



TRANSFORMATION

HAYLEYS FIBRE PLC
ANNUAL REPORT 2021/22



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<https://www.hayleysfibre.com/annual-reports/>

The transformation of our brand, enhancing and streamlining our flow has been an instrumental aspect of this year. Not only did we facilitate the advancement of new ideas in cementing our unique workplace culture, we took measured steps in promoting our reputed brand to more markets, on an international scale. Our investment strategies in technology and infrastructure have helped us analyse and streamline our processes, in defining and fortifying our integrated supply chain that is vested in sustainability. And as always, the teamwork and passion of our team members were vital in ensuring that amidst challenging times, we will continue to look at better ways to streamline our work, with a greater focus on building our technological capacity. As we look forward to strategic years ahead, we will continue to transcend, incorporating the best of men, machines and methods, in all aspects of our business.

Report Profile

Overview

The report reviews the operations of Hayleys Fibre and its respective subsidiaries during the financial year from 1st April 2021 to 31st March 2022, complying with all the due financial and non-financial prerequisites. The report herein presents the Group's strategy, operational performance and stakeholder management processes which contribute significantly to its sustainable growth journey and pave the way for the Group to achieve its strategic objectives within identified boundaries. Hayleys Fibre PLC, publishes its financial performance on quarterly and on annual basis while the non-financial performance is published on an annual basis, the most recent report published was for the financial year 2020/2021.

The Company upholds the core values of Transparency, Accountability, Governance and Sustainability (TAGS) in creating value to all its stakeholders.

Boundaries to reporting

The report covers operations of the Group and its subsidiaries at its head office and factories located within the territory of Sri Lanka.

Reporting Guidelines and Scope

This is the first integrated Annual Report produced by Hayleys Fibre PLC. This report has been prepared in accordance with the Integrated Reporting Framework, as prescribed by the Integrated Reporting Council.

The financial statements appearing in this report have been prepared in accordance with the Sri Lanka Accounting Standards (LKASs/SLFRSs) in conjunction with Annual Financial Statements for the year ended 31st March 2022, issued by the Institute of Chartered Accountants of Sri Lanka. The Group operates in compliance with the requirements of the Companies Act No.07 of 2007 and the listing rules of the Colombo Stock Exchange.

Endorsement or Subscription to externally developed Charters and Principles

In addition to all the relevant legal and regulatory frameworks and charters, Hayleys Fibre also endorses and/or subscribes to the following,

- Code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

Material Aspects

The report content is developed on identified materiality in relation to the business, placing focus on economic, social and environmental impacts of the business on its stakeholders. The business model depicts the mechanism in which the Group generates value while optimising our core capitals to create value in the short, medium and long-term for our stakeholders.

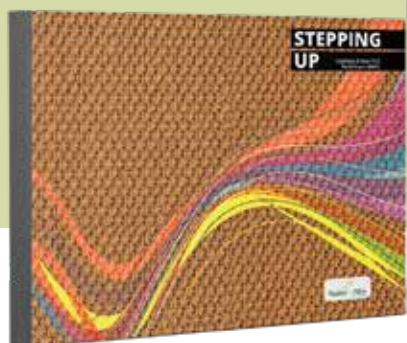
The report covers the Group's capital management strategies and outcomes in relation to the significant impact on the stakeholders through such management, while also presenting comprehensive reports on corporate governance, internal controls and risk management for a comprehensive overview of the Group's performance during the review year.

The information and data for the report are collected and compiled by respective departments including the subsidiary operations. The information may also reflect the essence of the Corporate Plan 2021/2022, management reports and quarterly progress reviews produced to the Board. The financial information is based on the audited financial statements and the related notes. The report content materiality and completeness are validated by the corporate management of the Group.

Combined Assurance

Combined assurance approach has been followed to establish the credibility of this report, ensuring that there are no material misstatements. Accordingly, the overall reporting process and the reliability and quality of the content are assured internally, by the senior management and the Board of Directors. The financial reporting including the financial statements and related notes as well as sustainability reporting have been assured by external and independent auditors, Messrs. Ernst & Young, Chartered Accountants, as set out in pages 101 to 104.

Themes of Previous Annual Reports



FY 2020/21
Stepping Up



FY 2019/20
Integral
Integration



FY 2018/19
Filaments of
Progress

Forward-looking Statements

The report herein entails forward-looking statements and information on the Group's future outlook, plans, forecasts and targets. The Group has made such remarks based on the current assessment of the market conditions and is not liable to publicly update forward-looking statements to reflect the evolving macro-economic conditions that may affect the Group's performance during or after the publication date of this report, unless mandated by relevant statutory and regulatory authorities.

Board responsibility

The Board of Directors takes responsibility and assures the credibility of the inaugural integrated annual report 2021/2022 of Hayleys Fibre PLC. The Board assures that the report gives fair and transparent account of all material issues underlining the sustainability and performance of Hayleys Fibre PLC.

Feedback

With regard to concerns and clarifications on this integrated Annual Report, please contact:

Secretaries

Hayleys Group Services (Pvt) Limited
No. 400, Deans Road, Colombo 10, Sri Lanka.
Telephone : (94-11) 2627650
E-mail : info.sec@hayleys.com

About Us



Hayleys Fibre PLC is one of the largest value-added coconut-based products manufacturer in Sri Lanka. Reputed globally for its innovative and tailor-made solutions, the Company manufactures and distributes a versatile range of products, both locally and internationally, serving the needs of diverse customers, including reputed retailers and do it yourself (DIY) outlets globally. The Company is a major export revenue generating entity which has been powering the national economy through foreign exchange income since its inception.

Hayleys Fibre products are made of biodegradable coir fibre and coir fibre pith, extracted from coconut husks through conventional and modern processes and encompasses a full range of traditional and value-added products for industrial and domestic use. The Company is part of the Eco Solutions Sector of the Hayleys Group. The award winning Hayleys Group, which commenced commercial operations in 1878 as Chas P. Hayley & Company by Charles Pickering Hayley, is today one of the largest conglomerates in Sri Lanka serving diverse sectors while powering the nation through increased job creation, export revenue generation and income tax contribution amongst others. Enriched with a history spanning over 144 years, Hayleys PLC has diversified business operations in twelve verticals namely Eco Solutions, Hand Protection, Purification, Textile Manufacturing, Construction Material, Agriculture, Plantations, Transportation and Logistics, Leisure and Tours, Consumer and Retail, Industrial Inputs, Power & Energy among others.

Strengthened by the sound backing of the Hayleys Group, Hayleys Fibre PLC has further diversified into two subsidiary companies. Bonterra Ltd is a subsidiary of the Company that has become a trusted name throughout the world for quality erosion control products made from straw, coconut fibre and jute fibre. Creative Polymats (Pvt) Ltd is the latest subsidiary to be added under the wing of Hayleys Fibre PLC, which produces PU mattresses and related products for the local consumer market.

Vision

To be the leading provider of innovative, sustainable and environmental friendly products and solutions.

Mission

To be the globally preferred choice by delivering value to all stakeholders through a range of sustainable and environmental friendly products and solutions.

Hayleys Values

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

A - Accountability - holding ourselves responsible to deliver what we promise

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

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

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

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

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

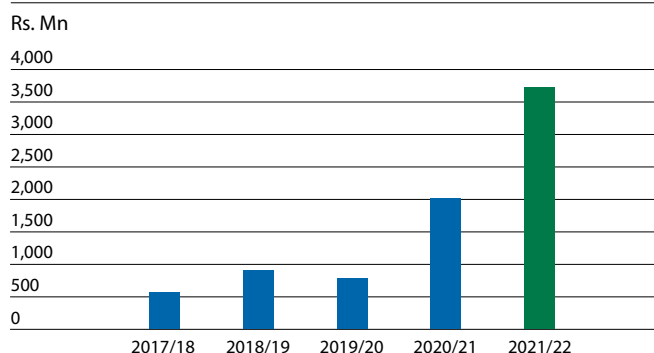
I - Innovation - transforming ideas into products and services to create economic, social and environmental value in the pioneering spirit of Hayleys

Financial Highlights

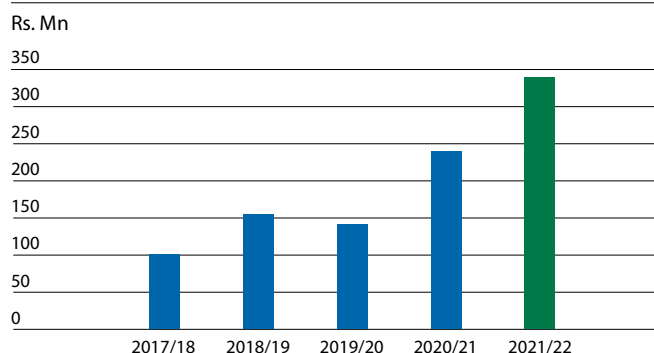
2021/22

	2021/2022 Rs. Mn	2020/2021 Rs. Mn	Change %
FINANCIAL HIGHLIGHTS			
Revenue	3,699	2,001	85%
Profit before tax	439	259	69%
Tax	(99)	(15)	560%
Profit after tax	340	243	40%
Dividends	(96)	(14)	586%
Total assets	3,411	2,338	46%
Total debt	1,149	417	175%
Equity attributable to equity holders of the Group	1,216	1,119	9%
Total equity	1,480	1,348	10%
PROFITABILITY RATIOS			
Gross profit margin	15%	21%	-29%
Net profit margin	9%	12%	-25%
Return on assets	12%	12%	-
Return on equity	23%	18%	28%
LIQUIDITY RATIOS			
Working capital	840	678	24%
Current ratio (times)	1.52	1.82	-16%
Quick assets ratio (times)	0.99	1.25	-20%
EQUITY RATIOS			
Net assets value per share (Rs.)*	50.66	46.64	9%
Earnings per share (Rs.)	8.25	6.16	34%
Dividends per share (Rs.)	4.00	0.58	590%
Highest market price per share (Rs.)	99.90	300.00	-67%
Lowest market price per share (Rs.)	44.50	44.45	0.11%
Market price as at end of the financial year	55.10	47.60	16%
DEBT RATIOS			
Debt to equity	78%	31%	151%
Interest cover (times)	5	13	-61%
Assets to equity ratio	230%	173%	33%
*Net assets attributable to equity holders of the Company			

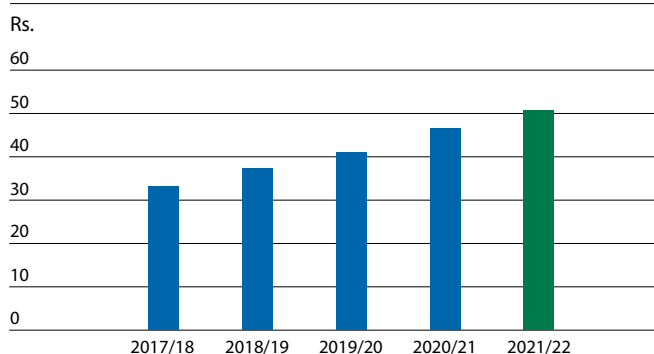
Revenue



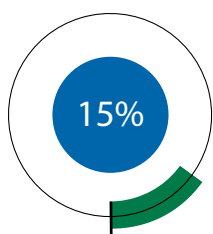
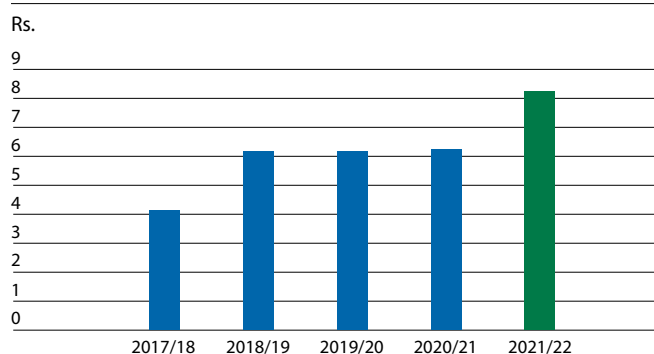
PAT



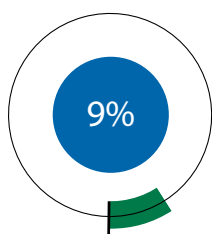
Net Assets per Share



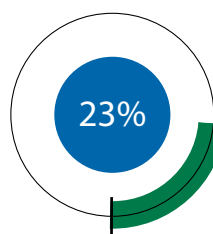
EPS



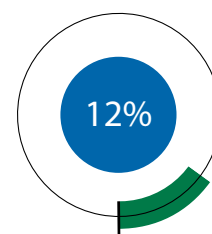
15% GROSS PROFIT MARGIN



9% NET PROFIT MARGIN



23% ROE



12% ROA

REVENUE
(Rs. Mn)

3,699

PROFIT BEFORE TAX
(Rs. Mn)

439

PROFIT AFTER TAX
(Rs. Mn)

340

TOTAL ASSETS
(Rs. Mn)

3,411

Chairman's Message

“Hayleys Fibre withstood the challenges of the review year to record a 85% revenue growth with a consolidated revenue of Rs. 3,699 million during the financial year 2021/22, against Rs. 2,001 million reported in the previous year.”

Dear Stakeholders,

Reflecting on the performance of Hayleys Fibre PLC, I am pleased to present the outstanding results of the Company for the financial year 2021/22. Notwithstanding the challenges of the year under review, the Hayleys Fibre Group too, recorded an impressive revenue which outperformed the topline results of the previous year.

I am happy to note that despite the effects of the COVID-19 pandemic on international trade, logistics and related activities, and the impacts of national economic conditions on domestic trade and the exchange rate, the Company remained resilient throughout. Its strategic investments of previous years bore fruits in the financial year under review and greater opportunities for diversification, expansion and growth were unveiled.

Despite the challenging milieu that prevailed throughout the year in review, the Group prioritised its intent towards staff retention and continued to enhance its staff benefit schemes to consistently empower and support employees during this difficult time.

Operating Amidst Tough Conditions

The post-Pandemic world offers both novel opportunities as well as unfamiliar challenges for businesses and individuals. While the global inoculation programme continues to gain traction, many nations now believe that the worst part of the COVID-19 pandemic is subsiding, and are opening up their borders - thus signaling a promising recovery from pandemic-induced economic woes. While economic momentum remains strong, nations and organisations continue to encounter cross-currents in supply-chains, workforce availability, and inflation.



Chairman's Message

Global growth accelerated to 5.9% in 2021, largely on the thrust of our major economies. Despite the growth momentum of the emerging markets and developing economies this year, aided by an increased external demand and higher commodity prices, the recovery of many countries was constrained by the resurgence of COVID-19, an uneven vaccination, and a partial withdrawal of government economic support measures. Rising geo-political tensions amidst the strongest nations of the world is set to bear implications on global economic recovery, however this impact has not yet been fully gauged. A global economic resurgence is apparent in the coming year, however the normalisation of global supply chains and international value chains are projected to take more time due to the ongoing supply chain issues and logistics related challenges.

In Sri Lanka, the year under review continued to be daunting due to the outbreak of the Delta variant from August onwards, alongside the Balance of Payment challenges faced by the country. The Government's efforts to sustain the economic momentum gained during the early part of the review year were decelerated by the third wave of the Pandemic that forced the country into a lockdown once more, in August 2021.

Financial Performance

Due to the second and third waves of the Pandemic, most established markets were severely affected impacting the demand and overall growth of the business during the first half of the year.

Hayleys Fibre withstood the challenges of the review year to record a 85% revenue growth with a consolidated revenue of Rs. 3,699 million during the financial year 2021/22, against Rs. 2,001 million reported in the previous year.

The Group's Profit Before Tax (PBT) increased to Rs. 439 million in the current financial year in comparison to Rs. 259 million recorded during the previous year. The Company, Hayleys Fibre PLC achieved a profit after tax of Rs. 138 million, compared to Rs. 136 million recorded in the previous year. Due to the strategic realignments and agile actions adopted, the profits of the Group's subsidiary Bonterra Limited grew to Rs. 275 million

against Rs. 199 million in the previous financial year. Amidst challenges, Creative Polymats (Private) Ltd (CPL), a subsidiary company of Hayleys Fibre PLC reported a turnover of Rs. 711 million and recorded a profit of Rs. 15 million during the financial year under review. CPL outperformed its topline targets during the latter part of the financial year, thus contributing to and improving the Group's results.

Outlook for 2022

The global economy is expected to gather greater momentum in the year 2022 and beyond, amidst a bleak outlook presently clouded by various downside risks, including renewed COVID-19 outbreaks with new virus variants, the possibility of de-anchored inflation expectations, financial stress imposed by record-high debt levels, and the rising geo-political tensions between the large economies of the world. The rate of global recovery is set to be markedly impacted by the COVID-19 flare-ups, diminished policy support, lingering supply bottlenecks and the tightening of the US monetary policy. In contrast to advanced economies, the output in emerging markets and developing economies are expected to remain substantially below the pre-pandemic trend over the forecast thresholds.

Climate change may also increase the commodity price volatility, while underscoring the importance of strengthened global cooperation for fast, equitable vaccine distribution, proactive debt sustainability initiatives, and an emphasis on growth-enhancing policy interventions to promote green, resilient, and inclusive development.

At Hayleys Fibre PLC, the future prospects seem promising, due to the strong strategic focus and diversification agenda of the Company. Bonterra and Creative Polymats (CPL) will continue to be strategic drivers in the Group's market and product expansion plans. Currently, in its third year of operation, CPL is set to expand its market across Sri Lanka with improved production capacity planned in the years ahead. Having launched operations amidst the challenging post-COVID era, CPL has gained market share rapidly owing to a strategic operational model and a competitive pricing structure. The Company is now geared to meet the rising demands through capacity expansions.

The Company will also align its focus on the potential of developing PU products for the export market. Equipped with a third machine for increased erosion control products, the annual production capacity of the subsidiary company; Bonterra is set to capture new markets in the Asian region.

At a Hayleys Fibre Group perspective, the business will continue its strategic focus on expanding the Bedding and Cushioning Sector. Whilst exploring product development and enhancing the supply chain and production, the Group will further strategise the realignment of its production chains to support production processes and eliminate the seasonal fluctuations on raw material prices.

Appreciation

The fiscal year 2021/22 put the Company's resilience to the test with rising challenges and deteriorating operating conditions. The business responded to the challenges with grit, displaying the strength of its business model, workforce and agile strategic focus, supported by its robust relationships fostered over the years.

I thank our customers for their continued patronage and trust placed in the Company despite the physical distance and limited opportunities for frequent interaction caused by the pandemic. I am grateful for the support extended by all our stakeholders to navigate through the challenges of the year gone by. A special note of appreciation to our loyal and committed employees, without whose dedication and courage, the Company could not have weathered the storms of the review period to record consistent growth and progress.

Sincerely,



A. M. Pandithage
Chairman

17th May 2022

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MANAGEMENT REPORTS

Message from the Managing Director

“In the year 2022 and beyond, Hayleys Fibre will seek to reap the benefits of the strong customer bonds, strategic investments, efficient supply chain, robust financial standing and a capable workforce, to capitalise on the emerging opportunities within the post-pandemic world.”

Dear Stakeholders,

A Year of Consolidation and Growth

I am pleased to present this report to you, highlighting the performance of the Hayleys Fibre Group in the year 2021/2022. At the outset, I wish to thank our valued customers, suppliers, all Hayleys Fibre team members and other stakeholders for placing their trust in us and supporting our strategic plans during a year of recovery in the aftermath of the COVID-19 pandemic. The overall performance of Hayleys Fibre reached great heights during the year 2021/2022 on the foundation of its well-executed business strategies across its three key business units. I am pleased to state that during the year under review, Hayleys Fibre has almost doubled its revenue thanks to its built-in contingency mechanisms, agile strategic actions and the strong relationships nurtured over the years with all stakeholders.

In 2021, Hayleys Fibre undertook a strategic decision to partner its Indian counterpart Charles Fibre India - a venture owned by the Hayleys Group, with a view of tapping into India's rich potential for raw materials, thereby leveraging on better opportunities for sustainable business growth. This was a game-changer that fostered much-needed confidence within the Company and its customers. The Indian set-up not only strengthened our business operation through widened scope but also created a global supply network for our customers enabling them to gain a foothold in India, which is a preferred market world-over.





Message from the Managing Director

The business forecast for the mattress business unit didn't seem too optimistic at the outset, especially at a time when the Company had ventured into producing PU mattresses as part of its product diversification drive. However, due to the adoption of several timely, strategic measures, the Company was able to optimise the market opportunities that emerged during the latter part of the year, with the gradual easing of the COVID-19 restrictions.

Further, in another significant move to consolidate our business gains, Bonterra, a diversified subsidiary of Hayleys Fibre ventured into new markets in 2021, with stitched blankets exports to overcome the challenges in its traditional markets and grow the business. As Singapore is a key market for Bonterra, the Company felt the effects of business contraction in Singapore due to the pandemic, and the restrictions that prevailed for the most part of the year. However, the timely strategic move to enter two new markets along with the decision to invest in a new machine, supported the Company to overcome the impact of the pandemic, whilst catering to the rising demand in these new markets.

Hayleys Fibre recorded a revenue of Rs. 3,699 million during the year under review while maintaining a well-managed operational cost structure. The profit after tax of the Group for the financial year 2021/2022 was Rs. 340 million. Through watchful consolidation of commercial gains and successful maneuvering of the business ventures, Hayleys Fibre recorded significant returns to its shareholders recording a ROE of 23% while allocating a dividend of Rs. 96 million during the same period.

Playing to Our Strengths

A pioneer and the largest in the coco fibre industry in Sri Lanka, Hayleys Fibre is one of our nation's most prominent success stories. We are a well-established, export income-generating business, anchored to the rich history of our country. A member of the Hayleys Group, Hayleys Fibre has garnered the trust, confidence and reputation of its stakeholders over the years for the reliability of its business operations, the quality of its products, and the value generated throughout the years to its stakeholders.

The strong roots, robust Group synergies and the long-standing expertise in managing the entire coconut industry value chain enabled Hayleys Fibre to withstand the macro-economic challenges of the year under review. As part of the Hayleys Group, the Company stands on a strong financial foundation, which proved to be a vital source of strength against the current backdrop, especially when navigating through extended working capital cycles due to the limitations of freight and logistical challenges.

Backed by a broad product range with a long-standing expertise, and a plethora of innovative solutions, Hayleys Fibre continues to command a strong competitive position in the global coco fibre market, while the Hayleys Group synergies boded a further competitive edge for the Company in effectively managing the logistical and freight-related challenges that prevailed during the year. Our customer bonds nurtured over the years proved to be a key enabler to sustaining business relations within a challenging year. Despite limitations and travel restrictions, our customers continued to place their unwavering trust in our Company, as our strategic growth partners contributed to continuous revenue inflows during the year under review.

Managing the Impacts of COVID-19

COVID-19 disrupted the way we work, live and function, and our Company was no exception to the irreversible impacts of the pandemic. The limitations of freight solutions was a major bottleneck during the period under review, and a global challenge that affected many businesses worldwide. The Company demonstrated its resilience, meeting this challenge with the meticulous planning of delivery schedules, whilst leveraging on the Group's synergies to manage the extended working capital cycles. Hayleys Fibre took on the challenges of the pandemic with agile strategies and swift strategic actions being implemented through a special task force which was dedicated to mitigating the impacts on the business operations.

Ensuring the health and safety of our employees became the foremost priority of the Company in the face of the pandemic, a comprehensive health and safety protocol was rolled out across Hayleys Fibre, especially within our factories which continued operations seamlessly even during the lockdown periods. The Company invested in facilities to ensure the most stringent hygiene practices, whilst adhering to other health and safety measures such as the facilitation of medical care for infected employees, and the funding of PCR tests to ensure a safe and hygienic workplace for our teams. The inoculation awareness drive conducted within the Company was a great success, and Hayleys Fibre now boasts a 100% vaccination of its employees. It is encouraging to note that these efforts were duly recognised for its credibility and success by SGS Lanka with a special certification that affirmed Hayleys Fibre as a safe workplace, despite the perils of the COVID-19 pandemic still lurking within the communities. Although absenteeism rose during the third wave of the pandemic, the workforce requirement was well-managed by increasing the cadre to mitigate the impacts on production rates by increased absenteeism. The Company also facilitated work-from-home options for employees in selected functions, while the factories remained open to ensure business continuity, and optimum Company performance amidst the pandemic.

Giving Back to our Communities

With operations in the Manufacturing Industry, Hayleys Fibre sources its primary raw materials from the Agriculture Industry, which is a key contributor to the local economy and an industry with close ties to many rural communities. Through the deployment of a home-grown supply chain, we have created thousands of direct and indirect job opportunities for communities across the island, thus empowering their livelihoods through commerce and the development of the coconut industry. Hayleys Fibre is a net exporter that contributes to the foreign exchange income of the country and has played a vital role over the years, as a catalyst to drive our Sri Lankan economy with the much-needed foreign currency earnings, rural community development, agriculture expansion and youth empowerment.

As a Group with an elaborate history of 144 years, we take pride in our long-standing employee base that has been a strong enabler of the Group's success over the years. At Hayleys Fibre, we place our Human Capital at the heart of the business strategy, keeping our employee communications aligned to ensure, that all levels of staff are aware of the significance of their contribution to business growth. During the COVID-19 crisis especially, the Company made it a priority to ensure the continued safety and well-being of the staff while safeguarding their livelihoods and ensuring everyone reaped the optimum benefits of the Company's financial performance and sustainability. The Company continues to focus on developing its human resources and will empower them further to take on the future challenges of the digital revolution, whilst equipping them to lead Hayleys Fibre's next phase of growth in the post-pandemic era.

We believe in nurturing the communities we operate in, with the aim to deliver greater value to our stakeholders through our business operations. In this direction, Hayleys Fibre has rolled out several community development focused Corporate

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MANAGEMENT REPORTS

Message from the Managing Director

Social Responsibility projects as part of the Hayleys Group's coordinated efforts to enable the sustainable development for all. The 'Sathdiyawara' project which aims to provide clean drinking water to rural communities is one of the key CSR initiatives of the Hayleys Group. The Company also undertook a project to serve one of the communities in which the Company is present. Nurturing the capabilities of the youth and upskilling them to meet the future workplace expectations is another key CSR initiative which is set to be rolled out during the forthcoming years, with a special focus on the children and youth of our country which represent the future of Sri Lanka.

Outlook for the Future

The COVID-19 pandemic has accelerated the digital revolution across the globe, with businesses inevitably playing a role in the rapid changes ensuing as a result of technological advancement. As a Company that caters to an international client base, we have been a frontrunner in adapting the latest technology to improve our productivity and performance while managing the evolving expectations of our client base on a sustainable basis. During the pandemic, amidst travel restrictions and cross-border travel limitations, Hayleys Fibre made a swift shift of focus to stay connected with its clients via virtual platforms, by optimising the use of latest technologies to enable virtual factory visits and product displays, successfully engaging with new and existing customers from global export markets. Customer intimacy plays a key role in the nature of a B2B business, and Hayleys Fibre was able to maintain and strengthen client relationships by embracing the most effective and efficient technologies despite the limitations of the pandemic. A move which augured well for the Company's performance during the review period.

In the year 2022 and beyond, Hayleys Fibre will seek to reap the benefits of the strong customer bonds, strategic investments, efficient supply chain, robust financial standing and a capable workforce, to capitalise on the emerging opportunities within the post-pandemic world.

The Company will look to double its revenue in the ensuing year while increasing its efforts and investments in product development, innovation and research. Acquisition of new customers will continue to be a key focus, while market development through geographic expansion will be proactively explored with prudence and diligence.

'Backward integration' to capture the benefits of Group synergies will be rolled out within the year, in collaboration with the overall strategic focus of the Hayleys Fibre Group. The growth and penetration in the supplier base in India and an exploration towards the growth of their supplier base in other geographic locations will be pursued to achieve cost-saving efficiencies and supply chain optimisation. The adoption of new technology for the automation and digitisation of operational processes will take precedence in the coming years, in line with the global trends and standards of production. The Company will consolidate its key business focus on coconut-based fibre products while seeking opportunities for further diversification through its strategic business units in the years ahead.

Our diversified business unit Creative Polymats is set to produce improved results in the upcoming years, based on the early investments made by Hayleys Fibre in this business unit. Creative Polymats has been producing PU mattresses since the inception of its operations three years ago. Having overcome the teething issues over the first couple of years, we believe that Creative Polymats is on the right trajectory to progress to the next phase of its growth, while contributing to the revenue of the Company in the year 2022 and beyond.

Appreciation

Our growth and performance during a challenging year would not have been possible without the continued support and patronage of our diverse stakeholders. I extend my gratitude to our valued customers, international agents, distributors, suppliers, and dedicated employees for their continued trust and confidence placed in Hayleys Fibre, especially during these turbulent times.

I'm also thankful for the commitment of our team members across the Group for their continued dedication towards keeping operations alive, whilst battling their own personal challenges caused by the Pandemic.

I wish to take this opportunity to set on record my sincere appreciation of the Export Development Board (EDB) for the unwavering support extended to Sri Lankan exporters during the Pandemic, enabling a smooth run of operations.

I also wish to extend my gratitude to the Board of Directors for their valuable guidance and leadership that helped navigate the Company through a difficult year.

My sincere appreciation to our shareholders, well-wishers, advocates and all other stakeholders that have been a part of our journey, supporting our growth in numerous ways.

Wishing you all the best and prosperity in the oncoming financial year!



M. M. A. R. P. Goonetilleke

Managing Director

17th May 2022

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Board of Directors



1. A. M. Pandithage - Chairman & Chief Executive
2. H. S. R. Kariyawasan - Deputy Chairman
3. M. M. A. R. P. Goonetilleke - Managing Director
4. Dr. S. A. B. Ekanayake - Independent Non-Executive Director
5. S. C. Ganegoda - Non-Executive Director
6. T. G. Thoradeniya - Independent Non-Executive Director



- 7. Dr. T. K. D. A. Prasad Samarasinghe - Independent Non-Executive Director
- 8. L. A. K. I. Kodytuakku - Deputy Managing Director
- 9. D. K. De Silva Wijeyeratne - Independent Non-Executive Director
- 10. M. C. Sampath - Executive Director/Chief Financial Officer
- 11. W. A. K. Kumara - Executive Director
- 12. L. Uralagamage - Executive Director

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HAYLEYS FIBRE PLC
Annual Report 2021/22

Profiles of Directors

01

A. M. Pandithage
Chairman & Chief Executive

Joined the Hayleys Group in 1969. Appointed to the Board of Hayleys PLC in 1998 and as the Chairman and Chief Executive of Hayleys PLC in July 2009. Appointed to the Board of Hayleys Fibre PLC in 2007. Fellow of the Chartered Institute of Logistics and 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.

02

H. S. R. Kariyawasan
Deputy Chairman

Joined the Hayleys Group in January 2010. Has overall responsibility for the Eco Solutions Sector as the Deputy Chairman. Is also the Managing Director of the Purification Products sector, Haycarb PLC, and the Deputy Chairman of Dipped Products PLC. Appointed to the Group Management Committee in February 2010 and to the Board of Hayleys PLC in June 2010. Appointed to the Board of Sri Lanka Institute of Nanotechnology (Private) Ltd., (SLINTEC) as a Nominee Director of Hayleys PLC in March 2019. Holds a B Sc Engineering (Electronics and Telecommunications) from the University of Moratuwa, Sri Lanka. Fellow Member of the Chartered Institute of Management Accountants, UK. Also a Six Sigma (Continuous Improvement Methodology) Black Belt, certified by the Motorola University, Malaysia. Before joining Hayleys, held the position of Director/ General Manager of Ansell Lanka (Pvt) Ltd. Served as the Chairman of the Manufacturing Association of Export Processing Zone, Biyagama.

03

M. M. A. R. P. Goonetilleke
Managing Director

Joined Hayleys Group in September 2021 as a Group Management Committee member and the Managing Director of Eco Solutions Sector. Prior to joining the Group he has served Brandix as the CEO of Brandix Apparel Solutions – Deep Discounter, as the Supply Chain Director of Glaxo Smithkline – Sri Lanka and Country Head/ GM of MAS Fashionline in Vietnam. He holds a B.Sc. Eng (Mechanical) from University of Moratuwa and a M.Eng – Industrial Engineering from Asian Institute of Technology – Thailand.

04

Dr. S. A. B. Ekanayake
Independent Non-Executive Director

Appointed to the Board in March 2007. Past Chairman of the Ceylon Chamber of Commerce and past Chairman of the Industrial Association of Sri Lanka. Served as Director Human Resources and Corporate Relations at Unilever Sri Lanka Limited and as a member of that Company's Board. Also served as Director General Public Administration and Chairman, International Natural Rubber Organisation, Kuala Lumpur, Malaysia. Holds a B.A. in Economics and a M.Sc. in Agriculture from the University of Peradeniya and a PhD in Economics from the Australian National University.

05

S. C. Ganegoda
Non-Executive Director

Appointed to the Board of Hayleys Fibre PLC in September 2009. Fellow Member of CA Sri Lanka and Member of institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri 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 of Hayleys PLC. He serves on the Boards of Unisyst Engineering PLC, Alumex PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC and Horana Plantations PLC.

06

T. G. Thoradeniya
Independent Non-Executive Director

Mr. Tharana Thoradeniya has over two decades of senior management experience in multi- industry scenarios. He is a Group Director of Royal Ceramics Lanka PLC and CEO/Director of Rocell Bathware Ltd. He also sits on the Boards of several other public quoted and privately held companies in Sri Lanka, including Pan Asia Banking Corporation PLC, Lanka Ceramics PLC, Lanka Walltiles PLC, Lanka Floortiles PLC, Delmege Ltd, Vallibel Plantation Management Ltd, Dipped Products (Thailand) Ltd, Unidil Packaging (Pvt) Ltd, and Fentons Ltd amongst others. Mr. Thoradeniya has been credited as a proven business innovator across industries. A marketer by profession, Mr. Thoradeniya was in the pioneering batch of Chartered Marketers of the Chartered Institute of Marketing (UK).

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Profiles of Directors

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Dr. T. K. D. A. Prasad Samarasinghe
Independent Non-Executive Director

Appointed to the Board in September 2017, Dr. Prasad Samarasinghe is the Managing Director of Lanka Bell Ltd. In addition, he holds the position of Managing Director of Bell Solutions (Pvt) Ltd & Bell Vantage (Pvt) Ltd., Alternative Director positions at HNB PLC, HNB Assurance PLC, and HNB General Insurance Limited, and the directorships of three non-profit organisations, FITIS, TRACE and Information and Communication Technology Industry Skills Council (ICTISC).

He obtained his Doctorate in Telecommunications from the world-ranked research university, the Australian National University, Canberra, Australia. Dr. Samarasinghe holds a B.Sc. (Eng) Degree in Electronics and Telecommunications with First Class Honors and an M.Sc. in Engineering, both from the University of Moratuwa, Sri Lanka. A member of the IEEE (Institute of Electrical and Electronics Engineers) and the IET (Institute of Engineering and Technology), he also has a Licentiate (Part I and II) from the Institute of Chartered Accountants of Sri Lanka with the island's best results in Financial Accounting, Business Mathematics, Statistics, and Data Processing. In the past, Dr. Samarasinghe held the posts of Chief Operating Officer at Sri Lanka Insurance, Head of Information Technology at Commercial Bank PLC, and Director of e-Channeling PLC.

