profit or Loss. Gains are not classified as revenue.

## 3.5.6 Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Description	Period
Buildings	40 - 50 years
Land Development	10 years
Computers & Equipment	1- 6 2/3 years
Plant & machinery	15 - 20 years
Factory, Bungalow, Safety & Medical equipment	6 2/3 years
Motor Vehicle	4 years
Furniture, fittings & office equipment	05 - 08 years
Tools & Equipment & Electrical Installation	5 years
Waste water, Purification and River Embankment	15 years
Solar Power project	20 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.

## 3.5.7 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.

### 3.5.7.1 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.

#### 3.5.7.1.1 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 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	30 – 35 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 7 Impairment of non-financial assets.

#### 3.5.7.1.2 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 15 to the Financial Statements.

#### 3.5.7.1.3 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.

### 3.5.7.2 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 Intangible Assets

#### 3.6.1 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.

#### 3.6.2 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.

#### 3.6.3 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.

#### 3.6.4 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.

#### 3.6.5 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.

#### 3.6.6 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
ERP Systems & Software	4- 8 years

### 3.7 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.

#### 3.7.1 Financial assets

##### 3.7.1.1 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



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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.

### **3.7.1.1.1 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 (SPPI), 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 feature; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

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.

### **3.7.1.2 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.

#### 3.7.1.3 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.

#### 3.7.1.4 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).

#### 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 or a security because of financial difficulties.



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Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

## Write-offs

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.

## 3.7.2 Financial liabilities

### 3.7.2.1 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.

### 3.7.2.2. 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.

### 3.7.2.3 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.

### 3.7.3 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.

## 3.8 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.

## 3.9 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.

### **3.10 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 most recent 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.

### **3.11 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.

### **3.12 Employee Benefits**

#### **3.12.1 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.

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The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

## 3.12.2 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 16.3. 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

## 3.12.3 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

## 3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## 3.14 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.

## 3.15 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.

## 3.16 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.

### 3.16.1 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).

### 3.16.2 Assets and liabilities arising from rights of return

#### 3.16.2.1 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.

#### **3.16.2.2 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.

### **3.17 Other Income**

#### **3.17.1 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.

#### **3.17.2 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.

#### **3.17.3 Other income**

Other income is recognised on an accrual basis.

### **3.18 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.

#### **3.18.1 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.

### **3.19 Finance income**

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in the Statement of Profit or Loss.

### **3.20 Finance Cost**

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

The calculation of effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental cost that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income is presented in finance income in the Statement Profit or Loss

### **3.21 Tax Expense**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Statement of Profit or Loss except to the extent that it relates to a business combination, or items recognised directly in Equity or in Other Comprehensive Income.

#### **3.21.1 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.

#### **3.21.2 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.



# NOTES TO THE FINANCIAL STATEMENTS

- In respect of taxable temporary differences associated with investments in subsidiary, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiary, 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.

### 3.21.3 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.

## 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 Fabric 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 Changes in Accounting Policies and Disclosures**

##### **4.4.1 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 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

##### **4.4.1.1 Amendments to SLFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021**

In 4 December 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued Covid-19-Related Rent Concessions - amendment to SLFRS 16 Leases. 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 the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30th June 2021, but as the impact of the Covid-19 pandemic is continuing in 28th June 2021, CA Sri Lanka extended the period of application of the practical expedient to 30th June 2022. The amendment applies to annual reporting periods beginning on or after 1st April 2021.

#### **4.5 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.

##### **4.5.1 Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts – Costs of Fulfilling a Contract**

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets (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. Earlier application is permitted.

##### **4.5.2 Amendments to LKAS 16 Property, Plant & Equipment: Proceeds before Intended Use**

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 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 recognizes 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.

##### **4.5.3 Amendments to SLFRS 3 Business Combinations: Updating a reference to conceptual framework**

In 23 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.



# NOTES TO THE FINANCIAL STATEMENTS

## 4.5.4 SLFRS 1 First-time Adoption of Sri Lanka Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 1 First-time Adoption of International Financial Reporting Standards (SLFRS 1). The amendment permits a subsidiary that elects to apply paragraph D16(a) of SLFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to SLFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of SLFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group do not have subsidiaries which are adopting IFRSs for the first time and hence, this amendment is not applicable to the Group.

## 4.5.5 SLFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 9 Financial Instruments (SLFRS 9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or

exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Financial Statements in conformity with SLFRS/ LKAS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period and any future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes.

### 5.1 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to

continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

### 5.2 Measurement of the recoverable amount of cash-generating units containing goodwill

The Group tests annually whether goodwill requires impairment, in accordance with the accounting policy stated in Note 3.10. The basis of determining the recoverable amounts of cash generating units.

### 5.3 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 16 to the Financial Statements.

#### **5.4 Revaluation of property, plant and equipment**

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.

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Notes 6.8 to the Financial Statements.

#### **5.5 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 6. PROPERTY, PLANT & EQUIPMENT

### 6.1 Group

	As at 01.04.2021	Acquisition through business combinations	Revaluation	Additions/ transfers	Disposals/ transfers	As at 31.03.2022
Gross Carrying Amounts	USD	USD	USD	USD	USD	USD
<b>At valuation</b>						
Freehold land	2,977,194	-	(910,254)	-	-	2,066,940
<b>At cost</b>						
Buildings	8,123,917	4,360,832	-	363,792	-	12,848,541
Land development	-	112,503	-	74,733	-	187,236
Water treatment plant	2,337,958	1,796,623	-	-	-	4,134,581
Plant and machinery	34,128,619	10,278,943	-	1,973,119	-	46,380,681
Motor vehicles	-	278,039	-	-	(56,700)	221,339
Furniture and fittings	2,451,697	129,073	-	159,837	(16,360)	2,724,247
Office equipment	276,534	121,609	-	16,136	-	414,279
Computers	650,147	406,032	-	350,340	-	1,406,519
Factory equipment	4,278,254	1,125,096	-	653,661	(101,536)	5,955,475
Safety and medical equipment	180,854	-	-	36,091	-	216,945
Bungalow equipment	7,853	-	-	-	(354)	7,499
Solar power plant	671,562	-	-	2,070,440	-	2,742,002
<b>Total value of depreciable assets</b>	<b>56,084,589</b>	<b>18,608,750</b>	<b>(910,254)</b>	<b>5,698,149</b>	<b>(174,950)</b>	<b>79,306,284</b>
<b>In the course of construction</b>						
Work in progress	1,900,771	126,775	-	8,239,864	(5,278,749)	4,988,661
<b>Total gross carrying amount</b>	<b>57,985,360</b>	<b>18,735,525</b>	<b>(910,254)</b>	<b>13,938,013</b>	<b>(5,453,699)</b>	<b>84,294,945</b>

	As at 01.04.2021	Acquisition through business combinations	Impairment	Charge for the year	Disposals/ transfer	As at 31.03.2022
Accumulated depreciation and impairment	USD	USD	USD	USD	USD	USD
<b>At Cost</b>						
Buildings	2,868,186	11,939		349,910	-	3,230,035
Land development	-	111,751		731	-	112,482
Water treatment plant	1,690,190	611,977	24,330	182,345	-	2,508,842
Plant and machinery	19,031,853	5,101,517	183,612	2,109,379	-	26,426,361
Motor vehicles	-	277,027		75	(55,763)	221,339
Furniture and fittings	1,475,698	116,204		227,988	(16,360)	1,803,530
Office equipment	260,489	104,240		12,875	-	377,604
Computers	389,168	375,010		106,758	-	870,936
Factory equipment	3,404,232	936,851		308,868	(95,905)	4,554,046
Safety and medical equipment	138,071	-		14,843	-	152,914
Bungalow equipment	7,853	-		-	(354)	7,499
Solar power plant	2,798	-		106,793	-	109,591
<b>Total depreciation</b>	<b>29,268,538</b>	<b>7,646,516</b>	<b>207,942</b>	<b>3,420,565</b>	<b>(168,382)</b>	<b>40,375,179</b>

Net Book Values	2022	2021
As at 31st March	USD	USD
<b>At valuation</b>		
Freehold land	2,066,940	2,977,194
<b>At cost</b>		
Buildings	9,618,506	5,255,731
Land development	74,754	-
Water treatment plant	1,625,739	647,768
Plant and machinery	19,954,320	15,096,766
Motor vehicles	-	-
Furniture and fittings	920,717	975,999
Office equipment	36,675	16,045
Computers	535,583	260,979
Factory equipment	1,401,429	874,022
Safety and medical equipment	64,031	42,783
Bungalow equipment	-	-
Solar power plant	2,632,411	668,764
	38,931,105	26,816,051
<b>In the course of construction</b>		
Work in progress	4,988,661	1,900,771
Total carrying amount of property, plant and equipment	43,919,766	28,716,822

## 6.2 Company

	As at 01.04.2021	Revaluation	Additions/ transfers	Disposals/ transfers	As at 31.03.2022
Gross Carrying Amounts	USD	USD	USD	USD	USD
<b>At valuation</b>					
Freehold land	2,977,194	(910,254)	-	-	2,066,940
<b>At cost</b>					
Buildings	8,123,917	-	-	-	8,123,917
Water treatment plant	2,337,958	-	-	-	2,337,958
Plant and machinery	34,128,619	-	1,819,202	-	35,947,821
Furniture and fittings	2,451,697	-	116,425	(16,360)	2,551,762
Office equipment	276,534	-	4,021	-	280,555
Computers	650,147	-	88,921	-	739,068
Factory equipment	4,278,254	-	424,450	(100,516)	4,602,188
Safety and medical equipment	180,854	-	36,091	-	216,945
Bungalow equipment	7,853	-	-	(354)	7,499
Solar power plant	671,562	-	2,070,440	-	2,742,002
<b>Total value of depreciable assets</b>	56,084,589	(910,254)	4,559,550	(117,230)	59,616,655
<b>In the course of construction</b>					
Work in progress	1,900,771	-	2,741,618	(4,328,261)	314,128
<b>Total gross carrying amount</b>	57,985,360	(910,254)	7,301,168	(4,445,491)	59,930,783

# NOTES TO THE FINANCIAL STATEMENTS

	As at 01.04.2021	Impairment	Charge for the year	Disposals/ transfer	As at 31.03.2022
Accumulated depreciation and impairment	USD	USD	USD	USD	USD
<b>At Cost</b>					
Buildings	2,868,186	-	212,892	-	3,081,078
Water treatment plant	1,690,190	24,330	72,398	-	1,786,918
Plant and machinery	19,031,853	183,612	1,529,064	-	20,744,529
Furniture and fittings	1,475,698	-	218,205	(16,360)	1,677,543
Office equipment	260,489	-	6,285	-	266,774
Computers	389,168	-	66,119	-	455,287
Factory equipment	3,404,232	-	267,208	(95,439)	3,576,001
Safety and medical equipment	138,071	-	14,843	-	152,914
Bungalow equipment	7,853	-	-	(354)	7,499
Solar power plant	2,798	-	106,793	-	109,591
<b>Total depreciation</b>	<b>29,268,538</b>	<b>207,942</b>	<b>2,493,807</b>	<b>(112,153)</b>	<b>31,858,134</b>