08

L. A. K. I. Kodytuakku
Deputy Managing Director

Joined Hayleys Group in May 2017 as the Chief Executive Officer (CEO) of Ravi Industries. Appointed to the Boards of Hayleys Fibre PLC, Ravi Industries Ltd and Ravi Marketing Services (Pvt) Ltd as an Executive Director in November 2017. Appointed as the Chief Operations Officer (COO) of Eco Solutions Sector of Hayleys PLC in April 2019. Appointed as the Deputy Managing Director in 2021. Holds a Masters in Business Administration from Anglia Ruskin University, UK and Diploma in Manufacturing Management from University of Colombo. He counts over two decades of management experience in multinational organisations, Glaxo Smithkline Bechem, Ansell Lanka (Pvt) Ltd and Unilever Ceylon Ltd. Before joining Hayleys Group, held the position of Supply Chain Director of Glaxo Smithkline Bechem.

09

D. K. De Silva Wijeyeratne
Independent Non-Executive Director

Appointed to the Board in April 2018. Mr. Wijeyeratne is an Associate member of The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), Fellow member of the Chartered Institute of Management Accountants, UK (FCMA) and a Graduate member of the Australian Institute of Company Directors (GAICD). He moved as a finance professional to Price Waterhouse, Bahrain, and has extensive experience in audit and advisory services. Commenced a banking career at HSBC Bank Middle East, as Head of Finance and Operations and latterly, was Head of Global Markets and Treasury for the group offices of HSBC Group in the Kingdom of Bahrain. A member of the Senior Management team. Responsible for Corporate Treasury Sales and management of Asset and Liability Management (ALCO) for three legal entities of HSBC Group operating in Bahrain. In 2010, joined Third Wave International WLL (TWI) as an equity partner and CEO and embraced entrepreneurship. Leads a team of consultants and facilitates consultancy offerings in Financial Advisory, Human Resources, Marketing, Project and Quality Management, Research and Learning and Development to the private and public sector entities in Bahrain and Oman. Mr. Wijeyeratne serves as a Non-Executive Director of Regnis (Lanka) PLC, Singer Industries (Ceylon) PLC, Singer (Sri Lanka) PLC and Sampath Bank PLC.

10

M. C. Sampath
Executive Director/Chief Financial Officer

Joined Hayleys Group in June 2015 as the Chief Financial Officer of the Eco Solutions Sector. Appointed to the Board in May 2018. Fellow member of the Institute of Chartered Accountants of Sri Lanka. Holds a special degree in B.Sc. Accountancy and Financial Management from the University of Sri Jayawardenapura. Has more than twenty years of experience in the field of accountancy and financial management at senior positions in local and overseas companies.

11

W. A. K. Kumara
Executive Director

Appointed to the Board in August 2018. Joined Bonterra Ltd in May 2016 as Chief Marketing Officer and was promoted to CEO of Bonterra Ltd in April 2017. He worked at Volanka Exports Ltd as Senior Manager Marketing from 2007-2015 and Ceylon Leather Products PLC as Chief Marketing Officer from 2015-2016 prior to joining Bonterra Ltd. Holds a B.Sc. (General) Degree from University of Kelaniya, MBA (Marketing) from University of Colombo and Postgraduate Diploma in Commerce from University of Kelaniya. Fellow member of the Chartered Institute of Marketing-UK.

12

L. Uralagamage
Executive Director

Lasantha Uralagamage is currently the Director/ General Manager (Head of Manufacturing) at Chas P. Hayley & Company (Pvt) Ltd in the Eco Solutions Sector, with over 36 years of experience in Fibre and brush ware related products. He received the Chairman's award in 2017 at Hayleys for introducing a new type of fibre to the industry. He invented several machineries that contributed towards the betterment of the Hayleys Fibre industry. He also received a scholarship from HIDA – Japan (The Overseas Human Resources and Industry Development Association) for Quality Management.

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Management Committee



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- 2. M. M. A. R. P. Goonetilleke - Managing Director
- 3. L. A. K. I. Kodytuakku - Deputy Managing Director
- 4. M. C. Sampath - Executive Director/Chief Financial Officer
- 5. W. A. K. Kumara - Executive Director
- 6. L. Uralagamage - Executive Director
- 7. G. S. De Silva - Head of HR

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Operational Review and Management Discussion

Sri Lanka's Economic summary and outlook

Amidst the challenges and economic woes caused by the COVID-19 pandemic, Sri Lanka's economic growth remained sluggish through most part of the year.

At the beginning of 2021, the Sri Lankan economy indicated a gradual rebound from the COVID-19 pandemic induced contraction in 2020. The real economy grew by 8.0%, y-o-y, in the first half of 2021, registering a broad-based recovery of the major sectors of the economy. This recovery was supported by the extraordinary stimuli packages introduced by the Central Bank across a wide spectrum of businesses and individuals, the phasing out of the movement restrictions in tandem with the nationwide vaccination programme, and normalising of global economic activity. The Government continued the fiscal stimulus measures announced in late 2019 in terms of the low tax regime, among other direct financial support. The large-scale debt moratoria provided to businesses and individuals were further extended during 2021, thereby smoothing the effects of cashflow disruptions amidst multiple waves of the pandemic. Due to the unprecedented monetary policy support provided by the Central Bank during 2020 and the maintenance of the same through January to mid-August 2021, market interest rates declined to historically low levels, thereby facilitating credit to businesses and individuals, and supplementing investment needed to revive the economy.

Merchandise exports almost reached pre-pandemic levels, while import expenditure continued to rise, reflecting a normalisation of domestic activity and the global escalation of key commodity prices. Amidst limited foreign exchange inflows due to the pandemic, notional activity exerted further pressure on the domestic foreign exchange market, warranting intervention by the Central Bank to impose a mandatory conversion requirement on export proceeds, provide exchange rate guidance, and ultimately provide liquidity support for essential imports. Meanwhile, the performance of trade in services remained slow due to the prolonged setback in the tourism industry, which

is expected to rebound in the year 2022 and beyond with the resumption of global travel activities and acceleration of inoculation against COVID-19.

Workers' remittances, which remained resilient during the early periods of the pandemic, moderated in 2021, mainly reflecting the resumption of cross border travel, reduced departures for foreign employment, and a tendency to seek exchange gains outside the banking system. Concerted measures were undertaken by the CBSL and Government throughout the year under review to promote foreign exchange earnings of the country, in terms of merchandise and services exports and workers' remittances.

Gross official reserves plummeted with the foreign exchange debt service falling due in early 2022, and amidst continued volatilities in the local and global markets. The exchange rate continued to deteriorate as reflected by the real effective exchange rate indices.

The resurgence of COVID-19 in multiple waves throughout 2021, led to partial lockdowns and mobility restrictions in the country, thus affecting the lives and livelihoods of many. Restrictions on mobility, the closure of factories, and the halting of domestic production amplified economic challenges and triggered a massive shock on domestic demand.

The Central Bank of Sri Lanka adopted a series of policy easing measures at the onset of the pandemic in 2020. With a view to reducing the cost of borrowing, the Central Bank reduced its key policy interest rates, while reducing specific lending rates through the imposition of caps as well as the introduction of special low interest rate loan schemes. Further, the reduction of the SRR, provision of required financing to the Government through the purchase of Treasury bills, and the implementation of concessional credit schemes such as the Saubagya COVID-19 Renaissance Facility infused liquidity to the domestic financial market, thereby easing strains, while also encouraging lending to the needy sectors of the economy. The Central Bank provided

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Operational Review and Management Discussion

further relief to businesses and individuals affected by the pandemic by implementing several debt moratoria schemes, while also supporting financial institutions through regulatory forbearance. In addition, the Central Bank continued to fulfill the currency requirements to facilitate transactions in the domestic economy and the increased precautionary demand for currency amidst pandemic-related uncertainties.

However, having observed the gradual normalisation of domestic economic activities towards the latter part of 2021, and the resultant buildup of demand driven inflationary pressures in the future, CBSL allowed monetary conditions to tighten since mid-2021 signaling a gradual end to its eased monetary policy stance in mid-August 2021 by raising key policy rates and raising the SRR with effect from 01st September 2021. Furthermore, the maximum yield rates for acceptance at primary auctions of government securities were also removed by mid-September 2021, allowing yields on government securities to adjust and be market-determined.

Headline inflation, exceeded the upper bound of the target range of 4-6%, mainly due to continued high food prices, upward revisions to several administratively determined prices, and relaxation of price controls on selected imported commodities in tandem with the rising global commodity prices. Core inflation also recorded a continuous uptick, indicating the greater demand created within the economy. Amidst measures to stabilise the economy, from the effects of the pandemic, efforts of the Government towards creating an export-oriented production economy and diversifying economic activities with the support of domestic and foreign investors would have to be geared towards supporting the growth momentum of the Sri Lankan economy over the medium term and enhance its resilience during the period under review in the midst of a balance of payments crisis having the potential to give rise to a major economic meltdown in the year 2022 and beyond.

Global Economic Outlook

The Global economy expanded by 5.9% in 2021, and however, the economic growth is expected to slow down to 2.9% in 2022. Downgrades expected in the US and European economies largely reflect weaker than expected GDP figures for the first quarter of 2022. Overall the mature economies aggregate is expected to slow down due to the intensifying tension between Russia and Ukraine. Emerging economies aggregate growth has been predicted at 3.2% for 2022, reflecting downwardly adjusted forecasts for China and many other emerging economies including Russia, Turkey and economies in Africa.

The potential negative impacts of the war are expected to weigh on the global economic growth, causing recessions in Ukraine, Russia, and potentially other regions. Supply chain shocks and shortages associated with the war and the lingering pandemic is also expected to result in higher inflation for businesses and consumers around the world, prompting continued tightening of monetary and fiscal policies by the Central Banks and the Governments.

The adverse effects of the war are expected to result in not only higher gasoline prices, but higher prices for food, metals, and intermediate inputs for manufacturing, and weaker GDP growth as consumers are likely to pull back spending. A broader conflict may mean worse outcomes for business investments and consumer spending, but potentially scope for additional rounds of government spending to fund military activities and an acceleration of investment in renewables.

If the conflict is not prolonged for several years, the downside to global economic growth is likely to wane gradually throughout 2023. Over the next decade, global growth is projected to gradually moderate to an average annual rate of around 2.5% from the high growth rates seen in the immediate aftermath of the pandemic recession. While the severe contraction induced by the global pandemic may leave a permanent scar on global growth in the long run, global growth is expected to return close to its pre-pandemic projections in 2023 and beyond.

Factors that have for a large part driven global growth in the last two decades, including greater supply of labor and fast growth in capital stock to worker ratios, especially in emerging markets, are expected to weaken substantially over the next decade. These slowing factors will only be partially offset by a shift towards greater contributions from qualitative growth sources, driven by accelerating digital transformation and productivity improvements, as well as additional long-term investments in physical and social infrastructure in large economies including the United States.

Coir Industry Performance and Outlook

Despite the impacts of the global pandemic, the coir industry continued to show a pertinent growth. Latest export data from the main coir producing countries (Sri Lanka and India) affirmed the impressive performance of the industry and the continued demand for sustainably sourced, environmentally friendly range of products. The two countries experienced an increase in both export volume and revenue during the year in review. This was in continuation of the positive market development from the last decade. Similar to the positive growth trend in India, it is noteworthy that Sri Lanka's exports of coir products has been showing an increasing trend where during the period from 2010-2020, export volume of coir products from Sri Lanka was 360,000 tons with a CAGR of 4%.

Amongst all coir products, global demand for coir pith was still recorded as the highest. Sri Lanka accounts for over 14 coir-based product varieties exported to the global market generating more than US\$200 million of export revenue with an average annual growth rate of 8%. Moulded coir products used mainly for horticulture purpose were the country's highest contributor to the export revenue from coir-based products accounting for more than 60% of the total export value of coir-based products. Mexico remained the major importer of Sri Lanka's moulded coir products followed by USA, South Korea, and the UK. Other products that significantly contributed to the export earnings were mattress fibre and coir pith.

With the normalisation of economic activity and rising consumer demand, the Coir industry in Sri Lanka is set for continuous growth, despite the macro economic challenges and rising prices. The industry is set to grow within the year 2022 and beyond whereas supply chain management, product diversification, operational excellence and market development are seen as key strategic approaches that will drive the sustainable growth of the industry amidst challenges.

Hayleys Fibre – Navigating business operations through tough market conditions

Being the largest exporter for Coconut fibre based products in Sri Lanka, Hayleys Fibre remained resilient and performed exceptionally well during the year in review, despite the economic headwinds and the challenges of the pandemic. The Company's focus strategy on product innovation, supply chain and operations optimisation and market diversification paved the way for continued growth and revenue generation during a tough year. The Company prioritised its labour management strategies while seeking alternate, more cost effective sources for meeting raw material requirements amidst rising costs to meet strategic objectives for achieving greater operational efficiency and profitability despite the challenging operating environment that prevailed through the review period.

The role of Hayleys Fibre in the Coco fibre industry in Sri Lanka

As the undisputed market leader, Hayleys Fibre has continued to lead the industry by setting the standards for product innovation and manufacturing quality for over 100 years. As a testament to its superior range of high-quality products, the Company has been accredited with ISO certifications. The Company offers a wide range of coconut fibre based products to the global market to meet residential, agricultural and industrial requirements. In order to maintain its market leadership, the Company implements continuous improvements to its top-of-the-line manufacturing facilities, while adhering to international standards in production, labour management and waste management processes and satisfying its discerning

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Operational Review and Management Discussion

international customer needs. The Company is one of the key foreign exchange earners for the country and makes a significant contribution to the national economic performance through the foreign exchange income, expansion of job opportunities in rural Sri Lanka - thereby developing communities and also creating a significant brand identity for Sri Lankan branded coconut fibre products within the international markets that include USA, Europe, Australia, Asia, and Africa.

Navigating the new normal – Strategy, Resource allocation and trade-offs

While operating within a highly complex and volatile business backdrop, Hayleys Fibre follows a well-deliberated strategy to create value over time. Guided by sound corporate governance and strengthened by Hayleys Group, Hayleys Fibre seeks to continuously optimise its capitals to reach sustainable top-line growth and retain market leadership; whilst ensuring that the Company remains focused in managing costs to secure bottom-line, profitability and returns.

The top-line growth strategy of the Company is focused on market development and product innovation and therefore the corporate strategy hinges on research and development, market penetration and continuous business development. In order to achieve market development and growth the Company is focused its market share. Our growth strategy also looks into market development-exploring opportunities in new potential market segments, especially targeting markets with little competition and faster growth potential. With regard to product, the Company invests in adding value to the existing range while making focused investments on developing new products that meet the emerging needs of the market. The Company's product mainly targets the international market while a limited range of products are targeted for the local market. The export income accounts for around 79% of the top line income while

the local market income accounts for 21% of the earnings. Both export and local markets are highly competitive, while the local market is more price sensitive, the international market success is defined by product innovation and diversification amongst other generic competitive factors such as pricing and quality of produce.

As a responsible corporate citizen, Hayleys Fibre takes a practical approach towards managing resources and follows a structured process to allocate resources effectively and efficiently, to optimise the value created for shareholders and to all other stakeholders. The Company's aim is to find the right balance between resource allocation and trade-offs, in terms of short and medium to long term impacts. This is carried out during annual corporate planning sessions when formulating action plans, with necessary budgets allocations, deliverables setting based on our strategic priorities. All strategic decisions on action plans and budgets are deliberated, guided and monitored by the Board of Directors of the Company.

Further details on the strategic and operational maneuvering of the capital of the Group are discussed in detail in the Capital Management Reports from pages 39 to 75.

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Awards and Recognition

Quality Systems, Certifications and Awards

The Group maintains stringent quality standards and best practices to ensure the international quality of all our products. The recent investments made on with global quality parameters have contributed towards consistency in the high standard of our products that are internationally competitive.



The Sector Companies were recognised at the National Chamber of Exporters Awards, in Coconut and Coconut Products (Large Category), winning Gold, Silver and Bronze awards in 2021.



Hayleys Fibre PLC won the "Bronze award" at the 56th Annual Report Awards Ceremony conducted by CA Sri Lanka, in the category of manufacturing companies with turnover up to Rs. 5 Bn in 2021.



Hayleys Fibre Group of Companies were awarded COVID-19 Certifications by SGS Lanka Limited.

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Our Product Portfolio

Growing Media



Use of coir pith and coconut husk chips as soil substrate for cultivation; Coir Fibre Pith, Husk Chips, Chopped Fibre, Grow Blocks, Grow Bales and Grow Bags.



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Our Product Portfolio

Industrial Fibre



Coir Twine, Coir Twisted Fibre and Fibre in raw form



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Our Product Portfolio

Erosion Control



Erosion control solutions; Stitched Blankets, Geo Textiles, Geo Logs & Pillows.



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Our Product Portfolio

Polyurethane Mattresses, Pillows and Cushions



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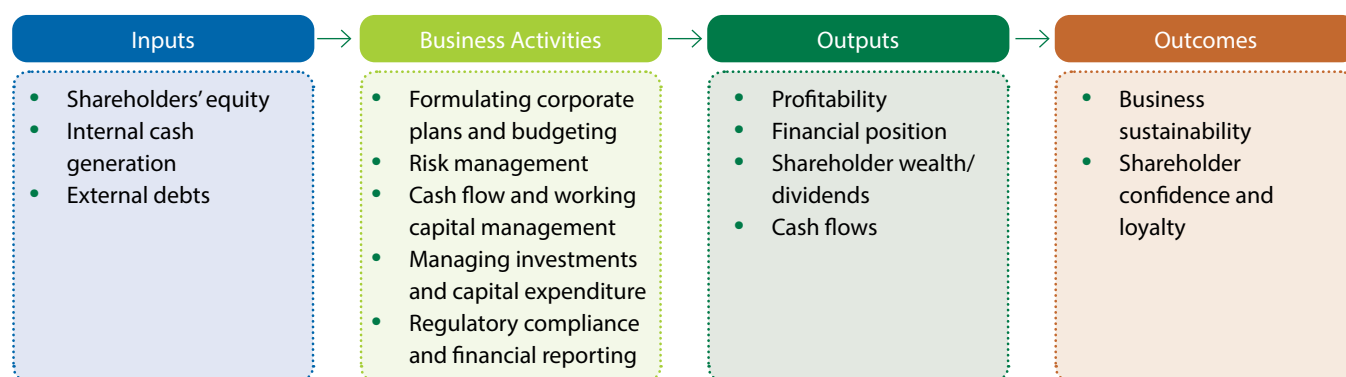
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Financial Capital

Amidst many challenges in the macro environment, Hayleys Fibre upheld its financial performance through sound business practices and financial capital management that led to the achievement of strategic business goals and sustainable growth for the Group through out the review year. The Group optimised value through innovation and prudent investment in key strategic measures that ensured long term sustainability and profitability for the Group. The section herein highlights the efforts to grow and fortify the Group's financial capital.

The Value Creation Process



Key Performance Indicators / Highlights

5 times	85%	Rs. 1,480 Mn	44%
Interest cover	Revenue growth	Total equity	Gearing

Financial Analysis

The financial performance of Hayleys Fibre PLC was managed across the three main strategic imperatives of prudent growth, careful cash flow management and regulatory compliance. The top line growth of the Group was managed by allocating resources and investments towards increased capacity, process improvement, product enhancement and market development while disciplined and well-planned cost management initiatives drove bottom line profitability and margins by minimising wastage.

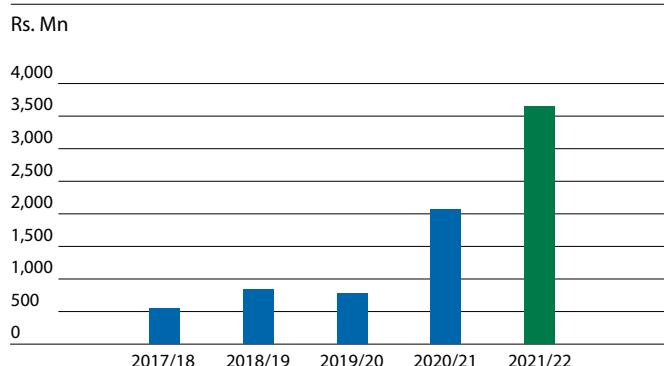
Prudently managed cash flows supported in meeting payment obligations on time within a challenging year while the steady backing of the strong principal shareholder supported to sustain operations and maintain business stability. The Group followed best practices and standards in accounting, auditing and management to comply with relevant laws, rules and regulations within the year under review.

Revenue

Despite of the impact of the challenging internal and external environments, the annual turnover of the Group remained at Rs. 3,699 million compared to Rs. 2,001 million in the previous year, recording a 85% growth year on year. A substantial demand was recorded for the value-added products range, while unprecedented growth in local turnover resulted in a total revenue of Rs. 787 million in the year under review, in comparison to the previous year's revenue of Rs. 424 million, recording an increase of 86% year on year. Forecasted strategies are expected to capture the overseas market growth in line with expanded capacity in the ensuing financial year and beyond.

Financial Capital

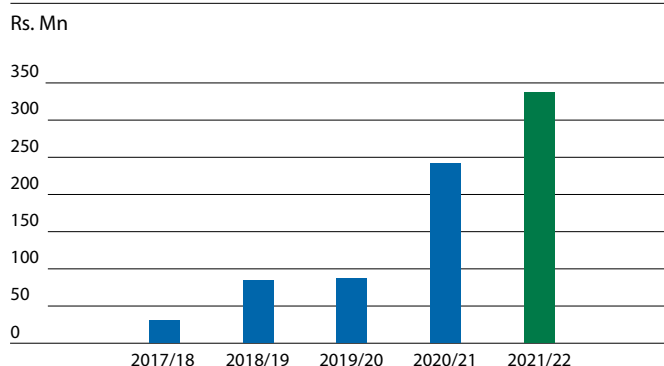
Revenue



Earnings Before Interest and Tax (EBIT)

The gross profit margin of the Group moved downwards to 15% from 21% in the financial year 2021/22 while the gross profit saw an increase of 35% to Rs. 555 million from Rs. 411 million in the preceding year. The offshore sales leveraged through our Indian counterpart generated a lower margin to the business. The upward movement of raw material prices within the local and global markets and the sales derived from Trading Business in Bonterra Limited contributed to the lower gross profit of the Group. Despite the above, results of cost reduction initiatives together with operational efficiency, mitigated the impact of a decline in gross profit specially in Hayleys Fibre PLC to a certain extent. The Group's EBIT is an indicator of operating level profitability. In line with dropped gross profit and other income, EBIT increased by 38% to Rs. 339 million while an EBIT margin of 9.2% was maintained during the year under review.

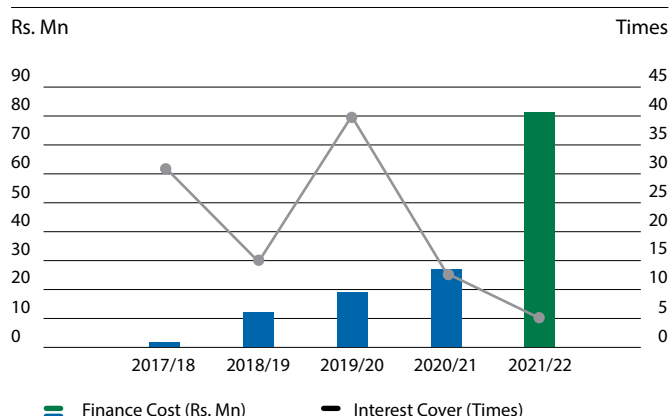
EBIT



Finance Cost and Interest Cover

Group finance cost of Rs. 81 million significantly increased in comparison to Rs. 27 million recorded in the previous year, owing to infusion of debt capital for the expansion of the business and increasing borrowing rates. The higher rate of depreciation of the Rupee resulted in a net exchange gain of Rs. 148 million in the reporting period in comparison to Rs. 17 million recorded in the preceding year. The pattern continued in the interest cover of the Group, which resulted in 5 times of the interest cover from 13 times in the previous year led by an increase in total borrowings and the borrowing rates.

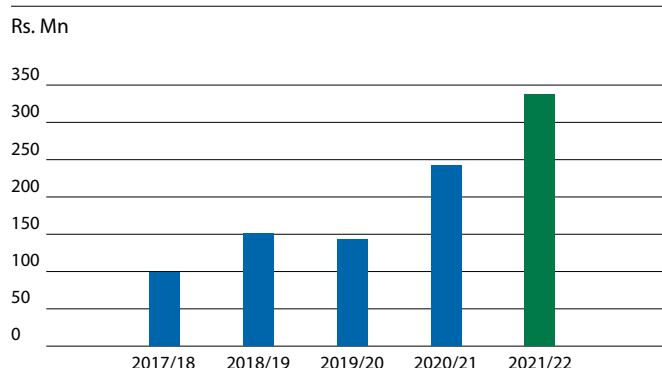
Finance Cost and Interest Cover



Profit After Tax

The Profit After Tax of the Group increased to Rs. 340 million from the Rs. 243 million of the previous year. The Group tax expense was Rs. 99 million of which, Rs. 45 million for the provision of deferred taxation.

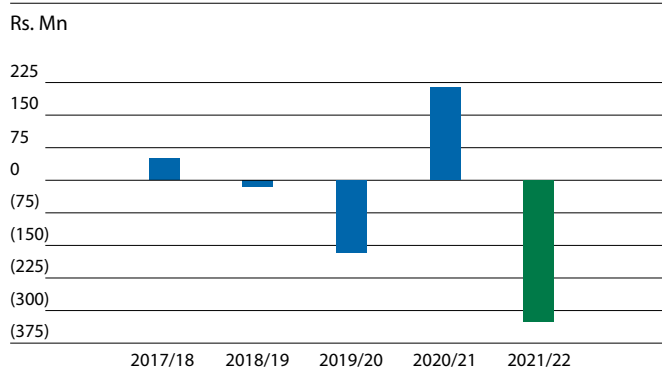
PAT



Cash Flow and Liquidity Position

The increased level of activities in the Group placed demands on the management of the liquidity position and due attention was paid to managing liquidity within a challenging year. The Group's free cash flow from operating activities declined to Rs. (328) million, reporting a positive value compared with Rs. 213 million in the previous year, owing to an increase in working capital, especially in the raw material inventory and trade and other receivables.

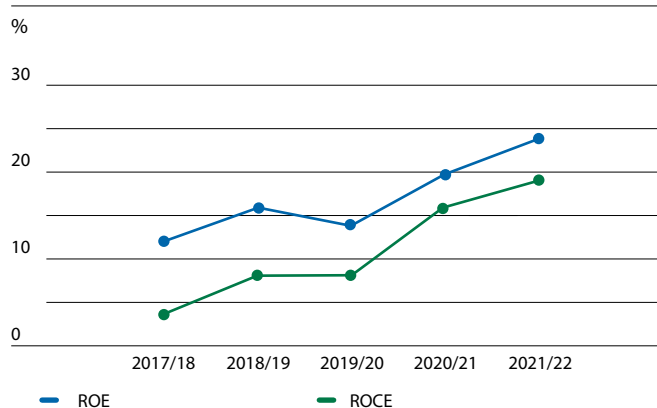
Cash Flow from Operations



Return on Capital Employed (ROCE) and Return on Equity (ROE)

An increase in EBIT and PAT, contributed significantly to an increasing trend in both ROCE and ROE respectively during the reporting period. The Group ROCE increased to 19% from 16% recorded in the preceding year. Once more, the higher profitability resulted in an increase of ROE to 23% as recorded in the previous year. The Group has already implemented a focused strategy alongside the expanded capacity to turnaround the Group's performance in the subsequent financial year.

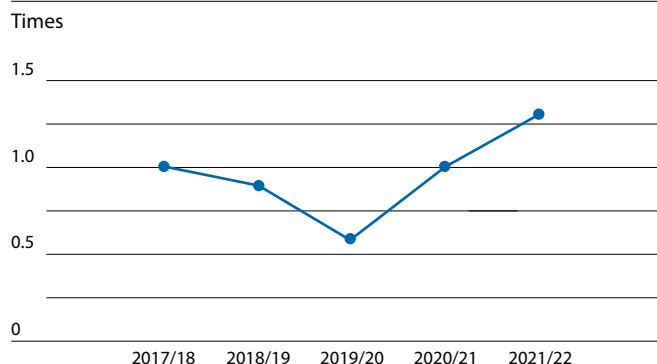
ROCE/ROE



Asset Turnover

The Group's asset base grew substantially during the year with the investment in land and buildings as part of its strategic capacity expansion project for new warehouse facilities. Accordingly, Rs. 176 million (Rs. 153 million in 2020/21) was incurred on acquisition of Property, Plant & Equipment (PPE) during the year. Out of this, Rs. 116 million was spent on a capacity expansion project for new warehouse facilities in Bingiriya. As such, the increasing trend of the Group's asset turnover continued into the financial year under review, and the Asset Turnover of the Group was recorded as 1.3 times from 1 time in the preceding year. The same trend continued in the Group's non-current asset turnover ratio, as it increased to 4.1 times in the year under review from 2.4 times in the previous year. As a result, the generation of economic returns from investments are expected to be realised in the ensuing financial year.

Asset Turnover



Financial Capital	39
Manufactured Capital	44
Human Capital	50
Social Relationship Capital	60
Natural Capital	69
Intellectual Capital	73

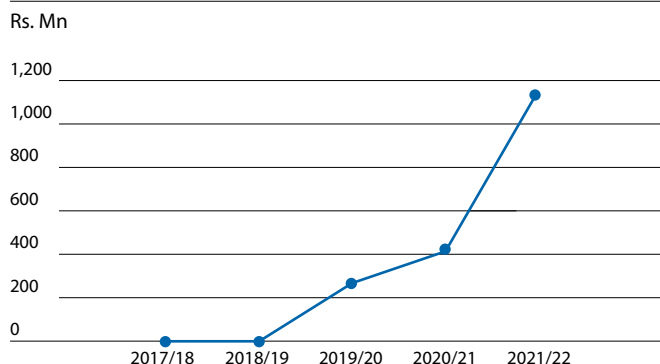
CAPITAL MANAGEMENT REPORTS

Financial Capital

Borrowings

Borrowings of the Group during the review year consist of long-term interest-bearing borrowings, import loans, short-term loans and overdrafts. The total amount of long-term interest bearing borrowings outstanding as at the year-end amounted to Rs. 197 million (Rs. 93 million 2020/21), indicating an increase of 111%. The term loans consist of three loans, one of Rs. 167 million (original loan amount was Rs. 200 million), obtained for five-year tenure including one-year-grace period to finance PP&E for the capacity expansion projects of Hayleys Fibre PLC and the second Term Loan of Rs. 27 million (original loan amount was Rs. 101 million) obtained for two-year tenure to purchase new machinery for the group subsidiary Bonterra Limited. The third Term Loan of Rs. 3 million (original loan amount was Rs. 20 million) was obtained for three-year tenure under "SAUBAGYA" loan scheme for Creative Polymats (Pvt) Ltd. The outstanding balance as at 31st March 2022 on account of interest-bearing borrowing of the Group was Rs. 951 million which consist of short-term loans, import loans as well as overdrafts (2020/21 - Rs. 323 million). The Working Capital requirements of the Group were fulfilled with short-term borrowings. The interest payable on short-term loans, import loans and overdrafts are determined based on money market rates and is reviewed periodically by the Group's centralised treasury function. Details of borrowings appear in notes 24 and 27 to the Financial Statements.

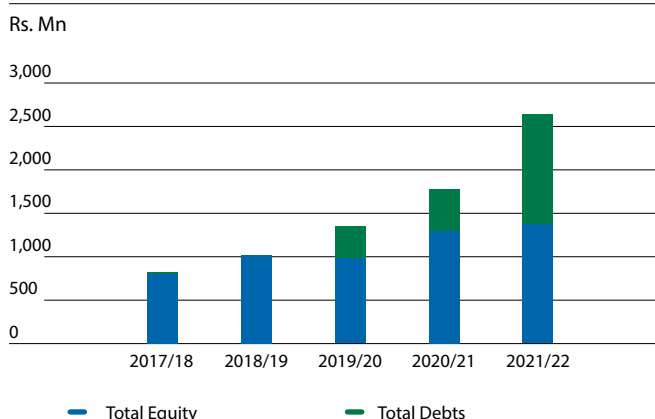
Borrowings



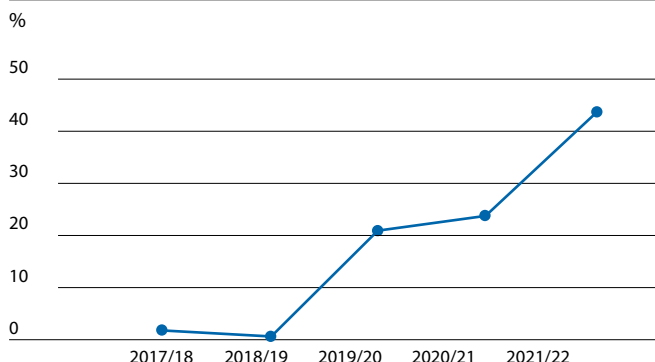
Capital Structure and Gearing

The capital structure of Hayleys Fibre Group, consists of both equity (56%) and debt (44%). Equity includes stated capital, other components of equity, amalgamation reserves and revenue reserves while debt consists of interest-bearing borrowings. The Group's debt to equity ratio stood at 0.78 within the reporting period compared to 0.31 in the preceding year. The change of composition of the capital structure was mainly due to the infusion of debt to finance the investments. The subdued trend in financial gearing continued into the year under review from 24% to 44%.

Total Debts and Total Equity



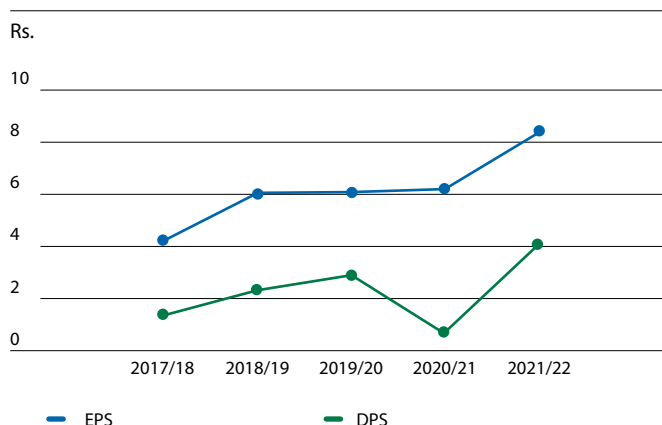
Gearing



Earnings Per Share (EPS) and Dividends Per Share (DPS)

The Group dividend policy is formulated taking into consideration the Group's overall performance and growth plans as well as economic and market dynamics. Owing to the higher bottom line results, DPS has increased in the year under review. EPS increased by 34% to Rs. 8.25 per share from Rs. 6.16 in the previous year, while DPS increased by 590% to Rs. 4.00 per share from Rs. 0.58 in the previous year. However, the dividend payout ratio increased to 48.5% in the current year from 9.5% in the preceding year.

EPS/DPS



Solvency and Reserve

Section 56 of the Companies Act No. 07 of 2007, requires that a solvency test be performed prior to the payment of dividends. In order to satisfy this requirement, the Company conducted three solvency tests prior to the interim dividend for the financial year 2021/22 and the payment of interim and final dividends in the financial year 2020/21. As per the requirements of the above Act, prior to the payment of dividends, the Company's ability to pay its debts as they become due in the normal course of business was certified by the auditor along with the fact that the value of the Company's assets are greater than the value of its liabilities and stated capital assuring sound solvency.

Following is a computation of solvency criteria for the Group as at the year end.

As at 31st March	2021/22 Rs, '000	2020/21 Rs, '000
Non-current assets	949,114	829,831
Current assets	2,462,183	1,508,634
Total assets	3,411,297	2,338,465
Non-current liabilities	309,477	159,929
Current liabilities	1,621,840	830,631
Total liabilities	1,931,317	990,560
Assets less liabilities	1,479,980	1,347,905
Stated capital	80,000	80,000
Net position	1,399,980	1,267,905

Financial Strength

As at year-end, the Group serviced the financial facilities from local and international banks as listed herein, in order to fulfil its import and working capital requirements. The Interest rates and commission for the said facilities are reviewed periodically, while rate changes on facilities are determined based on market rates.

- Facilities for Packing Credit loans, Money Market loans, Import loans, Letter of Credit and Bank Overdrafts - Rs. 914 million.

Financial Risk Management

The risk elements affecting the financial operations of the Group in relation to credit risk, liquidity risk, operational risk and the market risk are duly explained in the note 35 to the Financial Statements and Risk Management section on pages 154 to 160. However, the main risk element which favourably affected the results of the Group in the year under review was the foreign currency risk.

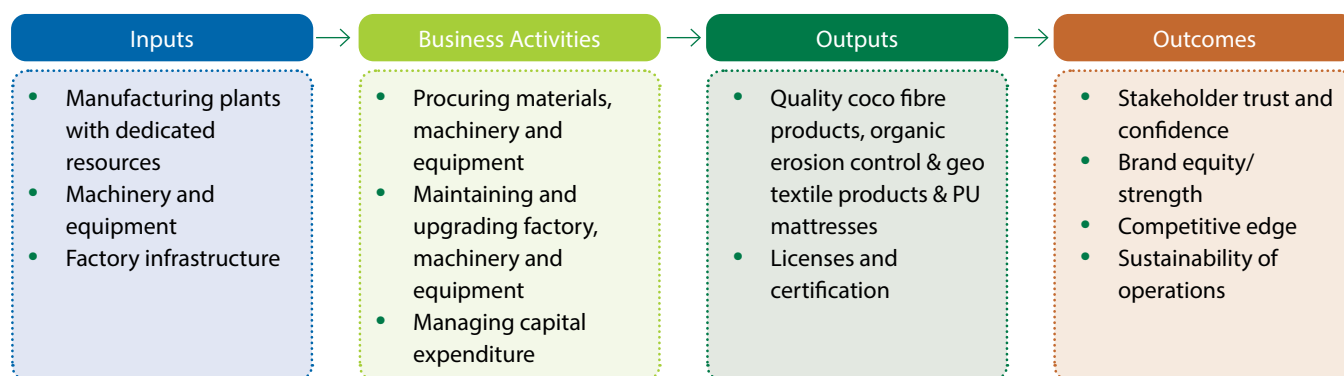
Manufactured Capital

With widespread operations spanning across four strategic locations in the island, our manufactured capital is a critical element in the value creation process of Hayleys Fibre PLC. The Group places great focus on key strategic priorities of operational excellence, technology management, procurement and maintenance of this key capital pillar - with special strategic importance placed on managing the fixed assets. The capital expenditure under the manufactured capital is planned, managed and monitored with prudence, in alignment with our short, medium, and long-term goals, in a bid to achieve optimum value through this capital. The section herein will discuss the best practices followed in maintaining the manufactured resources of the Group and the investments made in expansions and upgrades for sustainable value and returns within a challenging year.



Investments in technological advancement and diversification strategies for sustainable value and returns

The Value Creation Process



Key Performance Indicators

Rs. 175 Mn Capital expenditure	1.3 Assets Turnover Ratio	Rs. 755 Mn Property Plant & Equipment	4 Number of Factories
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Production Process and Capacity enhancement

- Hayleys Fibre PLC/ Bonterra Ltd and Creative Polymats (Pvt) Ltd manufacturing plants are situated in Kuliyaipitiya, Madampe, Dankotuwa and Bingiriya.
- The newly acquired facility is located in Bingiriya, to close proximity to the other factories and this will help in improved efficiencies in logistic and supply chain whilst carrying out material processing of certain finished products of Hayleys Fibre PLC.

Plant/Product	Measurement	Capacity (Per Annum)	Current Utilisation
CPL Plant			
PU	Kg	660,000	65%
RB	Kg	576,000	54%
Mattress	Units	120,000	119%
BTL Plant			
Stitched Blankets	Sqm	1,800,000	51%
HFL Plant			
Grow Bags	Pcs	168,000	52%
5Kg Blocks	Kg	231,000	18%
Bricks	Kg	88,700	56%
FMT	Kg	120,000	45%

Despite the challenges of the macro environment, all four manufacturing plants of the Group functioned at maximum capacity and yielded optimum production outputs owing to strategic management of raw material sourcing, production and labour availability amidst the limitations caused by the COVID-19 pandemic.



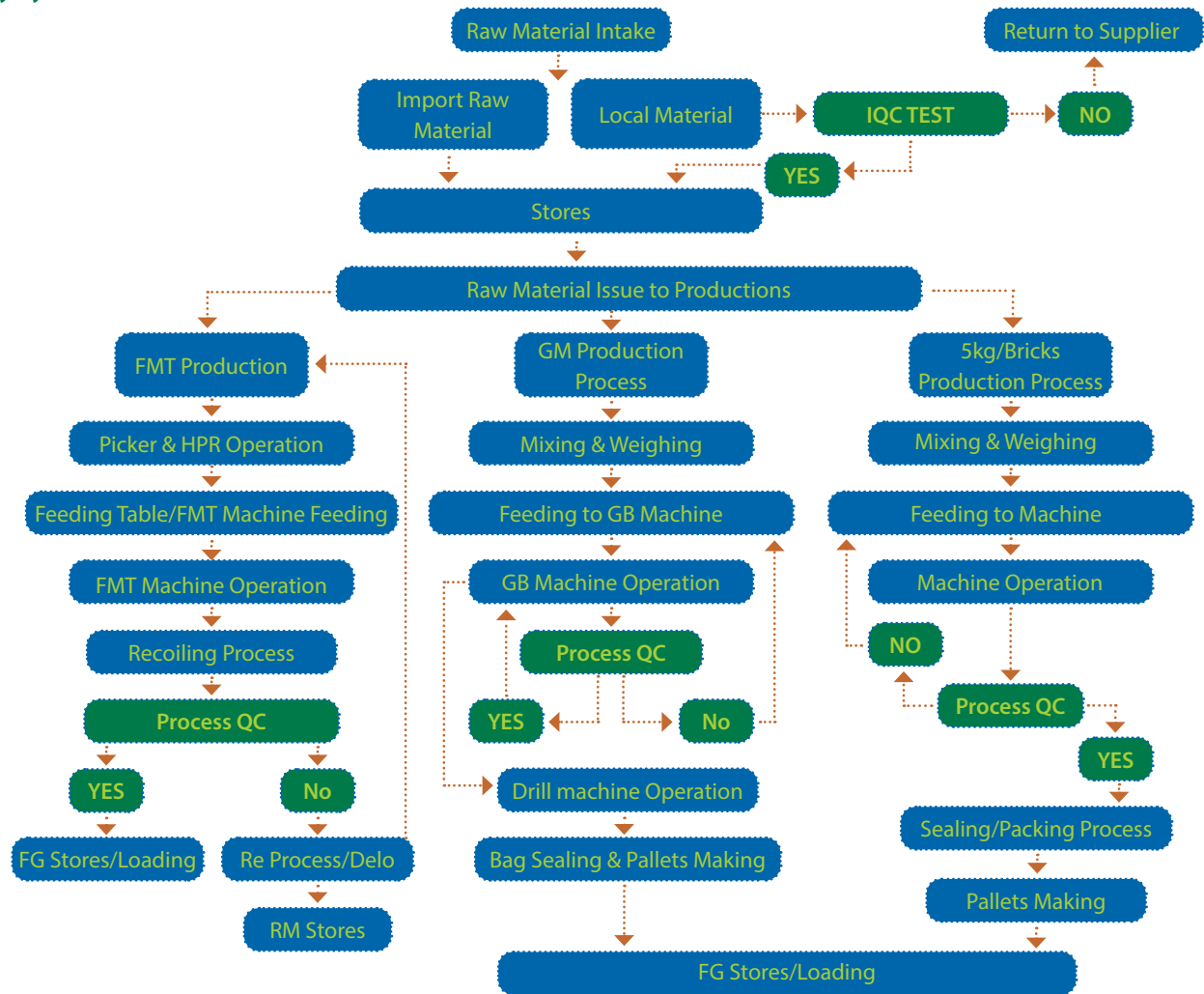
Capacity enhancement and upgrades

Financial Capital	39
Manufactured Capital	44
Human Capital	50
Social Relationship Capital	60
Natural Capital	69
Intellectual Capital	73

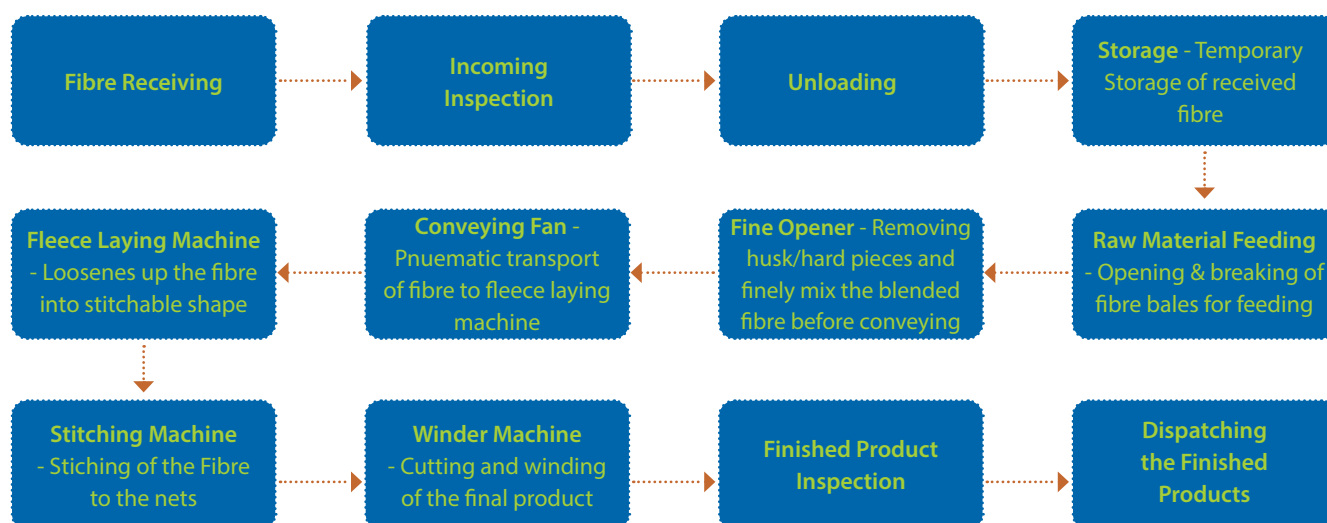
CAPITAL MANAGEMENT REPORTS

Manufactured Capital

Hayleys Fibre Production Process

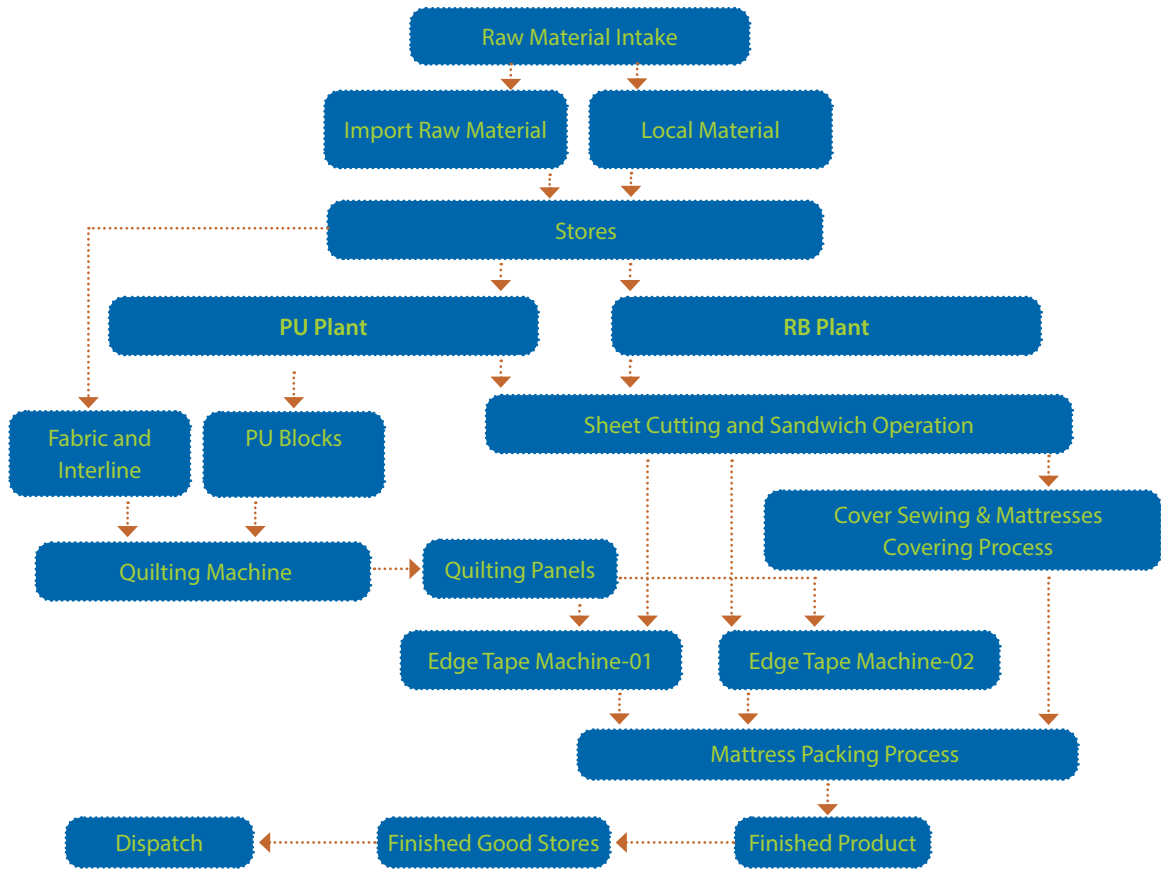


Bonterra Production Process



Manufactured Capital

Creative Polymats (PU Plant) Production Process



Hayleys Fibre followed a well-planned out approach to manage its extensive manufactured capital base. The capex plan is managed in accordance with the overall strategic goals of the Company and in cohesion with the strategic direction of the Hayleys PLC Group.

The Group remain focused on prudent resource allocation and budget management and this was especially considered during the year under review, given the volatility in the external environment.

Due diligence, need-based analysis and industry best practices were considered when managing the manufactured capital for optimum value creation to all stakeholders. This includes ensuring social responsibility and environment policy considerations. To this end, the manufacturing facilities' certifications under ISO as well as other licenses maintained, especially in terms of manufacturing customised products and solutions for world renowned retailers and client bases, have provided apposite guidance in maintaining a practical and profitable management effort. In line with the Company's strategic direction for greater reach and portfolio growth during the year under review, the stitched blanket capacity was increased with the introduction of third machine in the review year. Currently the Company deploys three (03) machines to cope up with the increased demand arising from newer geographic market expansion (in India).

Further investment in several key technological upgrades were undertaken during the year in order to meet increased demand as well as to customise production to suit the evolving market requirements.

Some of the key investment focused on accommodating the increased demand for PU Foam Mattresses, sheets and cushions by increasing production capacities, enhancing workers' health and safety standards, the improvement of the overall manufacturing and production planning process by introducing MRP of the ERP system and working towards improving the quality of treated water released from the plant. Highlighting the Company's commitment for sustainable growth, semi-automated Grow Bag Machines were also installed at the Kuliypitiya facility during the year.

Product Distribution

Given the diverse nature of the outputs of the manufactured capital of the Group, distribution of such products is managed through differing channels that are customised to meet the target markets more efficiently and within optimum cost structures.

- Products of Hayleys Fibre PLC and Bonterra Ltd are distributed within export markets through established customer touch points and distributor networks in key markets worldwide.
- Products of Creative Polymats (Pvt) Ltd are distributed through a widespread, exclusive dealer network and distributor network dispersed across Sri Lanka.
- Three Showrooms of Creative Polymats (Pvt) Ltd are located in Colombo, Ekala and Galle providing local customers' easy access.
- Main customer touchpoints for the locally sold PU mattresses range is managed through sound distributor and dealer network that are dispersed across the island with ample presence in all nine provinces. During the year under review, 104 new dealerships were added to the network to increase the total dealer distribution strength to 976 dealer points.

Financial Capital	39
Manufactured Capital	44
Human Capital	50
Social Relationship Capital	60
Natural Capital	69
Intellectual Capital	73

CAPITAL MANAGEMENT REPORTS

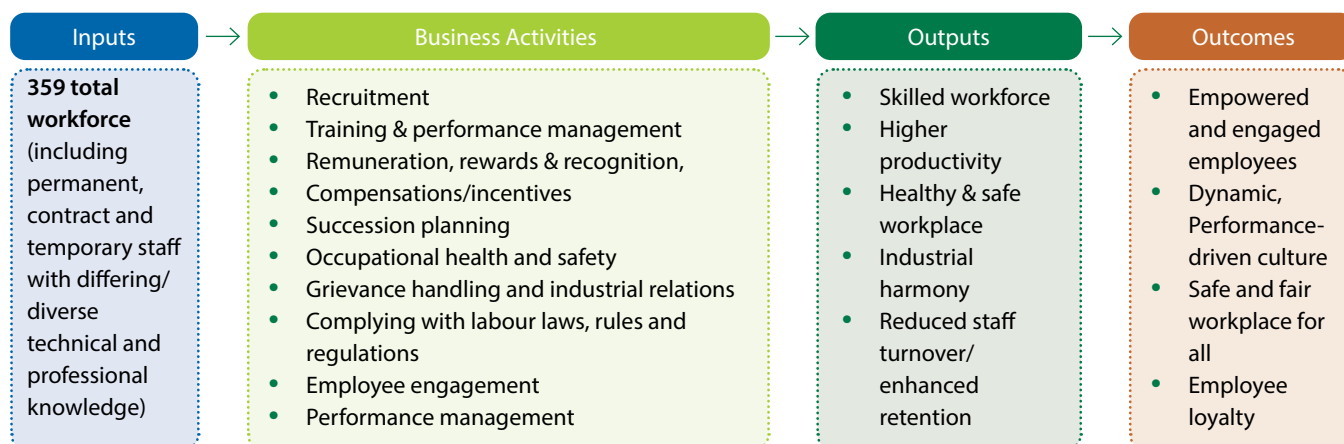
Human Capital

The manufacturing sector is a labour intensive industry and at Hayleys Fibre, we believe that a fully engaged, content workforce is central to achieving strategic goals and objectives of the Company. When operating amidst the current complex market dynamics of the market place, worker competence, dedication and consistency have become critical factors that determine sustainable business growth.

As an equal opportunity employer, with a deep commitment towards providing a fair, progressive and dynamic work place culture to its employees, Hayleys Fibre made many focused strategic decisions within the year under review to grow, retain and upskill its labour force to take on the emerging challenges and opportunities of the evolving business landscape. The section herein lays out the Group’s efforts in adopting best practices, policies and standards for people management, paving the way for value creation through our employees to our customers, stakeholders and the community at large.



The Value Creation Process

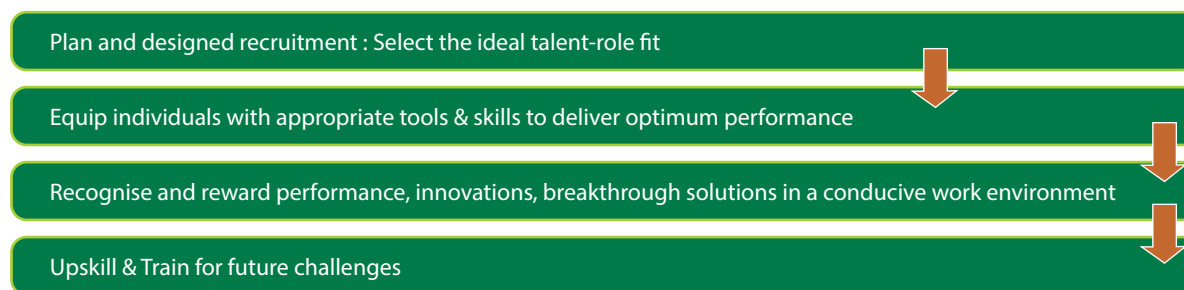


At Hayleys Fibre, employees are considered a key asset to achieving the organisational goals whereas Human Resources Management is a critical function of the Group that plans, executes and drives the process to create a people-friendly workplace. Recruitment and retention of skilled workforce, developing and upskilling them to be future-ready, and building loyalty and integrity amongst employees through engagement and camaraderie, all remain as key management priorities of the Group HR function. Moreover, syncing the workforce towards a common goals while meeting individual expectations and addressing common concerns amongst a blend of several generations of workers remain a constant challenge, given the long-standing history of the Group.

Our loyal and experienced workforce is a unique strength of the Group that gives it a unique competitive edge. The long-standing employees of the Group with decades of relevant experience and expertise are capable to meet the age-old operational and product market challenges while the talent pool of new generation employees of the Group continue to enrich the workforce with new knowledge, technological knowhow and faster adoptability. Such harmonious blend of employee synergies has progressively contributed towards Hayleys Fibre in the coco fibre production industry, while maintaining the superior quality of products over the years and most significantly, introducing globally certified and benchmarked new products to the industry.

The Human Resources Management Policy and Process

Our Human Resources Management policy has been formulated in compliance with all relevant statutes of the country while addressing employee rights, and is aimed at facilitating a merit-based non-discriminatory work environment. The policy lays out the best practices applicable within the Group and also details the consequences of non-compliance with policy.



Human Capital

Key Performance Indicators / Highlights

359	Rs. 226 Mn	3%	1,104
Number of Employees	Total payment to Employees	Labour Turnover ratio	Training Hours

Remuneration and Rewards

The remuneration structure of Hayleys Fibre is designed to aptly reward and recognise the knowledge, skills, commitment and the expertise of employees, and does not discriminate on the basis of gender, race, ethnicity, etc. Salary increments and promotions at Hayleys Fibre are merit-based and is implemented through a transparent process. The remuneration levels are periodically reviewed and adjusted on par with the market rates and the Group's future directions.

Recruitment and Selection

To ensure that the Company on boards the most optimum talent, the recruitment, selection and placement process of Hayleys Fibre employees is carried out through a carefully planned interview process that encompasses a thorough assessment and screening process. In congruence with its corporate ethos as an equal and fair employer, Hayleys Fibre follows a systematic and unbiased recruitment procedure to attract the best match for the positions available.



Employees are considered a key asset in achieving organisational goals

New recruits are given a fitting orientation which introduces them to the Company policies, procedures, operational environment, ethics, working standards, safety, code of conduct and Hayleys values, etc. The orientation programme also includes a detailed visit to the factories in different locations and operational departments that play a critical role in the performance of the Group.

‘On-the-job training’ is provided to newcomers while support is extended through guidance and mentorship for new recruits. Whilst promoting internal candidates to provide opportunities for career advancement within the Hayleys Fibre Group, the Group also takes a balanced approach towards recruiting external candidates to bring fresh expertise and experiences into the Group. Vacancies fulfilled through external applicants are advertised in the newspapers and on the internet for increased publicity for the positions.

As a responsible corporate citizen with a focus to upskill the youth of Sri Lanka, Hayleys Fibre Group also extends corporate training opportunities for undergraduates from various universities and technical or vocational training institution to join the Group as interns. At the end of the internship, those who are found suitable for permanent placements are directly placed within the cadre based on availability.

No Child Labour, Forced Labour or Unethical Employment Practices

Hayleys Fibre remains committed to its conscious decision to comply with all regulatory requirements pertaining to employment. This ensures compliance with both employee rights and human rights, and hence the Group do not maintain or advocate any type of child labour, underage employment or forced labour or any form of unfair/unethical labour practices. Hayleys Fibre constantly monitors the labour management practices and legal compliances of its outsourced labour suppliers as well in a bid to comply with the guidelines and regulations while also meeting the expectations of our distinct client networks within and outside Sri Lanka.

Work-life balance of employees is strictly advised and encouraged. The Group attempt to maintain a flexible, ergonomically-sound and healthy work environment for all its employees and continually take measures to improve the work place culture and environment. The Group is free from any type of complaints on violation of human rights. All the security personnel are trained by the service provider on policies and procedures and instructions that they should adhere to in security activities, by practicing humanity, dignity and respect for all individuals.

During the year under review, there were no formal grievances recorded which demanded management attention.



Long-standing workforce is a key value addition to the Group

Average Remuneration per Employee

Hayleys Fibre has placed a steady focus in enhancing value to its employees both in financial and non-financial realms. Hence, during the year under review, the Hayleys Fibre Group offered competitive remuneration packages having complied to all the statutory requirements and introduced several welfare schemes in order to enhance the value created to the internal stakeholders.

Description	2021/22 (Rs.)	2020/21 (Rs.)
Average remuneration per employee	48,167	47,787

Work force Composition

The Hayleys Fibre Group's workforce stood at 106 permanent employees and 253 casual (fixed term) employees as at 31st March 2022.

Category	Male	Female	Total
Executive	33	11	44
Clerical staff	14	3	17
Manual – Permanent	35	10	45
Company Casual	35	11	46
3rd party	91	116	207
Total	208	151	359

Cadre	Male	Female	Total
Permanent	82	24	106
Temporary	126	127	253
Total	208	151	359

The experienced, long-standing workforce of Hayleys Fibre is a key value addition to the Group that drives its unique expertise and operational excellence. A majority of the employee base of the Group across all levels carry extensive knowledge and experience of the industry. This has been a key differentiator in maintaining a competitive advantage in the market, and in maintaining market leadership and product quality consistently.

Financial Capital	39
Manufactured Capital	44
Human Capital	50
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Intellectual Capital	73

CAPITAL MANAGEMENT REPORTS

Human Capital

Summary of employee experience - As at 31st March 2022

Service Group	Executive	Clerical	Manual	Company Casual	3rd Party	Total
Less than 1 year	8	7	29	20	95	159
01 – 05 years	26	9	10	25	92	162
06 – 10 years	3	1	5	0	14	23
11 – 15 years	1	0	0	0	4	5
16 – 20 years	0	0	1	1	1	3
21 – 25 years	2	0	0	0	1	3
26 – 30 years	3	0	0	0	0	3
More than 30 years	1	0	0	0	0	1
Total	44	17	45	46	207	359

Employee breakdown by age

At Hayleys Fibre, the sound age demography and intra-generational blend of the workforce stands as another key differentiator that enhances value to the Group's stakeholders. This broader age distribution allows the Group the flexibility for higher volumes and efficiency. Hayleys Fibre's success on many new projects in comparison to competitive counterparts could be directly attributed to this unique expertise and commitment for quality and delivery. It is also noteworthy that 56% of the total workforce belongs to the age group between 30 to 50 years, which is the most productive age limit for any industry. Over the years, the Group has been recruiting young and energetic human capital and have developed them for enhanced performance. The permanent employees as well as the part-time employees are also provided ample training to be able to perform at their optimum and this has enabled the Group to meet or exceed many of its operational milestones during the year under review.

Age analysis - As at 31st March 2022

Age Group	Executive	Clerical	Manual	Company Casual	3rd Party	Total	Cumulative %
Below 30	16	12	17	34	46	125	35%
30 – 50 years	23	4	28	11	137	203	56%
50 above	5	1	0	1	24	31	9%
Total	44	17	45	46	207	359	100%

HR Flow

The HR flow report witnesses the Group's success in retaining existing talent and attracting new talent to the Group. While there is a slightly higher turnover in the executive, clerical and supervisory grades, which is due to personal/higher educational reasons and market influences both locally and internationally, the Group has been able to retain skilled, manual employees through the years, despite some of the most turbulent times in the recent years. The Group conducts an exit interview for all employees that resign and findings are presented to the management for necessary corrective actions.

HR Flow - As at 31st March 2022

Category	1st April 2021	New Recruits	Leavers	31st March 2022
Executives	35	13	4	44
Clerical	14	5	2	17
Manual	19	31	5	45
Total	68	49	11	106

Employee Turnover details by Gender - As at 31st March 2022

Gender	Executives	Clerical	Manual	Total
Male	4	2	5	11
Female	0	0	0	0

Employee Turnover details by Age - As at 31st March 2022

Age Group	Executive	Clerical	Manual	Total
Below 30	2	0	2	4
30 – 50	2	2	3	7
50 above	0	0	0	0

Human Resources Development

The Human Resources Development at Hayleys Fibre has gathered momentum over the years, where incremental investments have been made in training and development of staff members year-on-year to add value to our employees as well as the entire value creation process of the Group.

During the review year, the Group placed a particular focus on enriching the operational policy procedures, work standards and practices in line with ISO 9001:2015 requirements while simultaneously enhancing employee knowledge of the same. The principles and concepts of Total Productive Maintenance (TPM) which is used as the key driver for increasing plant performance was a key training during a year of unprecedented operational challenges.



Enriching and enhancing the knowledge of our employees on procedures work standards and practices

Financial Capital	39
Manufactured Capital	44
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Intellectual Capital	73

CAPITAL MANAGEMENT REPORTS

Human Capital

Training and Development

The Group has taken necessary steps to set up an internal technical resource pool in order to increase the competencies of its technical staff during the year under review. The Hayleys Fibre training process is commenced with a formal self-identification of annual training needs by staff at the annual performance appraisal. In addition to the said requirements of the employees, heads of divisions within the Group also estimate their divisional training needs to identify training gaps and fulfill them within the year. Summary of all training needs identified are then taken into consideration in preparing the 'Annual Training Plan' of the Group.

During the year in review, training and development programmes were conducted with coverage of several areas including, skills development, leadership, engineering, first aid and fire training, quality assurance and health and safety.



Training Programmes in 2021/2022	Total Cost Rs.	No. of Participants	Training Hours
Health & Safety Awareness Session	115,000	50	400
Fire Training	53,000	75	300
TPM Training	495,000	18	144
Advanced Excel Training Programme	105,600	12	96
First Aid	35,000	18	72
Workmens' Compensation	52,000	8	32
ISO 9001/2015 Certification	30,000	3	24
Strategic Customer Service Management	4,000	3	12
Unleashing Your Potential	5,010	3	12
Driving Innovation, Creativity & Change	9,000	3	12
Total	903,610	193	1104



Divisional trainings and development of staff members

Performance Evaluation and Performance Management

Performance evaluations are implemented through periodic reviews accompanied by comprehensive feedback on performance and conduct, matched against set KPIs and realised levels of achievements. The performance evaluation mechanism for executives consists of KPIs and performance/behavioural criteria, whilst non-executive performance evaluation mechanism contains only performance/ behavioural criteria.

Hayleys Fibre has a well-established reward structure to recognise annual achievements of employees. This performance management system is applied across all grades of employees. Professional leadership, as Hayleys Fibre believes, is equally important, not only in the senior management team, but also in the middle management and executive levels. Therefore, six months performance review meeting of the senior management team, covering all operations of the Group, has been further improved to focus on objectives and follow-up plans. The monthly plant performance meeting with department executives was further reinforced during the year, and now has become a learning and knowledge sharing platform for young executives who are running different departments. This forum has contributed towards increasing plant outputs through a systematic approach, by careful analysis of the operational data.

Human Capital

Human Resources Information System (HRIS)

Presently, the personnel information module and leave module for executives and shop floor employees are in operation on the HRIS system. While the online leave system is operational for all executives- Bulk leave application is made available through the HRIS for non-executive staff. An Executive level performance management system has also been set up through the HRIS during the year.

Employee remuneration and benefits

Annual salary increments at Hayleys Fibre are granted in a transparent manner to all employees, based on their individual performance. In addition to the salary, employees are provided cost of living allowance, production incentive allowance, attendance allowances, shift allowance and productivity bonuses, etc. During the year under review, despite the challenges of the environment, the Group increased production incentives and attendance incentives to encourage a more productive output from employees while improving their attendance despite the limitations caused by the pandemic. Hayleys Fibre has ensured that the remuneration and other benefits offered to its employees are in line with the industry norms and are competitive enough to attract and retain talent. Remuneration packages of the executives are on par with industry norms and are revised periodically based on market survey data.

Benefits

Life Insurance
Healthcare
Disability Invalidity Cover
Parental Leave
Retirement Provision
Loan Scheme
Meals at Concessionary Price
Transport
Uniforms
Personal Protection Equipment
OPD Expenses
Production Incentives
Attendance Incentives
Sales Incentives
Bonus
First Aid Treatment Centre

In order to secure retirement benefits for employees, Hayleys Fibre contributes to the Employees' Provident Fund and the Employees Trust Fund schemes and pays gratuity at retirement. (Detail of annual contributions and provisions are referred in note 26 to the Financial Statements)

Gratuity is given by the employer to an employee for the services rendered by him/her to the Company in the long term.