Net book values	2022	2021
As at 31st March	USD	USD
<b>At valuation</b>		
Freehold land	2,066,940	2,977,194
<b>At cost</b>		
Buildings	5,042,839	5,255,731
Water treatment plant	551,040	647,768
Plant and machinery	15,203,292	15,096,766
Furniture and fittings	874,219	975,999
Office equipment	13,781	16,045
Computers	283,781	260,979
Factory equipment	1,026,187	874,022
Safety and medical equipment	64,031	42,783
Bungalow equipment	-	-
Solar power plant	2,632,411	668,764
	27,758,521	26,816,051
<b>In the course of construction</b>		
Work in progress	314,128	1,900,771
<b>Total carrying amount of property, plant and equipment</b>	<b>28,072,649</b>	<b>28,716,822</b>

## 6.3 Carrying Value

	Group	Company	
	2022	2022	2021
	USD	USD	USD
At cost	41,852,826	26,005,709	25,739,628
At valuation	2,066,940	2,066,940	2,977,194
	43,919,766	28,072,649	28,716,822

**6.4** Group Property, plant & equipment includes buildings on lease hold land. The carrying amount of these assets are:

	Cost	Accumulated depreciation	Carrying value 2022	Carrying value 2021
As at 31st March	USD	USD	USD	USD
Buildings	6,764,604	598,722	6,165,882	4,348,893
Total	6,764,604	598,722	6,165,882	4,348,893

**6.5.1** During the financial year, the Group acquired property, plant & equipment to the aggregate value of USD 8,659,264. Cash payments amounting to USD 8,545,316 were made during the year for the purchase of property, plant and equipment.

**6.5.2** During the financial year, the Company acquired property, plant & equipment to the aggregate value of USD 2,972,907 (2021 - USD 5,485,280). Cash payments amounting to USD 2,858,959 (2021 - USD 4,922,873) were made during the year for the purchase of property, plant and equipment.

**6.6** The cost of fully depreciated property plant and equipment which are still in use at the reporting date is as follows.

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Land development	111,440	-	-
Plant and machinery	7,678,056	5,396,415	4,799,943
Water treatment plant	892,125	892,125	889,987
Motor vehicles	221,339	-	-
Furniture and fittings	1,144,131	1,041,117	1,021,613
Office equipment	335,496	237,984	237,984
Computers	676,760	289,513	230,885
Factory equipment	3,587,578	2,773,091	2,668,797
Safety and medical equipment	108,968	108,968	108,968
Bungalow equipment	7,499	7,499	7,853
	14,763,392	10,746,712	9,966,030

**6.7.1** Hayleys Fabric PLC- 25 permanent buildings are located in Narthupana Estate, Neboda where the principle place of the business is operated. 2 permanent buildings are located in Knitting II plant at Wagawatta, BOI Industrial Zone.

**6.7.2** South Asia Textiles Limited- 66 permanent buildings are located in No. 70, Felix Dias Bandaranayake Mawatha, Pugoda where the principle place of the business is operated. 2 permanent buildings are located in Kumarimulla River Embankment Project, Pugoda.

**6.8** The Group revalued its land (extent of 54.3 Acres) during the financial year 2021/22. The fair value of the land was determined by using market comparable methods which mean that valuation performed by the valuer are based on market prices, significantly adjusted for difference in the nature, location or condition of the specific property.

The fair value of land is based on valuations performed by Messrs P.B Kalugalgedara and Associates., an accredited independent valuer, on 31 March 2022.

The significant unobservable valuation input used for Revaluation of Land, is the estimated market price of a perch of land, which was estimated as follows:

Land extent of 34.1 acres of Land in Anguruwatota demarcated by survey plan - Rs. 100,000 a perch.

Land extent of 20.2 acres of Land in Anguruwatota demarcated by survey plan - Rs. 20,300 a perch.

Significant increase/(decrease) in estimated price per perch in isolation would result in a significantly higher/(lower) fair value.

The deficit arising from the revaluation is due to appreciation of USD against LKR, was deducted from a revaluation reserve.

If land was measured using the cost model, the carrying amounts would be USD 1,331,519 (2021 - USD 1,331,519)



# NOTES TO THE FINANCIAL STATEMENTS

## 7. RIGHT OF USE ASSETS

### 7.1 Group

	As at 01.04.2021	Acquisition through business combinations	Additions/ (charge for the year)	As at 31.03.2022
	USD	USD	USD	USD
Gross carrying value	195,216	663,080	16,095	874,391
Depreciation	(4,880)	-	(25,325)	(30,205)
Net carrying value	190,336	663,080	(9,230)	844,186

### 7.2 Company

	As at 01.04.2021	Additions/ (charge for the year)	As at 31.03.2022
	USD	USD	USD
Gross carrying value	195,216	16,095	211,311
Depreciation	(4,880)	(6,833)	(11,713)
Net carrying value	190,336	9,262	199,598

## 8. INTANGIBLE ASSETS

### 8.1 Group

	As at 01.04.2021	Acquisition through business combinations	Additions/ (amortization during the year)	As at 31.03.2022
Software	USD	USD	USD	USD
Gross carrying value	1,420,794	451,281	23,461	1,895,535
Amortization	(1,346,348)	(93,505)	(92,175)	(1,532,028)
Net carrying value	74,446	357,776	(68,714)	363,507

### 8.2 Company

	As at 01.04.2021	Additions/ (amortization during the year)	As at 31.03.2022
Software	USD	USD	USD
Gross carrying value	1,420,794	23,461	1,444,255
Amortization	(1,346,348)	(40,436)	(1,386,784)
Net carrying value	74,446	(16,975)	57,471

## 9. INVESTMENT IN SUBSIDIARIES

Unquoted Investment	% Holding	No. of Shares	Value USD
South Asia Textiles Limited	100	357,361,456	18,281,412

- 9.1** On 22nd April 2021 the Company acquired a 98.83% interest in South Asia Textiles Ltd for a consideration of USD 18,051,555 and on 15th July 2021 the Company acquired the balance 1.17% equity stake, resulting in a total investment of USD 18,281,412.

Assets acquired and liabilities assumed through the acquisition are summarized below		USD
Property, plant and equipment		11,089,011
Intangible assets		357,776
Right of use assets		663,080
Amounts due from Ambeon Holdings Ltd (Note 10)		2,220,394
Inventories		8,863,849
Trade and other receivables		3,561,179
Long term loans		(1,319,187)
Lease obligations		(160,250)
Short term borrowings		(3,541,246)
Employee benefit obligations		(698,723)
Deferred tax liability		(946,895)
Trade and other payables		(12,455,810)
Net income tax recoverable		347,327
<b>Net identifiable assets and liabilities</b>		<b>7,980,505</b>
Non-controlling interests		(90,106)
Goodwill acquired		10,440,277
		18,330,676

## 9.2 Satisfied by

	USD
Cash consideration	18,330,676
<b>Analysis of cash and cash equivalents on acquisition of subsidiary</b>	
Cash consideration	(18,051,555)
Cash in hand and at bank acquired on business combination	(279,121)
	(18,330,676)

## 9.3 Impairment test of goodwill

The group performed its annual impairment test on Goodwill derived from the acquisition of South Asia Textiles Limited (CGU) as at 31 March 2022. The recoverable amount of the CGU has been determined considering its value in use (VIU). The key assumptions used in the determination of VIU are provided below;

Discount rate	11.38%
Terminal growth rate	2.50%

No impairment was recognized consequent to the impairment test carried out

## 10 Amount due from Ambeon Holdings Limited

As described in Note 9, net assets acquired of South Asia Textiles Limited on 21st April 2021 included an amount of USD 2,220,394 which is due from Ambeon Holdings Limited, its former parent. Amounts outstandings as at the reporting date which have been presented with in other receivable are as follows.

	As at 31.03.2022 USD	Receivable within 1 year USD	Receivable after 1 year USD
Amount due from Ambeon Holdings Limited.	980,993	653,995	326,998

# NOTES TO THE FINANCIAL STATEMENTS

## 11 INVENTORIES

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Raw materials	14,267,548	9,613,562	7,879,009
Less : Impairment for slow moving items	(1,307,641)	(949,585)	(402,935)
	12,959,907	8,663,977	7,476,074
Work-in-progress	14,566,402	7,198,739	5,576,823
Less : Impairment for slow moving items	(298,998)	(174,100)	(187,875)
	14,267,404	7,024,639	5,388,948
Finished goods (11.1)	6,439,610	2,858,752	1,572,043
Less : Impairment for slow moving items	(1,329,941)	(699,070)	(526,005)
	5,109,669	2,159,682	1,046,038
Stock consumables	4,648,439	3,144,505	2,658,822
Less : Impairment for slow moving items	(191,102)	(179,614)	-
	4,457,337	2,964,891	2,658,822
	36,794,317	20,813,189	16,569,882

**11.1** Group - Second grade finished goods amounting to USD 266,563 are carried at net realisable value.

Company - Second grade finished goods amounting to USD 142,841 (2021- USD 80,810) are carried at net realisable value.

## 12 TRADE AND OTHER RECEIVABLES

### 12.1 Trade receivables

	Group	Company	
	2022	2022	2021
	USD	USD	USD
South Asia Textiles Limited	-	366,679	-
Other related parties (12.1.1)	11,124	11,124	27,354
Others	16,357,392	9,393,530	7,962,001
Less : Impairment loss recognised (12.1.3)	(209,712)	(66,792)	(117,744)
	16,158,804	9,704,541	7,871,611

#### 12.1.1 Receivable from related parties

			Group	Company	
			2022	2022	2021
			USD	USD	USD
Name of the Company	Relationship	Nature of Transaction			
D P L Universal Gloves Limited	Fellow Subsidiary	Sale of fabric	11,124	11,124	-
Puritas (Pvt) Limited	Fellow Subsidiary	Sale of fabric	-	-	27,354
			11,124	11,124	27,354

### 12.1.2 The aging analysis of trade receivables is as follows:

Group	Neither past due nor impaired	Past due but not impaired					Total
		0 - 60 days	61-120 days	121-180 days	181-365 days	> 365 days	
Related parties	-	11,125	-	-	-	-	11,125
Others	12,050,455	2,885,380	960,736	191,108	60,000	-	16,147,679
Total as at 31/03/2022	12,050,455	2,896,505	960,736	191,108	60,000	-	16,158,804

Company	Neither past due nor impaired	Past due but not impaired					Total
		0 - 60 days	61-120 days	121-180 days	181-365 days	> 365 days	
Related parties	38,509	235,083	104,212	-	-	-	377,804
Others	7,125,057	1,571,610	532,402	97,668	-	-	9,326,737
Total as at 31/03/2022	7,163,566	1,806,693	636,614	97,668	-	-	9,704,541

Related parties	17,246	10,108	-	-	-	-	27,354
Others	6,902,997	586,964	188,997	155,601	9,698	-	7,844,257
Total as at 31/03/2021	6,920,243	597,072	188,997	155,601	9,698	-	7,871,611