International womens' day celebration



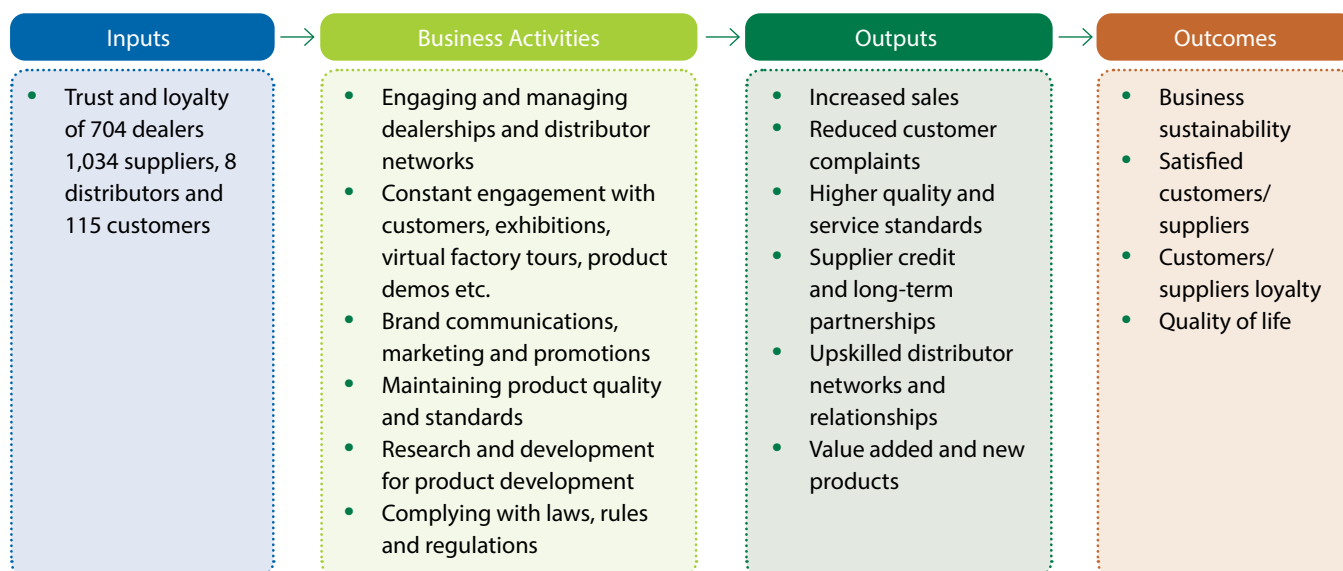
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CAPITAL MANAGEMENT REPORTS

Social Relationship Capital

Backed by the corporate reputation and stability of the Hayleys Group has earned a strong brand reputation in the export markets and in Sri Lanka over the years. In order to continuously deliver incremental value, the Group has focused on enhancing its product offers through continuous value additions and innovation, while introducing new products and solutions that meet evolving consumer demands. The section herein will focus on how the Group has engaged with customers, suppliers, the community and other stakeholders in creating value and our focused efforts to serve them with social responsibility.

The Value Creation Process



Key Performance Indicators / Highlights

06	25	Rs. 1.7 Bn	90
CSR Activities	Foreign Suppliers	Total payments to suppliers	Global Presence (No of countries)

Our Customers

Hayleys Fibre is one of the leading providers of coir-based value-added products to the local and international markets. The Company is a premier exporter of natural fibre products and its key customers include international markets and resellers. The Company's approach to managing customer expectation includes product development, customer capital management and customer relationship management. The Company maintains consistent engagement with its customers, while gathering customer information, analysing market and customer dynamics and continuously innovating products to meet the evolving expectations of customers. Providing well rounded, sustainable value propositions remain a priority for the Company as part of its customer management strategy while aiming to offer greater perceived value and building mutual trust and confidence. The Company's customer-focused

departments including product development, quality assurance, and marketing execute the strategic actions for customer expectation management and ensures that optimum service levels are maintained in line with the key performance indicators that define the customer management strategy of Hayleys Fibre PLC.

During the year under review, the impacts of the COVID-19 pandemic gave rise to concerns on customer expectations management, due to the low turnout of production staff and uncertainties in managing delivery deadlines amidst shipping and freight related challenges. The Group responded swiftly to such challenges while taking speedy remedial action to safeguard customer confidence through consistent communication on production processes, delivery status and product availability. Despite external challenges, the Group was also able to secure new client relationships during the year under review, thus expanding its client portfolio. Although cross border travel was restricted and limited throughout the review period, the Group was able to sustain strong customer relationships through virtual platforms and the use of digital technology for conducting virtual exhibitions and factory tours that consistently strengthened customer relationships despite limitations.

Product Responsibility

Hayleys Fibre is committed to the highest quality of its products by adhering to stringent production guidelines, detailed quality assurance procedures and efficient delivery processes. The Company follows guidelines set by globally renowned certification bodies to the highest quality and standards across the value chain while conforming to stringent safety standards within the manufacturing process to ensure customer health and safety. Displaying and sharing important product information and ensuring accurate labelling ensure enhanced buyer confidence and trust in the products of Hayleys Fibre. Through collaborations with certification bodies and manufacturers, the Group aims to continuously enrich its production processes in line with international best practice. Maintaining customer privacy and security of data and information also rank high in the agenda given the data dependence of the business while the Group also remains committed to comply with relevant laws, rules and regulations of the country to ensure complete product responsibility.

Product Development

Hayleys Fibre collects customer feedback and insights on products to continuously enhance its product proposition while also investing in research and development through collaboration with academia and other relevant stakeholders to develop new products and enhance existing products to meet customer needs more effectively.

International Market Development

Hayleys Fibre PLC is a key market player within the Eco Solutions Sector in some of the leading export markets including the European Union (EU), United Kingdom (UK), Japan and the United States of America (USA). During the year in review, the Group placed its focus on expanding the global footprint beyond traditional markets to find enhanced potential and opportunity to overcome the challenges of the year. The key lessons from the COVID-19 pandemic also emphasised on the need to diversify the export market base of the Group and highlighted the need to explore new markets which are traditionally overlooked, especially those with potential within the region that would lower shipping and operational cost efficiencies to the Group due to proximity. In line with this strategic aim for market expansion, Hayleys Fibre PLC ventured into the Middle East, South America, and the Mediterranean during the year under review.



Expanding our global footprint in USA

Social Relationship Capital

GLOBAL PRESENCE AND KEY DESTINATIONS



Local Market Development

Hayleys Fibre subsidiary, Creative Polymats (Pvt) Ltd manufactures high quality PU mattresses, pillows and sheets for the local market. Hayleys Mattresses is a renowned brand for its wide range of mattresses in rubberised coir, spring and foam and caters to a diverse of local customers as well as from Government institutions and hospitals, to star class hotels. During the year under review, the business operations in the local market was further enhanced with an expansion of the dealer network for PU mattresses locally.

Marketing Communications

Hayleys Fibre continued its customer communications through integrated marketing communications tools throughout the year, despite challenges. The Group's marketing communications strategies hinge on B2C marketing prioritisations and aims to consolidate and disseminate key information on products to customers while responsibly promoting the brand with focused marketing and product promotions. During the year under review, the Group shifted its marketing communications activities outside the traditional realm to digital and virtual platforms, in a bid to overcome some of the limitations and challenges caused by the COVID-19 pandemic.

As part of its marketing communications and customer engagement initiatives, following exhibitions were held during the year under review, of which the details have been summarised as follows.

Date	Exhibition	Place	Purpose	Feedback
March 25th to 27th 2022	Kedella Construction Expo	BMICH	Promote Hayleys & Springwall brands	Excellent response from customers receiving orders for over 100 mattresses
August 15th to 19th 2021	Food & Hospitality Asia Virtual Trade Fair	Maldives	Promote Springwall & Hayleys Mattress for hotel sector	Some inquiries received & orders to be materialised.



"Kedella" constructions expo exhibition at BMICH

Customer Engagement and Relationship Management (CRM)

As a leading export-oriented Company dealing with a wide base of customers dispersed in key international markets, Hayleys Fibre aims to maintain consistent customer intimacy through close engagement, to gain insights and to redress their grievances in an effective and timely manner. During the year under review, the Company resorted to novel modes of engagement with customers amidst cross border restrictions. Some of these measures included virtual product experience stores, virtual factory tours and online exhibitions.

In order to further enhance its customer relationship management, the Group included a channel distribution service during the review year. To overcome some of the communication barriers and to manage customer expectations better, the Company also appointed dedicated sales executives to ensure regular contact and gathering of feedback from customers. The sales staff reports back on customer satisfaction, concerns and grievances based on their regular meetings with customers, which the Company then uses for improving products, service and delivery standards.

The Hayleys Fibre Group conducts regular customer satisfaction surveys to ascertain customer satisfaction and to identify areas for improvement and such information is collected quarterly and reviewed at monthly management meetings for necessary action. At Hayleys Fibre we believe that reaching customer excellence is an iterative process and therefore, corrective and preventive action is continuously implemented throughout the customer management cycles, to ensure continuous improvement of Customer Relationship Management within the Company.



Customer relationship management visits



Financial Capital	39
Manufactured Capital	44
Human Capital	50
Social Relationship Capital	60
Natural Capital	69
Intellectual Capital	73

CAPITAL MANAGEMENT REPORTS

Social Relationship Capital



Customer visits

Customer Services and Complaints

Hayleys Fibre PLC regards customer service with high significance and extends pre and after sales support to customers in a bid to ensure a seamless customer service experience. In addition to its traditional tools of support, the Company enhanced its support services to customers using digital solutions to create awareness and engage with customers on product usage and issues. The Company's customer support services includes, maintaining customer SOPs, KPIs and periodic reviews.

As a result of the Company's customer-centric approach to service levels, Hayleys Fibre retained and grew its customer base during the year under review.

The Company takes complete accountability for its products and services and therefore handles customer complaints with utmost dedication and care. The Hayleys Fibre Group has implemented a complaint management process which ensures that all customer complaints received are resolved and responded to within a stipulated service level agreement. Customer complaints are segmented based on the type of complaints and forwarded to the relevant departments to investigate and take necessary action to avoid any repetition of similar complaints. Hayleys Fibre sales staff also visit users of its products to ensure ultimate satisfaction of end-users. Quality related complaints are inspected by the quality assurance department at the site where

further action decided on to improve the customer experience with the Company. The complaint management process of the Company is a key management priority of the Company and falls within the purview of the Managing Director who periodically reviews the nature of complaints and extends advise to relevant departments for avoidance of such issues in the future.

Our Suppliers

As a manufacturer of coco fibre based products Hayleys Fibre deals with a large supplier base, both local and foreign, strategically supporting our value creation process. Their business acumen, material quality, market knowledge and work ethics underline our efforts to differentiate our products from those of our competitors. Hence, over the years, Hayleys Fibre has developed strong bonds with its supplier base while nurturing mutually rewarding relationships, some of which have grown into long standing partnerships. The section herein, will report and discuss on how we work with our suppliers and the best practices we have adopted to add value across our value chain through supplier engagement.

Hayleys Fibre is focused on building rewarding supplier partnerships and are focused on strategic and responsible engagement with its suppliers. As strategic business partners, the Group strives to maintain a consistent dialogue with them to create shared value aligned to the business goals, work ethics and best practices. The supplier engagement process of the Group is consistent and continuous. The Company's dedicated purchasing team acts as the nucleus for supplier engagement while the quality assurance arm as well the product development division also play important roles in supplier engagement.

During the year under review, the Group strived to sustain and form relationships that deliver mutual benefits to both the suppliers and the Company, in order to work together to develop a more sustainable and responsible growth trajectory for all. As part of our commitment to support our suppliers, several initiatives were undertaken during the year, the frequent supplier visits conducted focusing on quality and productivity development. Also, the Company individually as well as together with International Labour Organisation (ILO) has facilitated funding arrangements in order to support our suppliers in their investments in working capital, safety enhancement and infrastructures.

A well-structured supplier management mechanism enables periodic review and negotiation of business commitments with the supplier community of the Company in terms of technical proficiencies, payment terms, quality and standards of supplies and delivery timelines. This also includes adherence and compliance with relevant laws, rules and regulations of the country. Periodic audits are also carried out, both external and internal, across the supply chain as sanity checks that ensure a smooth engagement process with the suppliers.

Such best practices adhered to when managing supplier relations help limit exposure to unexpected events and supply disruption, while building long-term core competencies that can drive sustainable growth over time. In this context, environmental and social policies of suppliers are not evaluated as an essential factor by the Company, and there were no significant environmental and social grievances recorded through the suppliers during the year under review.

Procurement Practices

The purchasing division of Hayleys Fibre adheres to industry best practices in procurement to ensure transparency, accountability and integrity within the procurement process.

The Procurement Department of the Group has a Purchase Policy that defines the standard practices and procedures in the business. The overall purpose of this policy is to create an environment that helps the Procurement Department to enhance its purchasing power to get the highest quality of desired goods and services at the best possible price while maintaining a simple, standardised and cost effective procurement process. The procurement policy covers mainly the procurement process flow from the point of order planning to payment completion, roles & responsibilities of personnel engaged with the procurement process, vendor management etc.

Procurement function is focused for the organisation to get the best value for the product and services we purchase, reduce cost, reduce supply risk, and enabling stakeholders to reach their business goals & ensure that all transactions are carried out at arm's length.

In addition procurement function being consistent with socially responsible, diversity and ethical business operations is driven in a fair, unbiased, consistent manner aiming to always encourage open and wide competition for the best quality/priced goods and services.

Supplier Screening

The Group exercises due diligence when dealing with suppliers and monitors suppliers to ensure that they are responsible and in compliance with relevant laws, rules and regulations of the country and other manufacturing standards followed by the Company.

The Group source material both locally and overseas, where local purchase with regards to fibre related items are given high priority. The key material categories within the Group are namely Coir Fibre related items, Raw Material & Packing Material, Machinery Spare Parts & Other Consumables. There is a pool of suppliers for each supply category where multiple key suppliers are developed and maintained focusing on a sustainable fruitful business relationship. Array of aspects starting with price, quality, speed of delivery, along with the study on suppliers' social responsibility and compliance with regulations will be evaluated in shortlisting and selecting the key suppliers. The below table depicts the summary of suppliers and the annual spend for the FY 2021/22 of Hayleys Fibre PLC.

No. of Suppliers		
Supply Category	Local	Foreign
Fibre Related Items	796	-
Raw Material & Packing Material	67	20
Spare Parts & other Consumables	146	5
Total	1,009	25

Annual Spend (Rs. Mn)		
Supply Category	Local	Foreign
Fibre Related Items	659	-
Raw Material & Packing Material	221	732
Spare Parts & other Consumables	54	17
Total	934	749

Financial Capital	39
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Intellectual Capital	73

CAPITAL MANAGEMENT REPORTS

Social Relationship Capital

Supplier Engagement Process

With a view to foster long-term business relations and to support the evaluation process, Hayleys Fibre PLC engages with its suppliers on a regular basis with the objective of discussing and reviewing business terms, to share technical knowledge, strengthen existing relationships and to evaluate and develop responsible practices and standards in the long term. The Group engages with suppliers on a regular basis with face-to-face meetings, supplier site visits, frequent communications via electronic and social media and exhibitions and annual conventions.

Types of suppliers and payments (Rs. Mn)

Payments to local suppliers	934
Payments to international suppliers	749
Total	1,683

Our Community

Aligned to our corporate ethos, Hayleys Fibre values its local communities and recognises the importance of giving back to the communities in which we operate. The Group is focused on building trust and creating value for people and the environment contributing to outcomes for the long-term. The Group therefore, stands committed to conscious maneuvering of its business operations, while minimising its impacts on the environment and the community while nurturing positive relationships. The section herein highlights the ways in which we engage with our communities.

The Community projects of the Group aims to extend time, money and resources to support the education of children and youth, protect the environment and improve livelihoods of people living in the communities in which we operate. These efforts ensure sustainability of the business activities while contributing directly to managing the direct stakeholder groups of the business. In line with its corporate ethos and focus for community development, the Group endeavours to establish mutually rewarding relationships especially with villagers, religious establishments and schools of the communities it operates in, by contributing towards their development. Our contributions to these stakeholder segments of the community

includes capacity building programmes, community recruitment and voluntary community service with a view to enhance their livelihoods and uplift the living standards of these people.

Social and environmental responsibility has been built in to the Group's business operations as an integral part of its wealth creation process and its viewed as a strategic process that requires continuous development through iteration and execution.

Community Service projects conducted by the Company and the capital movement in relation to these projects are listed below.

1. Sathdiyawara water purification project
Hayleys Fibre PLC completed the project to install a plant to supply clean drinking water for families of the Bathalayaya Village in the Mahiyanganaya District. This plant distributes around 10,000 litres per day.
2. Rural education support - Scholarships and school material for children (Aluththarama Kanishta Vidyalaya)
3. Rural life upliftment
4. COVID-19 related projects
5. Essential items to temples, schools, underprivileged and other institutions in the village
6. Thuruliya project



Rural education support

Engaging with the community and factory eco-system

Ensuring social acceptance within the community in which our factories are located is considered a key enabler for sustainable business operations. As a responsible corporate citizen, the Group is focused on protecting the rights of the community for the long-term, while creating meaningful value to the entire eco-system of our factory communities.

Having realised its significance, the Hayleys Fibre Group has established a mechanism to address possible complaints and grievances that may be raised by the community on social and environmental impacts of the Group. While providing immediate solutions to issues arising due to its operations on an ongoing basis, the Group also aims to anticipate and plan for any issues that may arise in the future which may impact the reputation of the Group in the long run.

During the year, there was no significant negative impact to the local community due to the Company's operations and no negative incidents or grievances were reported. However, the Hayleys Fibre Group has implemented strong preventive measures for susceptible expanses where complaints or grievances related to waste management, noise pollution etc may arise as a reputation damage management mechanism. More details of such measures are discussed in the Natural Capital section of this report.

Community Recruitment

In alignment with our corporate strategy and ethos, Hayleys Fibre gives preference to community employment generation. A majority of our staff requirements are fulfilled from our neighbouring communities, and thus in turn, empowering them with direct and indirect economic benefits for the long term. This enables the Group to contribute to the national development agenda through rural job creation which also contributes to the enhancement of living standards of the rural communities.



Rural life upliftment



Supply clean drinking water for families of Bathalayaya village

Regulatory compliance

As a responsible corporate citizen, committed to ethical corporate practices, Hayleys Fibre PLC adheres to a policy of strict compliance with all applicable laws and regulations. Any breach of laws and regulations is brought to the attention of the Board. Close relations are maintained with all relevant Local and Central Government authorities to ensure a smooth and efficient workflow with these significant stakeholder groups. Employees are constantly updated on changes to laws and regulations and to tariff structures in a bid to keep them abreast the significant changes taking place.

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CAPITAL MANAGEMENT REPORTS

Social Relationship Capital

Environment Protection Licenses

Hayleys Fibre PLC has obtained and renewed the Environmental Protection License from the Central Environmental Authority for all of its operations which requires such licenses to carry out business in an environmentally-friendly manner. Further, the Group has not received any complaints from the community with regard to environmental issues during the year under review.

Statutory payments

In view of its commitment to become an exemplary corporate citizen, Hayleys Fibre PLC abides by all applicable tax laws and ensure that taxes and all other statutory payments are met promptly and responsibly. In the year under review, the Group contributed Rs. 73 million as taxes and other duties to the government. Other statutory payments including contributions to the EPF, ETF and PAYE obligations to the Inland Revenue on employee earnings, have also been paid in full and in a timely manner.

Trade Associations

As a responsible market leader in the industry, we believe in our significant role in policy advocacy within the industry. We take proactive measures for participation in key associations in the country-lobbying for significant industry advances and advocating best practices. In order to meet the challenges in the business easily and as a step for risk mitigation, the Company functions as an active member in the following associations.

- Ceylon Chamber of Commerce
- National Chamber of Exporters
- Coconut Development Authority
- The Employers' Federation of Ceylon
- Industrial Investors Associations

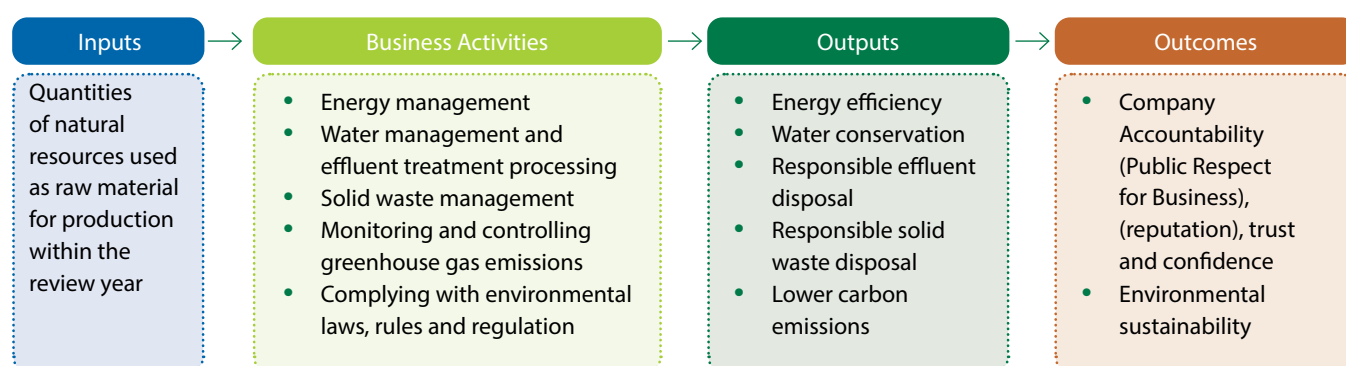


School materials for children - Aluththarama Kanishta Vidyalaya

Natural Capital

As a Group engaged in extensive manufacturing operations centered around natural eco-based produce, Hayleys Fibre PLC follows a focused environment impact management strategy. Although our core raw material, coco fibre, is clearly accepted as a green material, we are committed to uphold environmental stewardship by way of sustainable manufacturing processing as well as efficient management of natural resources. The Group is focused in its efforts for efficient management of resources, recycling processes and responsible waste disposal while doing our best to curtail our carbon emissions to minimise the operational impacts. This section discusses our environmental management initiatives and practices, aligned to sustainability principles as well as relevant laws, rules and regulations.

The Value Creation Process



Committed to a Greener World

Hayleys Fibre PLC has integrated best environmental practices, key measures and procedures across its manufacturing plants to ensure that its operations are aligned with environmental responsibility including compliance with all applicable laws, rules and regulations. The Group monitors, reviews and improves its systems, processes and procedures against the internal environmental strategy and goals. Some certifications and the licenses of the Group, guide the operational processes to be better aligned with environmental concerns and obligations.

What does it mean to be green?

1. Green Product

A green product is a product whose design and/or attributes (and/or production and/or strategy) use recycling (renewable/toxic-free/biodegradables) resources and which improves environmental impact or reduces environmental toxic damage throughout its entire life cycle

2. Green Materials

Green materials are **materials that are local and renewable**. For a material or product to be considered green, it should have a low impact on the environment and, favour the practice of protecting and conserving the natural environment and its resources.

3. Green Industry

A green industry is **economic activity that seeks to minimise impact to the environment**. For a material or product to be considered green, it should have a low impact on the environment and, favour the practice of protecting and conserving the natural environment and its resources.

Natural Capital

Hayleys Fibre deals with Coco coir as a key natural ingredient which is a natural by-product of the coconut cultivation industry and is perhaps the most versatile of all organic growing mediums. As an environmentally friendly alternative to peat moss, coco peat has a natural resistance to diseases and provides excellent water retention as well as aeration to plants. Advantages of gardening with coco peat include the following,

- 100% organic and a renewable resource
- Uniform in composition, neutral
- Good drainage / good aeration
- High water holding capacity, great absorption
- Promotes strong root growth
- Affordable and high quality
- Absence of weeds and pathogens
- Acceptable pH, EC and CEC for plant growth

Coco coir, as a natural waste product of the Company’s business operation, causes minimal impact on the environment and has proven itself to be the most environmentally friendly alternative to peat moss.

Wastes: The COCO industry does not have wastes in the raw materials except the packing materials, i.e raw wastes that are generated in one step is used as a raw material for the next step. Therefore, the raw material usage in COCO industry is 100% and no waste released to the environment.

Mitigating Harmful impact on the Environment
Our general commitments at Hayleys Fibre to ensure conservation of the environment and nature include the following:

- Adopting precautionary action plans and continuous improvements to our systems and procedures.
- Educating employees consistently on conservation and sustainable use of biodiversity, along with deployment of development and training programmes to update their knowledge on due diligence especially required for safeguarding species of plants and animals in danger of extinction.

- Systems and procedures are periodically reviewed to ascertain the impact of our operational activities on conservation. If required, revisions are made to policies and due actions are implemented accordingly. The Group’s research and development team, as part of their responsibilities, is continuously engaged in the process of monitoring conservation obligations and improve and maintain conformity with global requirements and to ensure statutory requirements are complied with.
- Hayleys Fibre has obtained ISO 9001:2015 for quality management systems and due standards are maintained accordingly and, maintenance of such standards if in conformity are being audited periodically during ISO audits.

Mitigating Environmental Impacts

The specific commitments initiated during the year under review to mitigate environmental impacts have been listed as follows. In continuous terms, Hayleys Fibre PLC has identified four pillars for strategic impact management under environmental sustainability that require planning, organising and controlling accordingly to minimise impacts.

Reduction of power/ Energy and water

The factories in the Group use the sunlight as lighting, during the daytime and solar energy is used for drying of the raw materials. Further, LED bulbs are used in the lighting system to minimise power consumption.



Mitigating environmental impacts

Water usage is zero in the manufacturing process except in the husk pits operation and human consumption in the factories.

Sustainability Work -Stream	Causes / Consequences	Examples of Sustainability Measures from the Case Study
Emission Management	<ul style="list-style-type: none"> Exhaust gases from boiler, generator etc Emission from manufacturing process Eg: Dust, Fumes 	<ul style="list-style-type: none"> Use dust extractors & collectors Use fume extractors Use palletise chemicals
Noise Management	<ul style="list-style-type: none"> Noise generated out of machinery operations Eg: Manufacturing machineries, power generators, air compressors 	<ul style="list-style-type: none"> Maintain heavy machinery with proper lubrication Use of sound proof generators Replace reciprocating air compressors with screw type
Waste Management	<ul style="list-style-type: none"> Solid waste generated from manufacturing process 	<ul style="list-style-type: none"> Waste segregation and recycle through Government approved recyclers while generating income Solid waste minimisation projects drive by the Company. (raw materials and packing materials) Re-use of manufacturing related waste
Chemical Management	<ul style="list-style-type: none"> Accidental chemical discharged in the manufacturing process 	<ul style="list-style-type: none"> Use of hazards free (environmentally accepted) chemicals Chemicals are stored in a contentment storage facility Automated dosing pumps are fixed in the chemical mixing areas Use of fully automated chemical mixing machineries Chemical absorbents are placed in chemical handling areas
Energy Management		<ul style="list-style-type: none"> Use of capacitor banks in main power distribution system (power factor correction) Power usage analysis and recording

Certifications

The Group has obtained and continue the following two certifications during the review period.

- ISO Certifications
- COVID-19 Certifications

Further the Group in the process of obtaining ISO 14001 – Environment Management System for 2022. The pre-work pertaining to the certification is currently in process.

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Natural Capital

Developing North Western and Northern Provinces

With a commitment for exemplary corporate citizenship, Hayleys Fibre PLC, continues to be committed to contributing to the national economy, by developing the areas in which coconut cultivation is prominent. As such the Company is currently committed to serving rural areas in the Northern Province by way of raw material purchase and natural environment enrichment through strategic investment which in turn will also open up direct employment avenues for neighbouring communities that are dependent on coconut cultivations and estates.

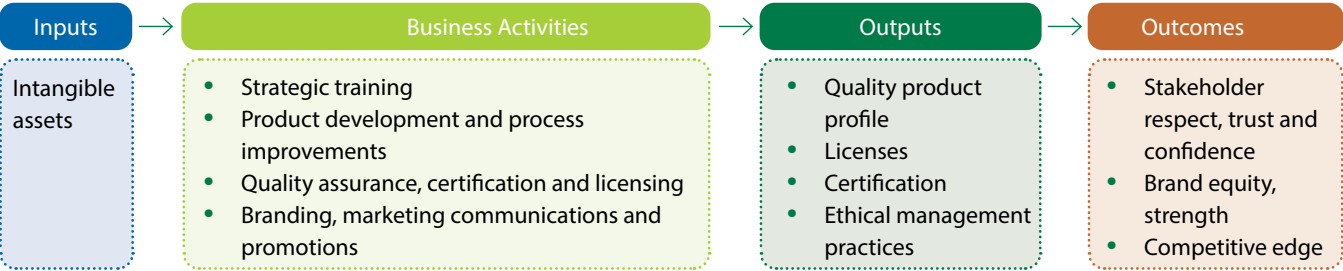


Product development and process improvements

Intellectual Capital

In a fast-evolving operating environment Hayleys Fibre continues to strive towards leading and sustaining its proposition as a key exporter of coco-fibre products to global consumers. The Company’s intellectual capital base includes intangible assets such as the sound corporate reputation, tacit knowledge and core competencies, the strength of our brands and systems, processes and procedures, that cumulatively enhance the perceived value of the Company. The report herein, discusses how the Company nurtures and builds its intangible assets to optimise the value created to further strengthen the position as an industry front runner.

The Value Creation Process



Key Performance Indicators / Highlights

09	03	03	05
Products Introduced	Research Publications	Innovative Products/ Patentable	New Products



Product development for growing media mixes

Intellectual Capital

Intellectual capital of Hayleys Fibre acts as a significant value driver that generates enormous returns for the business by way of enhanced knowledge of its employees, continuous improvement of systems and processes and the constant upgrading of existing products and development of new products. The Group also strengthened its Research and Development division to further fortify this function with suitable professional expertise while consolidating the gains and research findings of the review year. In order to further enhance the product know-how and technology the Creative Polymats (Pvt) Ltd invested in obtaining services of overseas consultants for its PU Mattress and Sheets business vertical.

Internal Processes and Procedures

Over the years, Hayleys Fibre has evolved its processes and procedures to advance into a powerful production house that ensures sustainable business practices which provides the Group its competitive edge. The Group’s quality management

system is a significant features which has been accredited by ISO 9001:2015 system which saw an upgrade from 9001-2008 during the year under review. The Company’s processes and procedures were constantly reviewed by internal quality audits, management reviews and independent bodies for further assurance and reliability.

Information System

The strategy formulation and implementation process of Hayleys Fibre is backed by the leading, globally acclaimed Enterprise Resource Planning system (SAP). The system is capable of processing all supply chain activities from the receipt of a customer order up to delivery of goods while generating financial and non-financial information for internal as well as external monitoring and reporting needs. During the year review, the Group added Material Requirement Planning (MRP) to the ERP system which now enables further value to the business by way of production planning, production information analysis and cost analysis, etc.



Research and development unit of Kuliyaipitiya

New Product Development (NPD) Process

The Group follows a carefully managed New Product Development process that is well aligned in par with global standards and procedures. The Group's focus on innovation and continuous R&D paves way for continuous improvement of its products and development of new products.

Research and Development (R&D) Activities

As a Company operating a highly competitive retail manufacturing space, Hayleys Fibre PLC is focused on continuous R&D for continuous improvement of its products, services and propositions.

Idea Generation in Innovation Funnel

Inputs for new product development are derived from,

- Brainstorming
- Trend analysis
- Market analysis
- Competitor analysis
- Customer requests

The key focus areas for R&D within the Group are hinged on the following;

- Material scarcity
- Cost requests
- Waste minimisation
- Water scarcity
- Land scarcity
- Sustainable growing concepts
- Climatic changes
- Organic farming trends

Branding

Given that the Company caters to the international/export market, the Company invests in distinct brand building and customer relations management activities to maintain the unique outlook of the Company. Careful research and investment is placed in maintaining the brand identity of the Hayleys Fibre products especially within the highly competitive global market space. The brand value of the products are maintained through labelling, packaging as well as brand building and customer engagement events that are focused on carving out a niche for the Company's products and services amidst its target audiences.

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CAPITAL MANAGEMENT REPORTS

Corporate Governance

Hayleys Fibre PLC and its Group continue to be committed to conducting the Company's business ethically and in accordance with high standards of good Corporate Governance.

The Company is a subsidiary of Hayleys PLC.

We set out below the Corporate Governance practices adopted and practiced by the Group against the background of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Rules set out in Section 7 of the Colombo Stock Exchange's Listing Rules.

Board Of Directors

The Board of Directors is responsible for setting up the governance framework within the Group.

Composition and Attendance at Meetings

As at the end of the year under review, the Board consist of Twelve Directors, Five Non-Executive Directors out of which Four are Independent Non-Executive Directors, Seven Executive Directors. Profiles of these Directors are given on pages 20 to 23 of this Report. Details of Directors' shareholding in Hayleys Fibre PLC and the directorates they hold in other companies are given on pages 93 & 94 and 20 to 23 respectively.

The Board meets quarterly as a matter of routine. Ad-hoc meetings are held as and when necessary. During the year under review the Board met on four occasions. The attendance at these meetings during the financial year was:

Board Meeting Attendance

As at	31 March 2022
Mr. A. M. Pandithage	4/4
Mr. H. S. R. Kariyawasan	4/4
Mr. M. M. A. R. P. Goonetilleke (Appointed w.e.f. 15/09/2021)	2/2
Dr. S. A. B. Ekanayake**	3/4
Mr. S. C. Ganegoda*	4/4
Mr. T. G. Thoradeniya**	3/4
Dr. T. K. D. A. P. Samarasinghe**	4/4
Mr. L. A. K. I. Kodytuakku	4/4
Mr. D. K. De Silva Wijeyeratne**	4/4
Mr. M. C. Sampath	4/4
Mr. W. A. Kelum Kumara	4/4
Mr. L. Uralagamage (Appointed w.e.f. 01/06/2021)	2/2

* Non-Executive Director

** Independent Non-Executive Director

Responsibilities

The Board is responsible to:

- Enhance shareholder value.
- Formulate and communicate business policy and strategy to assure sustainable growth, and monitor its implementation.
- Approve any change in the business portfolio and sanction major investments and disinvestments in accordance with parameters set.
- Ensure Executive Directors have the skills/ knowledge to implement strategy effectively, with proper succession arrangements in focus.
- Ensure effective remuneration, reward and recognition policies are in place to help employees give of their best.
- Set and communicate values/standards, with adequate attention being paid to accounting policies/practices.
- Ensure effective information, control, risk management and audit systems are in place.
- Ensure compliance with laws and ethical standards are established.
- Approve annual budgets and monitor performance against budgets.
- Adopt annual and interim results before these are published.

Inter Alia, Directors:

- Must bring independent judgment to bear and consider foremost the interests of the Company as a whole.
- Must stay abreast of developments in management practice, the world and domestic economy and other matters relevant to the Company.
- May convey concerns to the Chairman, if and when a need arises.
- May where necessary and with the concurrence of the Chairman, consult and consider inputs from “experts” in relevant areas.
- Should declare their interests in contracts under discussion at a Board Meeting, and refrain from participating in such discussion.
- Possessing “price- sensitive” information concerning the Company should not trade in the Company’s shares until such information has been adequately disseminated in the market.

Company Secretary

The services and advices of the Company Secretary are made available to Directors as necessary. The Company Secretary keeps the Board informed of new laws, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board. Shareholders are free to communicate with the Secretaries whenever it is considered necessary.

Chairman’s Role

The Chairman is responsible for the efficient conduct of Board Meetings. The Chairman maintains close contact with all Directors, and holds informal Meetings with Non-Executive Directors as and when necessary.

Board Balance

The composition of the Executive and Non-Executive Directors (the latter are over one third of the total number of Directors) satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange. The Board has determined that Four Non-Executive Directors satisfy the criteria for “independence” set out in the Listing Rules. The Board believes the independence of Dr. S. A. B. Ekanayake and Mr. T. G. Thoradeniya are not compromised by them being Board members for more than nine years as the objectivity of their roles are not affected by this period.

Non-Executive Directors profiles reflect their calibre and the weight their views carry in Board deliberations. Each is independent of management and free from any relationship that can interfere with independent judgment. The balance of Executive, Non-Executive and Independent Non-Executive Directors on the Board ensures that no individual Director or small group of Directors dominates Board discussion and decision making.

The Chairman of the Company is also the Chairman of Hayleys PLC. Chief Executive authority is vested in the Managing Director of the Company. The distinction between the position of the Chairman and officers wielding executive powers in the Company ensures the balance of power and authority.

Financial Acumen

The Board includes three Senior Chartered Accountants, who possess the necessary knowledge and competence to offer the Board guidance on matters of finance.

Supply of Information

Directors are provided with quarterly reports on performance and such other reports and documents as necessary. The Chairman ensures all Directors are adequately briefed on issues arising at Meetings.

Appointments to the Board

Nominations Committee of Hayleys PLC functions as the Nomination Committee of the Company and the Board decides on the appointments based on the recommendations made by the Committee.

Re-Election of Directors

The provisions of the Company’s Articles require a Director appointed by the Board to hold office until the next Annual General Meeting, and seek re-election by the shareholders at that meeting. The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment/ re-appointment. Retiring Directors are generally eligible for re-election.

The Managing Director does not retire by rotation.

Corporate Governance

Directors who are over seventy years will be reappointed by the shareholders in terms of section 211 of the Companies Act No.07 of 2007.

Remuneration Procedure

The Remuneration Committee of Hayleys PLC who is the parent of Hayleys Fibre PLC acts as the Remuneration Committee of the Company.

Remuneration Committee of Hayleys PLC consists of:

- Dr. H. Cabraal, PC** - Chairman
- Mr. Dhammika Perera*
- Mr. M. H. Jamaldeen**
- Mr. M. Y. A. Perera**

* Non – Executive Director

** Independent Non – Executive Director

The Remuneration Committee recommends the remuneration payable to Managing Director and Executive Director(s) and sets guidelines for the remuneration of the management staff within the Company. The Board makes the final determination after consideration of such recommendation and performance of the senior management staff.

Disclosure of Remuneration

The total of Directors' Remuneration is reported in note 7 to the Financial Statements.

Directors have access to programmes arranged by the Hayleys Group Human Resource Development Division when appropriate, to provide updates on matters relevant to business management and economic affairs.

Management Structure

The Board has delegated primary authority to the Managing Director and the Executive Directors, to achieve the strategic objectives formulated by them.

The authority is exercised within the ethical framework and business practices established by the Board which demands compliance with existing laws and regulation as well as best

practices in dealing with employees, customers, suppliers and the community at large.

The Managing Director and key managers meet on a monthly basis to review progress and discuss strategic issues and other important developments that require consideration and minutes are kept of decisions made and major issues.

The Managing Director attends the monthly Meetings of the Group Management Committee of Hayleys PLC and reports the progress and important issues.

Relations with Shareholders

The Notice of Meeting is included in the Annual Report. The Notice contains the Agenda for the AGM as well as instructions on voting by shareholders, including appointment of proxies. A form of Proxy is enclosed with the Annual Report. The period of notice prescribed by the Companies Act No 7 of 2007 has been met.

Constructive Use of the Annual General Meeting

The active participation of shareholders at the Annual General Meeting is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders.

The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the financial statements for the year.

Communication with Shareholders

The Quarterly Financial Statements, disclosures and announcements are posted to the CSE website for public dissemination. The Annual Report is considered as the principal communication with shareholders and other stakeholders. These reports are also provided to the Colombo Stock Exchange.

Shareholders may bring up concerns they have, either with the Managing Director or the Group's Secretarial Department as appropriate.

Price Sensitive Information

Due care is exercised with respect to share price sensitive information.

Shareholder Value & Return

The Board constantly strives to enhance the shareholder value and provide a total return in excess of the market. It has been the policy of the Board to distribute a reasonable dividend to the shareholders whilst allowing for capital requirements.

Accountability and Audit Financial Reporting

The Board places great emphasis on complete disclosure of financial and non-financial information within the bounds of commercial reality, and on the adoption of sound reporting practices. Financial information is disclosed in accordance with the Sri Lanka Accounting Standards. Revisions to existing accounting standards and adoption of new standards are carefully monitored.

The Annual Report includes descriptive, non-financial content through which an attempt is made to provide stakeholders with information to assist them to make more informed decisions.

The Statement of Directors' Responsibilities for the financial statements is given in page 91 of this report.

Management Report

Chairman's Message (pages 8 to 11), Message from the Managing Director (pages 12 to 17) and Operational Review and Management Discussion (pages 25 to 28) in this report provide an analysis of the Company and its Group's performance during the financial year.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks. This process has been in place throughout the year under review and the Risk Management Report is given from pages 85 to 89.

Going Concern

The Directors, after making necessary inquiries and reviews including reviews of the Company budget for the ensuing year, capital expenditure requirements, future prospects and

risks, cash flows and borrowing facilities, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the financial statements.

Internal Controls

The Directors are responsible for the Group system of internal financial controls. The system is designed to safeguard assets against unauthorised use or disposition and to ensure that accurate records are maintained and reliable financial information is generated. However, there are limits to which any system can ensure that errors and irregularities are prevented or detected within a reasonable period.

The important procedures in place to discharge this responsibility are as follows:

- The Directors are responsible for the establishment and monitoring of financial controls appropriate for the operation within the overall Group policies.
- The Board reviews the strategies of the Company.
- Annual budgeting and regular forecasting processes are in place and the Directors review performance.
- The Board has established policies in areas of investment and treasury management and does not permit employment of complex risk management mechanism.
- The Company is subjected to regular internal audits and system reviews.
- The Audit Committee of the Company reviews the plans and activities of the internal audits and the management letters of external auditors for the Financial Year under review.

Members of the Audit Committee consists of;

- Mr. D. K. De Silva Wijeyeratne** (Chairman)
- Dr. S. A. B. Ekanayake**
- Mr. T. G. Thoradeniya**
- Dr. T. K. D. A. P. Samarasinghe**

* Non – Executive Director

** Independent Non – Executive Director

The Company carefully selects and trains employees and provides appropriate channels of Communication to foster a control conscious environment.

Corporate Governance

The Board has reviewed the effectiveness of the system of financial control for the period up to the date of signing the accounts. The Directors Responsibilities for the financial statements are described on page 91.

The Hayleys Fibre PLC is subject to internal audit and systems review by the Hayleys Group Management Systems and Review Department.

Level of compliance with CSE'S Listing ruling

Rule No.	Subject	Applicable requirement	Compliance Status	Details
7.10.1	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executive Directors	Compliant	Five of Twelve Directors are Non-Executive Directors
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher should be Independent	Compliant	Four Non-Executive Directors are Independent
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/non- independence in the prescribed format	Compliant	Non-Executive Directors have submitted the declaration
7.10.3 (a)	Disclosure relating to Directors	Names of independent Directors should be disclosed in the Annual Report	Compliant	Please refer page 93
7.10.3 (b)	Disclosure relating to Directors	The basis for Board to determine a Director as independent, If specified criteria for independence is not met	Compliant	Given in page 77 under the heading of Board Balance
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the areas of Expertise	Compliant	Please refer pages 20 to 23
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(d) to the Exchange	Compliant	A brief resume was provided to the Exchange at the time of appointment
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee	Compliant	Remuneration Committee of the parent (Hayleys PLC) acts as a Remuneration Committee of the Company

Rule No.	Subject	Applicable requirement	Compliance Status	Details
7.10.5 (a)	Composition of Remuneration Committee	Shall comprise Non-Executive Directors, majority of whom will be independent	Compliant	Please refer page 98
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Managing Director	Compliant	As above and stated in this report
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out;		
		a) Names of Directors comprising the Remuneration Committee	Compliant	a) and b) Please refer page 98
		b) Statement of Remuneration Policy	Compliant	
		c) Aggregated remuneration paid to Executive & Non-Executive Directors	Compliant	c) Please refer page 92
7.10.6 (a)	Audit Committee	The Company shall have an Audit Committee	Compliant	Names of the members of the Audit Committee is given on page 99
7.10.6 (b)	Composition of Audit Committee	Shall comprise Non-Executive Directors, a majority of whom will be independent	Compliant	Audit Committee consist of Four Non-Executive Directors of which all are independent
		A Non-Executive Director shall be appointed as the Chairman of the committee	Compliant	Chairman of the Audit Committee is an Independent Non-Executive Director
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings	Compliant	The Managing Director and Chief Financial Officer attend meetings by invitation
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	Chairman of the Audit Committee is a Chartered Accountant
7.10.6 (c)	Audit Committee Functions	Should be as outlined in the Section 7 of the listing rules	Compliant	The terms of reference of the Audit committee are on page 99

Corporate Governance

Rule No.	Subject	Applicable requirement	Compliance Status	Details
7.10.6 (d)	Disclosure in the Annual Report relating to Audit Committee	a) Names of Directors comprising the Audit Committee	Compliant	Please refer Audit Committee Report on page 99
		b) The Audit Committee shall make a determination of the independence of the Auditors and disclose such determination	Compliant	Please refer Audit Committee Report on page 99
		c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance of the functions	Compliant	Please refer Audit Committee Report on page 99
9.2	Related Party Transactions Review Committee	If the parent Company and the subsidiary Company both are listed entities, the Related Party Transactions Review Committee of the parent Company may be permitted to function as such Committee of the subsidiary	Compliant	The Committee of the Parent Company which was formed on 10th February 2015 functions as the committee of the Company
9.2.2	Composition	02 Independent Non-Executive Directors and 01 Executive Director of Hayleys PLC	Compliant	Please refer page 97
9.2.3	Related Party Transactions Review Committee Functions	<ul style="list-style-type: none"> 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 with regard to any transaction entered into with a related party 	Compliant	As above

Rule No.	Subject	Applicable requirement	Compliance Status	Details
		<ul style="list-style-type: none"> Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary obtaining appropriate professional and expert advice from suitably qualified persons To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged To review the economic and commercial substance of both recurrent/non recurrent related party transactions To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction 	Compliant	As above

Corporate Governance

Rule No.	Subject	Applicable requirement	Compliance Status	Details
9.2.4	Related Party Transactions Review Committee Meetings	Shall meet once a calendar year	Compliant	Please refer page 97
9.2.5	Related Party Transactions Review Committee Disclosure in the Annual Report	a) Non-recurrent Related Party Transactions- If aggregate value exceeds 10% of the equity or 5% of total assets whichever is lower. b) Recurrent Related Party Transactions – If aggregate value exceeds 10% of gross revenue/income as per the latest audited accounts c) Report by the Related Party Transactions review Committee d) A declaration by the Board of Directors	Compliant	a) and b) as above c) Page 97 d) Page 93

Risk Management

Risk Management Framework of Hayleys Fibre PLC

The Hayleys Fibre PLC (HFP) Enterprise Risk Management (ERM) model is based on the COSO risk management framework which emphasises factors that would hinder the Company's ability to create value for shareholders. The framework consists of identifying and profiling of significant risks, determining risk appetites, accepting/transferring/ eliminating and sharing risks, measuring performance and covering the benefits of risk diversification and execution.

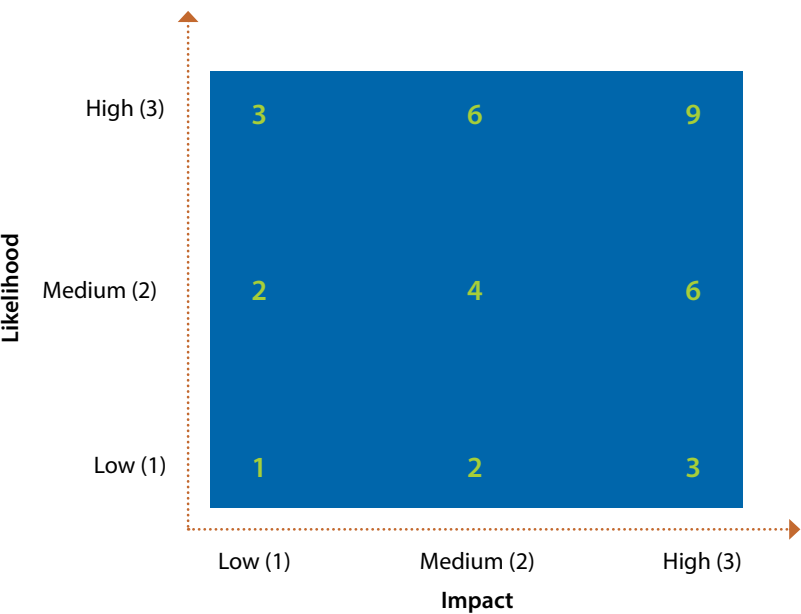
Enterprise Risk Management Framework

Objective Setting	The Board sets objectives that support and propagate the Company's mission and which are consistent with its risk appetite. The process includes reviewing and setting long-term (three-year) objectives and annual objectives with related performance indicators for monitoring purposes. The senior management team takes the initiative in proposing business objectives and these are reviewed and approved by the Board.
Event Identification	The Company recognises internal and external events that affect the achievement of its objectives. The distinction between strategic and operational risks is also important. Further, the applicability of areas of risk identified previously during management discussions, internal audit reports and management letters of external auditors are reviewed to prepare a comprehensive list of risks of the Company.
Risk Assessment	The likelihood and impact of risks are assessed, as a basis for determining how to manage them. Any significant risks exceeding risk tolerance limits are responded by the management.
Risk Response	The Management selects appropriate actions to align risks with risk tolerance and risk appetite. Depending on the significance of the risk, decisions are taken appropriately to manage the risk by accepting, reducing, sharing or avoiding it. Risk responses identified in relation to set objectives are also documented and reviewed.
Control Activities	The corporate management team and the senior managers implement the risk response and action plans are identified, with a view of managing those risks.
Information and Communication	Documentation and reporting plays a key role in monitoring risk. The corporate plan, which includes objectives and related risks, internal audit reports and management letters of external auditors, are communicated to the management of the Company, the Audit Committee and the Board of Directors of both Hayleys Fibre PLC and its holding Company, Hayleys PLC, for their review and actions.
Monitoring	During the monthly performance review meetings, all significant risks and their actions plans are reviewed by the Corporate Management Team and the Group Managers. The Hayleys Group Management Committee, attended by the Managing Director of the Company, also reviews these risk areas on a monthly basis. The Audit Committee, which has the ultimate responsibility of monitoring the process of risk management, reviews the risks and action plans on a quarterly basis and makes recommendations to the Board.

Risk Management

Risk Assessment Matrix

The COSO view of risk assessment is based on the likelihood and impact of a specific type of event; the output is a probability weighted impact. The high risk area in the top right corner of the matrix demands higher and prompt attention.



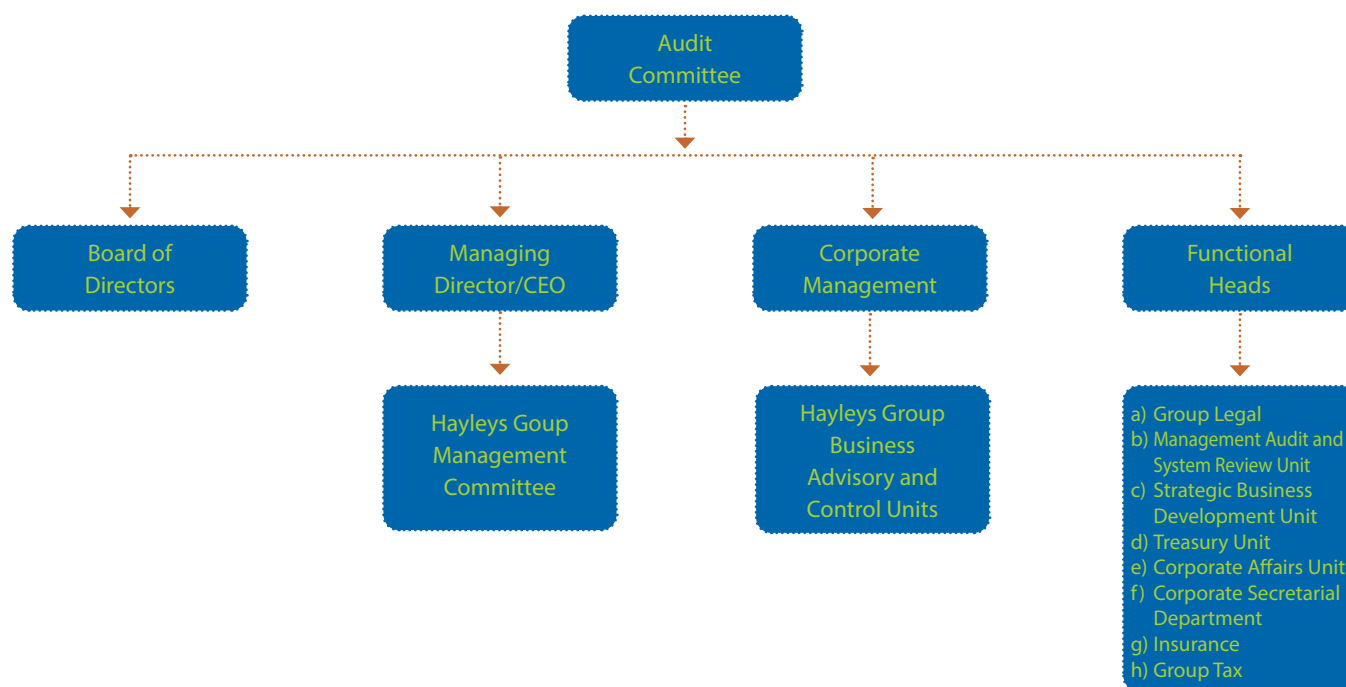
Risk Management Structure

The Board is primarily responsible for ensuring that the risks are identified and appropriately managed across the Company and the Group. The Audit Committee is entrusted with the task of reviewing the effectiveness of the Group Risk management framework, including the internal control systems established to identify, assess, manage and monitor risks. The internal audit function also plays a key role in risk identification.

The Corporate Management Team takes the lead in the total risk management process – the identification of risks and finally the implementation and monitoring of identified risks. A bottom-up approach is taken in the process of risk identification. The Corporate Management Team also evaluates the options available to mitigate risks. Functional heads provide useful information and feedback to the Corporate Management Team for risk management with the assistance of the employees of the Group.

The Hayleys Group Management Committee and the business advisory and control units specialised in legal, management audit and system reviews, strategic business developments, treasury, HR and corporate affairs, also play a key role in identifying, assessing, controlling and monitoring the risks applicable to Hayleys Group.

Organisational Structure	Risk Management Role
Board of Directors	Overlook the risk management strategy and the enterprise risk management process
Audit Committee	Oversee and review the enterprise risk management process
Hayleys Group Management Committee	Identify, assess and monitor risks relating to Hayleys Fibre Group business operations
Hayleys Group Business Advisory and Control Units	Identify and assess risks related to Hayleys Fibre Group business operations within their expertise in legal, systems and audit, strategic business development, treasury, HR and corporate affairs
Corporate Senior Management Team	Identify, assess, monitor risks, and implement action plans
Functional Heads	Implement, monitor and elicit feedback



Risk Management

Risk category	Risk element	Implications	Mitigating measures	Risk level
Risk of Financial Capital (Refer note 35)	Material Price Risk Fluctuations in fibre prices in the local market	Short-term and long- term; The increase in raw material prices will create losses due to fixed selling prices	<ul style="list-style-type: none"> Monitor prices/standard cost revisions Quote variable prices to customers 	High
	Foreign Currency Risk Arising due to foreign currency positions	Short-term and long- term; Losses can arise when foreign currency assets and liabilities are translated into local currency as at the balance sheet date, or when transactions are carried out in foreign currency	<ul style="list-style-type: none"> Monitor trends and book forward Maintains a natural hedging of foreign currency denominated assets against liabilities Manage loan portfolio to mitigate impacts on currency devaluations 	High
	Interest Rate Risk Arising due to the sensitivity to interest rate changes	Short-term and long- term; The increase in interest rates could impact on the cost of finished goods due to high cost of financing and increase in the cost of borrowing	<ul style="list-style-type: none"> Effective management of working capital Maintain a proper combination of fixed and floating rates Maximise the use of self generated excess funds 	Medium
	Liquidity Risk Availability of funds – the Group has to be liquid and solvent to carry out its operations smoothly	Short-term and long- term; Unavailability of sufficient funds may interrupt the smooth functioning of the Company's operations	<ul style="list-style-type: none"> Effective treasury function to forecast fund requirement and availability Maintain a portfolio of short-term liquid assets Arrange sufficient financial facilities 	Low
	Risk of Bad Debts Due to payment default by credit customers	Short-term and long- term; Could result in direct losses due to bad debts and increase in finance cost due to delayed payments	<ul style="list-style-type: none"> Implementation of Group credit policy Periodic review of receivables, legal and other recovery actions 	Medium
Risk of Manufactured Capital	Old Machineries Reliance on old machines and accessories	Short-term and long- term; Lower productivity and the lower production due to loss hours affected by frequent shutdowns	<ul style="list-style-type: none"> Investment in new machinery Upgrading knowledge on maintenance 	Medium
	Capacity Shortages Production capacity shortages	Short-term and long- term; Loss of orders and inherent risk of reduction of market share.	<ul style="list-style-type: none"> Capacity expansion 	Medium

Risk category	Risk element	Implications	Mitigating measures	Risk level
Risk of Human Capital	Labour Shortages Reduction in skilled and unskilled labour	Short-term and long- term; The increase in production costs due to higher wages	<ul style="list-style-type: none"> Automation Increase living standards of employees to reduce turnover 	Medium
	Industrial Health and Safety Could lead to workplace accidents, penalties, negative image and hiring difficulties on future requirements	Short-term and long- term; Lower productivity due to higher employee turnover and dissatisfaction of existing employees	<ul style="list-style-type: none"> Providing necessary safety equipment to all employees. Focused training on health and safety to all employees. Insurance coverage to mitigate the risk 	Medium
	Epidemic Situations (COVID-19) Could lead to a reduction in work force deployment	Short-term and long- term; High employee absenteeism and low productivity	<ul style="list-style-type: none"> Regular PCR testing/ Vaccination Certification of factory location for COVID-19 by SGS Lanka (Pvt) Ltd 	Low
Risk of Social & Relationship Capital	Single Customer/Supplier Risk of dealing with few major customers and/or suppliers	Short-term and long- term; Loss of key major customer would affect revenue and loss of a major supplier would affect the supply of critical raw material for manufacturing	<ul style="list-style-type: none"> Diversify and increase the customer base Develop multiple supplier network 	Medium
Risk of Natural Capital	Using Hazardous Chemicals Risk of using hazardous chemicals for the production can cause health and safety issues.	Short term and long term; Public resistance and/or regulatory involvement on environmental pollution/protection	<ul style="list-style-type: none"> Shifting to environmental friendly chemicals. Effluent water treatment process 	Low
Risk of Intellectual Capital	Confidentiality of Information Loss of confidential data through security breaches in the IT systems	Short-term and long- term; Loss of the unique profile designs of Hayleys Fibre, to competitors	<ul style="list-style-type: none"> Extensive controls and reviews to maintain security of IT infrastructure and data Regular backup of data and off-site storage of data backup system Disaster recovery plan 	Medium



Committee Reports

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Statement of Directors' Responsibility

The Directors are responsible, under Sections 150 (1), 151, 152 (1), 153 (1) & 153 (2) of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit & loss of the Company and the Group for the financial year. The Directors are also responsible, under Section 148 for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Financial Reporting Standards/Sri Lanka Accounting Standards (SLFRS/LKAS). The Financial Statements provide the information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken reasonable measures to safeguard the assets of the Group, and in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The Directors have confirmed that the Company has satisfied the solvency test requirement under Section 56 of the Companies Act No.07 of 2007 for the interim dividends paid and final dividend proposed. Solvency certificates were obtained from the Auditors in respect of the interim dividends paid and one has been sought in respect of the final dividend proposed.

The External Auditors, Messrs Ernst & Young, who are deemed re-appointed in terms of Section 158 of the Companies Act No.

07 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the financial statements. The Report of the Auditors, shown on pages 101 to 104 sets out their responsibilities in relation to the Financial Statements.

Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its Subsidiaries as at the Balance Sheet date have been paid or where relevant, provided for.

By Order of the Board,



Hayleys Group Services (Pvt) Ltd.

Secretaries

17th May 2022

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COMMITTEE REPORTS

Annual Report of the Board of Directors on the Affairs of the Company

The Directors of Hayleys Fibre PLC are pleased to present their report together with the audited Financial Statements of the Company and of the Group for the year ended 31st March 2022.

The details set out provide the pertinent information required by the Companies Act No.07 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended best Accounting Practices.

Principal Activities

Hayleys Fibre PLC and its subsidiary of Bonterra Limited are primarily involved in the manufacture and export of coir fibre products. The subsidiary Creative Polymats (Pvt) Ltd produces polyurethane mattresses and other related products for local markets.

Review of the Year

Chairman's Message (pages 8 to 11), Message from the Managing Director (pages 12 to 17) and operational review and management discussion (pages 25 to 28) describes briefly the activities of the Group and the Company during the year under review. The results for the year are set out in the Income Statement.

The Directors, to the best of their knowledge and belief, confirm that the Hayleys Fibre Group has not engaged in any activities that contravene laws and regulations.

Financial Statements

The Financial Statement of the Group and the Company given on pages 105 to 111 in the Annual Report.

Auditor's Report

The auditors' report on the financial statements is given on pages 101 to 104.

Accounting Policies

The accounting policies adopted in the preparation of financial statements are given on pages 112 to 129. There were no changes in the accounting policies adopted by the Group.

Employees and Industrial Relations

Issues pertaining to employees and industrial relations are given in pages 50 to 59.

Interests Register

The Company, in compliance with the Companies Act No.7 of 2007, maintains an Interests Register. Particulars of entries in the Interests Register are detailed below.

Director's Interest in Transactions

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No.7 of 2007. Note 36 to the Financial Statements dealing with related party disclosures.

Director's interest in Shares

Directors of the Company, who have relevant interest in the shares, have disclosed their shareholdings and any acquisitions / disposals in compliance with section 200 of the Companies Act.

The details of the Directors' shareholdings in the Company are given later in this report. There were no changes in holdings during the period.

Nomination Committee

Nominations Committee of the Parent Company, Hayleys PLC functions as the Nominations Committee of the Company and conforms to the requirements of the Listing Rules of the CSE.

The Nomination Committee members of Hayleys PLC are :

Mr. A. M. Pandithage

Mr. K. D. D. Perera

Dr. H. Cabral

Remuneration Committee

Remuneration Committee of the Parent Company, Hayleys PLC functions as the Remuneration Committee of the Company.

The members and the composition of the members are given on page 98 under the Report of the Remuneration Committee.

The Report of the Remuneration Committee contains a statement of the remuneration policy. The details of the aggregate remuneration paid to the Executive and Non-Executive Directors during the financial year are given in note 7 on page 131 to the Financial Statements.

Director's Remuneration

The total remuneration of Non Executive Directors for the year ended 31st March 2022 was Rs. 2.6 million, determined

according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the Company.

Related Party Transactions

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

The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee of Hayleys PLC, the parent Company which acts as the Related Party Transactions Review Committee of the Hayleys Fibre PLC and are in compliance with Section 09 of the CSE Listing Rules.

The Committee met Four (04) times in the financial year 2021/2022.

Attendance

Meetings held on 17th May 2021, 10th August 2021, 09th November 2021 and 11th February 2022.

The attendance of the members at these meeting was as follows.

	Meetings
Dr. H. Cabral, PC **	4/4
Mr. M. Y. A. Perera **	4/4
Mr. S. C. Ganegoda *	4/4

Details of the Related Party Transaction Review Committee are given on page 97 in the annual report.

Corporate Donations

No Donations were made during the year.

(2020/2021 – NIL)

Directors' Indemnity and Insurance

The ultimate parent of the 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 Group.

Dividend

Final Dividend of Rs. 1.75 per share for the year 2020/2021 was paid to the shareholders on 14th July 2021.

1st Interim Dividend of Rs.1.00 per share for the year 2021/2022 was paid to the shareholders on 26th October 2021.

2nd Interim Dividend of Rs. 0.75 per share for the year 2021/2022 was paid to the shareholders on 27th January 2022.

3rd Interim Dividend of Rs. 0.50 per share for the year 2021/2022 was paid to the shareholders on 9th May 2022.

The Board of Directors has recommended the payment of a Final Dividend of Rs. 0.30 per share, subject to the approval of the shareholders at the Annual General Meeting.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the First, Second and Third Interim dividends paid and Final dividend proposed. Solvency certificates were obtained from the Auditors in respect of the First, Second and Third Interim dividends paid and one has been sought in respect of the Final dividend proposed.

(2020/2021 – 1st Interim Dividend of Rs. 0.33 per share was paid to the shareholders on 18th December 2020)
(2020/2021 – 2nd Interim Dividend of Rs. 0.25 per share was paid to the shareholders on 25th March 2021)

Directorate

The names of the Directors who held office during the financial year are given below and their brief profiles appear on pages 20 to 23.

1. Mr. A. M. Pandithage
2. Mr. H. S. R. Kariyawasan
3. Mr. M. M. A. R. P. Goonetilleke (Appointed w.e.f. 15/09/2021)
4. Mr. L. A. K. I. Kodytuakku
5. Mr. M. C. Sampath
6. Mr. W. A. K. Kumara
7. Mr. L. Uralagamage (Appointed w.e.f. 01/06/2021)
8. Mr. M. I. L. Perera (Resigned w.e.f. 20/07/2021)
9. Mr. S. C. Ganegoda *
10. Dr. S. A. B. Ekanayake **
11. Mr. T. G. Thoradeniya **
12. Dr. T. K. D. A. P. Samarasinghe **
13. Mr. D. K. De Silva Wijeyeratne **

* Non – Executive Director

** Independent Non – Executive Director

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Annual Report of the Board of Directors on the Affairs of the Company

Mr. M. I. L. Perera who served as Director of the Company resigned with effect from 20th July 2021.

Mr. L. Uralagamage was appointed to the Board with effect from 1st June 2021 and Mr. M. M. A. R. P. Goonetilleke was appointed to the Board as the Managing Director of the Company with effect from 15th September 2021. In terms of Article 27(2) of the Articles of Association of the Company, shareholders will be requested to re-elect Mr. L. Uralagamage and Mr. M. M. A. R. P. Goonetilleke at the Annual General Meeting of the Company.

Mr. H. S. R. Kariyawasan was appointed as the Deputy Chairman of the Company with effect from 15th September 2021 and Mr. L. A. K. I. Kodytuakku as the Deputy Managing Director of the Company with effect from 20th July 2021.

In terms of Article No.29(1) of the Articles of Association of the Company, Mr. H. S. R. Kariyawasan, Mr. T. G. Thoradeniya and Dr. T. K. D. A. P. Samarasinghe retire by rotation and being eligible offer themselves for re-election.

Notice has been given of the intention to propose an ordinary resolution in terms of Section 211 of the Companies Act No. 07 of 2007 ('Companies Act') for the re-appointment of Mr. A. M. Pandithage, resolving that the age limit of 70 years stipulated in Section 210 of the Companies Act shall not apply to him.

Directors' Shareholdings

The following Directors held shares in the Company;

	As at 31/03/2022	As at 01/04/2021
Mr. A. M. Pandithage	960	960
Mr. H. S. R. Kariyawasan	Nil	Nil
Mr. M. M. A. R. P. Goonetilleke (Appointed w.e.f. 15/09/2021)	Nil	Nil
Mr. L. A. K. I. Kodytuakku	Nil	Nil
Mr. M. C. Sampath	Nil	Nil
Mr. W. A. K. Kumara	Nil	Nil
Mr. L. Uralagamage (Appointed w.e.f. 01/06/2021)	Nil	Nil
Mr. S. C. Ganegoda	1,824	1,824
Dr. S. A. B. Ekanayake	Nil	Nil
Mr. T. G. Thoradeniya	Nil	Nil
Dr. T. K. D. A. P. Samarasinghe	Nil	Nil
Mr. D. K. De Silva Wijeyeratne	Nil	Nil

Auditors

The financial statements for the year have been audited by Messrs Ernst & Young, Chartered Accountants.

The Auditors, Messrs Ernst & Young, Chartered Accountants, were paid Rs. 1.82 million (2020/2021 Rs. 1.66 million) and Rs. 3.27 million (2020/2021 Rs. 2.97 million) as audit fees by the Company and the Group respectively. In addition, they were paid Rs. 0.54 million (2020/2021 Rs. 0.26 million) and Rs. 0.86 million (2020/2021 Rs. 0.51 million), by the Company and the Group respectively, for non-audit related work, which consisted mainly of tax consultancy services.

As far as the Directors are aware, the Auditor do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interests in the company.

Messrs. Ernst & Young, Chartered Accountants, have expressed their willingness to continue in office and in accordance with the Companies Act a resolution proposing the re- appointment of Messrs. Ernst & Young, Chartered Accountants as Auditors, and to authorise the Directors to determine their remuneration is being proposed at the Annual General Meeting.

Group Revenue/International Trade

The gross revenue of the Group during the year was Rs. 3,699 million (2020/2021 – Rs. 2,001 million) of which Rs. 1,696 million (2020/2021 – Rs. 736 million) was exported by the Company, Hayleys Fibre PLC.

Results of Operations

The Group profit before taxation amounted to Rs. 439 million. After deducting Rs. 99 million for taxation, the Group profit attributed to equity holders of the Group for the year was Rs. 340 million.

The Group's Statement of Profit or Loss for the year is given on page 105 Details of transfer to/ from reserves in respect of the Group are shown in the Statement of Changes in Equity on page 108

Material Foreseeable Risk Factors

Details of material foreseeable risk factors and the risk management measures in place are given in pages 85 to 89 and pages 154 to 160.

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Capital Expenditure

Purchase and construction of property, plant & equipment during the year amounted to Rs. 175 million. The movement in property, plant & equipment is set out in note 11 to the financial statements.

Share Capital and Reserves

The stated capital of the Company is Rs. 80 million comprising 24,000,000 ordinary shares. The Group revenue reserves as at 31st March 2022 amounts to Rs. 1000 million (2020/2021 – Rs. 901 million), other component of equity Rs. 85 million (2020/2021 – Rs. 88 million) and other reserves of Rs. 51 million (2020/2021 – Rs. 51 million).

Taxation

It is the policy to provide for deferred taxation on all temporary differences on the liability method.

The tax liability on profits derived on business is explained under note 8 of the financial statements.

Share Information

Information relating to earnings, dividends and dividends per share is given in notes 9 & 10 to the financial statements and on the pages 164 to 165.