See note 31 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

### 12.1.3 The impairment recognised in relation to Trade Receivables of the Group has been based on a collective impairment model and is as follows:

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Balance as at the beginning of the year	117,744	117,744	146,721
Acquisition through business combinations	129,365	-	-
Impairment reversal during the year	(19,839)	(33,394)	(28,977)
Write off of previously recognized impairment loss	(17,558)	(17,558)	-
Balance as at the end of the year	209,712	66,792	117,744

### 12.2 Other receivables

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Income tax receivable	85,288	-	-
VAT recoverable	309,451	-	66,377
Claim receivable	128,675	120,052	48,617
WHT recoverable	5,189	-	-
ESC receivable	-	-	185,329
Staff loans & advances	128,360	74,944	95,933
Interest receivable	26,016	21,531	16,981
Deposits	60,755	60,755	146,735
Dividend receivable from subsidiary	-	350,000	-
Amount due from Ambeon Holdings Limited. (Note 10)	653,995	-	-
	1,397,729	627,282	559,972

# NOTES TO THE FINANCIAL STATEMENTS

## 12.2.1 Currency-wise analysis of trade and other receivables

	Group	Company	
	2022	2022	2021
	USD	USD	USD
United States Dollars	15,919,777	9,815,513	7,968,150
Sri Lankan Rupees	1,636,756	516,310	463,433
	17,556,533	10,331,823	8,431,583

## 12.3 Advances and prepayments

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Advances paid to related parties - (12.3.1)	16,583	10,183	-
Advances paid to other suppliers	1,504,310	673,054	621,340
Other prepayments	400,529	191,101	141,615
	1,921,422	874,338	762,955

### 12.3.1 Advances paid to related parties

Name of the Company	Relationship	Nature of transaction	Group	Company	
			2022	2022	2021
			USD	USD	USD
Hayleys Aventura (Pvt) Limited	Fellow Subsidiary	Purchase of goods	16,583	10,183	-

## 13 CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

### Components of cash and cash equivalents

#### 13.1 Favourable cash and cash equivalent balances

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Cash and Bank Balances	2,929,883	1,364,742	694,527
Short term deposits	6,945,732	3,343,793	2,504,611
	9,875,615	4,708,535	3,199,138

#### 13.2 Unfavourable cash and cash equivalent balances

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Bank Overdraft	(1,508,439)	(362,263)	-
Total cash and cash equivalent balance for the purpose of cash flow statement	8,367,176	4,346,272	3,199,138

## 14. STATED CAPITAL

	Company 2022		Company 2021	
	Number	USD	Number	USD
Ordinary shares (14.1)	415,481,776	17,561,761	415,481,776	17,561,761

### 14.1 Fully paid ordinary shares

	Company 2022		Company 2021	
	Number	USD	Number	USD
Balance at beginning of the year	415,481,776	17,561,761	207,740,888	17,561,761
Sub-division *	-	-	207,740,888	-
Balance at the end of the year	415,481,776	17,561,761	415,481,776	17,561,761

\* In 2020/2021, the issued and fully paid ordinary shares of the Company were sub-divided by splitting each ordinary share held into 02 shares, thus increasing the number of existing issued ordinary shares of the Company from 207,740,888 to 415,481,776 ordinary shares without affecting an increase in the Stated Capital of the Company.

## 14.2 Other capital reserves & retained earnings

### 14.2.1 Revaluation reserve

The Revaluation reserve is maintained to record any surplus on revaluation of the Company's land, net of the tax effect of such revaluation

### 14.2.2 Retained earnings

	Group 2022 USD	Company 2022 USD	Company 2021 USD
Balance as at the beginning of the year	1,948,841	1,948,841	(570,995)
Total other comprehensive income	12,712,625	9,353,900	3,803,178
Dividends to equity holders	(2,259,010)	(2,259,010)	(1,283,342)
Adjustment on changes to non-controlling interest in subsidiary	(139,751)	-	-
Balance as at the end of the year	12,262,705	9,043,731	1,948,841

## 15. INTEREST BEARING LOANS AND BORROWINGS

### 15.1 Group

	2022		Total USD
	Amount Repayable Within 1 Year USD	Amount Repayable After 1 Year USD	
Term loans (Note 15.3)	4,962,057	17,256,694	22,218,751
Lease obligations relating to right of use assets (Note 15.7)	21,093	188,898	209,991
Short term loans	3,115,165	-	3,115,165
Import loans	16,093,319	-	16,093,319
Bank overdraft (13.2)	1,508,439	-	1,508,439
	25,700,073	17,445,592	43,145,665



# NOTES TO THE FINANCIAL STATEMENTS

## 15.2 Company

	2022			2021		
	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total
	USD	USD	USD	USD	USD	USD
Term loans (Note 15.3)	4,414,862	15,592,721	20,007,583	1,024,929	3,294,358	4,319,287
Lease Obligations relating to right of use assets (Note 15.7)	4,064	113,758	117,822	8,470	106,186	114,656
Short term loans	-	-	-	5,406,088	-	5,406,088
Import loans	8,858,415	-	8,858,415	6,728,441	-	6,728,441
Bank overdraft (13.2)	362,263	-	362,263	-	-	-
	13,639,604	15,706,479	29,346,083	13,167,928	3,400,544	16,568,472

## 15.3 Term loans

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Balance at the beginning of the year	4,319,287	4,319,287	2,186,948
Acquisition through business combinations	1,319,187	-	-
New loans obtained	27,202,735	24,705,272	3,761,801
Effects of movement in exchange rate	(6,945,199)	(6,230,200)	(8,063)
Repayments	(3,677,259)	(2,786,776)	(1,621,399)
Balance at the end of the year	22,218,751	20,007,583	4,319,287

### 15.3.1 Currency wise Analysis of Long Term Borrowings

	Group	Company	
	2022	2022	2021
	USD	USD	USD
United States Dollars	7,994,399	7,288,699	4,231,880
Sri Lankan Rupees	14,224,352	12,718,884	87,407
	22,218,751	20,007,583	4,319,287

## 15.4 Aging Analysis for Interest -bearing loans and borrowings

Group	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	USD	USD	USD	USD	USD	USD
Total Interest bearing borrowings-As at 31.03.2022	4,363,851	14,803,578	6,532,645	15,089,753	2,355,838	43,145,665

Company	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	USD	USD	USD	USD	USD	USD
Total Interest bearing borrowings-As at 31.03.2022	1,295,681	7,598,741	4,745,183	13,410,074	2,296,404	29,346,083
Total Interest bearing borrowings-As at 31.03.2021	532,436	11,290,262	1,343,453	3,289,650	112,671	16,568,472

## 15.5 Long term loans - Hayleys Fabric PLC

Lender	Rate of interest (p.a.)	2022 USD	2021 USD	Repayment	Security
Sampath Bank PLC	3 Month Libor +3.80 % / (Floor rate 5.00%)	1,830,920	1,703,590	48 monthly in equal instalments of USD 54,335	Mortgage over machinery & building
Sampath Bank PLC	3 Month Libor +3.80 % (Floor rate 5.00%)	2,700,000	333,290	60 instalments with 3 months grace period & Equal instalments of USD 50,000	Mortgage over machinery-Solar project
Standard Chartered Bank PLC	3 Month Libor +2.90%	2,757,779	2,195,000	48 instalments after a grace period of 1 year & Equal instalments of USD 71,258	Mortgage over machinery
Seylan Bank	4% Fixed rate	16,890	87,407	24 monthly in equal instalments of LKR 1,050,000	None
Bank of Ceylon	5.5% Fixed rate	1,007,989	-	36 monthly in equal instalments of LKR 9,722,222	None
DFCC Bank	7.75 % Fixed rate	6,406,714	-	72 monthly in equal instalments of LKR 28,568,053	Negative pledge over all immovable asset of Hayleys Fabric PLC & over the shares of South Asia Textiles Limited
Sampath Bank PLC	AWPLR +0.5%-5 year & AWPLR +1.0%-2 year	5,287,291	-	84 monthly in equal instalments of LKR 19,100,000	Negative pledge over Shares of South Asia Textiles Limited owned by Hayleys Fabric PLC
		20,007,583	4,319,287		

## 15.6 Long term loans - South Asia Textiles Limited

Lender	Rate of interest (p.a.)	2022 USD	2021 USD	Repayment	Security
People's Bank	5.5% Fixed rate	-	142,000	Monthly in equal instalments of USD 72,000	None
Nations trust Bank PLC	3 Month Libor+3.5p.a Floor Rate 5.5 p.a)	278,724	628,724	36 monthly equal instalments of USD 29,167 each	None
Nations trust Bank PLC	3 Month Libor+3.5p.a Floor Rate 5.5 p.a)	426,976	670,962	48 monthly equal instalments of USD 20,332 each	None
Seylan Bank PLC	1 Month AWPLR	200,640	-	60 monthly equal instalments of LKR 1,000,000 each, after a grace period of one and half years, commencing from 1/16/2023	None
Seylan Bank PLC	1 Month AWPLR	133,760	-	60 monthly equal instalments of LKR 666,666.67 each, after a grace period of one and half years, commencing from 2/8/2023	None
Seylan Bank PLC	1 Month AWPLR	189,492	-	60 monthly equal instalments of LKR 944,436.67 each, after a grace period of one and half years, commencing from 2/28/2023	None
Seylan Bank PLC	1 Month AWPLR	86,944	-	60 monthly equal instalments of LKR 433,333.33 each, after a grace period of one and half years, commencing from 3/14/2023	None
Seylan Bank PLC	1 Month AWPLR	133,760	-	60 monthly equal instalments of LKR 666,666.67 each, after a grace period of one and half years, commencing from 3/22/2023	None
Seylan Bank PLC	1 Month AWPLR	88,060	-	60 monthly equal instalments of LKR 438,896.67 each, after a grace period of one and half years, commencing from 6/5/2023	None
Seylan Bank PLC	1 Month AWPLR	174,557	-	60 monthly equal instalments of LKR 870,000 each, after a grace period of one and half years, commencing from 6/30/2023	None
Seylan Bank PLC	1 Month AWPLR	200,640	-	60 monthly equal instalments of LKR 1,000,000 each, after a grace period of one and half years, commencing from 7/24/2023	None
Seylan Bank PLC	1 Month AWPLR	55,510	-	60 monthly equal instalments of LKR 276,666.67 each, after a grace period of one and half years, commencing from 7/24/2023	None
Seylan Bank PLC	1 Month AWPLR	187,264	-	60 monthly equal instalments of LKR 933,333.33 each, after a grace period of one and half years, commencing from 7/27/2023	None
Seylan Bank PLC	1 Month AWPLR	54,842	-	60 monthly equal instalments of LKR 273,333.33 each, after a grace period of one and half years, commencing from 8/18/2023	None
		2,211,169	1,441,686		

# NOTES TO THE FINANCIAL STATEMENTS

## 15.7 Lease obligations

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Balance at the beginning of the year	114,656	114,656	-
Acquisition through business combinations	159,085	-	-
New leases obtained	15,893	15,893	109,326
Interest expense	24,512	7,592	5,330
Repayments	(58,887)	(20,319)	-
Effect of movements in exchange rates	(45,268)	-	-
Balance at the end of the year	209,991	117,822	114,656

Hayleys Fabric PLC- A right to operate lease agreement with BOI is for the period of 30 years commencing from 10th July 2020 for two acre BOI land at the "Wagawatta" Industrial zone.