Events Occurring after the Balance Sheet Date

The Directors have recommended the payment of a Final Dividend of Rs. 0.30 per share subject to the approval by the shareholders at the Annual General Meeting. No other material events that require adjustments or disclosure in the statements occurred after the reporting date.

Key Indicators

Market Value	2021/2022		2020/2021	
	Price Rs.	Date	Price Rs.	Date
Highest Price	99.90	24.12.2021	300.00	22.01.2021
Lowest Price	44.50	30.06.2021	44.50	18.03.2021
Closing Price	55.10	31.03.2022	47.60	31.03.2021

Shareholders

It is the policy of the Company to ensure equitable treatment of its shareholders.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to employees and the Government Institutions have been made up to date.

Corporate Governance/Internal Control

Adoption of good governance practices has become an essential requirement in today's corporate culture. The practices carried out by the Company/ Group are explained in the Corporate Governance statement on pages 76 to 84.

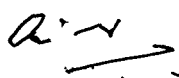
Going Concern

The Directors, after making necessary inquiries and reviews including reviews of the Company and the Group budgets for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the financial statements.

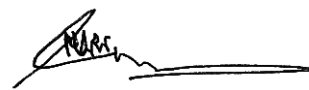
Annual General Meeting

The Annual General Meeting will be held on Tuesday, 28th June 2022 at 11.30 a.m. on online platform. The Notice of the Annual General Meeting appears on page 168.

For and on behalf of the board



A. M. Pandithage
Chairman



M. M. A. R. P. Goonetilleke
Managing Director



Hayleys Group Services (Private) Limited
Secretaries

No. 400, Deans Road, Colombo 10.
17th May 2022

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COMMITTEE REPORTS

Responsibility Statement of Chairman, Managing Director and Chief Financial Officer

The Financial Statements of Hayleys Fibre PLC and the Consolidated Financial Statements of the Group, as at 31st March 2022, are prepared and presented in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- The Companies Act No. 07 of 2007
- The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Listing Rules of the Colombo Stock Exchange
- The Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka

We confirm that the significant accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied, as described in the Notes to the Financial Statements. The significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and our External Auditors.

We have also taken proper and sufficient care in installing systems of internal controls and accounting records to safeguard assets and to prevent and detect frauds as well as other irregularities. These have been reviewed, evaluated and updated on an ongoing basis. Reasonable assurances were provided by periodic audits conducted by Group's internal auditors on the consistently followed policies and procedures of the Company. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

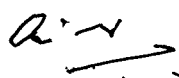
The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review

the effectiveness of the audits and to discuss auditing, internal controls, and financial reporting issues. The Independent Auditors and the Internal Auditors have full and free access to the Audit Committee to discuss any matter of substance.

The Financial Statements were audited by independent external auditors, Messrs Ernst & Young, Chartered Accountants. The Audit Committee approves the audit and non-audit services provided by the External Auditor, in order to ensure that the provision of such services do not impair their independence.

We confirm that,

- The Company and its Subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- There are no material non-compliances; and
- There are no material litigations that are pending against the Group.



A. M. Pandithage
Chairman



M. M. A. R. P. Goonetilleke
Managing Director



M. C. Sampath
Director/Chief Financial Officer

Related Party Transactions Review Committee Report

The Related Party Transaction Review Committee (RPTRC) of Hayleys PLC, the parent Company functions as the RPTRC Committee of the Company in terms of 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 and the members are as follows.

Dr. H. Cabral**, PC - Chairman

Mr. M. Y. A. Perera**

Mr. S. C. Ganegoda*

* Non-Executive Director

** Independent Non-Executive Director

Attendance

The Committee met four (04) times in the Financial Year 2021/22.

Meetings were held on 17th May 2021, 10th August 2021, 9th November 2021 and 11th February 2022.

	Meetings
Dr. H. Cabral, PC	4/4
Mr. M. Y. A. Perera	4/4
Mr. S. C. Ganegoda	4/4

The Duties of the Committee

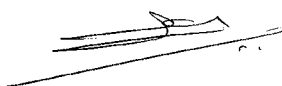
- To review in advance all proposed related party transactions of the Group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information the Committee requires from management,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

- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions.
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining competent independent advice from independent professional experts with regard to the value of the substantial asset of the related party transaction.

Task of the Committee

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

The Committee in its review process recognised the adequacy of the content and quality of the information forwarded to its members by the management.



Dr. Harsha Cabral, PC

Chairman

Related Party Transactions Review Committee of Hayleys PLC

17th May 2022

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COMMITTEE REPORTS

Remuneration Committee Report

Composition of the Committee

The Remuneration Committee of the Parent Company Hayleys PLC functions as the Committee to the Company and consists of three Independent Non-Executive Directors and the members are as follows.

Composition

Dr. H. Cabral, PC** – Chairman

Mr. K. D. D. Perera*

Mr. M. Y. A. Perera**

Mr. M. H. Jamaldeen**

* Non-Executive Director

** Independent Non-Executive Director

The Chairman and Chief Executive assists the Committee by providing relevant information and participating in its analysis and deliberations, except when his own compensation package is reviewed.

The Committee met twice during the year where all the members attended.

Duties of the Remuneration Committee

The Committee vested with power to evaluate, assess, decide, and recommend to the Board of Directors on any matter that may affect Human Resources Management of the Company and the Group and specifically include –

- Determining the compensation of the Chairman and Chief Executive, Executive Directors and the Members of the Group Management Committee.
- Lay down guidelines and parameters for the compensation of all Management staff within the Group taking into consideration industry norms.
- Formulate guidelines, policies, and parameters for the compensation of all Executive staff of the Company.
- Review information related to executive pay from time to time to ensure same is on par with the market/industry rates.

- Evaluate the performance of the Chairman and Chief Executive and Key Management Personnel against the pre-determined targets and goals.
- Assess and recommend to the Board of Directors of the promotions of the Key Management Personnel and address succession planning.
- Approving annual salary increments and bonuses.

Remuneration Policy

The remuneration policy is to attract and retain highly qualified and experienced workforce, and reward performance accordingly in the backdrop of industry norms. These compensation packages provide compensation appropriate for each business within the Group and commensurate with each employee's level of expertise and contributions, bearing in mind the business' performance and shareholder returns.

Activities in 2021/22

- During the year the Committee reviewed the performance of the Executive Directors based on the targets set in the previous year and determined the bonus payable and the annual increments.
- Recommended the bonus payable and annual increments to be paid to executive and non-executive staff based on the ratings of the Performance Management System.



Dr. Harsha Cabral, PC

Chairman

Remuneration Committee

19th May 2022

Audit Committee Report

Composition of the Audit Committee

The Audit Committee, appointed by and responsible to the Board of Directors, comprised of four Independent Non-Executive Directors as at 31st March 2022. The Chairman of the Audit Committee is a senior Chartered Accountant.

Attendance

The Committee met four times during the financial year. The attendance of the members at these meetings is as follows:

	Meetings
Mr. D. K. De Silva Wijeyeratne** (Chairman)	4/4
Dr. S. A. B. Ekanayake**	3/4
Mr. T. G. Thoradeniya**	3/4
Dr. T. K. D. A. P. Samarasinghe**	4/4

* Non-Executive Director

** Independent Non-Executive Director

Managing Director, Group Chief Financial Officer, Head of Group Management Audits and Systems Review Department and Sector Chief Financial Officer as well as the external auditors when required were present at discussions where appropriate. The proceedings of the Audit Committee are regularly reported to the Board of Directors.

Tasks of the Audit Committee

Financial Reporting System

The Committee reviewed the financial reporting system adopted by the Group in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Accounting Standards. The methodology included obtaining statements of compliance from Chief Financial Officer and Directors-in-charge of operating units. The Committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system also recognised the adequacy of the content and quality of routine management information reports forwarded to its members.

Internal Audits

The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls that have been designed to

provide reasonable assurance to the Directors that assets are safeguarded and presentation of Financial Statements. The Committee also reviewed the adequacy of provisions made for possible liabilities and compliance with relevant statutory requirements. The Group Management Audit & Systems Review Department's reports on key control elements and procedures in Group companies selected according to the annual plan were also reviewed.

External Audits

The Financial Statements were audited by independent external auditors, Messrs Ernst & Young, Chartered Accountants. Based on the declaration provided by Messrs. Ernst & Young, Chartered Accountants and to the extent that the Audit Committee is aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company and the Group, which in the opinion of the Audit Committee, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka, as applicable on the date of this Report.

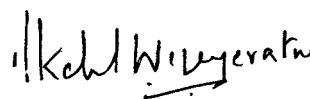
The queries issued by the external auditors and actions taken by the management in response to issues raised by external auditors were also examined. The Committee discussed the effectiveness of the internal controls in place and recommended remedial actions where necessary.

Support to the Committee

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

Conclusion

The Audit Committee is satisfied that the Group's accounting policies and operational controls provide reasonable assurance that the affairs of the Group is managed in accordance with Group policies and that Group assets are properly accounted for and adequately safeguarded.



D. K. De Silva Wijeyeratne
Audit Committee
17th May 2022

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FINANCIAL CALENDAR

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2nd Quarter Report	10th November 2022
3rd Quarter Report	08th February 2022
4th Quarter Report	17th May 2022
Annual Report 2021/2022	03rd June 2022
36th Annual General Meeting	28th June 2022
1st Interim Dividend Paid	26th October 2021
2nd Interim Dividend Paid	27th January 2022
3rd Interim Dividend Paid	09th May 2022
Final Dividend Proposed	14th July 2022



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Independent Auditor's Report



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Email: eysl@lk.ey.com
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BW/SD

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HAYLEYS FIBRE PLC Report on the audit of the financial statements *Opinion*

We have audited the financial statements of Hayleys Fibre PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as of 31 March 2022, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as of 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 our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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 Manalunga 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 ACMA, Ms. P S Paranavitane ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

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HAYLEYS FIBRE PLC
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Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
<p>Measurement of the quantity of inventories</p> <p>As of the reporting date, the carrying value of the Group's inventories amount to Rs. 859M in accordance with its accounting policy as disclosed in note 17 to financial statements.</p> <p>The measurement of the quantity of inventories were a key audit matter due to:</p> <ul style="list-style-type: none"> • The magnitude of the balance, which represents 25% of the Group's total assets; • The significance of estimates applied by the management in measuring the quantity of inventories such as the use of estimation techniques to measure the quantity of coir fibre inventories included in raw materials, as disclosed in note 17 of the financial statements, 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We understood the process involved in the measurement of the quantity of inventories • We attended the physical inventory counts and reconciled count results to the inventory reported as at the period end. We also assessed the reasonableness of judgements and estimates used by management. As a part of our procedures over measurement of coir fibre inventories, we assessed whether the actual moisture levels as at the count date has been appropriately considered when measuring inventories • We tested the unit costs of inventory and related sales to supporting documentation to assess whether the inventory is held at the lower of cost and net realisable value <p>We also assessed the adequacy of the disclosures in the note 17 of the financial statement</p>
<p>Valuation of unquoted equity investments carried at fair value through other comprehensive income</p> <p>The Group has investments in unquoted equity shares carried at fair value amounting to Rs. 121 million as disclosed in note 15 in financial statements</p> <p>Valuation of unquoted equity investments carried at fair value through other comprehensive income was a key audit matter due to:</p> <ul style="list-style-type: none"> • The Group using an income approach as its valuation technique and the degree of assumptions, judgements and estimates associated with the valuation such as reliance on comparable market transactions, and current market conditions. <p>Key areas of significant assumptions, judgments and estimates include revenue growth rate, EBITDA margin and discount rate as disclosed in note 15 to the financial statements</p>	<p>Our audit procedures included (among others) the following.</p> <ul style="list-style-type: none"> • We evaluated the appropriateness of methodology and the reasonableness of assumptions used by management in the projected future cashflows, in particular to those relating to discount rates, margins and growth rates, based on latest information available up to date of our report. • We assessed whether the underlying data used by the management is consistent with the actual historical data and whether the future cash flows are consistent with the annual budget approved by the Board of Directors. <p>We assessed the adequacy of the disclosures in the note 15 in relation to the valuation of investments</p>

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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Independent Auditor's Report

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

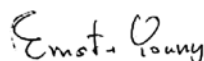
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2440.



17 May 2022
Colombo

Statement of Profit or Loss

For the year ended 31 March	Notes	Group		Company	
		2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Revenue	4	3,698,646	2,000,736	1,695,787	736,058
Cost of sales		(3,143,883)	(1,589,978)	(1,585,032)	(627,386)
Gross profit		554,763	410,758	110,755	108,672
Other income	5	70,397	20,171	146,200	104,769
Selling and distribution expenses		(94,606)	(24,053)	(41,287)	(780)
Administrative expenses		(191,808)	(161,513)	(103,869)	(98,751)
Operating profit		338,746	245,363	111,799	113,910
Finance income	6.1	180,991	39,930	92,077	23,894
Finance cost	6.2	(80,804)	(26,508)	(21,987)	(6,713)
Net finance income		100,187	13,422	70,090	17,181
Profit before tax		438,933	258,785	181,889	131,091
Tax expense	8	(99,250)	(15,542)	(43,865)	5,161
Profit for the year		339,683	243,243	138,024	136,252
Profit for the year attributable to:					
Equity holders of the Company		197,932	147,794	138,024	136,252
Non-controlling interest		141,751	95,449	-	-
		339,683	243,243	138,024	136,252
Basic earnings per share (Rs.)	9.1	8.25	6.16	5.75	5.68
Dividend per share (Rs.)	10			4.00	0.58

Notes from pages 112 to 162 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Comprehensive Income

For the year ended 31 March	Notes	Group		Company	
		2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Profit for the year		339,683	243,243	138,024	136,252
Other comprehensive income					
Other comprehensive income that may not be reclassified to the profit or loss in subsequent periods					
Re-measurement gain/(loss) on employee benefit obligations	26.1	(3,660)	(1,377)	(2,680)	(1,303)
Income tax effect on re-measurement gain/(loss) on employee benefit obligations	8.2	514	192	375	182
		(3,146)	(1,185)	(2,305)	(1,121)
Revaluation of land	11	4,454	-	4,454	-
Income tax effect on revaluation of land	8.2	(624)	-	(624)	-
		3,830	-	3,830	-
Net gain/(loss) on equity instrument designated at FVOCI	15	11,619	7,909	11,619	7,909
Income tax effect on net gain/(loss) on equity instrument designated at FVOCI	8.2	(1,162)	(797)	(1,162)	(797)
		10,457	7,112	10,457	7,112
Other comprehensive income that may be reclassified to the profit or loss in subsequent periods					
Net gain/(loss) on cash flow hedges		(33,572)	(7,778)	-	-
		(33,572)	(7,778)	-	-
Total other comprehensive income for the year, net of tax		(22,431)	(1,851)	11,982	5,991
Total comprehensive income for the year, net of tax		317,252	241,392	150,006	142,243
Total comprehensive income for the year attributable to:					
Equity holders of the Company		192,644	149,864	150,006	142,243
Non-controlling Interest		124,608	91,528	-	-
		317,252	241,392	150,006	142,243

Notes from pages 112 to 162 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Financial Position

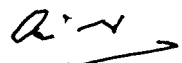
As at 31 March	Notes	Group		Company	
		2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Assets					
Non-current Assets					
Property, plant and equipment	11	754,508	630,773	328,769	191,216
Intangible assets	12	41,621	48,675	9,250	12,171
Right-of-use assets	13	16,802	19,531	15,777	18,444
Investments in subsidiaries	14	-	-	233,034	233,034
Other non-current financial assets	15	120,987	109,368	120,987	109,368
Deferred tax assets	25	15,196	21,484	-	-
Total non-current assets		949,114	829,831	707,817	564,233
Current assets					
Inventories	17	858,920	470,460	342,419	80,407
Trade and other receivables	18	893,392	463,605	291,689	68,928
Other current assets	19	32,098	46,329	4,037	4,203
Income tax recoverable		-	1,838	-	1,409
Amounts due from other related companies	20	299,858	116,690	244,564	84,326
Short-term deposits		215,045	348,759	215,035	348,750
Cash in hand and at bank	21	162,870	60,953	116,376	27,010
Total current assets		2,462,183	1,508,634	1,214,120	615,033
Total assets		3,411,297	2,338,465	1,921,937	1,179,266
Equity and liabilities					
Stated capital	22	80,000	80,000	80,000	80,000
Other components of equity	23	85,042	87,541	105,717	91,430
Amalgamation reserves	23	50,625	50,625	50,625	50,625
Revenue reserves	23	1,000,285	901,142	799,991	760,272
Total equity attributable to equity holders of the company		1,215,952	1,119,308	1,036,333	982,327
Non-controlling interest		264,028	228,597	-	-
Total equity		1,479,980	1,347,905	1,036,333	982,327
Non-current liabilities					
Interest-bearing borrowings	24	197,315	93,421	166,664	6,943
Non-current lease liabilities	13	22,324	24,485	19,852	21,967
Deferred tax liabilities	25	54,900	15,383	33,788	8,371
Employee benefit obligations	26	34,938	26,640	30,235	24,198
Total non-current liabilities		309,477	159,929	250,539	61,479
Current liabilities					
Trade and other payables	28	329,700	396,196	153,763	85,426
Current lease liabilities	13	2,160	1,695	2,114	1,655
Other current liabilities	29	20,721	22,830	10,605	1,050
Amounts due to other related companies	30	290,790	86,817	260,517	28,812
Current portion of interest bearing borrowings	24	132,970	65,421	40,279	16,668
Short-term interest bearing borrowings	27	818,458	257,672	154,729	1,849
Income tax payable		27,041	-	13,058	-
Total current liabilities		1,621,840	830,631	635,065	135,460
Total liabilities		1,931,317	990,560	885,604	196,939
Total equity and liabilities		3,411,297	2,338,465	1,921,937	1,179,266

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



M. C. Sampath
Director/Chief Financial Officer

The Board of Directors responsible for these Financial Statements. Signed for and on behalf of the Board by;



A. M. Pandithage
Chairman



M. M. A. R. P. Goonetilleke
Managing Director

Notes from pages 112 to 162 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

17th May 2022
Colombo

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Statement of Changes in Equity

For the year ended 31 March	Group	Notes	Attributable to equity holders of the Group						Non-controlling interest	Total
			Stated capital	Other components of equity			Amalgamation reserves		Revenue reserves	
				Fair value reserve of financial assets at FVOCI	Revaluation reserve	Cash flow hedge reserve	Capital reserve	Revenue reserve	Retained earnings	
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 April 2020			80,000	59,807	24,511	-	14,000	36,625	768,501	1,195,510
Profit for the year			-	-	-	-	-	147,794	95,449	243,243
Net gain/(loss) on equity instruments designated at FVOCI	15		-	7,909	-	-	-	-	-	7,909
Re-measurement gain/(loss) on employee benefit obligations	26		-	-	-	-	-	(1,340)	(37)	(1,377)
Net gain/(loss) on cash flow hedges			-	-	-	(3,889)	-	-	(3,889)	(7,778)
Income tax on other comprehensive income	8.2		-	(797)	-	-	-	187	5	(605)
Total other comprehensive income for the year			-	7,112	-	(3,889)	-	146,641	91,528	241,392
Dividends to equity holders	10		-	-	-	-	-	(14,000)	(74,997)	(88,997)
Balance as at 01 April 2021			80,000	66,919	24,511	(3,889)	14,000	36,625	901,142	1,347,905
Profit for the year			-	-	-	-	-	197,932	141,751	339,683
Revaluation of land	11		-	-	4,454	-	-	-	-	4,454
Net gain/(loss) on equity instruments designated at FVOCI	15		-	11,619	-	-	-	-	-	11,619
Re-measurement gain/(loss) on employee benefit obligations	26		-	-	-	-	-	(3,245)	(415)	(3,660)
Net gain/(loss) on cash flow hedges			-	-	-	(16,786)	-	-	(16,786)	(33,572)
Income tax on other comprehensive income	8.2		-	(1,162)	(624)	-	-	456	58	(1,272)
Total other comprehensive income for the year			-	10,457	3,830	(16,786)	-	195,143	124,608	317,252
Dividends to equity holders	10		-	-	-	-	-	(96,000)	(89,177)	(185,177)
Balance as at 31 March 2022			80,000	77,376	28,341	(20,675)	14,000	36,625	1,000,285	1,479,980

Notes from pages 112 to 162 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Changes in Equity

For the year ended 31 March		Attributable to equity holders of the Company						Total
		Stated capital	Other components of equity		Amalgamation reserves		Revenue reserves	
Company			Fair value reserve of financial assets at FVOCI	Revaluation reserve	Capital reserve	Revenue reserve	Retained earnings	
	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 April 2020		80,000	59,807	24,511	14,000	36,625	639,141	854,084
Profit for the year		-	-	-	-	-	136,252	136,252
Net gain/(loss) on equity instruments designated at FVOCI	15	-	7,909	-	-	-	-	7,909
Re-measurement gain/(loss) on employee benefit obligations	26	-	-	-	-	-	(1,303)	(1,303)
Income tax on other comprehensive income	8.2	-	(797)	-	-	-	182	(615)
Total other comprehensive income for the year		-	7,112	-	-	-	135,131	142,243
Dividends	10	-	-	-	-	-	(14,000)	(14,000)
Balance as at 01 April 2021		80,000	66,919	24,511	14,000	36,625	760,272	982,327
Profit for the year		-	-	-	-	-	138,024	138,024
Revaluation of land	11	-	-	4,454	-	-	-	4,454
Net gain/(loss) on equity instruments designated at FVOCI	15	-	11,619	-	-	-	-	11,619
Re-measurement gain/(loss) on employee benefit obligations	26	-	-	-	-	-	(2,680)	(2,680)
Income tax on other comprehensive income	8.2	-	(1,162)	(624)	-	-	375	(1,411)
Total other comprehensive income for the year		-	10,457	3,830	-	-	135,719	150,006
Dividends to equity holders	10	-	-	-	-	-	(96,000)	(96,000)
Balance as at 31 March 2022		80,000	77,376	28,341	14,000	36,625	799,991	1,036,333

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Statement of Cash Flows

For the year ended 31 March	Notes	Group		Company	
		2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Cash flows from operating activities					
Profit before taxation		438,933	258,785	181,889	131,091
Adjustments for:					
Finance cost	6.2	62,541	19,091	16,480	2,927
Finance income	6.1	(18,007)	(18,803)	(17,157)	(16,183)
Provision for employee benefit obligations	26	4,881	4,364	3,357	3,305
Depreciation of property, plant and equipment	11	41,624	32,540	12,428	9,604
Depreciation of right-of-use assets		2,729	2,729	2,667	2,667
Amortisation of intangible assets	12	7,054	6,629	2,921	2,433
Profit on disposal of property, plant and equipment	5	(2,376)	(340)	(2,376)	(340)
Dividend income	5	(13,711)	(10,156)	(102,888)	(89,232)
Provision for bad and doubtful debts		44,523	1,326	36,663	1,782
Provision/(reversal) for slow moving inventories	17	1,752	10,108	(1,799)	6,210
Operating profit before working capital changes		569,943	306,273	132,185	54,264
(Increase)/decrease in inventories	17	(390,212)	(107,487)	(260,213)	56,902
(Increase)/decrease in trade and other receivables	18	(460,079)	(139,111)	(259,258)	75,563
(Increase)/decrease in amounts due from related companies	20	(183,168)	2,492	(160,238)	16,553
Increase/(decrease) in trade and other payables	28	(68,140)	219,062	78,351	12,312
Increase/(decrease) in amounts due to related companies	30	203,973	(68,177)	231,705	(9,060)
Cash generated from operating activities		(327,683)	213,052	(237,468)	206,534
Interest paid	6.2	(62,541)	(19,091)	(16,480)	(2,927)
Income tax paid		(26,519)	(40,301)	(5,391)	(15,170)
Employee benefit paid	26	(243)	(2,584)	-	(2,584)
Net cash used in operating activities		(416,986)	151,076	(259,339)	185,853
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(163,929)	(112,855)	(148,550)	(14,804)
On acquisition of ERP system		-	(14,604)	-	(14,604)
Proceeds from sale of property, plant and equipment		5,400	340	5,400	340
Finance income	6.1	18,007	18,803	17,157	16,183
Dividend income	5	13,711	10,156	102,888	89,232
Net cash flows used in investing activities		(126,811)	(98,160)	(23,105)	76,347

For the year ended 31 March	Notes	Group		Company	
		2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Cash flows from financing activities					
Dividend paid	10	(96,000)	(14,000)	(96,000)	(14,000)
Dividend paid to non-controlling interest		(89,177)	(74,997)	-	-
Capital payment on lease	13	(4,877)	(4,987)	(4,517)	(4,267)
Proceeds from interest-bearing borrowings		1,591,386	485,433	436,400	25,000
Repayments of interest-bearing borrowings		(1,052,862)	(251,029)	(178,268)	(82,730)
Net cash flows from financing activities		348,470	140,420	157,615	(75,997)
Net Increase/(decrease) in cash & cash equivalents		(195,327)	193,336	(124,829)	186,203
Cash & cash equivalents at the beginning of the year		378,944	185,608	373,911	187,708
Cash & cash equivalents at the end of the year (Note - A)		183,617	378,944	249,082	373,911
A. Analysis of cash and cash equivalents as at 31 March					
Cash in hand and at bank	21	162,870	60,953	116,376	27,010
Short-term deposits		215,045	348,759	215,035	348,750
		377,915	409,712	331,411	375,760
Bank overdrafts	27	(194,298)	(30,768)	(82,329)	(1,849)
Cash and cash equivalents at the end of the year		183,617	378,944	249,082	373,911

Notes from pages 112 to 162 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Notes to the Financial Statements

1. Corporate Information

1.1 Reporting Entity

Hayleys Fibre PLC is a Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The address of the Company's registered office is Hayleys Building, No. 400, Deans Road, Colombo 10, Sri Lanka and the principal place of business is located at No. 131, Minuwangoda Road, Ekala, Ja-ela. Corporate information is presented in the inner back cover of this Annual Report.

1.2 Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2022 comprise "the Company" referring to Hayleys Fibre PLC as the holding Company and the "Group" referring to Companies that have been consolidated therein.

1.3 Nature of Operations and Principal Activities of the Company and the Group

The Company and its subsidiary of Bonterra Ltd are primarily involved in the manufacture and export of coir fibre products. The subsidiary, Creative Polymats (Pvt) Ltd, produces polyurethane mattresses and other related products for local markets.

Hayleys PLC is the direct and ultimate parent undertaking of Hayleys Fibre PLC.

1.4 Approval of Financial Statements

The Group Financial Statements of Hayleys Fibre PLC and its subsidiaries (collectively, the Group) for the year ended 31 March 2022 were authorised for issue by the Directors on 17 May 2022.

1.5 Responsibility for Financial Statements

The responsibility of the Directors in relation to the Group Financial Statements is set out in the Statement of Directors' Responsibility Report in the annual report.

2. Significant Accounting Policies

2.1 Basis of Preparation

2.1.1 Statement of compliance

The Group 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.

2.1.2 Basis of Measurement

The Group Financial Statements have been prepared on the historical cost basis, except for:

- Lands which are recognised as property plant and equipment which are measured at cost at the time of the acquisition and subsequently carried at fair value.
- Financial instruments designated as fair value through other comprehensive income (FVOCI) which are measured at fair value.
- Employee benefit obligations which are determined based on actuarial valuations.

Where appropriate, the specific policies are explained in the succeeding notes.

No adjustments have been made for inflationary factors in the consolidated Financial Statements.

2.1.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs.), which is also the Company's and Subsidiary's functional currency.

2.1.4 Rounding

All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand (Rs.'000), except when otherwise indicated.

2.1.5 Offsetting

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards.

2.1.6 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature or function is presented separately unless they are immaterial.

2.1.7 Comparative Information

The presentation and classification of the Group Financial Statements of the previous years have been amended, where relevant including the following for better presentation and to be comparable with those of the current year.

In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in Financial Statements.

2.2 Basis of Consolidation

The consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2022. Control is achieved when the Group is exposed, or has 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 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 rights

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 OCI are attributed to the 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 de-recognises 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.

2.3 Summary of Significant Accounting Policies

2.3.1 Business Combinations 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 interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

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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 remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of 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 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 reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a Cash-Generating Unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.3.2 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 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.

2.3.3 Fair Value Measurement

The Group measures financial instruments such as investments which are designated at fair value through other comprehensive income (FVOCI), and non-financial assets such as owner-occupied land, at fair value as 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 date of measurement. 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 best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Group 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 Group 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.

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:

- Investment in non-listed equity shares (FVOCI) note 15
- Land under revaluation model note 11
- Financial instruments (including those carried at amortised cost) note 16
- Disclosures for valuation methods, significant estimates and assumptions notes 15 and 16
- Quantitative disclosures of fair value measurement hierarchy note 16.3

2.3.4 Property, Plant and Equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Buildings, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. 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. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold lands are measured at fair value and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

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A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in 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 surplus.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings:	50 Years
Plant & Machinery and store equipment:	10 Years
Furniture and fittings and office equipment:	5-7 Years
Motor vehicles:	5 Years

An item of property, plant and equipment and any significant part initially recognised is de-recognised 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 on de-recognition 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 when the asset is de-recognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.3.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value 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 profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life 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 are 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.

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.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Other intangible assets which are acquired by the Group, with finite useful lives, are measured on initial recognition at cost. Following initial recognition ERP systems are carried at cost less accumulated amortisation and accumulated impairment losses.

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

	Product Development costs	ERP System
Useful lives	Finite (10 years)	5 years
Amortisation method used	Amortised on a straight-line basis over the period of expected future sales from the related project	Amortised on a straight-line basis
Internally generated or acquired	Internally generated	Acquired

2.3.6 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.

2.3.6.1 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.

2.3.6.1.1 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 remeasurement 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:

- Land and buildings 10 to 30 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. Refer to the accounting policies in section Impairment of non-financial assets.

2.3.6.1.2 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

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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.

2.3.6.1.3 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). 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.

2.3.6.2 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.

2.3.7 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.

2.3.8 Financial Instruments – Initial

Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.3.8.1 Financial Assets

Initial Recognition and Measurement Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income (FVOCI).

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. Refer to the accounting policies in note 2.3.15 for Revenue from contracts with customers.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

2.3.8.1.1 Financial Assets at Amortised Cost (Debt Instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (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 and other receivables.

2.3.8.1.2 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.

The Group elected to classify irrevocably its non-listed equity investments under this category.

2.3.8.1.3 De-recognition

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 statement of 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.

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2.3.8.1.4 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 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).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Trade receivables note 18.

2.3.8.2 Financial Liabilities

Initial Recognition and Measurement of Financial liabilities are classified, at initial recognition, as loans and borrowings, payables. 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, loans and borrowings including bank overdrafts.

Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

2.3.8.2.1 Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in 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 as finance costs in the statement of profit or loss.

This category generally applies to interest bearing loans and borrowings. For more information, refer to notes 24 and 27.

2.3.8.2.2 De-recognition

A financial liability is de-recognised 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 de-recognition 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.

2.3.8.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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, to realise the assets and settle the liabilities simultaneously.

2.3.8.4 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised as other expense.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

2.3.9 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:

- Raw materials: purchase cost on a first-in/ first-out basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.3.10 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

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amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI 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.

2.3.11 Cash and Short-term Deposits

Cash 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 as they are considered an integral part of the Group's cash management.

2.3.12 Provisions

2.3.12.1 General

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, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a 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.

2.3.13 Employee Benefits

2.3.13.1 Defined Contribution Plans

Employees are eligible for employees' provident fund contributions and employees' trust fund contributions in line with respective statutes and regulations. The Company contributes the defined percentages of gross emoluments of employees to an approved employees' provident fund of 12% and to the employees' trust fund of 3% respectively.

2.3.13.2 Defined benefit obligation – Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any re-measurements gain or losses arising are recognised immediately in the other comprehensive income. Re-measurements are not reclassified to income statement in subsequent periods. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales' and 'administration expenses' in the consolidated statement of profit or loss (by function):

- Service costs comprising current service costs
- Interest cost

Key assumptions used in determining the defined employee benefit obligations are given in note 26.

2.3.14 Investment in Subsidiaries

Investments in subsidiaries in the Company's Financial Statements of the parent are stated initially at cost and subsequently at cost less accumulated impairment losses if any.

Bonterra Limited was accounted for under Equity Accounted Investee method up to 31st March 2020. Having considered the level of Company's involvement in relevant activities of the investee together with changes in key management personnel,

management concluded such investment to be accounted for as a subsidiary of the Group with effect from 1st April 2020 as per SLFRS 10 - Consolidated Financial Statements.

2.3.15 Revenue from Contracts with Customers

The Group is in the business of manufacturing, exporting coir fibre products Revenue from contracts with customers is recognised when control of the goods 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.

2.3.15.1 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, considering relevant terms of delivery. The normal credit term is 30 to 90 days upon delivery.

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 coir fibre products, 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).

2.3.15.2 Significant Financing Component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

2.3.15.3 Contract Balances

2.3.15.3.1 Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 16.1 financial instruments – initial recognition and subsequent measurement.

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2.3.15.3.2 Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.3.16 Other Income

Rental income is recognised in the statement of profit or loss as it accrues. Dividend income is recognised when the Company's right to receive payment is established.

2.3.17 Taxes

2.3.17.1 Current Income 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 income tax relating to items recognised directly in equity is recognised in equity 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.

2.3.17.2 Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary difference 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 joint arrangements, deferred tax asset is 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 re-assessed 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 (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in 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.

2.3.17.3 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.

2.3.17.4 Withholding Tax

Dividend distributed out of taxable profit of the joint venture attracts a 14% deduction at source and is not available for set off against the tax liability of the Company. Thus, the withholding tax deducted at source is added to the tax expense.

2.3.18 Foreign Currencies

The Group's consolidated Financial Statements are presented in Rs., which is also the parent Company's functional currency.

Transactions in foreign currencies are initially recorded by the Parent Company and subsidiaries 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 rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

2.3.19 Cash Dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

2.3.20 Earnings per Share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

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2.4 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group 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 Group Financial Statements is included in the following notes.

2.4.1 Fair Value Measurement of Financial Assets Designated at Fair Value through OCI (Equity Instruments)

The Group assesses fair value of unquoted equity shares as at 31 March 2022. The primary approach adopted was the income approach using discounted cash flow method. A degree of judgment is required in establishing fair value and changes in assumptions could affect the reported fair value. The key assumptions used to determine the fair value of unquoted equity shares and sensitivity analyses are provided in note 15.

2.4.2 Revaluation of Lands

The Group measures lands which are recognised as property, plant & equipment at revalued amount with change in value being recognised in the Statement of Other comprehensive income. The valuer has used the open market approach in determining the fair value of the land. Further details on revaluation of lands are disclosed in note 11 to the Group Financial Statements.

2.4.3 Development costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 March 2022, the carrying amount was Rs. 32.37 million (2021: 36.50 million). This amount includes significant investment in the development of Polypropylene (PU) foam product portfolio.

2.4.4 Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together as with future tax planning strategies.

The Group has Rs. 121 million (2021: Rs. 139 million) of tax losses carried forward. These losses relates to the subsidiary that has a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

2.4.5 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 26 to the Financial Statements.

2.4.6 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The assessment includes the existing and anticipated effects of the COVID-19 pandemic on the significant assumptions that are sensitive or susceptible to change or are inconsistent with historical trends. As the economic effects of COVID-19 continue to evolve, management considered a range of scenarios to determine the potential impact on underlying performance and future funding requirements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Group Financial Statements continue to be prepared on the going concern basis.

2.4.7 Revaluation of Property, Plant and Equipment and Investment Properties

The Group measures the freehold land (classified as property, plant and equipment) at revalued amounts, with changes in fair value being recognised in OCI. The freehold lands were valued by reference to transactions involving properties of a similar

nature, location and condition. In addition, the Group carries its investment properties at fair value, with changes in fair value being recognised in the profit or loss. For investment properties, valuation methodologies such as market approach, and income approach (the discounted cash flow (DCF) model) for properties lacked comparable market data were used.

The Group engaged a valuation specialist to assess fair values as at 31 March 2022 for the freehold lands and at 31 March 2022 for the investment properties. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in notes 11 and 15 to the Financial Statements.

2.4.8 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.

3. Changes in Accounting Policies and Disclosures

3.1 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.

3.1.1 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

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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.

3.1.2 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.

3.1.3 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.

3.1.4 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 recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

3.1.5 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.

3.1.6 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.

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4 REVENUE

For the year ended 31 March	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Export sales	2,604,531	1,444,338	1,353,045	568,463
Indirect export sales	306,913	131,969	265,634	131,969
Local sales	787,202	424,429	77,108	35,626
	3,698,646	2,000,736	1,695,787	736,058

5 OTHER INCOME

For the year ended 31 March	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Rent income	-	-	7,226	6,882
Gain on disposal of property, plant and equipment	2,376	340	2,376	340
Dividend income	13,711	10,156	102,888	89,232
Facilitation fee	51,635	-	33,267	-
Insurance claim	-	7,923	-	7,923
Sundry income	2,675	1,752	443	392
	70,397	20,171	146,200	104,769

6 NET FINANCE INCOME

6.1 Finance Income

For the year ended 31 March	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Interest income	18,007	18,803	17,157	16,183
Foreign exchange gain	162,984	21,127	74,920	7,711
	180,991	39,930	92,077	23,894

6.2 Finance Cost

For the year ended 31 March	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Interest on debts and borrowings	(62,541)	(19,091)	(16,480)	(2,927)
Foreign exchange loss	(15,082)	(4,052)	(2,646)	(745)
Interest expenses on lease liabilities	(3,181)	(3,365)	(2,861)	(3,041)
	(80,804)	(26,508)	(21,987)	(6,713)
Net finance income	100,187	13,422	70,090	17,181

7 PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following.

For the year ended 31 March	Notes	Group		Company	
		2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Ernst & Young : Audit fees		3,273	2,975	1,823	1,657
Non audit services		863	507	541	265
Depreciation on property, plant and equipment	11	41,624	32,540	12,428	9,604
Provision/(reversal) for inventories	17.1	1,752	10,108	(1,799)	6,210
Employee benefits including the following					
-Defined contribution plan cost - EPF and ETF		5,859	3,975	3,375	3,022
-Employee benefit plan cost	26.1	4,881	4,364	3,357	3,305
Impairment/(reversal) bad debts		44,523	(1,326)	36,663	1,782
Directors fees		2,618	2,009	2,618	2,009

8 TAXATION

8.1 Tax Expense

For the year ended 31 March	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Current income tax				
Income tax on current year profits	54,502	31,603	19,858	11,260
Adjustment in respect of current income tax of pervious year	-	3,582	-	1,488
Irrecoverable Economic Service Charge	215	-	-	-
Tax on dividends of a joint venture	-	(4,078)	-	-
Deferred tax				
Relating to origination and reversal of temporary differences	44,533	2,725	24,007	381
Tax on undistributed profit of a joint venture	-	(18,290)	-	(18,290)
Tax expense reported in the statement of profit or loss	99,250	15,542	43,865	(5,161)

A reconciliation between tax expense and the result of accounting profit multiplied by domestic tax rate for the year ended 31 March 2022 and 2021 is given on note 8.3

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8.2 Deferred Tax on Other Comprehensive Income

For the year ended 31 March	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Deferred tax related to items recognised in other comprehensive income during the year				
Re-measurement gain/(loss) on employee benefit obligations	514	192	375	182
Tax on revaluation reserve	(624)	-	(624)	-
Revaluation of financial assets designated at FVOCI	(1,162)	(797)	(1,162)	(797)
Deferred tax charged directly to other comprehensive income	(1,272)	(605)	(1,411)	(615)

8.3 Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31 March	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Profit before tax	438,933	258,785	181,889	131,091
Disallowable expenses	314,764	60,058	156,487	33,908
Allowable expenses	(367,642)	(135,466)	(212,785)	(105,166)
Tax exempt income	(36,112)	-	(27,079)	-
Tax loss brought forward	(139,346)	(119,699)	-	-
Adjustment for tax loss brought forward	(1,431)	-	-	-
Tax loss carried forward	120,603	139,346	-	-
Taxable income	329,769	203,024	98,512	59,833
Income tax @ 14%	32,435	23,734	4,125	4,315
Income tax @ 18%	4,424	506	2,515	50
Income tax @ 24%	17,643	7,363	13,218	6,895
Income tax on current year profit	54,502	31,603	19,858	11,260
Irrecoverable Economic Service Charge	215	-	-	-
Adjustment in respect of current income tax of previous year	-	3,582	-	1,488
Tax on dividends of a joint venture - tax @ 14%	-	(4,078)	-	-
Tax on temporary difference - tax @ 14%	44,533	2,725	24,007	381
Tax on undistributed profit of a joint venture - tax @ 14%	-	(18,290)	-	(18,290)
Tax expense reported in the statement of profit and loss	99,250	15,542	43,865	(5,161)

8.4 As per Inland revenue amendment bill dated 18th March 2021, tax rates of 14%, 18% and 24% are applied for profit from export undertaking, local manufacturing and others respectively.

9 BASIC EARNINGS PER SHARE

Basic Earning Per Share (EPS) is calculated by dividing the Profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

9.1 The following reflects the income and share data used in the basic Earnings Per Share computation.

For the year ended 31 March	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Amounts used as numerator :				
Profit attributable to ordinary equity holders of the Company	197,932	147,794	138,024	136,252

For the year ended 31 March	Group		Company	
	2022 Number	2021 Number	2022 Number	2021 Number
Number of ordinary shares used as denominator :				
Weighted average number of ordinary shares issued	24,000,000	24,000,000	24,000,000	24,000,000
Basic earnings per share (Rs.)	8.25	6.16	5.75	5.68

10 DIVIDENDS DECLARED AND PAID

For the year ended 31 March	Company	
	2022 Rs. '000	2021 Rs. '000
Cash dividends on ordinary shares declared and paid during the year:		
2021: Final interim dividend for 2020/2021 - Rs. 1.75/- per share	42,000	-
First interim dividend for 2021/2022 - Rs. 1/- per share (2021: First interim dividend for 2020/2021 - Rs. 0.33/- per share)	24,000	8,000
Second interim dividend for 2021/2022 - Rs. 0.75/- per share (2021: Second interim dividend for 2020/2021 - Rs. 0.25/- per share)	18,000	6,000
Third interim dividend for 2021/2022 - Rs. 0.50/- per share	12,000	-
	96,000	14,000
Number of shares (no.'000)	24,000	24,000
Dividend per share (Rs.)	4.00	0.58
Dividend payout ratio	70%	10%

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11 PROPERTY, PLANT AND EQUIPMENT

11.1 Group

	Freehold land	Freehold buildings	Building on leasehold land	Furniture, fittings & office equipment	Machinery & stores equipment	Fixtures & fittings	Motor vehicles	Total 2022	Total 2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation									
As at 01 of April	42,746	293,198	15,804	31,718	318,904	13,147	3,108	718,625	567,428
Revaluation of land	4,454	-	-	-	-	-	-	4,454	-
Additions	20,000	97,640	-	4,003	35,187	-	5,332	162,162	25,714
Transfer (Note 11.7)	-	12,721	-	-	839	-	-	13,560	127,008
Disposals	-	-	-	-	(4,844)	-	-	(4,844)	(1,525)
As at 31 March	67,200	403,559	15,804	35,721	350,086	13,147	8,440	893,957	718,625
Depreciation									
As at 01 of April	-	36,539	130	20,347	74,322	4,180	741	136,259	105,170
Charge for the year	-	10,951	790	2,842	23,525	1,972	1,544	41,624	32,540
Disposals	-	-	-	-	(1,820)	-	-	(1,820)	(1,451)
As at 31st March	-	47,490	920	23,189	96,027	6,152	2,285	176,063	136,259
Net book value as at 31 March	67,200	356,069	14,884	12,532	254,059	6,995	6,155	717,894	582,366
Capital work in progress (Note 11.7)	-	-	-	-	-	-	-	36,614	48,407
Carrying amount as at 31 March	67,200	356,069	14,884	12,532	254,059	6,995	6,155	754,508	630,773

11.2 Company

	Freehold land	Freehold buildings	Furniture, fittings & office equipment	Machinery & stores equipment	Fixtures & fittings	Motor vehicles	Total 2022	Total 2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation								
As at 01 April	42,746	98,755	12,985	63,584	13,147	3,108	234,325	213,466
Revaluation of land	4,454	-	-	-	-	-	4,454	-
Additions	20,000	87,707	2,887	31,784	-	5,332	147,710	8,931
Transfer (Note 11.7)	-	12,581	-	-	-	-	12,581	12,688
Disposals	-	-	-	(4,844)	-	-	(4,844)	(760)
As at 31 March	67,200	199,043	15,872	90,524	13,147	8,440	394,226	234,325
Depreciation								
As at 01 of April	-	14,269	7,919	28,581	4,180	741	55,690	46,847
Charge for the year	-	2,146	1,138	5,628	1,972	1,544	12,428	9,604
Disposals	-	-	-	(1,820)	-	-	(1,820)	(760)
As at 31 March	-	16,415	9,057	32,389	6,152	2,285	66,298	55,690
Net book value as at 31 March	67,200	182,628	6,815	58,135	6,995	6,155	327,928	178,636
Capital work in progress (Note 11.7)	-	-	-	-	-	-	841	12,581
Carrying amount as at 31 March	67,200	182,628	6,815	58,135	6,995	6,155	328,769	191,216

11.3 Group/Company - Revaluation of Land

Fair value of the lands were determined using the market comparable method. The most recent valuations had been performed by the valuer and were based on prices of transactions for properties of similar nature, location and condition. As at the dates of revaluation on 31 March 2022, the land valuations was performed by Mr. P.B. Kalugalgedara Chartered Valuation surveyor, an accredited independent valuer who has valuation experience for similar properties.

Amounts by which values have been increased in respect of land revalued by independent qualified valuers are indicated below

As at 31 March		Revaluation surplus	
Company	Location	2022 Rs. '000	2021 Rs. '000
Hayleys Fibre PLC	Kuliyapitiya (Valuation date 31.03.2022)	30,894	29,806
	Bingiriya (Valuation date 31.03.2022)	2,060	-
		32,954	29,806

11.4 Description of valuation techniques used and key inputs to valuation of land.

Type of Instrument	Location	Significant unobservable input	Fair value measurement sensitivity to unobservable input	Valuation technique	Extent (Perches)	Original cost (Rs. '000)	Fair value as at 31 Mar 2022 (Rs. '000)
Free hold land	Kuliyapitiya (Valuation date 31.03.2022)	Value per perch (Rs. 70,000)	Significant increase/ (decrease) in estimated price per perch in isolation would result in a significantly higher/(lower) fair value	Open market basis	460	1,306	32,200
	Bingiriya (Valuation date 31.03.2022)	Value per perch (Rs. 31,250)			1,120	32,940	35,000
					1,580	34,246	67,200

11.5 Buildings Owned by the Group/Company

Company	Location	Address	Buildings Sq.ft.	No of buildings at each locations	Carrying Value at cost - 31 Mar 2022 Rs. '000
Hayleys Fibre PLC	Kuliyapitiya	Biginhill Estate, Hettipola Road, Karagahagedara, Kuliyapitiya	47,389	15	42,112
Hayleys Fibre PLC	Bingiriya	Siri Sumangala Mawatha, Mahagama North, Chilaw	65,200	9	140,516
Creative Polymats (Pvt) Ltd	Dankotuwa	Industrial Estate, Bujjampola, Dankotuwa	60,500	9	173,441
			173,089	33	356,069

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Company	Location	Address	Buildings Sq.ft.	No of buildings at each locations	Carrying Value at cost - 31 Mar 2021 Rs.'000
Hayleys Fibre PLC	Kuliyapitiya	Biginhill Estate, Hettipola Road, Karagahagedara, Kuliyapitiya	47,389	15	42,815
Hayleys Fibre PLC	Bingiriya	Siri Sumangala Mawatha, Mahagama North, Chilaw	20,200	2	41,671
Creative Polymats (Pvt) Ltd	Dankotuwa	Industrial Estate, Bujjampola, Dankotuwa	60,500	9	172,173
			128,089	26	256,659

11.6 The cost of fully depreciated property plant and equipment which are still in use as at the reporting date is as follows

	Group		Company	
As at 31 March	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Freehold buildings	973	973	973	973
Machinery and stores equipment	30,498	30,498	13,416	13,416
Furniture, fittings and office equipment	16,600	16,464	6,675	6,539
Motor vehicles	323	323	323	323
	48,394	48,258	21,387	21,251

11.7 Capital Work In Progress

	Group		Company	
As at 31 March	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
As at 01 April	48,407	88,274	12,581	19,396
Additions during the year	1,767	101,745	841	20,477
Transferred to property, plant and equipment during the year	(13,560)	(127,008)	(12,581)	(12,688)
Transferred to intangible assets	-	(14,604)	-	(14,604)
As at 31 March	36,614	48,407	841	12,581

12 INTANGIBLE ASSETS

	Group			
	ERP System	Development Cost	Total 2022	Total 2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31 March				
Cost				
As at 01 April	14,604	41,325	55,929	41,325
Transfer (Note 11.7)	-	-	-	14,604
As at 31 March	14,604	41,325	55,929	55,929
Amortisation				
As at 01 April	2,433	4,821	7,254	625
Amortisation during the year	2,921	4,133	7,054	6,629
As at 31 March	5,354	8,954	14,308	7,254
Net book value				
As at 31 March	9,250	32,371	41,621	48,675

	Company	
	ERP System 2022	ERP System 2021
	Rs. '000	Rs. '000
As at 31 March		
Cost		
As at 01 April	14,604	-
Additions	-	14,604
As at 31 March	14,604	14,604
Amortisation		
As at 01 April	2,433	-
Amortisation during the year	2,921	2,433
As at 31 March	5,354	2,433
Net book value		
As at 31 March	9,250	12,171

12.1 There has been no impairment of intangible assets.

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13 RIGHT OF USE ASSETS/LEASES

Amounts recognised in the statement of financial position and income statement for the year ended 31 March 2022.

13.1 Right of Use Assets

	Group Land & Buildings		Company Land & Buildings	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
As at 01 April	19,531	22,260	18,444	21,111
Amortisation of right of use assets	(2,729)	(2,729)	(2,667)	(2,667)
As at 31 March	16,802	19,531	15,777	18,444

13.2 Lease Liabilities

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
As at 01 April	26,180	27,837	23,622	24,883
Interest cost	3,181	3,365	2,861	3,041
Payments	(4,877)	(5,022)	(4,517)	(4,302)
As at 31 March	24,484	26,180	21,966	23,622
Repayable within one year	2,160	1,695	2,114	1,655
Repayable after one year	22,324	24,485	19,852	21,967

13.3 Amounts Recognised in the Income Statement relating to Right of Use Assets

Following are the amounts recognised in the income statement for the year ended 31 March 2022.

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Amounts recognised in the income statement				
Amortisation of right of use assets	2,729	2,729	2,667	2,667
Interest expenses on lease liabilities	3,181	3,365	2,861	3,041
	5,910	6,094	5,528	5,708

The payable below summarises the maturity profile of the Group's/Company's lease liabilities based on contractual undiscounted payments:

Group	0-1 year Rs. '000	1 to 2 years Rs. '000	2 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
As at 31 March 2022	5,103	5,340	17,564	9,846	37,853
As at 31 March 2021	4,877	5,103	16,779	15,971	42,730
Company	0-1 year Rs. '000	1 to 2 years Rs. '000	2 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
As at 31 March 2022	4,743	4,979	16,484	5,526	31,732
As at 31 March 2021	4,517	4,743	15,699	11,291	36,250

14 INVESTMENT IN SUBSIDIARIES

As at 31 March	Holding % 2022 2021	No. of shares 2022 2021	Company 2022 2021 Rs. '000 Rs. '000
Unquoted			
Bonterra Ltd	50 50	803,400 803,400	8,034 8,034
Creative Polymats (Pvt) Ltd	74 74	22,500,000 22,500,000	225,000 225,000
		23,303,400 23,303,400	233,034 233,034

14.1 Summarised Financial Information of Subsidiaries

Summarised statement of profit or loss:

As at 31 March	Creative Polymats (Pvt) Ltd 2022 Rs. '000 2021 Rs. '000	Bonterra Ltd 2022 Rs. '000 2021 Rs. '000	Total 2022 Rs. '000 2021 Rs. '000
Group share of:			
Revenue from contracts with customers	711,110	1,303,107	2,014,217
Cost of sales	(580,639)	(989,570)	(1,570,209)
Other income	2,163	18,437	20,600
Selling and distribution expenses	(48,860)	(4,459)	(53,319)
Administrative expenses	(12,934)	(81,363)	(94,297)
Net finance income/(expenses)	(49,012)	77,395	28,383
Profit before tax	21,828	323,547	345,375
Income tax	(6,548)	(48,718)	(55,266)
Profit for the year	15,280	274,829	290,109

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Summarised statement of financial position:

As at 31 March

	Creative Polymats (Pvt) Ltd		Bonterra Ltd		Total	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Group share of:						
Non current assets	312,976	328,387	159,584	174,830	472,560	503,217
Current assets, including cash in hand and at bank	589,161	438,783	714,652	476,310	1,303,813	915,093
Total assets	902,137	767,170	874,236	651,140	1,776,373	1,418,310
Total equity	288,788	273,776	364,988	302,659	653,776	576,435
Non -current liabilities	6,964	9,206	66,825	237,984	73,789	247,190
Current liabilities, including trade and other payable	606,385	484,188	442,423	110,497	1,048,808	594,685
Total Liabilities	613,349	493,394	509,248	348,481	1,122,597	841,875
Total equity and liabilities	902,137	767,170	874,236	651,140	1,776,373	1,418,310

The above shown information is based on amounts before inter-company eliminations.

14.2 Summarised Statement of Cash Flows

For the year ended 31 March

	Creative Polymats (Pvt) Ltd		Bonterra Ltd		Total	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Cash flows from operating activities	(161,453)	(94,226)	49,166	64,711	(112,287)	(29,515)
Cash flows from investing activities	(14,866)	(16,743)	(512)	(87,788)	(15,378)	(104,531)
Cash flows from financing activities	(39,579)	-	(99,336)	(45,904)	(138,915)	(45,904)

This information is based on amounts before inter-company eliminations.

15 GROUP/COMPANY - OTHER NON CURRENT FINANCIAL ASSETS

As at 31 March

	2022 Rs. '000	2021 Rs. '000
Equity instruments designated at fair value through OCI		
As at 01 April	109,368	101,459
Net gain	11,619	7,909
As at 31 March	120,987	109,368

Equity instruments designated at fair value through OCI (FVOCI) consist of Investment in Toyo Cushion Lanka (Pvt) Ltd and Rileys (Pvt) Ltd as at 31 March 2022. The Investment in Toyo Cushion Lanka (Pvt) Ltd and Rileys (Pvt) Ltd are valued using Cash Flow Models.

15.1 Rileys (Pvt) Ltd

As at 31 March	Company	
	2022 Rs. '000	2021 Rs. '000
As at 01 April	57,759	55,631
Net gain	3,426	2,128
As at 31 March	61,185	57,759

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Equity securities	FVOCI investments in equity securities are valued by using the cash flow model.	* Forecast annual revenue growth rate (2022: 12%; 2021: 16%) * Forecast EBITDA margin (2022: 9%; 2021: 7%) * Discount rate (2022: 17.4%; 2021: 11.5%)	The estimate fair value would increase/(decrease) if: * The annual revenue growth rate were higher/(lower) * The EBITDA margin were higher/(lower) * The discount rate were lower/(higher)

15.2 Toyo Cushion Lanka (Pvt) Ltd

As at 31 March	Company	
	2022 Rs. '000	2021 Rs. '000
As at 01 April	51,609	45,828
Net gain	8,193	5,781
As at 31 March	59,802	51,609

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Equity securities	FVOCI investments in equity securities are valued by using the cash flow model.	* Forecast annual revenue growth rate (2022: 16%; 2021: 13%) * Forecast EBITDA margin (2022: 9%; 2021: 8%) * Discount rate (2022: 14.2%; 2021: 11.5%)	The estimate fair value would increase/(decrease) if: * The annual revenue growth rate were higher/(lower) * The EBITDA margin were higher/(lower) * The discount rate were lower/(higher)

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15.3 Sensitivity Analysis

For the fair values of equity securities - Equity instruments designated at fair value through OCI, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

Un-quoted Equity Instruments Designated at Fair Value through OCI

	2022		2021	
	Increase Rs. '000	Decrease Rs. '000	Increase Rs. '000	Decrease Rs. '000
Effect to the other comprehensive income				
Annual revenue growth rate ($\pm 0.5\%$)	19,982	(19,627)	2,276	(2,276)
EBITDA margin ($\pm 0.25\%$)	771	(771)	851	(851)
Discount rate ($\pm 0.25\%$)	(1,515)	1,559	(4,462)	4,720

16 FINANCIAL ASSETS & FINANCIAL LIABILITIES

16.1 Financial Assets

As at 31 March

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Equity instruments designated at fair value through OCI				
Rileys (Pvt) Ltd	61,185	57,759	61,185	57,759
Toyo Cushion Lanka (Pvt) Ltd	59,802	51,609	59,802	51,609
Total non-current financial assets	120,987	109,368	120,987	109,368
Loans and receivables				
Trade & other receivables	640,411	379,103	280,092	52,105
Amount due from other related companies	299,858	116,690	244,564	84,326
Short-term deposit	215,045	348,759	215,035	348,750
Cash in hand and at bank	162,870	60,953	116,376	27,010
Total current financial assets	1,318,184	905,505	856,067	512,191
Carrying value of financial assets	1,439,171	1,014,873	977,054	621,559
Fair value of financial assets	1,439,171	1,014,873	977,054	621,559

16.2 Financial Liabilities

As at 31 March

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Financial liabilities measured at amortised cost				
Trade & other payables	329,700	396,196	153,763	85,426
Amount due to other related companies	290,790	86,817	260,517	28,812
Current portion of interest bearing borrowings	132,970	65,421	40,279	16,668
Bank overdrafts and short-term borrowings	818,458	257,672	154,729	1,849
Carrying value of financial liabilities	1,571,918	806,106	609,288	132,755
Fair value of financial liabilities	1,571,918	806,106	609,288	132,755

The management assessed that, cash in hand at bank, short-term investments, amounts due from related parties, trade and other receivables, trade and other payables, amounts due to related parties and bank overdrafts approximate to their fair value largely due to the short-term maturities of these instruments. The fair value of loans and receivables and financial liabilities does not significantly vary from the value based on the amortised cost methodology for the Group/Company.

16.3 Fair Value Hierarchy

The Group/Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The Group/Company held the following financial instruments carried at fair value in the statement of financial position.

Assets Measured at Fair Value

As at 31 March	2022 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Freehold lands carried at fair value (Note 11)	67,200	-	-	67,200
Unquoted equity shares - financial assets designated at FVOCI (Note 15)	120,987	-	-	120,987
As at 31 March	2021 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Freehold lands carried at fair value (Note 11)	42,746	-	-	42,746
Unquoted equity shares - financial assets designated at FVOCI (Note 15)	109,368	-	-	109,368

During the reporting period ended 31st March 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

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17 INVENTORIES

As at 31 March

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Raw materials and consumables*	689,970	397,597	229,503	51,820
Finished goods	78,387	44,313	50,626	12,666
Spares stocks	23,568	12,745	8,454	6,500
Working-in-progress	90,016	37,074	66,391	23,775
	881,941	491,729	354,974	94,761
Less: Provision for write down of inventories (Note 17.1)	(23,021)	(21,269)	(12,555)	(14,354)
	858,920	470,460	342,419	80,407

*Cair fibre inventory amounts to Rs. 217 million (4,332 tons in quantity). Inherent nature of the inventories, requires use of estimation techniques and judgments in ascertaining the physical quantities of inventories.

17.1 Movement in the Provision for Write Down of Inventories

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
As at 01 April	21,269	11,161	14,354	8,144
Provision made/(reversed) during the year	1,752	10,108	(1,799)	6,210
As at 31 March	23,021	21,269	12,555	14,354

18. TRADE AND OTHER RECEIVABLES

As at 31 March

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Trade receivables (Note 18.1)	639,474	376,277	277,252	50,169
Deposits and prepayments	12,108	7,823	4,871	3,175
Advance to suppliers	240,873	76,679	6,726	13,648
Other receivables	937	2,826	2,840	1,936
	893,392	463,605	291,689	68,928

18.1 Trade Receivables

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Gross trade receivables	689,887	382,167	317,132	53,386
Less: Provision for doubtful debts (Note 18.1(a))	(50,413)	(5,890)	(39,880)	(3,217)
Net trade receivables	639,474	376,277	277,252	50,169

18.1(a) Movement in the Provision for Doubtful Debts

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Balance as at 01 April	5,890	18,630	3,217	1,435
Provision made during the year	47,740	4,455	39,880	1,782
Provision reversed during the year	(3,217)	(17,195)	(3,217)	-
Balance as at 31 March	50,413	5,890	39,880	3,217

18.2 The Aging Analysis of Trade Receivables is as follows:

Group	Past due but not impaired					Total (gross)	Provisions	Total (net)
	Neither past due nor impaired	<60 Days	61-120 Days	121-180 Days	>180 Days			
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
As at 31 March 2022	339.61	220.51	119.74	2.31	7.71	689.88	(50.41)	639.47
As at 31 March 2021	268.10	75.81	29.64	2.00	6.61	382.16	(5.89)	376.27

Company	Past due but not impaired					Total (gross)	Provisions	Total (net)
	Neither past due nor impaired	<60 Days	61-120 Days	121-180 Days	>180 Days			
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
As at 31 March 2022	139.29	91.88	85.53	-	0.43	317.13	(39.88)	277.25
As at 31 March 2021	33.46	11.52	5.18	-	3.21	53.37	(3.21)	50.16

19. OTHER CURRENT ASSETS

As at 31 March	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Other tax receivables	440	440	-	-
Withholding tax refunds	20	85	-	38
VAT receivables	31,638	45,804	4,037	4,165
	32,098	46,329	4,037	4,203

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20. AMOUNTS DUE FROM OTHER RELATED COMPANIES

As at 31 March

	Relationship	Group		Company	
		2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Quality Seeds Co.(Pvt) Ltd	Affiliate	1,037	2,457	1,037	2,457
Toyo Cushion Lanka (Pvt) Ltd	Affiliate	-	690	14,856	4,579
Ravi Industries Ltd	Affiliate	-	-	-	621
Chas P Hayley & Co.(Pvt) Ltd	Affiliate	6,763	16,846	7,491	18,666
Haymat (Pvt) Ltd	Affiliate	-	-	806	909
Rileys (Pvt) Ltd	Affiliate	437	-	-	-
Singer Sri Lanka PLC	Affiliate	79,533	49,361	-	-
Creative Polymats (Pvt) Ltd	Subsidiary	-	-	103	-
Haycarb USA, INC	Affiliate	212,088	47,336	212,088	47,336
Bonterra Ltd	Subsidiary	-	-	8,183	9,758
		299,858	116,690	244,564	84,326

21. CASH IN HAND AND AT BANK

As at 31 March

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Cash in hand	546	496	246	196
Cash at bank	162,324	60,457	116,130	26,814
Cash in hand and at bank	162,870	60,953	116,376	27,010

22. STATED CAPITAL

As at 31 March

	No.of Shares		Company	
	2022	2021	2022 Rs. '000	2021 Rs. '000
Fully paid ordinary shares	24,000,000	24,000,000	80,000	80,000

23. RESERVES

As at 31 March

	Notes	Group		Company	
		2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Other components of equity					
Cash flow hedge reserves		(20,675)	(3,889)	-	-
Revaluation reserves	23.1	28,341	24,511	28,341	24,511
Fair value reserves of financial assets designated at FVOCI		77,376	66,919	77,376	66,919
		85,042	87,541	105,717	91,430
Amalgamation reserves					
Amalgamation revenue reserves	23.3	36,625	36,625	36,625	36,625
Amalgamation capital reserves	23.3	14,000	14,000	14,000	14,000
		50,625	50,625	50,625	50,625
Retained earnings	23.2	1,000,285	901,142	799,991	760,272
		1,135,952	1,039,308	956,333	902,327

23.1 Revaluation Reserves

As at 31 March

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
As at 01 April	24,511	24,511	24,511	24,511
Revaluation surplus during the year	4,454	-	4,454	-
Income tax effect on revaluation surplus	(624)	-	(624)	-
As at 31 March	28,341	24,511	28,341	24,511

23.2 Retained Earnings

As at 31 March

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
As at 01 April	901,142	768,501	760,272	639,141
Profit for the year	197,932	147,794	138,024	136,252
Re-measurement gain/(loss) on employee benefit obligations	(3,245)	(1,340)	(2,680)	(1,303)
Income tax on other comprehensive income	456	187	375	182
Dividends	(96,000)	(14,000)	(96,000)	(14,000)
As at 31 March	1,000,285	901,142	799,991	760,272

23.3 Amalgamation reserves consist of net surplus arisen from the amalgamation as per the provisions for amalgamation, in the companies Act No. 07 of 2007.

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24. LONG-TERM INTEREST BEARING BORROWINGS

As at 31 March

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
As at 31 March	158,842	-	23,611	-
New loan obtained**	200,000	156,529	200,000	25,000
Repayments	(62,129)	(5,465)	(16,668)	(1,389)
Effect of movements in exchange rates	33,572	7,778	-	-
At the end of the year	330,285	158,842	206,943	23,611
Repayable within one year	132,970	65,421	40,279	16,668
Repayable after one year	197,315	93,421	166,664	6,943

**Consist of loan obtained by Hayleys Fibre PLC, during the year amounting to Rs. 200 Mn.

24.1 Analysis of Long Term Borrowings by Year of Repayment

Group	1 to 2 years Rs. '000	2 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
As at 31 March 2022	80,655	116,660	-	197,315
As at 31 March 2021	70,649	22,772	-	93,421

Company	1 to 2 years Rs. '000	2 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
As at 31 March 2022	50,004	116,660	-	166,664
As at 31 March 2021	6,943	-	-	6,943

24.2 Long Term Borrowings Repayable After One Year

Company	Lender/Rate of interest %	Repayment Terms	Security	2022 Rs. '000	2021 Rs. '000
Hayleys Fibre PLC	HNB PLC (AWPLR + 0.25%)	48 monthly installments commenced from August 2021	Letter of comfort of Hayleys PLC	166,664	6,943
Bonterra Ltd	HSBC (3Months LIBOR + 3.95%)	24 monthly installments commenced from September 2021	Primary mortgage over machinery	27,258	77,426
	HNB PLC (AWPLR + 0.25%)	18 monthly installments commenced from March 2021	None	-	2,772
Creative Polymats (Pvt) Ltd	Seylan Bank PLC (AWPLR + 1.5%)	18 monthly installments commenced from December 2020	None	3,393	6,280
				197,315	93,421

25. DEFERRED TAXATION

25.1 Deferred Tax Assets

As at 31 March

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
As at 01 April	21,484	21,672	-	-
Tax income/(expense) recognised in profit & loss	(6,333)	(229)	-	-
Tax income/(expense) recognised in other comprehensive income	45	41	-	-
As at 31 March	15,196	21,484	-	-

The closing deferred tax assets is related to the following;

As at 31 March

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Deferred tax assets				
Losses available for off-setting against future taxable income	29,208	33,557	-	-
Deferred tax liabilities				
Accelerated depreciation for tax purposes	(13,186)	(11,247)	-	-
Amortisation of intangible assets for tax purposes	(826)	(826)	-	-
	(14,012)	(12,073)	-	-
As at 31 March	15,196	21,484	-	-

Un-utilised tax losses carried forward of Creative Polymats (Pvt) Ltd as of 31 March 2022 amounting to Rs. 120.6 million.

25.2 Deferred Tax Liabilities

As at 31 March

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
As at 1 April	15,383	30,531	8,371	25,665
Tax (income)/expense recognised in profit & loss	38,200	(15,753)	24,007	(17,909)
Tax (income)/expense recognised in other comprehensive income	1,317	605	1,410	615
As at 31 March	54,900	15,383	33,788	8,371

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The closing deferred tax assets and liabilities are related to the following.

As at 31 March

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Deferred tax assets				
Employee benefit obligations	(4,737)	(3,673)	(4,232)	(3,388)
Amortisation of intangible assets for tax purposes	(545)	-	(545)	-
Effect of transition to SLFRS 16	-	(725)	-	(725)
	(5,282)	(4,398)	(4,777)	(4,113)
Deferred tax liabilities				
Accelerated depreciation for tax purposes	26,454	14,152	15,380	6,855
Effect of transition to SLFRS 16	5,284	-	5,284	-
Revaluation on freehold land	4,613	3,990	4,613	3,990
Revaluation of financial assets designated at FVOCI	2,800	1,639	2,800	1,639
Effect of unrealised exchange gain	21,031	-	10,488	-
	60,182	19,781	38,565	12,484
Net deferred tax liabilities	54,900	15,383	33,788	8,371

26 EMPLOYEE BENEFIT OBLIGATIONS

As at 31 March

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
As at 01 April	26,640	23,483	24,198	22,174
Current service cost	2,759	2,145	1,421	1,217
Interest cost	2,122	2,219	1,936	2,088
Re-measurement (gain)/ loss on employee benefit obligations	3,660	1,377	2,680	1,303
	35,181	29,224	30,235	26,782
Employee benefits paid	(243)	(2,584)	-	(2,584)
As at 31 March	34,938	26,640	30,235	24,198

26.1 Expense recognised during the year in the Statement of Profit or Loss

As at 31 March

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Current service cost	2,759	2,145	1,421	1,217
Interest cost	2,122	2,219	1,936	2,088
	4,881	4,364	3,357	3,305
Re-measurement (gain)/loss recognised in other comprehensive income	3,660	1,377	2,680	1,303

26.2 LKAS 19 - requires the use of actuarial techniques to make a reliable estimate of the amount of employee benefit that employee have earned in return for their service in the current and prior periods and discount the benefit using the Projected Unit Credit Method in order to determine the present value of the employee benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

The key assumptions used in determining the cost of employee benefits were:

Rate of discount	15% (2021 : 8%)
Rate of salary increase	13.5% (2021 : 7%)
Retirement age	55-60 years as specified by the Company (2021-55-60 Years)
Mortality	Based on A1967/70 mortality table.