South Asia Textiles Limited- A right to operate lease agreement with BOI is for the period of 50 years commencing from 02nd March 2004 for fifty five acres 1 rood 27.8 perches BOI land at Pugoda.

### 15.7.1 Currency wise analysis of lease obligations

	Group	Company	
	2022	2022	2021
	USD	USD	USD
United States Dollars	117,821	117,822	114,656
Sri Lankan Rupees	92,170	-	-
	209,991	117,822	114,656

### 15.7.2 Maturity profile for lease obligations

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Within the next 12 months	21,093	4,064	6,782
Between 1 to 5 years	61,942	7,833	6,817
Between 5 to 10 years	23,926	13,019	11,330
More than 10 years	103,030	92,906	89,727
	209,991	117,822	114,656

## 16. RETIREMENT BENEFIT OBLIGATIONS

	Group	Company	
	2022	2022	2021
	USD	USD	USD
<b>Retirement benefit obligation - Gratuity</b>			
At beginning of the year	3,020,473	3,020,473	2,745,877
Acquisition through business combinations	698,723	-	-
Effects of movement in exchange rate	(1,152,184)	(946,512)	(124,044)
Benefits paid by the plan	(179,933)	(110,892)	(108,915)
Past service cost	97,570	104,683	-
Current service cost	190,529	155,041	192,810
Interest cost	190,909	160,118	257,465
Actuarial loss recognized directly in Other Comprehensive Income	75,432	88,939	57,280
At end of the year	2,941,519	2,471,850	3,020,473

## 16.1 Expenses recognised in the Statement of Profit or Loss

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Past service cost	97,570	104,683	-
Current service cost	190,529	155,041	192,810
Interest cost	190,909	160,118	257,465
	479,008	419,842	450,275

## 16.2 Legal liability as at 31st March

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Legal Liability as at 31st March	2,274,525	1,782,835	2,238,804

## 16.3 The Gratuity liability of the Company & the Group as at 31st March 2022 is based on an actuarial valuation carried out by Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries.

The following key assumptions were made in arriving at the above figure.

	Group	Company	
	2022	2022	2021
Rate of discount	15%	15%	8%
Salary increase	13.5%	13.5%	7%
Retirement age	60 Years	60 Years	60 Years
Weighted average remaining working life	8.18- 8.7 Years	8.7 Years	6.89 Years

Assumptions regarding mortality are based on a 1967/70 Mortality Table, issued by The Institute of Actuaries, London.

## 16.4 A quantitative sensitivity analysis for significant assumptions as at 31st March 2022 is as follows:

A one percentage point change in salary escalation rate / discount rate

Group	Salary increment rate		Discount rate	
	1% increase	1% decrease	1% increase	1% decrease
	USD	USD	USD	USD
As at 31st March 2022	266,313	(237,686)	(221,779)	251,937

A one percentage point change in salary escalation rate / discount rate

Company	Salary increment rate		Discount rate	
	1% increase	1% decrease	1% increase	1% decrease
	USD	USD	USD	USD
As at 31st March 2022	226,277	(202,347)	(188,878)	214,102
As at 31st March 2021	255,811	(230,066)	(213,922)	241,501

# NOTES TO THE FINANCIAL STATEMENTS

## 16.5 Maturity profile

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Within the next 12 months	218,632	163,467	247,931
Between 1 to 5 years	895,401	723,728	1,026,006
Between 5 to 10 years	779,225	683,172	835,321
More than 10 years	1,048,261	901,483	911,215
	2,941,519	2,471,850	3,020,473

## 17. TRADE AND OTHER PAYABLES

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Trade Payables			
South Asia Textile Limited.	-	153,214	-
- Other Related Parties (17.3)	435,526	93,627	542,844
- Others	30,127,934	16,485,795	13,074,354
Other Payables	4,887,391	478,976	234,319
	35,450,851	17,211,612	13,851,517

### 17.1 Maturity profile for trade and other payables

Group		On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
		USD	USD	USD	USD	USD	USD
31.03.2022	Related parties	8,761	401,517	25,133	115	-	435,526
	Others	5,566,348	23,773,258	5,435,757	112,067	127,895	35,015,325
	Total	5,575,109	24,174,775	5,460,890	112,182	127,895	35,450,851

Company		On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
		USD	USD	USD	USD	USD	USD
31.03.2022	Related parties	8,761	233,859	4,106	115	-	246,841
	Others	2,819,133	13,051,128	873,775	92,840	127,895	16,964,771
	Total	2,827,894	13,284,987	877,881	92,955	127,895	17,211,612

31.03.2021	Related parties	425,939	111,611	4,672	622	-	542,844
	Others	1,874,946	9,686,413	1,570,603	56,482	120,229	13,308,673
	Total	2,300,885	9,798,024	1,575,275	57,104	120,229	13,851,517

### 17.2 Currency wise analysis of trade & other payables

	Group	Company	
	2022	2022	2021
	USD	USD	USD
United States Dollars	33,414,393	16,095,655	12,951,295
Sri Lankan Rupees	1,483,277	902,830	752,849
Euro	544,580	204,526	147,111
Others	8,603	8,601	262
	35,450,851	17,211,612	13,851,517

### 17.3 Payable to other related parties

Name of the Company	Relationship	Nature of Transaction	Group	Company	
			2022	2022	2021
			USD	USD	USD
Puritas (Pvt) Limited	Fellow Subsidiary	Purchase of oxypura products	-	-	1,411
Hayleys Agriculture Holdings Limited	Fellow Subsidiary	Purchase of sanitizer/dividend payable	6,968	6,968	469
The Kingsbury Hotel PLC	Fellow Subsidiary	Entertainment facility	4,000	2,683	242
Hayleys Travels (Pvt) Limited	Fellow Subsidiary	Reservations, ticketing and other travel related services	11,615	7,548	1,057
Kandyan Resorts Pvt Limited	Fellow Subsidiary	Reservations and travel related services	623	623	-
Culture Club Resorts Pvt Limited	Fellow Subsidiary	Reservations and travel related services	1,744	1,744	-
Hayleys Aventura (Pvt) Limited	Fellow Subsidiary	Purchase spare parts and obtained technical support	3,549	354	10,005
Energynet (Pvt) Limited	Fellow Subsidiary	Service charge of electrical equipments	14,179	-	-
Hayleys Advantis Limited	Fellow Subsidiary	Dividend payable	10,107	10,107	-
Logiwiz Limited	Fellow Subsidiary	Logistic service	27,827	19,683	925
Advantis Projects & Engineering (Pvt) Limited	Fellow Subsidiary	Logistic service	-	-	347
Expelogix (Pvt) Limited	Fellow Subsidiary	Logistic service	2,951	2,951	51,276
Hayleys Business Solutions Int. (Pvt) Limited	Fellow Subsidiary	Payroll charges	4,148	2,523	3,596
Ravi Industries Limited	Fellow Subsidiary	Purchases of coir items	-	-	35
Fentons Limited	Fellow Subsidiary	Purchases of solar energy items and fire extinguishers	300,269	13,309	451,870
Singer Sri Lanka PLC	Fellow Subsidiary	Purchases of electrical items	22,945	586	6,058
Advantis Freight (Pvt) Limited	Fellow Subsidiary	Logistic service	24,548	24,548	15,553
IML Delivery Systems (Pvt) Limited	Fellow Subsidiary	Logistic service	53	-	-
			435,526	93,627	542,844

### 18 OTHER CURRENT NON FINANCIAL LIABILITIES

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Accrued expenditure	2,080,209	1,453,992	738,512
Advances received	3,423,218	2,201,043	689,170
	5,503,427	3,655,035	1,427,682

### 19 REVENUE FROM CONTRACTS WITH CUSTOMERS

#### 19.1 Disaggregated revenue contracts

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Sales of fabric	150,218,687	99,691,650	76,960,835
Sale of raw materials	-	320,162	-
Sundry sales	-	-	319,863
	150,218,687	100,011,812	77,280,698



# NOTES TO THE FINANCIAL STATEMENTS

## 19.2 Geographical Sales

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Direct exports	18,882,060	13,892,447	9,099,163
Indirect exports	128,950,117	79,881,551	67,104,542
Local sales	2,386,510	1,450,219	1,076,993
Intra-group sales	-	4,787,595	-
	150,218,687	100,011,812	77,280,698

**19.3** In relation to indirect exports and sundry sales, the performance obligation is satisfied upon delivery of the goods.

In relation to direct exports, the performance obligation is satisfied upon shipment of the goods considering the terms under which the shipment has been carried out.

**19.4** Payments for all revenue from contracts with customers is generally due within 30 to 45 days from delivery.

**19.5** Contract assets from advances received, which are reflected in Note 18 are as follows:

Group - USD 3,423,218  
Company - USD 2,201,043 ( 2021- USD 689,170)

## 20 OTHER OPERATING INCOME

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Profit on disposal of property, plant and equipment	54,278	9,227	28,874
Income from solar power generation	540,879	540,879	36,430
Creditors write back	12,152	12,152	24
Sundry income	461,360	243,097	-
Dividend income	-	400,000	-
Facilitation fees	807,613	606,012	-
	1,876,282	1,811,367	65,328

## 21 OTHER EXPENSES

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Impairment of idle property, plant and equipment	207,942	207,942	-
	207,942	207,942	-

## 22 NET FINANCING COST

### 22.1 Finance income

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Interest income	(296,654)	(179,836)	(73,093)
Gain on translation of foreign currency	(9,131,152)	(7,464,875)	-
	(9,427,806)	(7,644,711)	(73,093)

## 22.2 Finance cost

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Interest on short term borrowings	1,644,926	1,057,445	699,275
Interest on long term loans	1,114,889	1,004,395	110,278
Finance charges payable under Finance Lease	24,512	7,592	5,330
Loss on translation of foreign currency	-	-	91,883
Finance cost	2,784,327	2,069,432	906,766
Net finance cost	(6,643,479)	(5,575,279)	833,673

## 23 PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following:

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Staff cost (Note 23.1)	15,198,721	9,829,960	7,868,183
Directors' fees	17,260	17,260	17,137
Directors' emoluments	747,413	747,413	472,000
Depreciation of property, plant and equipment	3,420,565	2,493,807	2,171,989
Impairment of idle property, plant and equipment	207,942	207,942	-
Amortization of intangible assets	92,175	40,436	49,515
Legal fees	47,717	33,970	9,138
Audit fees	20,272	12,782	12,811
Non-audit professional services	15,007	11,737	6,149
Donations	9,783	4,153	6,680
Impairment charge/(reversal) for slow moving inventories	(105,381)	705,940	(13,485)
Impairment reversal for receivables	(19,839)	(33,394)	(28,977)
Research & development	18,218	18,218	17,632

### 23.1 Staff cost

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Salaries and other personnel cost	13,684,345	8,728,878	6,741,895
Defined contribution plan cost- EPF and ETF	1,035,368	681,240	676,013
Defined benefit plan cost- Retiring gratuity	479,008	419,842	450,275
	15,198,721	9,829,960	7,868,183

# NOTES TO THE FINANCIAL STATEMENTS

## 24 INCOME TAX

The major components of income tax expense for the years ended 31st March are as follows:

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Income tax on profit for the year (Note 24.1)	937,295	697,220	357,514
(Over)/under provision in respect of previous year	(55,202)	(21,022)	2,964
Reversal of irrecoverable economic service charge (ESC)	-	-	(318,314)
Provision/(reversal) of deferred tax (Note 24.2)	1,316,650	1,154,515	(71,800)
<b>Income tax expense reported in the statement of profit or loss</b>	<b>2,198,743</b>	<b>1,830,713</b>	<b>(29,636)</b>

### 24.1 Reconciliation of current tax expenses and product of accounting profit

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Profit before tax	14,976,240	11,261,101	3,822,803
Adjustment of pre acquisition loss made in April 2021	(1,787,185)	-	-
Intra-group adjustments	400,000	-	-
Disallowable expenses	6,183,952	4,087,328	2,854,958
Disallowable unrealised exchange gain	(8,525,775)	(7,113,026)	-
Exempted Income	(183,489)	(179,836)	(73,093)
Tax deductible expenses	(6,256,144)	(4,692,355)	(2,839,654)
Tax loss set-off	-	-	(1,233,254)
Taxable income	4,807,599	3,363,212	2,531,759
Income tax @ 14%	569,761	420,552	346,639
Income tax @ 18%	-	-	7,528
Income tax @ 24%	367,534	276,668	3,347
Tax expense	937,295	697,220	357,514
<b>Details of tax losses carried forward</b>			
Tax loss brought forward	-	-	1,217,398
Add: incurred during the year	-	-	-
Less: Set off against the current income tax liability			(1,233,254)
Effects of movement in exchange rate			15,856
Tax loss carried forward	-	-	-

In terms of the Inland Revenue ACT No 24 of 2017 The Company and It's subsidiary, South Asia Textiles Limited, profit from exports is taxed at 14%, profit from local sale is taxed at 18% under manufacturing rate and Company's income from solar power generation is liable at the rate of 14% (2020/21-24%)

## 24.2 Deferred tax assets, liabilities and income tax relates to the following

Group	Statement of Financial Position			Statement of Profit or Loss and Other Comprehensive Income	
	2021	Acquisition through business combination	As at 30th April 2021	2022	2022
	USD	USD	USD	USD	USD
<b>Deferred tax liabilities</b>					
Capital allowances for tax purposes	2,455,173	1,365,588	3,820,761	3,884,800	64,039
Tax on re-valuation of land	230,395	78,934	309,329	181,893	(127,436)
Tax on unrealised exchange gain	-	-	-	1,193,610	1,193,610
	2,685,568	1,444,522	4,130,090	5,260,303	1,130,213
<b>Deferred tax assets</b>					
Defined benefit plans	422,866	98,510	521,376	411,813	109,563
Impairment for slow moving inventories	156,354	257,295	413,649	412,730	919
Impairment for doubtful debts	16,484	131,193	147,677	220,680	(73,003)
Right of use assets	10,595	10,630	21,225	10,263	10,962
	606,300	497,628	1,103,927	1,055,486	48,441
Net Deferred Tax Liability	2,079,267	946,894	3,026,163	4,204,816	
Deferred income tax charged to profit or loss					1,316,650
Deferred income tax reversal to other comprehensive income- land re-valuation					(127,436)
Deferred income tax reversal to other comprehensive income- defined benefit plan					(10,560)
Charge to Statement of Profit or Loss and Other Comprehensive Income					1,178,654

Company	Statement of Financial Position		Statement of Profit or Loss and Other Comprehensive Income	
	2022	2021	2022	2021
	USD	USD	USD	USD
<b>Deferred tax liabilities</b>				
Capital allowances for tax purposes	2,610,001	2,455,173	154,828	(207,162)
Tax on re-valuation of land	102,959	230,395	(127,436)	-
Tax on unrealised exchange gain	995,824	-	995,824	-
	3,708,784	2,685,568	1,023,216	(207,162)
<b>Deferred tax assets</b>				
Tax effect of tax loss carried forward	-	-	-	170,436
Defined benefit plans	346,059	422,866	76,807	(38,443)
Impairment for slow moving inventories	255,186	156,354	(98,832)	1,888
Impairment for doubtful debts	9,351	16,484	7,133	4,057
Right of use assets	4,292	10,595	6,303	(10,595)
	614,888	606,299	(8,589)	127,343
Net deferred tax liability	3,093,895	2,079,267		
Deferred income tax charged to profit or loss			1,154,514	(71,800)
Deferred income tax reversal to other comprehensive income- land re-valuation			(127,436)	-
Deferred income tax reversal to other comprehensive income- defined benefit plan			(12,451)	(8,019)
Charge to Statement of Profit or Loss and Other Comprehensive Income			1,014,627	(79,819)

# NOTES TO THE FINANCIAL STATEMENTS

## 25 EARNINGS PER SHARE

### BASIC / DILUTED EARNINGS/(LOSS) PER SHARE

Basic Earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the earnings per share computations.

#### 25.1 Basic/diluted earning per share calculated as follows.

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Profit attributable to equity holders of the Parent	12,777,497	9,430,388	3,852,439
Weighted average number of ordinary shares of the parent	415,481,776	415,481,776	415,481,776
Basic/diluted earnings per share	0.031	0.023	0.009

## 26 DIVIDENDS

	Company	
	2022	2021
	USD	USD
Final Dividend for the year ended 31.03.2021 Rs 0.10 per share	204,772	-
Interim - Rs-1.10 per share 2022 / (Rs 0.60 per share in 2021)	2,054,238	1,283,342
	2,259,010	1,283,342
Dividend per share	0.005	0.003

## 27 RELATED PARTY DISCLOSURES

### 27.1 Transactions with the Parent

Hayleys PLC provides finance, export shipping, secretarial, data processing, personnel and administration functions.

	Group	Company	
	2022	2022	2021
	USD	USD	USD
Name of the Company			
Hayleys PLC	1,495,548	1,362,115	960,493

### 27.2 Transactions with the subsidiary

Sales of raw materials, commission dying and finishing.

	Company	
	2022	
	USD	
Name of the Company	Sale of fabric	Purchase of goods or service
South Asia Textiles Limited	830,672	4,707,427

## 27.3 Transactions with the other related parties (Fellow Subsidiaries)

Group	Group		Company			
	2022		2022		2021	
	Sale of goods or Service USD	Purchase of goods or service USD	Sale of goods or Service USD	Purchase of goods or service USD	Sale of goods or Service USD	Purchase of goods or service USD
Puritas (Pvt) Limited	-	12,792	-	7,445	-	14,299
Hayleys Agriculture Holding Limited	190,429	4,507	190,429	4,507	-	2,282
Hayleys Agro Fertilizer (Pvt) Limited	25,046	-	25,046	-	-	-
Hayleys Consumer Products Limited	-	1,773	-	1,773	-	-
Hayleys Electronics Limited	-	296	-	296	-	905
The Kingsbury Hotel PLC	-	10,517	-	6,739	-	2,105
Hayleys Travels (Pvt) Limited	338	23,463	-	18,445	-	1,926
Hayleys Tours (Pvt) Limited	-	-	-	-	-	259
Hayleys Aventura (Pvt) Limited	-	140,123	-	97,113	-	49,929
Haycolour (Pvt) Limited	-	-	-	-	-	2,628
Agility Logistics (Pvt) Limited	-	6,269	-	6,269	-	13,796
Advantis Freight (Pvt) Limited	-	78,729	-	78,729	-	85,239
Logiwiz Limited	-	236,937	-	165,912	-	1,496
Advantis Projects & Engineering (Pvt) Limited	-	145,733	-	345	-	666
Expelogix (Pvt) Limited	-	512,016	-	512,016	-	232,683
Hayleys Business Solutions Int.(Pvt) Limited	-	65,755	-	43,490	-	41,193
Ravi Industries Limited	-	-	-	-	-	4,691
Fentons Limited.	246,256	1,232,484	131,561	542,862	-	2,345,787
Energynet (Pvt) Limited	-	18,613	-	4,299	-	8,838
Mabroc Teas (Pvt) Limited	-	4,786	-	488	-	93
Talawakelle Tea Estate	-	493	-	493	-	-
Martin Bauer Hayleys Pvt Limited	-	1,428	-	1,428	-	233
Hayleys Lifesciences (Pvt) Limited	-	3,292	-	1,646	-	652
Singer Sri Lanka PLC	252,981	133,487	170,247	23,278	-	18,994
Singer Digital Media (Pvt) Limited	7,393	-	7,393	-	-	-
Kandyan Resorts (Pvt) Limited	-	727	-	727	-	2,002
Mountain Hawk Express Pvt Limited	-	-	-	-	-	403
Hayleys Power Limited	-	-	-	-	-	443,454
Culture Club Resorts (Pvt) Limited	-	3,340	-	3,340	-	-
Langdale Resorts & Spa	-	847	-	847	-	-
D P L Universal Gloves Limited	30,376	-	30,376	-	-	-
Air Globe Limited	60,193	-	60,193	-	-	-
Alumex Limited	72,203	-	72,203	-	-	-
IML Delivery Systems (Pvt) Limited	-	3,107	-	-	-	-
Regnis Lanka PLC	3,788	-	-	-	-	-



# NOTES TO THE FINANCIAL STATEMENTS

## 27.4 Transactions with the related Companies

- a) Mr. K.D.D.Perera who is a Director of the Company has a significant influence on the operation of below entities. The Group and the Company have carried out transactions in the ordinary course of business with these Companies during the year.

Company	Nature of transaction	Group	Company	
		2022 USD	2022 USD	2021 USD
Lanka Tiles PLC	Purchase of tiles	-	-	8
Royal Ceramics Lanka PLC	Purchase of tiles	20,418	504	299
Delmege Forsyth & Co.(Pvt) Limited	Purchase of office furniture	14,471	5,721	2,355
Pan Asia Banking Corporation	Trade facility amount		3,000,000	3,000,000
	Overdraft facility amount		1,000,000	1,000,000
	Interest & charges paid		94,838	87,322
	Outstanding amount		1,843,914	2,643,816

- b) Transactions with all related parties have been carried out under relevant commercial terms and conditions. All transactions are settled in cash in the short term and are non-interest bearing other than transactions made with Pan Asia Banking Corporation.
- c) Amounts due from /to related parties are reflected in these Financial Statements within notes 12 &17 and directly in the Statement of Financial Position.

## 27.5 Transactions with Key Management Personnel

Key management personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors of the Company (including executive and non executive Directors) have been designated as KMP of the entity while their immediate family members have also been identified as related parties.