The demographic assumptions underlying the valuations are with respect to retirement age early withdrawals from service and retirement on medical grounds.

The present value of employee benefit obligation is carried on annual basis.

The following payments are expected from the defined benefit plan obligation in future years.

26.3 Distribution of Employee Benefit Obligation Over Future Working Lifetime

As at 31 March

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Expected future working life				
Within the next twelve months	11,438	1,365	11,057	1,185
Between one to five years	8,633	14,192	6,955	13,343
Between five to ten years	5,208	4,189	4,407	3,754
More than ten years	9,659	6,894	7,816	5,916
As at 31 March	34,938	26,640	30,235	24,198

The Company, weighted average duration of the defined benefit plan obligation at the end of the reporting period is 5.73 years.

26.4 Sensitivity Analysis - Salary Escalation Rate and Discount Rate

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. The sensitivity was carried for the rate of wage increment & salary increment and discount rate. Simulation made for Employee benefit obligation show that a rise or decrease by 1% of the rate of wage & salary and discount rate have the following changes related to Employee benefit obligation.

As at 31 March

	Group		Company	
Salary escalation rate	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
1% Increase	37,116	28,497	31,958	25,797
1% Decrease	32,965	24,964	28,661	22,746

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As at 31 March	Group		Company	
Rate of discount	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
1% Increase	33,116	25,082	28,788	22,851
1% Decrease	36,978	28,395	31,841	25,705

27 SHORT-TERM INTEREST-BEARING BORROWINGS

As at 31 March	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Bank overdrafts (Note 27.1)	194,298	30,768	82,329	1,849
Short term loans (Note 27.2)	624,160	226,904	72,400	-
	818,458	257,672	154,729	1,849

27.1 Bank Overdrafts

Company	Lender/ Rate of interest	2022 Rs. '000	2021 Rs. '000	Security
Hayleys Fibre PLC	HNB PLC (AWPLR + 0.25%)	-	1,849	Unsecured
	HSBC (LIBOR + 3%)	82,329	-	Unsecured
Bonterra Ltd	HNB PLC (AWPLR + 0.25%)	16,822	1,953	Unsecured
	HSBC (LIBOR + 3%)	46,641	-	Unsecured
Creative Polymats (Pvt) Ltd	Sampath Bank PLC (AWPLR + 0.5%)	20,727	1,111	Unsecured
	Seylan Bank PLC (AWPLR + 1.5%)	27,779	25,855	Unsecured
		194,298	30,768	

27.2 Short-term Loans

Company	Lender/ Rate of interest	2022 Rs. '000	2021 Rs. '000	Security
Hayleys Fibre PLC	HNB PLC (AWPLR + 0.25%)	72,400	-	Export Orders
Bonterra Ltd	HNB PLC (AWPLR + 0.25%)	126,760	-	-
Creative Polymats (Pvt) Ltd	Commercial Bank PLC (AWPLR + 1%)	100,000	100,000	-
	Sampath Bank PLC (AWPLR + 0.5%)	250,000	-	-
	Seylan Bank PLC (AWPLR + 1.5%)	75,000	126,904	Stock & debtors
		624,160	226,904	

28 TRADE & OTHER PAYABLES

As at 31 March

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Trade payables	43,080	244,028	19,227	8,841
Accruals and other payables	271,678	144,243	119,594	68,660
Dividend payables	4,215	15	4,215	15
Unclaimed dividends	10,727	7,910	10,727	7,910
	329,700	396,196	153,763	85,426

29. OTHER CURRENT LIABILITIES

As at 31 March

	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Advances (Contract liabilities)	20,721	22,830	10,605	1,050
	20,721	22,830	10,605	1,050

30. AMOUNTS DUE TO OTHER RELATED COMPANIES

As at 31 March

		Group		Company	
		2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Relationship					
Hayleys PLC	Parent	32,435	12,974	26,512	4,055
Charles Fibres (Pvt) Ltd	Affiliate	220,576	20,290	220,576	20,290
Lignocell Ltd	Affiliate	-	29	-	29
Haymat (Pvt) Ltd	Affiliate	13,694	2,962	-	-
Ravi Industries Ltd	Affiliate	1,191	89	1,314	-
Hayelys Agriculture Holdings Ltd	Affiliate	184	351	184	351
Hayleys Aventura (Pvt) Ltd	Affiliate	1,180	-	-	-
Logiwiz (Pvt) Ltd	Affiliate	1,476	-	1,476	-
Advantis Projects & Engineering (Pvt) Ltd	Affiliate	-	15	-	15
Hayleys Free Zone Ltd	Affiliate	2,130	-	-	-
Advantis Freight (Pvt) Ltd	Affiliate	3,944	3,788	522	68
Puritas (Pvt) Ltd	Affiliate	442	2,842	89	2,734
Toyo Cushion Lanka (Pvt) Ltd	Affiliate	5,953	-	-	-
Dipped Products PLC	Affiliate	460	-	460	-
Hayleys Business Solutions International (Pvt) Ltd	Affiliate	195	157	49	28
Volanka (Pvt) Ltd	Affiliate	6,930	2,707	1,602	1,073
Rileys (Pvt) Ltd	Affiliate	-	40,613	7,733	169
		290,790	86,817	260,517	28,812

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31 CAPITAL EXPENDITURE COMMITMENTS

There were no material commitments which required disclosure as at the date of the balance sheet.

32 CONTINGENT LIABILITIES

The Group/Company does not have significant contingent liabilities as at the reporting date. (2021: Nil)

33 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel compensation

Key management personnel comprise of Directors of the Company and details of Directors fees are given in note 7 to the Financial Statements.

Other transactions with key management personnel

Directors of the Company hold 0.01% of the voting Shares of the Company.

Transactions with key management personnel and their related parties have been conducted on relevant commercial terms with the respective parties.

34 EVENTS OCCURRING AFTER THE REPORTING DATE

The Board of Directors has recommended the payment of a Final Dividend of Rs 0.30 per share, subject to the approval of the shareholders at the Annual General Meeting. No circumstances have arisen since the balance sheet date which require adjustment to or disclosure in the financial statements.

35 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from financial instruments :

- 1 Credit Risk
- 2 Liquidity Risk
- 3 Operational Risk
- 4 Market Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these Group financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework as described in detailed in Risk Management Report on pages 85 to 89.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit Risk

Credit risk is the risk that a counter party 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 for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Trade and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Management; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. Outstanding customer receivables are regularly monitored at the individual sector and Group Management Committee (GMC) level.

Further SLECIC cover or other forms of credit insurance is obtained for most exports or in the instance this is not obtained, specific GMC approval is taken prior to the export.

More than 85 percent of the Company's customers have been transacting with the Company for over five years, and no impairment loss has been recognised against these customers. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's whole sale customers. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the Management and future sales are made on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Company of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The possible delays in getting past dues from the customers and demand for extended credit periods as a result of COVID-19 were reviewed to minimise the exposures, with customer negotiations on settlements and invoicing/letter of Credit discounting arrangement with banks.

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The maximum exposure to credit risk for trade and other receivables as at the reporting date by currency wise is as follows:

As at 31 March	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Rupees	383,585	178,952	14,492	15,543
USD	451,694	242,513	230,428	36,889
GBP	3,138	16,627	-	-
EUR	54,975	25,513	46,769	16,496
	893,392	463,605	291,689	68,928

Investments

Credit risk from investments in equity market and balances with the financial institutions are managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counter-parties and within credit limits assigned to each counter-party. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counter-party's failure.

Cash in Hand and at Bank

The Group and Company held cash in Hand and at Bank of Rs. 377.91 million and Rs. 331.41 million respectively as at 31 March 2022 (2020/21 - Rs. 409.71 million and Rs. 375.76 million) which represents its maximum credit exposure on these assets.

Respective credit ratings of banks which cash balances held are as follows;

- People's Bank - AA- (Ika)
- Standard Chartered Bank - AAA (Ika)
- Hong Kong and Shanghai Banking Corporation Ltd - AA-
- Hatton National Bank PLC - AA- (Ika)
- Seylan Bank PLC - A- (Ika)
- Deutsche Bank- BBB+
- Cargills Bank - AA- (Ika)
- National Development Bank PLC - A+(Ika)
- Sampath Bank PLC - AA-(Ika)
- Commercial Bank of Ceylon PLC - AA-(Ika)

Source - <http://www.fitchratings.com>

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Maturity Analysis

The table below summarises the maturity profile of the Group/Company financial liabilities as at 31 March 2022 based on contractual undiscounted payments.

As at March 2022	On demand Rs. '000	Less than 3 Months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	>5 years Rs. '000	Total Rs. '000
Group						
Interest-bearing loans and borrowings	-	850,845	100,584	197,314	-	1,148,743
Trade and other payables	-	277,467	21,700	30,533	-	329,700
Amounts due to other related companies	-	278,597	9,926	2,267	-	290,790
	-	1,406,909	132,210	230,114	-	1,769,233
Company						
Interest-bearing loans and borrowings	-	157,507	37,501	166,664	-	361,672
Trade and other payables	-	135,288	5,189	13,286	-	153,763
Amounts due to other related companies	-	260,517	-	-	-	260,517
	-	553,312	42,690	179,950	-	775,952
As at 31 March 2021	On demand Rs. '000	Less than 3 Months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	>5 years Rs. '000	Total Rs. '000
Group						
Interest-bearing loans and borrowings	-	39,153	283,940	93,421	-	416,514
Trade and other payables	-	273,031	120,707	2,458	-	396,196
Amounts due to other related companies	-	38,479	48,338	-	-	86,817
	-	350,663	452,985	95,879	-	899,527
Company						
Interest-bearing loans and borrowings	-	6,016	12,501	6,943	-	25,460
Trade and other payables	-	82,375	968	2,083	-	85,426
Amounts due to other related companies	-	28,812	-	-	-	28,812
	-	117,203	13,469	9,026	-	139,698

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Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance when this is effective.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, financial assets at FVOCI/available-for-sale investments and derivative financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest Rate Risk

Interest Rate is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in market interest rates. The Group mainly borrows in the short term to fund its working capital requirement which are linked and floating interest rates. For other funding needs the Group maintains a proper mix of fixed and floating interest rates based on the predictability of future cash flows.

	Increase in basis point	Group Effect on profit before tax Rs. '000	Company Effect on profit before tax Rs. '000
2022	+150	37,545	3,433
	-150	(37,545)	(3,433)
2021	+150	8,454	57
	-150	(8,454)	(57)

Foreign Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group, primarily the Euro, US Dollars (USD) and Sterling Pound (GBP). The currencies in which these transactions primarily are denominated are EUR,USD,GBP.

Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the US Dollars, Sterling Pound (GBP) and Euro exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to change in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency change for all other currencies is not material.

	Increase / (decrease) in exchange rate	Effect on Profit Before Tax Group Rs. '000	Company Rs. '000
2022			
USD	+5%	27,660	18,394
EUR	+5%	4,666	3,610
GBP	+5%	159	5
USD	-5%	(27,660)	(18,394)
EUR	-5%	(4,666)	(3,610)
GBP	-5%	(159)	(5)

	Increase / (decrease) in exchange rate	Effect on Profit Before Tax Group Rs. '000	Company Rs. '000
2021			
USD	+5%	4,500	3,789
EUR	+5%	(925)	669
GBP	+5%	821	3
USD	-5%	(4,500)	(3,789)
EUR	-5%	925	(669)
GBP	-5%	(821)	(3)

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Commodity Risk

The Group is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase and manufacturing process. Due to the significantly increased volatility of the price of the underlying, the Group's Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation.

Equity price Risk

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Group Management Committee.

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserve, retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group's net debt to adjusted equity ratio at the reporting date was as follows.

As at 31 March	Group		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Interest bearing borrowings	197,315	93,421	166,664	6,943
Current portion of long term interest bearing borrowings	132,970	65,421	40,279	16,668
Short term interest bearing borrowings	818,458	257,672	154,729	1,849
	1,148,743	416,514	361,672	25,460
Equity	1,479,980	1,347,905	1,036,333	982,327
Equity and net debts	2,628,723	1,764,419	1,398,005	1,007,787
Gearing ratio	44%	24%	26%	3%

36 RELATED PARTY TRANSACTIONS

As at 31st March Relationship with the Company	Settlement Rs. '000	Net funds transfer from / (to) related parties Rs. '000	Sale to related parties Rs. '000	Purchases / services from related parties Rs. '000	2022 Amount due from / (due to) related parties Rs. '000	2021 Amount due from / (due to) related parties Rs. '000
Parent :						
Hayleys PLC	51,905	-	-	(74,362)	(26,512)	(4,055)
Subsidiaries :						
Bonnera Ltd	-	(72,601)	8,411	62,615	8,183	9,758
Creative Polymats (Pvt) Ltd	(416)	-	-	519	103	-
Affiliate :						
Chas P Hayley & Co. (Pvt) Ltd	-	(219,938)	277,463	(68,700)	7,491	18,666
Lignocell (Pvt) Ltd	2,579	-	-	(2,550)	-	(29)
Volanka (Pvt) Ltd	11,550	-	-	(12,079)	(1,602)	(1,073)
Volanka Exports (Pvt) Ltd	432	(432)	-	-	-	-
Toyo Cushion Lanka (Pvt) Ltd	-	(33,863)	45,356	(1,216)	14,856	4,579
Ravi Industries Ltd	2,157	-	-	(4,092)	(1,314)	621
Rileys (Pvt) Ltd	1,618	-	-	(9,182)	(7,733)	(169)
Quality Seeds (Pvt) Ltd	(8,029)	-	6,609	-	1,037	2,457
Haymat (Pvt) Ltd	(1,228)	-	-	1,125	806	909
Haycarb USA, INC	(466,126)	-	630,878	-	212,088	47,336
Hayleys Business Solutions International (Pvt) Ltd	623	-	-	(644)	(49)	(28)
Charles Fibres (Pvt) Ltd	329,688	-	-	(529,974)	(220,576)	(20,290)
Hayleys LifeSciences (Pvt) Ltd	(1,678)	-	-	1,678	-	-
Hayleys Agriculture Holdings Ltd	2,210	-	-	(2,043)	(184)	(351)
Hayleys Aventura (Pvt) Ltd	(1,318)	-	-	1,318	-	-
Logiwiz (Pvt) Ltd	1,053	-	-	(2,529)	(1,476)	-
Thalawakelle Tea Estates (Pvt) Ltd	100	-	-	(100)	-	-
Advantis Projects & Engineering (Pvt) Ltd	(107)	-	122	-	-	(15)
Puritas (Pvt) Ltd	3,487	-	-	(842)	(89)	(2,734)
Dipped Product PLC	-	-	-	(460)	(460)	-
Advantis Freight (Pvt) Ltd	732	-	-	(1,186)	(522)	(68)
Singer (Sri Lanka) PLC	(20,963)	-	-	20,963	-	-

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FINANCIAL REPORTS

Notes to the Financial Statements

36.1 Terms and Conditions of Transactions with Related Parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

37 SEGMENT ANALYSIS

The segment information is based on the nature of the businesses carried out by the Group. The management is of the view that the Chairman is considered to be the chief operating decision maker and resources are allocated and performances assessed based on the below mentioned segments.

	Coir Fibre products		Stitched blanket		PU Mattresses and Related Products		Inter Segment		Total	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Revenue										
Total Segmental Revenue	1,695,787	736,058	1,303,107	917,566	711,110	350,964	(11,358)	(3,852)	3,698,646	2,000,736
Segment Results										
Result from operating activities	111,799	113,910	246,152	212,256	70,840	(1,202)	(90,045)	(79,601)	338,746	245,363
Net finance income/(expense)	70,090	17,181	77,395	11,338	(49,012)	(17,171)	1,714	2,074	100,187	13,422
Profit before tax	181,889	131,091	323,547	223,595	21,828	(18,373)	(88,331)	(77,528)	438,933	258,785
Tax expenses	(43,865)	5,161	(48,718)	(24,377)	(6,548)	(188)	(119)	3,862	(99,250)	(15,542)
Depreciation on property, plant and equipment	12,428	9,604	9,399	4,572	19,797	18,364	-	-	41,624	32,540
Amortisation of intangible assets	2,921	2,433	-	-	4,133	4,196	-	-	7,054	6,629
Segment financial position										
Total Assets	1,921,937	1,179,266	874,236	651,140	902,137	767,170	(287,013)	(259,111)	3,411,297	2,338,465
Additions to property, plant and equipment	160,291	21,619	651	114,546	14,780	16,557	-	-	175,722	152,722
Additions to intangible assets	-	12,171	-	-	-	-	-	-	-	12,171
Deferred tax liabilities	33,788	8,371	20,776	6,796	-	-	336	216	54,900	15,383
Employee benefit obligations	30,235	24,198	3,604	2,033	1,099	409	-	-	34,938	26,640
Trade and other payable	153,763	85,426	120,803	153,216	55,134	157,554	-	-	329,700	396,196
Segment cash flows										
Segment cash flows from operating activities	(259,339)	185,853	49,166	64,711	(161,453)	(94,226)	(45,360)	(5,262)	(416,986)	151,076
Segment cash flows from investing activities	(23,105)	76,347	(512)	(87,788)	(14,866)	(16,743)	(88,328)	(69,976)	(126,811)	(98,160)
Segment cash flows from financing activities	157,615	(75,997)	(99,336)	(45,904)	(39,579)	-	329,770	262,321	348,470	140,420



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Shareholder and Investor Information

Ordinary Shareholders as at 31 March 2022

No. of shares held	Residents			Non Residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	4,391	1,781,907	7.42	16	8,209	0.03	4,407	1,790,116	7.46
1,001 - 10,000	672	2,086,601	8.69	8	27,910	0.12	680	2,114,511	8.81
10,001 - 100,000	103	2,457,261	10.24	4	184,482	0.77	107	2,641,743	11.01
100,001 - 1,000,000	9	1,853,630	7.72	-	-	0.00	9	1,853,630	7.72
OVER 1,000,000	1	15,600,000	65.00	-	-	0.00	1	15,600,000	65.00
	5,176	23,779,399	99.08	28	220,601	0.92	5,204	24,000,000	100.00
Category									
Individuals	5,025	7,060,658	29.42	25	98,078	0.41	5,050	7,158,736	29.83
Institutions	151	16,718,741	69.66	3	122,523	0.51	154	16,841,264	70.17
	5,176	23,779,399	99.08	28	220,601	0.92	5,204	24,000,000	100.00

Directors' Shareholdings as at 31.03.2022

Name of Directors	No. of Shares
Mr. A. M. Pandithage	960
Mr. H. S. R. Kariyawasan	NIL
Mr. M. M. A. R. P. Goonetilleke (Appointed w.e.f. 15/09/2021)	NIL
Dr. S. A. B. Ekanayake	NIL
Mr. S. C. Ganegoda	1,824
Mr. T. G. Thoradeniya	NIL
Dr. T. K. D. A. P. Samarasinghe	NIL
Mr. L. A. K. I. Kodytuwakku	NIL
Mr. D. K. De Silva Wijeyeratne	NIL
Mr. M. C. Sampath	NIL
Mr. W. A. K. Kumara	NIL
Mr. L. Uralagamage (Appointed w.e.f. 01/06/2021)	NIL
Mr. M. I. L. Perera (Resigned w.e.f. 20/07/2021)	NIL

Share Trading Information -Three Months Ended 31.03.2022

Highest price (Rs.) - 12.01.2022	Rs. 88.50
Lowest price (Rs.) - 31.03.2022	Rs. 55.00
Closing price (Rs.) - 31.03.2022	Rs. 55.10

Share Trading Information -Year Ended 31.03.2022

Highest price (Rs.) - 24.12.2021	Rs. 99.90
Lowest price (Rs.) - 30.06.2021	Rs. 44.50
Closing price (Rs.) - 31.03.2022	Rs. 55.10

Number of transactions	19,905
Number of shares traded	10,989,072
Value of shares traded (Rs.)	809,329,961
Percentage of public holding as at 31.03.2022	34.99%
Total number of shareholders representing public holding	5,201
Float - adjusted market capitalisation (Rs.)	462,707,760

The Company complies with option 5 of the Listing Rules 7.14.1 (i) (a) – Less than Rs. 2.5 Bn Float Adjusted Market Capitalisation which requires 20% minimum Public Holding.

Dividends

Final dividend 2020/2021 - Rs. 1.75/= per share paid on 14.07.2021.

First interim dividend 2021/2022 -Rs. 1/= per share paid on 26.10.2021.

Second interim dividend 2021/2022 -Rs. 0.75/= per share paid on 27.01.2022.

Third interim dividend 2021/2022 - Rs. 0.50/= per share paid on 09.05.2022.

First Twenty Shareholders

	Name of the Shareholder	No of Shares as at 31. 03. 2022	%	No of Shares as at 31. 03. 2021	%
1	Hayleys PLC No. 3 Share Investment A/C	15,600,000	65.00	15,600,000	65.00
2	Mrs. V. Saraswathi & Mr. S. Vasudevan	598,500	2.49	671,805	2.80
3	Merchant Bank of Sri Lanka & Finance PLC/ U. D. Premakumara	173,548	0.72	-	-
4	Mr. I. D. Bandarigodage	172,000	0.72	-	-
5	Dr. D. Jayanntha	170,700	0.71	170,700	0.71
6	Mr. S. Srikanthan & Mrs. S. Srikanthan	170,000	0.71	240,000	1.00
7	Acuity Partners (Pvt) Ltd / Mr. Subramaniam Vasudevan	161,484	0.67	161,484	0.67
8	Mr. R. E. Rambukwella	157,637	0.66	157,737	0.66
9	Mr. A. R. Ibrahim	142,685	0.59	133,500	0.56
10	New Benson Trading (Pvt) Ltd	107,076	0.45	176,265	0.73
11	Hatton National Bank PLC - Arpico Ataraxia Equity Income Fund	98,000	0.41	-	-
12	Miss. P. Navaratnam	78,156	0.33	78,156	0.33
13	Mr. S. K. Thenabadu, Mrs. L.P. Thenabadu & Ms. C. S. Thenabadu	74,496	0.31	74,496	0.31
14	Sezeka Limited	72,496	0.30	-	-
15	Mr. T. D. De Jonk	61,959	0.26	61,959	0.26
16	Mr. S. Thuvarakan	59,277	0.25	-	-
17	Mr. D. M. Gunarathna	56,201	0.23	41,151	0.17
18	Ms. M. A. R. Nasreen	56,126	0.23	-	-
19	Miss. S. N. Dias	48,423	0.20	43,423	0.18
20	Miss. S. Durga	48,015	0.20	48,015	0.20
	TOTAL	18,106,779	75.44	17,658,691	73.58

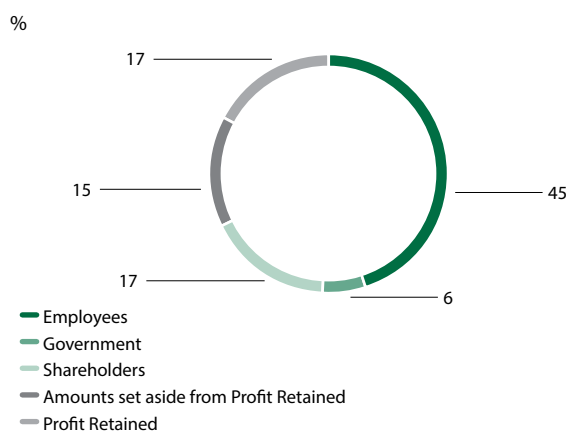
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SUPPLEMENTARY INFORMATION

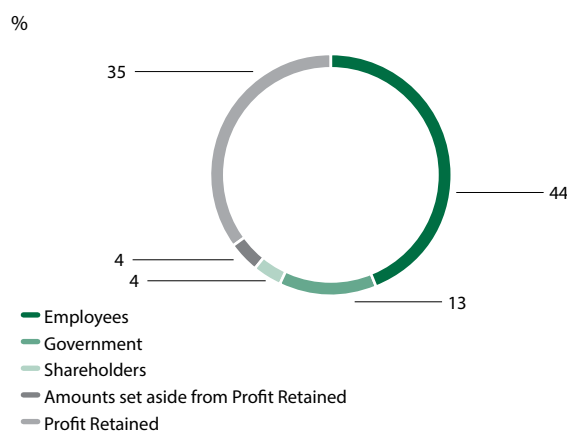
Statement of Value Added

For the year ended 31 March	Group				Company			
	2022		2021		2022		2021	
	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%
Revenue	3,698,646		2,000,736		1,695,787		736,058	
Other income	70,397		39,362		146,200		110,725	
	3,769,043		2,040,098		1,841,987		846,783	
Less: Cost of materials and other costs	(3,208,314)		(1,650,953)		(1,525,403)		(574,758)	
	560,729		389,145		316,584		272,025	
Distribution of value added								
Employees	250,530	45	171,173	44	122,343	39	96,011	39
Government	31,398	6	51,134	13	7,800	2	16,942	7
Shareholders	96,000	17	14,000	4	96,000	30	14,000	5
Amounts set aside for provisions	86,157	15	16,975	4	36,435	12	(8,305)	-3
Profit retained	96,644	17	135,863	35	54,006	17	128,243	52
	560,729	100	389,145	100	316,584	100	246,891	100

Group Value Distribution in 2021-22



Group Value Distribution in 2020-21



Ten Year Summary - Group

For the year ended 31 March	2022 Rs. '000	2021 Rs. '000	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000
Trading results										
Revenue	3,698,646	2,000,736	789,625	886,099	562,659	478,976	442,038	576,451	468,475	421,827
Profit/(loss) before taxation	438,933	258,785	177,322	185,475	120,342	278,765*	16,019	7,643	27,311	27,668
Tax expenses	(99,250)	(15,542)	(31,034)	(32,927)	(19,377)	(11,495)	366	(4,701)	(2,634)	(1,897)
Profit/(loss) after taxation	339,683	243,243	146,288	152,548	100,965	267,270*	16,385	2,942	24,677	25,771
Share capital & reserves										
Stated capital	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Other components of equity	85,042	87,541	84,318	75,500	73,151	74,778	240,787	240,083	233,654	232,778
Revenue reserves	1,000,285	901,142	768,501	695,507	595,914	531,945	106,510	91,779	88,118	65,019
Amalgamation reserves	50,625	50,625	50,625	50,625	50,625	50,625	50,625	50,625	50,625	50,625
Equity attributable to equity holders of the Company	1,215,952	1,119,308	983,444	901,632	799,690	737,348	477,922	462,487	452,397	428,422
Non-controlling interest	264,028	228,597	81,426	81,656	-	-	-	-	-	-
Total equity	1,479,980	1,347,905	1,064,870	983,288	799,690	737,348	477,922	462,487	452,397	428,422
Assets less liabilities										
Property, plant & equipment	754,508	630,773	484,051	233,933	72,290	64,838	255,293	255,877	247,148	249,212
Investments	120,987	109,368	232,099	176,316	161,704	142,610	146,823	131,835	130,244	126,028
Other non-current assets	73,619	89,690	84,632	16,956	-	-	-	954	1,602	1,422
Total non-current assets	949,114	829,831	800,782	427,205	233,994	207,448	402,116	388,666	378,994	376,662
Current assets	2,462,183	1,508,634	884,878	735,601	662,067	614,392	181,736	369,304	259,515	189,128
Current liabilities	(1,621,840)	(830,631)	(546,772)	(142,344)	(72,758)	(69,157)	(91,298)	(264,032)	(150,169)	(102,887)
Working capital	840,343	678,003	338,106	593,257	589,309	545,235	90,438	105,272	109,346	86,241
Non-current liabilities	(309,477)	(159,929)	(74,018)	(37,174)	(23,613)	(15,335)	(14,632)	(31,451)	(35,943)	(34,481)
Net assets	1,479,980	1,347,905	1,064,870	983,288	799,690	737,348	477,922	462,487	452,397	428,422
RATIOS AND OTHER INFORMATION										
Basic earnings per share (Rs.)	8.25	6.16	6.09	6.05	4.21	11.14	0.68	0.12	1.03	1.07
Net assets per share (Rs.)	50.66	46.64	40.98	37.26	33.32	30.72	19.91	19.27	18.85	17.85
Current ratio (times)	1.52	1.82	1.62	5.17	9.09	8.88	1.99	1.40	1.73	1.84
Dividend per share - paid (Rs.)	4.00	0.58	2.83	2.25	1.33	0.67	-	0.10	0.10	-
Dividend payout (%)	48.50	9.47	46.53	35.40	31.70	5.99	-	81.08	9.74	-
Price earning ratio (times)	6.68	7.73	14.30	14.17	16.85	5.32	55.66	323.86	26.06	27.01

*PBT 2016/2017 includes a land disposal gain of Rs. 215 million

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Thirty Sixth Annual General Meeting of Hayleys Fibre PLC, will be held on Tuesday, 28th June, 2022 at 11.30 a.m. Via Online Meeting Platform for the following purposes :

- 1) To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2022, with the Report of the Auditors thereon.
- 2) To declare the final dividend of Rs. 0.30 per share as recommended by the Directors.
- 3) To re-elect as a Director in terms of Article 27(2) of the Articles of Association of the Company, Mr. L. Uralagamage, who has been appointed to the Board since the last Annual General Meeting.
- 4) To re-elect as a Director in terms of Article 27(2) of the Articles of Association of the Company, Mr. M. M. A. R. P. Goonetilleke, who has been appointed to the Board since the last Annual General Meeting.
- 5) To re-elect as a Director Mr. H. S. R. Kariyawasan, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
- 6) To re-elect as a Director Mr. T. G. Thoradeniya, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
- 7) To re-elect as a Director Dr. T. K. D. A. P. Samarasinghe, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
- 8) 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.

- 9) To authorise the Directors to determine donations and contributions to charities for the ensuing year.
- 10) 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.
- 11) To consider any other business of which due notice has been given.

By Order of the Board

HAYLEYS FIBRE PLC

Hayleys Group Services (Private) Limited
Secretaries
31st May 2022

Notes:

1. The Annual Report of the Company for 2021/22 is available on the corporate website <https://www.hayleysfibre.com/annual-reports/> and on the Colombo Stock Exchange website - <https://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 fibreagm@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 29th June 2022.

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HAYLEYS FIBRE PLC 169
Annual Report 2021/22

Notes

Form of Proxy

I/We*(full name of shareholder**) NIC No./Reg.

No. of Shareholder (**)of being a shareholder/shareholders* of HAYLEYS FIBRE PLC hereby appoint,

1.(full name of proxyholder**) NIC No. of Proxyholder (**).....of or failing him,
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 Thirty Sixth Annual General Meeting of the Company to be held on Tuesday, 28th June, 2022 on online platform and at any adjournment thereof which may be taken in consequence thereon.

	For	Against
1 To consider and adopt the Annual Report of the Board of Directors and the Statements 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. 0.30 per share as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3 To re-elect as a Director in terms of Article 27(2) of the Articles of Association of the Company, Mr. L. Uralagamage, who has been appointed to the Board since the last Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
4 To re-elect as a Director in terms of Article 27(2) of the Articles of Association of the Company, Mr. M. M. A. R. P. Goonetilleke, who has been appointed to the Board since the last Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
5 To re-elect as a Director Mr. H. S. R. Kariyawasan, 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"/>
6 To re-elect as a Director Mr. T. G. Thoradeniya, 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"/>
7 To re-elect as a Director Dr. T. K. D. A. P. Samarasinghe, 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"/>
8 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"/>
9 To authorise the directors to determine donations and contributions to charities for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
10 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 of2022.

Witness: Signature:

Name:

Address: Signature of Shareholder

NIC No.:

Notes:

- (a) *Please delete the inappropriate words.
- (b) A shareholder entitled to attend and vote at the Annual General Meeting of the Company, is entitled to appoint a proxy to represent and speak instead of him/her and the proxy need not be a shareholder of the Company.
- ** Full name of shareholder/proxy holder and their NIC Nos and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed. Reg. No. Should be given in the case of corporate shareholders.
- (c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
- (d) Instructions are noted on the reverse hereof.
- (e) This Form of Proxy is in terms of the Articles of Association of the Company.
- (f) Please refer the 'Circular to Shareholders' dated 31st May 2022 and follow the instructions to join the meeting online.

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SUPPLEMENTARY INFORMATION

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Form of Proxy

INSTRUCTIONS AS TO COMPLETION OF PROXY:

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No.400, Deans Road, Colombo 10, Sri Lanka or to be e-mailed to fibreagm@secretarial.hayleys.com not less than 48 hours before the start of the Meeting.
2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly sign and fill in the date of signing.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.
4. Please indicate with an "X" in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (***) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
5. In the case of a company/corporation the proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association 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

Legal Form

A Public Limited Company Incorporated in Sri Lanka in 1987.
Company Number PQ 21

Directors

A. M. Pandithage - Chairman
H. S. R. Kariyawasan - Deputy Chairman
M. M. A. R. P. Goonetilleke - Managing Director
(Appointed w. e. f. 15th September 2021)
L. A. K. I. Kodytuakku - Deputy Managing Director
Dr. S. A. B. Ekanayake
S. C. Ganegoda
T. G. Thoradeniya
Dr. T. K. D. A. P. Samarasinghe
D. K. De Silva Wijeyeratne
M. C. Sampath
W. A. K. Kumara
L. Uralagamage (Appointed w. e. f. 01st June 2021)

Registered Office

Hayleys Building
400, Deans Road, Colombo 10, Sri Lanka
Telephone : (94-11) 2627000
Fax : (94-11) 2627645

Office

131, Minuwangoda Road,
Ekala, Ja-Ela, Sri Lanka
Telephone : (94-11) 2232939
Fax : (94-11) 2232941
E-mail : info@hayleysfibre.com
Web Site : www.hayleysfibre.com

Bankers

Hatton National Bank PLC
Hongkong and Shanghai Banking Corporation Ltd
Standard Chartered Bank
Seylan Bank PLC
People's Bank
Deutsche Bank
Cargills Bank
National Development Bank PLC
Sampath Bank PLC
Commercial Bank of Ceylon PLC

Auditors

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

Legal Advisors

Corporate Legal Department
Julius & Creasy – Attorneys At Law

Secretaries

Hayleys Group Services (Pvt) Limited
No. 400, Deans Road, Colombo 10, Sri Lanka.
Telephone : (94-11) 2627650
Facsimile : (94-11) 2627645
E-mail : info.sec@hayleys.com
Please direct any queries about the administration of
shareholding to the Company Secretaries.





Hayleys Fibre PLC
No 400, Deans Road, Colombo 10, Sri Lanka.

www.hayleysfibre.com