An immediate family member is defined as spouse or dependent. A dependent is defined as anyone who depends on the respective Director for more than 50% of his/ her financial needs.

### a) Loans to Key Management Personnel

No loans have been provided to the Directors of the Group & the Company.

### b) Compensation of Key Management Personnel

	Group	Company	
	2022 USD	2022 USD	2021 USD
Short term employment benefits	747,413	747,413	472,000

The amounts disclosed above are the amounts recognised as an expense during the reporting period related to key management personnel.

## 28. COMMITMENTS AND CONTINGENCIES

**28.1** The amount of capital expenditure approved by the Directors but not contracted for was USD 387,000. (2021-USD 2,300,000)

**28.2** Contingent liabilities as at 31 March 2022 of the Company and the Group on bills discounting was USD 586,500. (2021 - USD 122,995).

## 29. ASSETS PLEDGED

The following assets have been pledged as security for short term borrowings and liabilities.

Hayleys Fabric PLC		Carrying Amount Pledged		Included under
Nature of Assets	Nature of Liabilities	2022	2021	USD
		USD	USD	
Plant & Machinery, Water Treatment Plant	Primary Mortgage for Loans and Borrowings	15,754,332	15,744,534	Property, Plant & Equipment
Land & Buildings	Primary / Concurrent mortgage for Loans and Borrowings	7,109,779	8,232,925	Property, Plant & Equipment
Inventories	Primary / Concurrent mortgage for Loans and Borrowings	20,813,189	16,569,882	Inventories
Trade Receivables	Primary / Concurrent mortgage for Loans and Borrowings	9,704,541	7,871,611	Trade Receivables

## 30. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the Statement of reporting date, which would require adjustments/discloses to the Financial Statements except for the following:

Pursuant to the Surcharge Tax Act No.14 of 2022 which was passed in Parliament on 7th April 2022, the Company is liable to pay 25% of its taxable income as the Group has exceeded the threshold of Rs.2,000Mn taxable income in the year of assessment 2020/21. Accordingly, the Company will be liable to pay Rs. 121,294,900/- and the 1st instalment was paid on 20th April 2022. the balance being payable on or before 20th July 2022.

At the Board Meeting held on 9th May 2022, the Directors have recommended the final dividend of Rs. 1/- per share for 2021/22 subject to the approval by the Shareholders at the Annual General Meeting to be held on 29th June 2022.

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's financial assets included trade receivables, other receivables and cash and cash equivalent that arrive directly from its operations.

The Company is exposed to Market risk, Interest rate risk, Foreign currency risk and Liquidity risk. The Company continuously evaluates the mentioned risks and appropriate actions are being taken with assistance from Group Treasury Department to minimize the adverse impact arising from such risks.

### 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 risk comprise three types of risk: interest rate risk and foreign currency risk. Financial instruments affected by the said risks in the Group includes loans and borrowings.

The sensitivity analysis in the following sections relate to the position as at 31 March in 2022 and 2021. The following assumptions have been made in calculating the sensitivity analysis:

The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2022 and 2021.

### 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's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

The Group manages its interest rate risk by constantly monitoring the interest rates and negotiating them with the banks through assistance from the Parent Company's Treasury. Group's strategy is to keep the borrowing rates at AWPLR for LKR borrowings and USD borrowings at 3 Months LIBOR +5% or less.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 outstanding as of the reporting date is as follows:

### Hayleys Fabric PLC

2022		2021	
Increase/Decrease in basis points	Effect on profit before tax USD	Increase/Decrease in basis points	Effect on profit before tax USD
0.66	(184,486)	0.40	(62,901)
-0.66	184,486	-0.40	62,901

### South Asia Textiles Limited

2022		2021	
Increase/Decrease in basis points	Effect on profit before tax USD	Increase/Decrease in basis points	Effect on profit before tax USD
0.65	(89,372)	0.41	(21,432)
-0.65	89,372	-0.41	21,432

## 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's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when local expense is denominated in a different currency from the Group's presentation currency).

The Group manages its foreign currency risk by closely monitoring the rates with the assistance of the Parent Company's Treasury. Transactions are entered in to on carefully chosen dates to maximize the positive impact on exchange variance while caution is practiced to negate and minimize any negative effect.

The Group does not hedge its exposure to fluctuations on the translation in to USD of its LKR denominated expenses. However, care is taken to reduce such liability thus nullifying any impact on exchange variance. No currency hedge is applied against other major currencies such as EURO or GBP due to their triviality.

## Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in LKR and EURO exchange rates, with all other variables held constant. The impact on the Company'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.

The movement in the post-tax effect is a result of a change in the monetary assets and liabilities denominated in other currencies such as LKR and Euro, where the functional currency is US dollars.

### Hayleys Fabric PLC

	2022		2021	
	Change in LKR Rate	Effect on profit before tax - USD	Change in LKR Rate	Effect on profit before tax - USD
Change in LKR Exchange Rate	3%	398,336	3%	54,248
	-3%	(422,975)	-3%	(57,603)

	2022		2021	
	Change in EURO Rate	Effect on profit before tax - USD	Change in EURO Rate	Effect on profit before tax - USD
Change in Euro Exchange Rate	3%	5,957	3%	4,285
	-3%	(6,326)	-3%	(4,550)

## South Asia Textiles Limited

	2022		2021	
	Change in LKR Rate	Effect on profit before tax - USD	Change in LKR Rate	Effect on profit before tax - USD
Change in LKR Exchange Rate	3%	168,649	3%	25,113
	-3%	(179,081)	-3%	(26,667)

	2022		2021	
	Change in EURO Rate	Effect on profit before tax - USD	Change in EURO Rate	Effect on profit before tax - USD
Change in Euro Exchange Rate	3%	9,532	3%	-
	-3%	(10,122)	-3%	-

### Credit risk

Credit risk is the risk that 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 trade receivables)

### Trade receivables

Customer credit risk is managed by customer wise and is subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit.

An impairment analysis is performed at each reporting date on an individual basis for all major clients.

The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets reported in these financial statements.

The Company does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are well reputed; cash rich and operate in largely independent markets.

The possible delay in getting past due receivables from the customers and request for extended credit periods as a result of COVID-19 are being managed through negotiations with customers on settlements and invoicing /Letter of Credit discounting arrangements with Banks.

### Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. However, currently the Group does not hold any cash deposits or any other financial instrument other than those disclosed and is not affected by any credit risk emanating from such balances.

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group's policy is that the gearing is managed to a sustainable level. Group forecasts its financial commitments and collections on a weekly basis and any gap is bridged with an alternate fund sourcing in consultation with the Parent Company Treasury and financial institutions.

Approximately 60% of the Group's debt will mature in less than one year at 31 March 2022 (2021: 79%) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

# NOTES TO THE FINANCIAL STATEMENTS

## **Excessive risk concentration**

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The maturity profile of the Group's financial liabilities based on contractual undiscounted payments are provided in Notes 15.2 and 17.1 to the financial statements.

## **Capital management**

The Group's Capital is made up of both equity and debt capital which have been disclosed in Notes 15.4 and 17.1 respectively.

## **Fair value of financial instruments**

Financial assets of the Group include cash and cash equivalents, trade receivables and other receivables, whilst financial liabilities include trade and other payables and interest bearing loans and borrowings.

The management assessed that cash and cash equivalents, trade receivables, other receivables and trade and other payables approximate their carrying amounts largely due to the short term maturities of these instruments. The management also assessed that long term variable rate borrowings approximate their carrying amounts largely due to the market based interest rates charged.

# STATEMENT OF FINANCIAL POSITION

## TRANSLATED INTO LKR

As at 31 March	Group	Company	
	2022	2022	2021
	LKR 000'	LKR 000'	LKR 000'
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	13,132,010	8,393,722	5,798,788
Right of use assets	252,412	59,680	38,435
Intangible assets	108,689	17,184	15,033
Investment in Subsidiary	-	5,466,142	-
Goodwill	3,121,643	-	-
Other non current receivables	97,772	-	-
	16,712,525	13,936,728	5,852,255
<b>Current Assets</b>			
Inventories	11,001,501	6,223,144	3,345,956
Trade receivables	4,831,482	2,901,658	1,589,514
Other receivables	417,921	187,557	113,075
Advances and prepayments	574,505	261,427	154,064
Cash and cash equivalents	2,952,809	1,407,852	646,002
	19,778,218	10,981,638	5,848,611
<b>Total Assets</b>	<b>36,490,744</b>	<b>24,918,365</b>	<b>11,700,867</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Stated capital	1,968,193	1,968,193	1,968,193
Revaluation reserve	189,106	189,106	285,787
Retained earnings	2,835,525	2,127,808	632,844
Exchange fluctuation reserve	4,113,796	3,859,040	1,338,739
<b>Total Equity</b>	<b>9,106,620</b>	<b>8,144,147</b>	<b>4,225,563</b>
<b>Non-Current Liabilities</b>			
Interest bearing loans and borrowings	5,216,232	4,696,237	686,672
Deferred tax liabilities	1,257,240	925,075	419,866
Retirement benefit obligations	879,514	739,083	609,924
	7,352,986	6,360,395	1,716,462
<b>Current Liabilities</b>			
Trade and other payables	10,599,804	5,146,272	2,797,037
Interest bearing loans and borrowings	7,684,322	4,078,242	2,659,000
Amounts due to Hayleys PLC	101,485	96,453	14,513
Other current non financial liabilities	1,645,525	1,092,855	288,292
	20,031,137	10,413,823	5,758,841
<b>Total Equity and Liabilities</b>	<b>36,490,744</b>	<b>24,918,365</b>	<b>11,700,867</b>

The financial statements prepared and presented in US Dollars reflect the economic substance of underlying events and circumstances of the enterprise. The supplementary information in SL Rupees is presented for convenience purposes only. The statements presented in Sri Lankan Rupees (LKR) are not a full set of financial statements and are not purported to comply with Sri Lanka Accounting Standards. They represent selected information taken from the US Dollar financial statements, translated into LKR generally using the principles set out in Sri Lanka Accounting Standard (LKAS) 21 for the translation of financial statements to a presentation currency from a measurement currency. Revenue and costs are converted using the average exchange rate for the period. Assets and liabilities are converted using the exchange rate at the end of the year. The revenue reserves incorporates the profit for the period reflected in the income statements.

In accordance with advice received from the Urgent Issue Task Force of the Institute of Chartered Accountants of Sri Lanka, Stated Capital is represented at it's original LKR value.

Followings exchange rates were used to convert the financials into LKR

	31.03.2022	31.03.2021
Statement of Profit or Loss and Other Comprehensive Income	210.71	191.11
Statement of Financial Position	299.00	201.93



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

TRANSLATED INTO LKR

Year ended 31 March	Group	Company	
	2022	2022	2021
	LKR 000'	LKR 000'	LKR 000'
Revenue from contracts with customers	31,652,580	21,073,489	14,769,114
Cost of sales	(27,531,017)	(18,447,233)	(12,749,656)
<b>Gross Profit</b>	<b>4,121,563</b>	<b>2,626,256</b>	<b>2,019,458</b>
Other operating income	395,351	381,673	12,485
Administrative expenses	(2,315,535)	(1,569,186)	(959,653)
Distribution expenses	(401,768)	(196,868)	(182,391)
Other expenses	(43,815)	(43,815)	-
Net financing income/(expense)	1,399,847	1,174,767	(159,323)
<b>Profit before tax</b>	<b>3,155,644</b>	<b>2,372,827</b>	<b>730,575</b>
Income tax (expense)/reversal	(463,297)	(385,750)	5,664
<b>Profit for the year</b>	<b>2,692,346</b>	<b>1,987,077</b>	<b>736,239</b>
<b>Other Comprehensive Income not to be reclassified to profit or loss</b>			
- Surplus on revaluation of land	(191,800)	(191,800)	-
- Income tax effect on revaluation of land	26,852	26,852	-
- Actuarial loss on defined benefit plans	(15,894)	(18,740)	(10,947)
- Income tax effect on actuarial loss on defined benefit plans	2,225	2,624	1,533
<b>Total Comprehensive Income, Net of Tax</b>	<b>2,513,730</b>	<b>1,806,013</b>	<b>726,824</b>
Basic / Diluted Earnings per Share	6.48	4.78	1.77
Dividend per share - LKR		1.20	0.60

# TEN YEAR SUMMARY

	10-year compound growth %	2022 USD	2021 USD	2020 USD	2019 USD	2018 USD	2017 USD	2016 USD	2015 USD	2014 USD	2013 USD
<b>Results</b>											
Net turnover	15	150,218,687	77,280,698	67,115,723	69,940,639	57,686,803	55,537,401	59,924,103	65,031,509	61,252,088	44,193,490
Profit after tax *	52	12,777,497	3,852,439	1,270,611	1,058,335	(679,516)	490,267	1,845,409	679,920	(1,388,400)	(3,642,771)
<b>Funds Employed</b>											
Stated capital	3	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	17,561,761	13,563,304	13,563,304
Reserves	(227)	12,895,167	3,364,121	844,285	297,464	(524,791)	23,706	(434,262)	(2,052,032)	(2,875,191)	(1,508,395)
Shareholders' fund	11	30,456,928	20,925,882	18,406,046	17,859,225	17,036,970	17,585,467	17,127,499	15,509,729	10,688,113	12,054,909
Borrowings (both short & long term)	15	43,145,665	16,568,472	16,771,624	15,184,841	16,706,671	19,686,731	16,818,660	18,951,491	16,866,448	12,655,851
		73,602,593	37,494,354	35,177,670	33,044,066	33,743,641	37,272,198	33,946,159	34,461,220	27,554,561	24,710,760
<b>Assets Employed</b>											
Non current assets	10	55,894,734	28,981,604	25,527,027	24,883,748	25,167,948	24,833,016	23,096,764	22,610,098	22,622,634	24,304,984
Current assets	21	66,147,887	28,963,558	23,410,426	22,725,793	20,921,177	21,942,322	19,649,659	22,507,145	19,490,701	11,753,515
Current liabilities net of borrowings	19	(41,293,693)	(15,351,068)	(8,854,818)	(10,263,029)	(8,952,285)	(6,112,839)	(5,575,020)	(7,535,519)	(11,615,635)	(8,632,504)
Provisions	11	(7,146,335)	(5,099,740)	(4,904,965)	(4,302,446)	(3,393,199)	(3,390,301)	(3,225,244)	(3,120,504)	(2,943,139)	(2,715,235)
Capital Employed	13	73,602,593	37,494,354	35,177,670	33,044,066	33,743,641	37,272,198	33,946,159	34,461,220	27,554,561	24,710,760
<b>Cash Flow</b>											
Net cash inflow/(outflow) from operating activities		7,197,247	9,166,017	2,205,200	2,927,550	4,235,513	1,916,117	2,606,119	(1,392,458)	(3,763,827)	589,410
Net cash outflow from investing activities		(26,789,816)	(4,907,261)	(2,863,628)	(1,466,816)	(2,375,774)	(4,521,131)	(2,734,731)	(1,712,927)	(401,501)	(507,460)
Net cash inflow/(outflow) from financing activities		24,760,607	(693,664)	847,907	(1,767,129)	(2,572,428)	2,939,367	(2,420,540)	10,185,800	1,291,588	5,654,647
Increase / (decrease) in cash & cash equivalents		5,168,038	3,565,092	189,479	(306,395)	(712,690)	334,353	(2,549,151)	7,080,416	(2,873,740)	5,736,597
<b>Key Indicators</b>											
Earnings/(Loss) per share (basic) USD **		0.031	0.009	0.003	0.005	(0.003)	0.002	0.009	0.004	(0.008)	(0.025)
Net assets per share USD		0.073	0.050	0.089	0.086	0.082	0.085	0.082	0.075	0.07	0.08
Dividend per share Rs.		1.20	0.60	0.30	-	-	-	-	-	-	-
Gearing %		59	44	48	46	50	53	50	55	61	51
Turnover to capital employed (times)		2.04	2.06	1.91	2.12	1.71	1.49	1.77	1.89	2.22	1.79

\* For the calculation of compound growth of profit after tax is considered from year 2015 to year 2022.

\*\*Earnings Per Share (EPS) has been restated based on post sub-division weighted average number of shares of 2 shares for every 1 share.

# GLOSSARY OF FINANCIAL TERMINOLOGY

## Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

## Accrual Basis

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

## Actuarial Gain/Loss on defined benefit plan

Gain or loss arising from the difference between estimates and actual experience in an entity's defined benefit plan.

## Amortized cost

Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayment plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or un-collectability.

## Assets Turnover

Revenue divided by average total assets.

## Borrowings

Bank loans and overdrafts.

## Capital Employed

Shareholders' funds plus debt.

## Cash Equivalents

Liquid investments with original maturities of three months or less.

## Contingent Liabilities

Conditions or situations at the date of Statement of Financial Position, the financial effect of which are to be determined by future events which may or may not occur.

## Current Ratio

Current Assets divided by Current Liabilities.

## Debt/Equity Ratio

Debt as a percentage of Shareholders' funds.

## Deferred Taxation

Sum set aside for income tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

## Direct Employment

The workers employed by the Company.

## Discount Rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

## Diluted Earnings Per share

Profit attributable to equity holders divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised and outstanding unexpired warrants.

## Earnings Per Share (EPS)

Profit attributable to equity holders divided by the weighted average number of ordinary shares in issue during the period.

## EBIT

Earnings before interest and tax (Includes other operating income).

## EBITDA

Earnings before interest, tax, depreciation and amortization.

## Effective Rate of Taxation

Income tax including Deferred tax over Profit before tax.

## Energy Intensity

Total energy consumed by the Company divided by in GJ divided by the Production in MT

## Equity

Shareholders' funds

## 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.

## Financial Instrument

A financial instrument is any contract that gives rise to both a financial assets in one entity and a financial liability or equity instrument in another entity.

## Interest cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

## Market capitalization

Number of Shares in issue at the end of the period multiplied by the share price at the end of the period.

## Market value added

Market capitalization minus shareholders' funds.

## Net Assets

Total assets minus long term and current liabilities.

## Net Assets Per Share

Net assets at the year- end divided by the number of Ordinary shares in issue

## Net Profit Ratio

Profit after tax attributable to equity holders of the Company divided by total revenue.

## Net working capital

Current assets minus current liabilities.

**Organic wastage**

Bio-degradable waste.

**Price Earnings Ratio**

Market price of share as at the year-end divided by Earnings Per Share.

**Public Holding**

Percentage of shares held by the public calculated as per the Colombo Stock Exchange Listing Rules as at the date of the Report.

**Quick Asset Ratio**

Current Assets other than inventory divided by Current liabilities.

**Return on Assets (ROA)**

Profit after tax divided by average total assets.

**Return on Capital Employed (ROCE)**

Earnings before interest and tax as a percentage of average shareholders' funds plus total debt.

**Return on Equity (ROE)**

Profit after tax as a percentage of Average shareholders' funds.

**Recycle**

The process of converting waste into reusable materials.

**Risk Management**

The identification, analysis, assessment, control and avoidance, minimization or elimination of unacceptable risk.

**Shareholders' Funds**

Total of issued and fully paid share capital and both capital and Revenue Reserves.

**Stewardship**

The role of supervising or taking care of the organization.

**Total Assets**

Non- current assets plus current assets.

**Total Debt**

Long term loans plus short term loans and overdrafts.

# QUARTERLY ANALYSIS

	Quarter 1 30-06-2021 USD'000	Quarter 2 30-09-2021 USD'000	Quarter 3 31-12-2021 USD'000	Quarter 4 31-03-2022 USD'000
Revenue	28,797	40,190	41,826	39,406
Profit before tax	1,502	2,197	2,107	9,170
Tax (expense)/reversal	(15)	(257)	(151)	(1,776)
Profit after tax	1,487	1,941	1,956	7,394
Non current assets	55,955	55,602	55,848	55,895
Current assets	56,686	65,028	68,865	66,148
Non current liabilities	19,086	22,751	23,168	24,592
Current liabilities	71,257	74,689	77,217	66,994

	Quarter 1 30-06-2021 Rs.	Quarter 2 30-09-2021 Rs.	Quarter 3 31-12-2021 Rs.	Quarter 4 31-03-2022 Rs.
<b>Market value of shares</b>				
Basic/diluted earnings per share	0.72	0.95	0.96	3.85
Last traded price	18.10	34.70	41.00	29.50
Highest price recorded for the three months ending	19.90	38.50	45.50	44.30
Lowest price recorded for the three months ending	14.10	18.10	31.70	28.00
Market capitalization Rs. Mn	2,766	5,306	6,298	4,447
<b>Share trading information</b>				
Number of transactions	16,618	39,034	31,388	16,348
Number of shares traded	104,746,971	170,237,241	106,893,097	46,127,871
Value of shares traded (Rs.)	1,890,729,106	4,887,468,128	4,017,558,496	1,742,655,560

# INVESTOR INFORMATION

## Distribution of Shareholding as at 31st March 2022

No. of shares held	No. of share-holders	Residents		Non-Residents			No. of share-holders	Total	
		No. of shares	%	No. of share-holders	No. of shares	%		No. of shares	%
1 - 1,000	3,645	1,300,627	0.313	9	3,490	0.001	3,654	1,304,117	0.314
1,001 - 10,000	2,598	10,429,595	2.510	9	29,100	0.007	2,607	10,458,695	2.517
10,001 - 100,000	908	29,845,825	7.183	14	306,898	0.074	922	30,152,723	7.257
100,001 - 1,000,000	165	50,265,662	12.098	6	2,787,349	0.671	171	53,053,011	12.769
Over 1,000,000	22	320,513,230	77.143	-	-	-	22	320,513,230	77.143
	7,338	412,354,939	99.247	38	3,126,837	0.753	7,376	415,481,776	100.000

Categories of shareholders	No. of share-holders	Residents		Non-Residents			No. of share-holders	Total	
		No. of shares	%	No. of share-holders	No. of shares	%		No. of shares	%
Individuals	6,872	82,191,904	19.782	37	2,273,346	0.547	6,909	84,465,250	20.329
Institutions	466	330,163,035	79.465	1	853,491	0.206	467	331,016,526	79.671
	7,338	412,354,939	99.247	38	3,126,837	0.753	7,376	415,481,776	100.000

## Market Value

The market value of an ordinary share of Hayleys Fabric PLC. was :

Year ended 31 March	2022	2021
	Rs.	Rs.
Highest	45.50 (on 15th Dec. 2021)	42.90 (on 22nd Jan. 2021)
Lowest	14.10 (on 01st April 2021)	7.00 (on 12th May 2020)
Closing price	29.10 (on 31st March 2022)	14.10 (on 31st March 2021)

## Share Trading

	2022	2021
No. of transactions	103,265	70,199
No. of shares traded	427,843,221	357,684,477
Value of shares traded (Rs.)	12,533,097,144	8,195,809,943



# INVESTOR INFORMATION

## HAYLEYS FABRIC PLC

First Twenty Shareholders as at 31st March

	No. of Shares		No. of Shares	
	As at 31/03/2022	%	As at 31/03/2021	%
1 Hayleys PLC No 3 Share Investment Account	244,974,046	58.96	244,974,046	58.96
2 Employees Provident Fund	11,081,454	2.67	11,081,454	2.67
3 Hayleys Advantis Limited	10,073,700	2.42	10,073,700	2.42
4 Mr. Shanthikumar Nimal Placidus Palihena & Mrs A.S.Palihena	10,000,000	2.41	4,000,000	0.96
5 Hayleys Agriculture Holdings Limited	6,944,514	1.67	6,944,514	1.67
6 Mr. Kulappuarachchige Don Harindra Perera	4,600,625	1.11	-	-
7 Employees Trust Fund Board	4,034,118	0.97	-	-
8 Amana Bank PLC/ HI- Line Trading Pvt Limited	3,576,776	0.86	-	-
9 Mrs. Swyrie Balendra	3,160,441	0.76	4,000,200	0.96
10 Mr. Kandiah Balendra and Mrs. S Balendra	2,739,839	0.66	3,448,899	0.83
11 Seylan Bank PLC/ Capital Trust Holdings Limited	2,648,434	0.64	-	-
12 Union Assurance PLC- Universal Life Fund	2,430,709	0.59	1,211,188	0.29
13 DFCC Bank PLC A/C 1	2,000,000	0.48	1,823,701	0.44
14 DFCC Bank PLC A/C No. 02	1,842,168	0.44	-	-
15 Hatton National Bank PLC- NDB Wealth Growth and Income Fund	1,500,000	0.36	-	-
16 J.B. Cocoshell (Pvt) Limited	1,407,179	0.34	2,583,762	0.62
17 Sam Innovators (Pvt) Limited.	1,394,628	0.34	1,394,628	0.34
18 Mr. Pasqual Handi Dayananda Waidyatilaka	1,386,745	0.33	23,357	0.01
19 Bank of Ceylon No. 1 Account	1,259,527	0.30	2,000,000	0.48
20 Hatton National Bank PLC/Ravindra Erle Rambukwella	1,224,000	0.29	1,223,000	0.29
<b>Total</b>	<b>318,278,903</b>	<b>76.60</b>	<b>294,782,449</b>	<b>70.94</b>

There were no non-voting shares as at 31st March 2022

## DIRECTORS' SHAREHOLDING

	No. of Shares	No. of Shares
	As at 31/03/2022	As at 01/04/2021
1 Mr. A.M.Pandithage	Nil	Nil
2 Mr. K.D.D. Perera *	8,180	8,180
3 Mr. S.C. Ganegoda	525,000	480,000
4 Mr. H. Somashantha	40,000	40,000
5 Mr. M.W.R.N. Somaratne **	60,000	100,000
6 Mr. E.R.P. Goonetilleke	Nil	Nil
7 Dr. N.S.J. Nawaratne	Nil	Nil
8 Mr. A.S. Jayatilleke	Nil	Nil
9 Mr. I.B.R.R. Bandara	20,000	50,000
10 Mr. M.H. Jayasinghe	Nil	Nil
11 Mr. K.P.C.P.K. Pathirana	2,000	2,000
12 Mrs. Y.Bhaskaran (Alternate Director to Mr. K.D.D. Perera)	Nil	Nil
	<b>655,180</b>	<b>680,180</b>

\* Mr. K.D.D. Perera holds 51.01% directly and indirectly of the total issued shares in Hayleys PLC which holds 244,974,046 shares in Hayleys Fabric PLC.

\*\* Mr. M.W.R.N. Somaratne holding shares through Margin Trading Account, Sampath Bank PLC/Mr. Migel Wasam Rizvi Nandajith Somaratne.

## STATED CAPITAL

Stated Capital USD 17,561,761 (Rs. 1,968,192,915/-) comprising 415,481,776 ordinary shares.

	As at 31.03.2022	As at 31.03.2021
The issued number of shares of the Company	415,481,776	415,481,776
Registered shareholders	7,376	5,570
The percentage of shares held by public	36.78%	36.78%
No. of shareholders representing Public Holding	7,367	5,561
Float adjusted Market Capitalization (Rs)	4,446,893,139	2,154,680,181

As at 31.03.2022, the Company complies with option 4 of the Listing Rules 7.14.1(a) which requires a minimum Public Holding of 10% .

# NOTICE OF ANNUAL GENERAL MEETING

HAYLEYS FABRIC PLC  
Company No. PQ 37

NOTICE IS HEREBY GIVEN THAT THE THIRTIETH ANNUAL GENERAL MEETING OF HAYLEYS FABRIC PLC will be held on Wednesday, 29th June 2022 at 1.00 p.m. via an online meeting platform for the following purposes:

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1. To receive, consider and adopt the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2022 with the Report of the Auditors thereon.
2. To declare the final dividend of Rs. 1/- per share as recommended by the Directors.
3. To re-elect as a Director Mr. M.H. Jayasinghe, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
4. To re-elect as a Director Mr. S.C. Ganegoda, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
5. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A.S. Jayatileka, in terms of Section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of seventy one years.

Ordinary Resolution

'That Mr. Ananda Sunil Jayatileka, who has attained the age of seventy one 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 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 one years.

Ordinary Resolution

'That Mr. Abeyakumar Mohan Pandithage, who has attained the age of seventy one 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'.

7. To authorise the Directors to determine donations and contributions to charities for the ensuing year.
8. To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2022/23 and to authorise the Directors to determine their remuneration.
9. To consider any other business of which due notice has been given.

By Order of the Board,  
**HAYLEYS FABRIC PLC**  
HAYLEYS GROUP SERVICES (PRIVATE) LIMITED  
Secretaries  
Colombo.  
25th May 2022.

NOTES :

1. The Annual Report of the Company for 2021/22 is available on the corporate website [www.hayleysfabric.com](http://www.hayleysfabric.com) and on the Colombo Stock Exchange website - [www.cse.lk](http://www.cse.lk)
2. In the interest of protecting public health the Annual General Meeting of the Company will be held as a virtual meeting via an online meeting platform. Details are given in the circular to shareholders.
3. 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 emailed to [fabricagm@secretarial.hayleys.com](mailto:fabricagm@secretarial.hayleys.com) not less than forty-eight (48) hours before the time fixed for the Meeting.
4. In relation to the final dividend, the X'D date will be 30th June 2022.

## NOTES

[illegible]

# FORM OF PROXY

I/We\* ..... (Full name of shareholder\*\*)

NIC No./Reg. No. of Shareholder(\*\*).....

of .....

being a shareholder/shareholders\* of HAYLEYS FABRIC PLC hereby appoint,

1..... (Full name of Proxyholder\*\*)

NIC No.of proxyholder (\*\*).....

of .....

or failing him/them

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our\* Proxy to attend and vote as indicated hereunder for me/us\* and on my/our\* behalf at the Thirtieth Annual General Meeting of the Company to be held on Wednesday, 29th June 2022 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 Directors and the Statement of Accounts for the year ended 31st March 2022 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2 To declare the final dividend of Rs. 1/- per share as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3 To re-elect as a Director Mr. M.H. Jayasinghe, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4 To re-elect as a Director Mr. S.C. Ganegoda, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.	<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.S. Jayatileka, in terms of Section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of seventy one years.	<input type="checkbox"/>	<input type="checkbox"/>
6 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 one years.	<input type="checkbox"/>	<input type="checkbox"/>
7 To authorise the Directors to determine donations and contributions to charities for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
8 To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2022/23 and to authorise the Directors to determine their remuneration.	<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 .....2022.

Witness: Signature : ..... Signature of Shareholder

Name : .....

Address : .....

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.

(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.

# 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 (Private) Limited, at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to [fabricagm@secretarial.hayleys.com](mailto:fabricagm@secretarial.hayleys.com) not less than forty-eight (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 or by a duly authorised Director. 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 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.

# CORPORATE INFORMATION

## **Name of Company**

Hayleys Fabric PLC

## **Legal Form**

A Quoted Public Company with Limited Liability  
(Incorporated in Sri Lanka in 1993 )

## **Company Registration Number**

PQ 37

## **Stock Exchange Listing**

The ordinary shares of the Company are listed on Main  
Board of Colombo Stock Exchange of Sri Lanka

## **Accounting year end**

31st March

## **Principal Activity**

Manufacturing of knitted fabric

## **Directors**

A.M.Pandithage - Chairman  
E.R.P. Goonetilleke - Managing Director  
K.D.D.Perera  
S.C.Ganegoda  
H.Somashantha  
R.N.Somaratne  
Dr. N.S.J. Nawaratne  
A.S.Jayatilleka  
I.B.R.R. Bandara  
M.H Jayasinghe  
Mr. K.P.C.P.K.Pathirana  
Ms.Yogadinusha Bhaskaran (Alternative Director to  
K.D.D.Perera)

## **Subsidiaries**

South Asia Textiles Limited

## **Secretaries**

Hayleys Group Services (Private) Limited  
400, Deans Road, Colombo 10.  
Telephone: (94-11) 2627650/51/52/53

## **Registered Office**

400, Deans Road,  
Colombo 10.  
Telephone: (94-11) 2627000  
Website: [www.hayleysfabric.com](http://www.hayleysfabric.com)

## **Main Office & Factory**

Narthupana Estate, Neboda.  
Telephone: 94 (34) 2297100, 2242055

## **Bankers**

Standard Chartered Bank plc  
Hongkong and Shanghai Banking Corporation  
Hatton National Bank PLC  
Bank of Ceylon  
National Development Bank PLC  
Sampath Bank PLC  
Deutsche Bank AG  
Citibank, N.A.  
Seylan Bank PLC  
Pan Asia Banking Corporation PLC  
People's Bank  
DFCC Bank  
Union Bank of Colombo PLC  
Nations Trust Bank

## **Auditors**

Ernst & Young  
Chartered Accountants,  
201, De Saram Place,  
Colombo 10.



